UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20–F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report …….

Commission file number 001-33271

CELLCOM ISRAEL LTD.

(Exact name of Registrant as specified in its charter
and translation of Registrant's name into English)

ISRAEL

(Jurisdiction of incorporation or organization)

10 Hagavish Street, Netanya 4250708, Israel

Address of principal executive offices)

Liat Menahemi Stadler, 972-52-9989595 (phone), 972-98607986 (fax), LIATME@cellcom.co.il, 10 Hagavish Street, Netanya 4250708, Israel

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol	Name of each exchange on which registered
Ordinary Shares, par value NIS 0.01 per share	(CEL)	New York Stock Exchange ("NYSE")

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2019, the Registrant had outstanding 147,288,446 Ordinary Shares, par value NIS 0.01 per share.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Indicate by check mark whether the Registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer , or an emerging growth company. See definition of "large accelerated filer", "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

International Financial Reporting Standards as issued by the International Accounting Standards Board ☒

Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant elected to follow.

Item 17 ☐

Item 18 ☐

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

(Applicable only to Issuers involved in bankruptcy proceedings during the past five years).

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☐ No

TABLE OF CONTENTS

		Page
	PART I	
Item 1.	Identity of Directors, Senior Management and Advisers	5
Item 2.	Offer Statistics and Expected Timetable	5
Item 3.	Key Information	5
Item 4.	Information on the Company	31
Item 4A.	Unresolved Staff Comments	72
Item 5.	Operating and Financial Review and Prospects	73
Item 6.	Directors, Senior Management and Employees	103
Item 7.	Major Shareholders and Related Party Transactions	132
Item 8.	Financial Information	135
Item 9.	The Offer and Listing	138
Item 10.	Additional Information	139
Item 11.	Quantitative and Qualitative Disclosures About Market Risk	152
Item 12.	Description of Securities Other than Equity Securities	153
	PART II	
Item 13.	Defaults, Dividend Arrearages and Delinquencies	153
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds	153
Item 15.	Controls and Procedures	153
Item 16A.	Audit Committee Financial Expert	155
Item 16B.	Code of Ethics	155
Item 16C.	Principal Accountant Fees and Services	155
Item 16D.	Exemptions from the Listing Standards for Audit Committees	156
Item 16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	156
Item 16G.	Corporate Governance	156
Item 16H.	Mine Safety Disclosure	157
	PART III	
Item 17.	Financial Statements	157
Item 18.	Financial Statements	157
Item 19.	Exhibits	158
Financial Statements		F-1

INTRODUCTION

In this annual report, “Cellcom,” the “Company,” “we,” “us” and “our” refer to Cellcom Israel Ltd. and its subsidiaries. The terms “NIS” refers to new Israeli shekel, and “dollar,” “USD” or “$” refers to U.S. dollars. The term "Companies Law" shall mean the Israeli Companies Law of 1999.

Presentation of Financial and Share Information

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board ("IASB").

Unless we indicate otherwise, U.S. dollar translations of the NIS amounts presented in this annual report are translated for the convenience of the reader using the rate of NIS 3.456 to $1.00, the representative rate of exchange as of December 31, 2019 as published by the Bank of Israel. The translation is for the convenience of the reader only, and it does not represent the fair value of the translated assets and liabilities.

Trademarks

We have proprietary rights to trademarks used in this annual report which are important to our business. We have omitted the “®” and “™” designations for certain trademarks, but nonetheless reserve all rights to them. Each trademark, trade name or service mark of any other company appearing in this annual report belongs to its respective holder.

Industry and Market Data

This annual report contains information about our market share, market position and industry data. Unless otherwise indicated, this statistical and other market information is based on statistics prepared by the Ministry of Communications of Israel, Brandman Marketing Research and Consultancy Institute, Sapio Research & Development, Pyramid Research, and Meida Shivuki C.I. (survey institute). Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. We have not independently verified the accuracy of market data and industry forecasts contained in this annual report that were taken or derived from these industry publications.

Special Note Regarding Forward-Looking Statements

We have made statements under the captions “Item 3. Key Information - D - Risk Factors,” “Item 4 – Information on the Company,” “Item 5. Operating and Financial Review and Prospects,” and in other sections of this annual report that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors discussed under the caption entitled “Item 3. Key Information - D. Risk Factors.” You should specifically consider the numerous risks outlined under “Item 3. Key Information - D. Risk Factors.”

Although we believe the expectations reflected in the forward-looking statements contained in this annual report are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We assume no duty to update any of these forward-looking statements after the date of this annual report to conform our prior statements to actual results or revised expectations, except as otherwise required by law.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

You should read the following selected consolidated financial data in conjunction with the section of this annual report entitled “Item 5. Operating and Financial Review and Prospects” and our consolidated financial statements, the notes thereto, the independent registered public accounting firms’ report and the convenience translation of the consolidated financial statements as of and for the year ended December 31, 2019 into U.S. dollars solely for the convenience of the reader, included elsewhere in this annual report.

The selected data presented below under the captions “Income Statement Data” and “Statement of Financial Position Data” for, and as of the end of, each of the years in the five-year period ended December 31, 2019, are derived from the consolidated financial statements of Cellcom Israel Ltd. and subsidiaries. The consolidated financial statements as of December 31, 2018 and 2019, and for each of the years in the three-year period ended December 31, 2019, and the report thereon, are included elsewhere in this annual report. Data for 2016 and 2015, and the selected consolidated balance sheet data as of December 31, 2017, 2016 and 2015, have been derived from our previously reported audited consolidated financial statements, which are not included in this annual report. The selected financial data should be read in conjunction with our consolidated financial statements and accompanying notes and “Operating and Financial Review and Prospects” appearing in Item 5 of this annual report, and are qualified entirely by reference to such consolidated financial statements.

The information presented below under the caption "Other Data" contains information that partly is not derived from the financial statements.

For your convenience, the following tables also contain U.S. dollar translations of the NIS amounts presented at December 31, 2019, translated using the rate of NIS 3.456 to $1.00, the representative rate of exchange on December 31, 2019 as published by the Bank of Israel.

	Year Ended December 31,					
	2015	2016	2017*	2018*	2019	2019
	(In NIS millions, except where indicated otherwise)					(In US$ millions)
Income Statement Data:						
Revenues	4,180	4,027	3,871	3,688	3,708	1,073
Cost of revenues	2,763	2,702	2,680	2,661	2,725	788
Selling and marketing expenses	620	574	479	567	610	177
General and administrative expenses	465	420	426	360	329	95
Other income (expenses), net	22	21	*42	*1	(20)	(6)
Operating profit	310	310	*328	*101	24	7
Financing expense, net	177	150	*175	*171	144	42
Tax benefit(tax on Income)	(36)	(10)	(40)	6	23	7
Losses of equity	-	-	-	-	(10)	(3)
Net income (loss)	97	150	113	(64)	(107)	(31)
Basic earnings (loss) per share (in NIS)	0.95	1.47	1.11	(0.58)	(0.90)	(0.26)
Diluted earnings(loss) per share (in NIS)	0.95	1.47	1.10	(0.58)	(0.90)	(0.26)
Weighted average ordinary shares used in calculation of basic earnings per share (in shares)	100,589,458	100,604,578	100,654,935	107,499,543	118,376,455	
Weighted average ordinary shares used in calculation of diluted earnings per share (in shares)	100,589,530	100,698,306	100,889,661	107,499,543	118,376,455	

(*)The results at and for the years 2017, 2018 have been reclassified regarding a change in accounting policy regarding long term credit transactions

Statement of Financial Position Data:						
Cash and cash equivalents	761	1,240	527	1,202	1,006	291
Working capital	625	1,074	692	1,269	933	270
Total assets	6,278	6,662	6,087	6,749	7,162	2,072
Total equity	1,185	1,340	1,441	1,677	1,887	547
Other Data:						
Adjusted EBITDA(1)	872	858	*884	*687	940	272
Capital expenditures	396	382	550	647	562	163
Dividends declared per share	-	-	-	-		
Net cash from operating activities	836	781	774	770	1,036	300
Net cash used in investing activities	(96)	(364)	(644)	(631)	(560)	(162)
Net cash from (used in) financing activities	(1,136)	62	(843)	537	(672)	(194)
Cellular Subscribers (in thousands)(2)	2,835	2,801	2,817	2,851	2,744	-
Churn rate of cellular subscribers(4)	42.0%	42.4%	45.8%	43.2%	48.8%	
Cellular ARPU (in NIS)(5)	65	63	57	51	51	14
Internet customers (households) (end of period) (in thousands)(3)	95	156	222	269	278	-
TV customers (households) (end of period) (in thousands) (3)	63	111	170	219	258	

(1) Adjusted EBITDA is a non-IFRS measure and is defined as income before financing income (expenses), net; other income (expenses), net (excluding gain from the sale of a subsidiary and expense related to employee retirement plans); income tax; depreciation and amortization and share based payments. We present adjusted EBITDA as a supplemental performance measure because we believe that it facilitates operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structure (most particularly affecting our interest expense given our significant debt), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age of, and depreciation expenses associated with property, plant and equipment. Adjusted EBITDA should not be considered in isolation or as a substitute for operating income or other statement of operations or cash flow data prepared in accordance with IFRS as a measure of our profitability or liquidity. Adjusted EBITDA does not take into account our debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, adjusted EBITDA, as presented in this annual report, may not be comparable to similarly titled measures reported by other companies due to differences in the way that these measures are calculated.

The following is a reconciliation of net income to adjusted EBITDA:

	Year Ended December 31,					
	2015	2016	2017	2018	2019	2019
	(In NIS millions)					(In US$ millions)
Net income (loss)	97	150	113	(64)	(107)	(31)
Financing expense, net	177	150	175	171	144	42
Other expenses (income),net (excluding expense related to employee retirement plans and gain from the sale of a subsidiary);	(3)	8	(1)	-	10	3
Losses of equity					10	3
Tax benefit (tax on income) income	36	10	40	(6)	(23)	(7)
Depreciation and amortization	562	534	555	584	898	260
Share based payments	3	6	2	2	8	2
Adjusted EBITDA	872	858	884	687	940	272

As from January 1, 2019 we apply International Financial Reporting Standard 16, Leases (hereinafter: “IFRS 16” or “the standard”), see note 2-F-1-A to our financial statements.

(2) Cellular subscriber data refers to active subscribers. We use a six-month method of calculating our cellular subscriber base, which means that we add post-paid subscribers to our subscriber base upon their joining our services and prepaid subscribers upon charging a prepaid card and we deduct subscribers from our subscriber base after six months of no revenue generation and activity on our network (for prepaid subscribers, as of the first quarter of 2019, 'no activity' includes only incoming SMS within our network) and no data usage (as of the first quarter of 2019, 'no data usage' means less than 0.5 Gigabyte over a period of 6 months) or less than NIS 1 of accumulated revenues for M2M (machine to machine) subscribers. The six-month method is, to the best of our knowledge, consistent with the methodology used by other cellular providers in Israel. The 2017 cellular subscriber base includes subscribers added as part of our purchase of the operations of an Israeli Mobile Virtual Network Operator, or MVNO, during the third quarter of 2017. As of the third quarter of 2018, we add M2M subscribers to the cellular subscriber base only upon first use instead of at the time of joining our service as was done until the change. This change did not have a material effect on M2M prior subscriber data. The changes executed at the end of the first quarter 2019, resulted in the deletion of 153,000 subscribers from our cellular subscriber base.

(3) Internet and TV customers refer to active subscribers. Internet households receive end-to-end internet service, including infrastructure (based on the wholesale landline market) and connectivity services.

(4) Churn rate is defined as the total number of voluntary and involuntary permanent deactivations of cellular subscribers in a given period expressed as a percentage of the number of cellular subscribers at the beginning of the period. Involuntary permanent deactivations relate to cellular subscribers who have failed to pay their arrears for the period of six consecutive months. Voluntary permanent deactivations relate to cellular subscribers who terminated their use of our cellular services. Churn rate data is excluding the above mentioned removals of subscribers.

(5) Average monthly revenue per cellular subscriber (ARPU) is calculated by dividing revenues from cellular services for the period by the average number of cellular subscribers during the period and by dividing the result by the number of months in the period. Revenues from inbound roaming services and hosting and network sharing services are included even though the number of cellular subscribers in the equation does not include the users of those roaming, hosting and network sharing services. Inbound roaming services, hosting and network sharing services are included because ARPU is meant to capture all service revenues generated by a cellular network. Revenues from repair services pursuant to a monthly subscription, or Subscription Repair Services, are included because they represent recurring revenues generated by cellular subscribers, but revenues from sales of handsets (which for purposes of this report may include other types of cellular end user equipment, such as tablets), non-subscription repair services carried out on a random basis, or Random Repair Service, and other services are not included. We and industry analysts treat ARPU as a key performance indicator of a cellular operator because it is the closest meaningful measure of the contribution to service revenues made by an average subscriber. The 2019 ARPU was positively affected by the elimination of subscribers during 2019.

We have set out below the calculation of cellular ARPU for each of the periods presented:

	Year Ended December 31,					
	2015	2016	2017	2018	2019	2019
	(In NIS millions, except number of subscribers and months)					(In US$ millions)
Revenues	4,180	4,027	3,871	3,688	3,708	1,073
less revenues from equipment sales	1,048	994	952	904	932	270
less other revenues*	869	881	949	1,061	1,102	319
Revenues used in cellular ARPU calculation	2,263	2,152	1,971	1,723	1,674	484
Average number of cellular subscribers	2,898,987	2,832,407	2,797,341	2,826,013	2,752,871	2,752,871
Months during period	12	12	12	12	12	12
Cellular ARPU (in NIS, per month)	65	63	57	51	51	15

* Other revenues include revenues from other communications services mainly fixed-line revenues and repair services.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

We believe that the occurrence of any one or some combination of the following factors could have a material adverse effect on our business, financial condition or results of operations.

Risks Related to our Business

We operate in a heavily regulated industry, which can harm our results of operations. Regulation in Israel has materially adversely affected our results.

A substantial part of our operations is subject to the Israeli communications laws and the licenses for the provision of different telecommunications services that we received from the Ministry of Communications in accordance with the Communications Law. The interpretation and implementation thereof are not certain and subject to change and disagreements have arisen and may arise in the future between the Ministry of Communications, or MOC, and us. The Communications Law and regulations thereunder grant the Ministry of Communications extensive regulatory and supervisory authority with regard to our activities. The MOC may modify our licenses without our consent and in a manner that could limit our freedom to conduct our business and harm our results of operations. Frequent changes, or changes made on a timetable we cannot meet, to our licenses and legislation can increase the risk of noncompliance with our licenses or violation of such legislation and our exposure to lawsuits and regulatory sanctions. The MOC has the authority to impose substantial sanctions in the event of a breach of our licenses or the applicable laws and regulations and the authority to revoke them, in case we materially violate their terms.

Our licenses are limited in time and may be extended upon our request to the Ministry of Communications and its confirmation that we have complied with the provisions of our license and the applicable law, have continuously invested in the improvement of our service and network and have demonstrated the ability to do so in the future.

Our operations are also subject to the regulatory and supervisory authority of other Israeli regulators which have the authority to impose criminal and substantial administrative sanctions against us.

Further, our business and results of operations could be materially and adversely affected by new legislation and decisions by regulators or the courts that:

- refuse to approve our acquisition of Golan Telecom Ltd., or Golan, or set unfavorable conditions for such acquisition (see "Item 4. A. History and development of the Company – our history" below), or approve other mergers or acquisitions in the Israeli communications market, to which the Company is not a party, such as the recently published acquisition proposal of Partner Communications Company Ltd ("Partner") by Hot Telecommunication Systems Ltd ("Hot"), as it may prevent the approval of our acquisition of Golan or other acquisitions or mergers to which the Company may become a party, or result in the weakening of the Company's competitive standing, including loss of its leading position in the cellular market and related benefits of scale;

- approve the annulment or further relaxation of the structural separation requirements imposed on the Bezeq communications group, given its monopolistic or duopolistic powers in most areas in which we compete, and also on the Hot communications group (though to a lesser degree, given that Hot already has substantial leniencies despite its monopolistic and duopolistic powers), especially if carried out before an effective landline wholesale market, which includes both telephony and infrastructure, is effected on both Bezeq's and Hot's infrastructure. See also "– We face intense competition in all aspects of our business" below and "Item 4. Information on The Company – B. Business Overview "-Competition";

- set unfavorable regulation regarding tariffs or influencing tariffs, including high tariffs for wholesale services, increasingly so in light of the rapidly growing demand for data capacity for both internet and television services; or fail to install sufficient mechanisms to prevent Bezeq and Hot from reducing their retail tariffs and thereby reducing the difference between the wholesale and retail tariffs ("margin squeeze"), or fail to enforce regulation with respect to the landline wholesale market adversely affecting our competitive capabilities; See also "Item 4. Information on The Company – B. Business Overview "-Competition" and "– Government Regulations – Fixed-line Segment – Landline";

- award our competitors certain benefits and leniencies not available to us, including through waiving, easing or not enforcing requirements set in their licenses, or not making similar demands or not imposing similar restrictions or any regulation, for example, on foreign participants in the TV market. See also "Item 4. Information on the Company – B. Business Overview – Competition", "– Government Regulations – Cellular Segment" and thereunder: – Mobile Virtual Network Operators" and "Government Regulations – Fixed-line Segment";

- setting different regulation for similar licenses in the various fields of the communications market, such as annulling Bezeq's obligation of a nationwide deployment while such obligation remains in the cellular market, due to the material economic burden such an obligation imposes. See also "– We face intense competition in all aspects of our business" below and "Item 4. Information on The Company – B. Business Overview "-Competition";

- do not renew our licenses (or renew them on terms that are not favorable to us);

- do not renew the allocation of our frequencies (where applicable) or limit our usage thereof or demand that we return frequencies allocated to us or use less frequencies than previously allocated to us, or not allow us to obtain additional frequencies, as such become necessary, or do so under unfavorable terms, or demand that we change frequencies on an unreasonable timetable or bear the costs of such an exchange;

- *de facto* prevent us from participating in frequencies tenders by setting prerequisites which we cannot meet; conduct frequencies tenders before we are in need of additional frequencies or before we have the means to participate in such tenders; set unreasonable terms and conditions which may result in us having to pay sums which will further adversely affect our financial condition, or sums substantially higher than those paid by other contenders in the tender or in us not winning frequencies or winning a smaller quantity of frequencies than the quantity we require; or set deployment requirements for our network, using such new frequencies, requiring us to make substantial investments, without regard to their economic viability nor to our financial situation; see "As a result of substantial and continuing changes in our regulatory and business environment, our operating results, profitability and cash flow have decreased significantly in the past several years, with a loss for 2018. See "Further decline may adversely affect our financial condition" and "We may be adversely affected by the significant technological and other changes in the telecommunications industry "below and "Item 4. Information on the Company – B. Business Overview — Network and Infrastructure – Cellular Segment – Spectrum allocation;"

- lower entry barriers and encourage additional competitors to enter the communications market , such as allowing new contenders to participate in the new frequencies tender and provide 5G services and reducing requirements for obtaining an internet infrastructure service provider license (as proposed in a public hearing), which may further increase the competition in the market; substantially widen the current ability to self-provide communications services;

- providing certain communications services currently purchased from licensed operators by the state or entities operating on its behalf;
- impose new safety or health-related requirements;
- impose additional restrictions or requirements with respect to the construction and operation of cell sites or the networks (see "We may not be able to obtain permits to construct and operate cell sites" below);
- refuse to approve other operators' investment in our subsidiary IBC Israel Broadband Company (2013) Ltd.'s, or IBC. See also "Item 4. Information on the Company – B. Business Overview – Network and Infrastructure – Fixed-line Segment – Fixed-line Infrastructure – Investment in IBC";
- impose restrictions or demand we meet additional requirements on the provision of services or products we provide or regulate or otherwise intervene with the terms under which we advertise, market, price (including changes thereof) or provide them to our subscribers, credit terms, including in respect of existing agreements;
- allow other operators or other parties to provide services previously provided only by us to our subscribers;
- set higher service standards or costly requirements relating to the service we provide our customers, both in relation to our network quality and coverage and our customer service, including response times at our call centers;
- set a timetable for the implementation of new requirements in our license or other legislation which we cannot meet;
- impose a stricter policy or set stricter regulation with respect to privacy protection, such as with regard to data protection, collection, amelioration, segmentation or usage of data, including for commercial activities by us or for the benefit of third parties;
- impose regulation on our "over-the-top", or OTT, TV services, including the requirement to finance original productions, or applying such regulation to us and not to other OTT TV providers. See "– Item 4. Information on the Company – B. Business Overview – Government Regulations — Fixed-line Segment – OTT TV"; and
- limit or prohibit the renewal of our licenses and allocation of additional frequencies to us, as we are included in the list of concentrated entities (being a subsidiary of Discount Investment Corporation Ltd., or DIC) published annually according to the Law for the Promotion of Competition and the Mitigation of Concentration, or the Concentration Law;
- impose unfavorable regulation on IBC's operations or competitive standing, in as much as same shall have an adverse effect on us as indirect shareholder or customer of IBC.

If we fail to compensate for lost revenues, increased expenses (objectively or in comparison to our competitors) or additional investments resulting from past or future legislative or regulatory changes with alternative sources of income or otherwise, our results of operations may be materially adversely affected.

We face intense competition in all aspects of our business.

The Israeli telecommunications market is highly competitive in many of its elements. The competition level has increased substantially in recent years, following the entry of additional competitors and regulatory changes alleviating entry barriers and transfer barriers. Specifically in the cellular market, price competition and erosion, high churn rate and high subscriber acquisition costs continue to materially affect our and other mobile network operators', or MNOs', revenues and profitability. The current level of competition in all the markets in which we operate and aggressive price plan offerings by our competitors may continue. See also the "Competition" section under “Item 4. Information on the Company - B. Business Overview","— Competition – Fixed-line Segment– Internet infrastructure and Connectivity Business" and "– Telephony Business". Should the current level of competition continue, it will continue to adversely affect our results of operations. Any of the following developments materializing in our market, may result in increased competition and further materially adversely affect our profitability:

- tariffs maintained at their current level or decreasing even further, including as part of a bundle;

- failure to complete our acquisition of Golan (see "Item 4. A. History and development of the Company – our history" below), or other mergers or acquisitions in the communications market, to which the Company is not a party, such as the recently published acquisition proposal of Partner by Hot, as it may prevent the approval of our acquisition of Golan or other acquisitions or mergers to which the Company may become a party, or result in weakening of the Company's competitive standing, including loss of its leading position in the cellular market and related benefits of scale;

- an ineffective landline wholesale market, including the *de facto* exclusion of telephony wholesale services, services provided not in line with the wholesale market criteria and not enforced by the MOC; unfavorable pricing harming our ability to provide competitive bundles and compete with the Hot and Bezeq groups, or change of current regulation to a less favorable one, given our dependence on the landline wholesale market in supplying our landline infrastructure services; or further escalation of the competition by Bezeq and Hot, such as Hot continuing to decrease its retail services and lack of 'margin squeeze' prevention regulation and Bezeq commencing the sale of fiber-optic infrastructure service, given their dominance in the landline market, especially if the structural limitations on these groups are alleviated before an effective landline wholesale market is in effect; unfavorable regulation to IBC's competitive capabilities, in as much as same shall have an adverse effect on us as an indirect shareholder of IBC or as a customer of IBC, given our 15 year undertaking to purchase indefeasible right of use, or IRU to IBC's network at the agreed price, regardless of the fact that more favorable proposals may be available to us in the future. See also "Item 4. Information on The Company –B. Business Overview – Government Regulations – Fixed-line Segment – Landline";

- annulment or further relaxation of the structural separation imposed on each of the Bezeq and Hot groups or further consolidation of Bezeq's subsidiaries and their operations as it will provide the Bezeq and Hot groups a competitive advantage, given their dominance in the landline telephony and infrastructure markets and TV market. More so, in respect of our triple and quatro offering, given the *de facto* creation of a unified company by Bezeq's subsidiaries with the strong financial support of Bezeq. See also "Item 4. Information on The Company –B. Business Overview – Competition - Communications groups and structural separation"; "-Government Regulations – Fixed-line Segment – Landline";

- entrance of new competitors, including major global and local companies, to any of the markets we operate in, such as in the new frequencies tender allowing the entry of new 5G operators and as proposed in a public hearings proposing the lowering or regulatory requirements for the provision of internet infrastructure service, or such as Netflix, Amazon and other OTT participants entering the TV market, or complementary services becoming competitive to our services, or the entry of existing competitors to additional markets or segments where they are currently not or less active, or as a result of regulatory changes, allowing other operators to provide services currently provided only by us to our subscribers. See "Item 4. Information on The Company –B. Business Overview – Network and Infrastructure – Cellular Segment – Spectrum allocation" and "– Competition"; or if certain communications services currently purchased from licensed operators are provided by the state or by entities operating on its behalf;

- IBC's failure to deploy widespread landline infrastructure which we can procure, given the growth of our TV and internet services and the substantially more expensive wholesale alternative. Further, this may limit our broadband bandwidth offering in comparison to our competitors who have their own infrastructure, since currently our offering of such service is mainly dependent on the landline wholesale market services. See "Item 4. Information on the Company –B. Business Overview — Competition – Fixed-Line Segment";

- our inability or failure to purchase additional frequencies or to purchase frequencies in an amount equal to our competitors or in a sufficient amount, or to make the necessary investments in our networks or in our business in general, in order to maintain our competitive standing, given our financial situation or otherwise. See "- As a result of substantial and continuing changes in our regulatory and business environment, our operating results, profitability and cash flow have decreased significantly in the past several years, with a loss for 2018. Further decline may adversely affect our financial condition" and "We may be adversely affected by the significant technological and other changes in the telecommunications industry" below;

- regulatory or technological changes, such as implementation of an electronic SIM (e-SIM) in cellular end-user equipment, facilitating even further transfer of customers among operators;

- the continued increased competition in the handsets market may result in decreased handset sales. See also "-We may not be able to maintain current handsets sales revenues and profitability." below and "Item 4. Information on The Company –B. Business Overview – Competition – Cellular Segment";

- some of our competitors may be able to obtain better access and terms of engagement with international suppliers or foreign carriers, than we do, due to their affiliation with international groups; or

- if our services are adversely affected by, or we are required to bear the costs of, a frequencies change or frequencies reduction, which do not affect our competitors, or if neighboring countries block or interfere with our services while our competitors' services remain uninterrupted. See "We may be adversely affected by the significant technological and other changes in the telecommunications industry" below;

- an adverse change to IBC's competitive standing, in as much as same shall have an adverse effect on us as an indirect shareholder of IBC or a customer of IBC.

As a result of substantial and continuing changes in our regulatory and business environment, our operating results, profitability and cash flow have decreased significantly in the past several years, with a loss for 2018 and 2019. Further decline may adversely affect our financial condition.

Our operating profit in 2019 was NIS 24 million ($7 million), a decrease of 76.2% from NIS 101 million ($29 million) in 2018 and a decrease of 69% from NIS 328 million in 2017. We recorded a net loss in 2019 of NIS 107 million ($ 31 million), compared to a net loss in 2018 of NIS 64 million ($19 million) and net income of NIS 113 million in 2017. The Company's net cash from operating activities in 2019 increased in comparison with 2018 due to the adoption of IFRS 16 standard (for details see "Item 5. Operating and financial review and prospects – A. Operating results – Overview" below. The principal factor leading to the continued decline in our operating results over the past several years has been the intense competition resulting largely from regulatory developments intended to enhance competition in the Israeli telecommunications market. These developments have caused, over the past several years, significant erosion in the prices charged for the provision of cellular services. In August 2019 our rating in relation to our debentures traded on the Tel Aviv Stock Exchange, or TASE, was downgraded to ilA and our rating outlook was maintained at “negative”. Our and another cellular operator's controlling shareholder recognized a substantial impairment of goodwill expense associated with us and the other cellular operator, in their respective financial reports for the second quarter of 2019 and the already intense competition in the cellular market further heightened with campaigns announcing tariffs as low as US$ 3-4 per month for a cellular package. These developments had an adverse effect on our financial condition and the perception of the Israeli telecommunications market in general and of us more specifically – given our substantial debt, resulting in the substantial decrease of our shares' price, hardening requirements to access additional credit from banks and increase of our debentures yield, signifying increased cost of future debt raised from the capital market.

Although we have announced and put in motion a comprehensive restructuring plan, or the Restructuring Plan, in September 2019 (see "Item 5. Operating and Financial Review and prospects – A. Operating Results" below), following which our debentures' yield decreased and we completed a successful capital raise in December 2019 (see "Item 5. Operating and Financial Review and Prospects. – B. Liquidity and Capital Resources – Issuances of equity securities" below) and entered a new collective employment agreement (see Item 6. Directors, senior management and employees - D. Employees" below), we cannot guarantee the Restructuring Plan will be fully executed or the effects it will have on our results of operations and financial condition, as our business environment continues to be characterized by increased competition in the various markets in which we operate. The factors which affected the Israeli communications market may continue to negatively impact our business, which may further adversely affect our results of operations and financial condition – that being more volatile than our competitors, due to our substantially larger amount of debt. The completion of the transaction to purchase Golan's share capital, if completed, and the need to finance such purchase would impose additional financial burden on our results of operations (see Item 4. A. History and development of the Company – our history" below). Other impacts may include the need to reduce investments, in absolute terms and in comparison to our competitors, which may harm our competitive standing and potential future growth, adversely affect our ability to raise additional debt and refinance our existing debt or adversely affect the terms and price of such debt raising, which in turn may further adversely affect our financial condition and may require equity capital raising, if possible; or on the contrary - require us to make substantial investments in order to maintain our competitive standing and potential future growth, such as pay large sums for additional frequencies and invest large sums in the deployment of a corresponding network, despite our substantial debt and reduced profitability, which in turn may lead to additional downgrade of our debentures rating, may adversely affect our financial condition and our ability to raise additional debt and refinance our existing debt or adversely affect the terms and price of such debt raising and may require equity capital raising, if possible. See also " - We may be adversely affected by the significant technological and other changes in the telecommunications industry", "Our handsets revenues and profitability have decreased and are expected to decrease further and "- Our substantial debt increases our exposure to market risks, may limit our ability to incur additional debt that may be necessary to fund our operations and could adversely affect our financial stability" below.

In 2020, as part of the global effects of the Corona virus, our roaming revenues have been adversely effected. If such effects continue for a long duration, they would further adversely affect our handset sales and all aspects of our operations, resulting in a material adverse effects on our results of operations. Furthermore, as part of the global effects of the Corona virus on the capital markets, our debentures yield have increased substantially. If such effects continue and for the duration they so continue, it would adversely affect our access to additional debt and capital. See "The Corona virus may adversely affect our results of operations" below.

We may not be able to obtain permits to construct and operate cell sites

We depend on our network of cell sites to maintain and enhance network coverage for our cellular subscribers. We also deploy and operate microwave sites as part of our transmission network. The construction and operation of these various facilities are highly regulated and require us to obtain various consents and permits.

We have experienced difficulties in obtaining some of these consents and permits, particularly in obtaining building permits for cell sites from local planning and building authorities. As of December 31, 2019, we operated a small portion of our cell sites without building permits or applicable exemptions and approximately 33% of our cell sites without building permits in reliance on an exemption from the requirement to obtain a building permit, mainly for radio access devices. Such reliance had been challenged and under an interim order issued by the Supreme Court in September 2010, was reduced to replacing or relocating existing radio access devices under certain conditions. In October 2018, regulations setting procedures for the construction, changes and replacement of radio access devices exempt from building permits were enacted (and the interim order was annulled). Although these regulations reflect previous judicial limitations placed upon our ability to make changes and replace radio access devices, they also introduce a new licensing procedure that further reduces our ability to construct new radio access devices based on such exemption. This may adversely affect our existing networks and our networks' build out, more so in light of the necessity to support new frequencies if we win them in the frequencies tender (see "Item 4. Information on The Company – B. Business Overview — Network and Infrastructure – Cellular Segment – Spectrum allocation"). In addition, the Ministry of Justice expressed an opinion that such regulations and the exemption do not relate to the radio access devices' ancillary equipment. The Ministry of Justice is expected to publish further instructions in the matter. The exclusion of the ancillary equipment from the exemption, if adopted, could adversely affect our existing networks and our networks' build out. For additional details see "-“Item 4.B – Business Overview – Government Regulations – Cellular Segment – Permits for Cell Site Construction”.

Additionally, District Court rulings adopted a narrower interpretation of 'rooftops' to which the exemption may be applied.

We also rely on the exemption for our rooftop microwave sites and signal amplifiers (known as 'repeaters'). It is unclear whether other types of repeaters require a building permit.

In addition, we may be operating a significant number of our cell sites in a manner that is not fully compatible with the building permits issued for these cell sites, which may, in some cases, also constitute grounds for termination of our lease agreements for those sites or claims for breach of such agreements.

Pursuant to the Israeli Non-Ionizing Radiation Law, 2006, the granting or renewal of an operating permit by the Commissioner of Environmental Radiation at the Ministry of Environmental Protection of Israel, or the Commissioner, for a cell site or other facility is subject to the receipt of a building permit or an exemption from such a permit.

Several local planning and building authorities are claiming that Israeli cellular operators may not receive building permits, in reliance on the Israeli National Zoning Plan 36, or the Plan, which regulates cell site construction and operation, for cell sites operating in frequencies not specifically detailed in the frequencies charts attached to the Plan and have refused to provide a building permit in a number of cases. Following conflicting district court decisions regarding this claim, the Ministry of Justice expressed an opinion negating such claims and the matter is expected to be decided by the Supreme Court. Some of the frequencies to which we are required to transfer according to the MOC's instruction and all the frequencies included in the new frequencies tender (see "We may be adversely affected by the significant technological and other changes in the telecommunications industry" below) are not specifically detailed in the Plan. Most of our cell sites and many cell sites operated by other operators also operate in frequencies not specifically detailed in the Plan.

Operation of a cell site or other facility without a building permit or operating permit or not in accordance with the permits or other legal requirements may subject us and our officers and directors to criminal, administrative and civil liability, to eviction orders in respect of the cell sites in breach, revocation or suspension of the operating permit, as well as to withholding the grant of operating permits to additional cell sites or demolition orders. As a result, we may be required to relocate cell sites to less favorable locations or stop operation of cell sites.

If we are unable to obtain or rely on exemptions from obtaining or to renew building or other consents and permits for our existing cell sites or other facilities, or if the Plan is changed to include additional restrictions and requirements on the construction and operation of cell sites or should the Supreme Court rule against the Company regarding the claim in relation to frequencies not specifically detailed in the Plan, it could adversely affect our existing network and its build-out, delay the deployment of our 4G network using additional frequencies and future generations, negatively affect the extent, quality and capacity of our network coverage and our ability to continue to market our products and services effectively, all of which may have a material adverse effect on our results of operations and financial condition.

For additional details see "Item 4.B – Business Overview – Government Regulations – Cellular Segment – Permits for Cell Site Construction".

We may be required to indemnify certain local planning and building committees in respect of claims against them.

Under the Israeli Planning and Building Law, 1965, by approving a building plan, local planning and building committees may be required to compensate for depreciation of properties included in or neighboring the approved plan.

As a precondition to obtaining a cell site construction permit from a planning and building committee, we are required to provide a letter to the committee indemnifying it for possible depreciation claims and have provided hundreds of such indemnification letters to local planning and building committees. Calls upon our indemnification letters may have a material adverse effect on our financial condition and results of operations. We may also decide to demolish or relocate existing cell sites to less favorable locations or not at all, due to the obligation to provide indemnification. As a result, our existing service may be impaired or the expansion of our network coverage could be limited.

Alleged health risks relating to non-ionizing radiation generated from cell sites and cellular devices may harm our prospects.

Handsets, accessories and various types of cell sites are known to be sources of non-ionizing radiation emissions and are the subject of an ongoing public debate and concern in Israel. Radio frequency electromagnetic fields were classified by the International Agency for Research on Cancer (an agency of the World Health Organization) as possibly carcinogenic to humans (Group 2B), based on an increased risk for glioma, a malignant type of brain cancer associated with wireless phone use, and research is being conducted in regards to cellular handsets use and cancer and other health risks. The Israeli Ministry of Health published recommendations to take precautionary measures when using cellular handsets, and increasing awareness of the possible risks of cellular phones usage, reducing usage thereof and introducing precautionary measures were the subject of several bills in recent years. While, to the best of our knowledge, the handsets that we market comply with the applicable legislation that relate to acceptable "specific absorption rate," or SAR, levels, we rely on the SAR levels published by the manufacturers of these handsets and do not perform independent inspections of the SAR levels of these handsets. As the manufacturers' approvals refer to a prototype handset, we have no information as to the actual level of SAR of the handsets throughout the lifecycle of the handsets, including in the case of handset repair. See also "Item 4. Information on the Company – B. Business Overview – Government Regulations – Cellular Segment – Handsets".

Health concerns regarding cell sites have caused us difficulties in obtaining permits for cell site construction and obtaining or renewing leases for cell sites and even resulted in unlawful sabotage of a small number of cell sites and prompted proposed legislation aimed at increasing the minimum distance permitted between cell sites and certain institutions. Formal positions adopted by various Israeli government ministries with respect to radiation safety, include the 2009 position that cell sites constructed pursuant to a building permit are preferable to radio access devices, and that utilizing a cellular network to provide advanced services that can be provided through a landline network is not justified in light of the preventive care principle set forth in the Israeli Non-Ionizing Radiation Law.

If health concerns regarding non-ionizing radiation increase further, or if adverse findings in studies of non-ionizing radiation are published, non-ionizing radiation levels are found to be higher than the standards set for handsets and cell sites, we may be subject to health-related claims for substantial sums. Consumers may also be discouraged from using cellular handsets and regulators may impose additional restrictions on the construction and operation of cell sites or handset and accessories marketing and usage. As a result, we may experience increased difficulty in constructing and operating cell sites and obtaining leases for new cell site locations or renewing leases for existing locations, or be exposed to property depreciation claims; and we may lose revenues due to decreasing usage of our services and be subject to increased regulatory costs. We have not obtained insurance for these potential claims. An adverse outcome or settlement of any health-related litigation against us or any other provider of cellular services could have a material adverse effect on our results of operations, financial condition or prospects.

The unionizing of our employees may impede necessary organizational and personnel changes, result in increased costs or disruption to our operation.

In 2015, we entered into the first collective employment agreement with our employees' representatives and the Histadrut, an Israeli labor union, for a term of 3 years. In 2018 we entered into a new collective employment agreement for another term of 3 years (2018-2020) and in May 2019 and February 2020 we entered into new collective employment agreements which amended the 2018 agreement. The 2015 and 2018 agreements have consistently increased our employment costs. The agreement defines employment policy and terms in various aspects, including payments to the employees, procedures relating to manning a position, change of place of employment and dismissal, including management's and the employees' representative's respective authority with regards to each. As a result, our day-to-day operations and our ability to execute organizational and personnel changes is more limited, cumbersome, costly and lengthy, as reflected in the voluntary retirement plans carried out in 2014 – 2016, 2018 and 2020, and requires more management attention that would otherwise be available for our ongoing business. Both in January and September 2019, the Histadrut announced a labor dispute at the Company, following the Company's announcement of its intention to execute a substantial reduction in the number of employees, pursuant to which the employees would be entitled to take organizational steps (including a strike). Simultaneously with the September 2019 declaration of a labor dispute, the employees' representatives commenced a sudden and unlawful strike which ended the following day, following an understanding as to negotiations on the matter. The January 2019 declaration of labor dispute ended with the execution of the 2019 agreement and the September 2019 declaration ended with the execution of the 2020 agreement.

Further disagreements with the employees' representatives, may trigger work stoppages or other disruptions to our operation and an adverse impact on our services or customer service, changes may fail to be executed or be executed in a materially different way than planned, resulting in substantially lower savings than expected or requiring materially increased employment costs. Increased costs, inability or limited ability to make organizational and personnel changes, as well as work stoppages or other disruption to our operations and limitations on management's discretion, may damage the efficiency and quality of our operations, and may lead to damage to our reputation, increased customer churn, loss of market share and reduced profitability.

We are exposed to, and currently are engaged in, a variety of legal proceedings, including class action lawsuits.

We provide services to millions of subscribers on a daily basis. As a result of the scope and magnitude of our operations, as well as the multitude of pricing plans for stand-alone and bundles of services, the large amount of usage data our information systems need to process and record with relation to our subscribers according to their respective pricing plans, the frequent and multiple changes to our operation and pricing plans due to regulatory changes or in response to the changing market conditions, and the involvement of thousands of sales and customer service representatives in the sale process and after sale contacts with our existing or prospective customers - all increasing the risk of discrepancies occurring between a pricing plan and the information processed by our internal information systems or inadequate information provided, despite our continued efforts to the contrary - we are subject to the risk of a large number of lawsuits, including class action suits by consumers and consumer organizations. These actions are costly to defend and could result in significant judgments against us, which may materially and adversely affect our financial results. Recent years were characterized by a substantial number of purported class actions filed and approved in Israel, the greater involvement of consumer organizations and the Attorney General. In addition to eight class actions approved against us to date, we have entered into several settlement agreements, mostly for immaterial sums, and are currently engaged in dozens of purported class action suits as a defendant, many of which are for substantial amounts. For a summary of certain material legal proceedings against us, see “Item 8 – Financial Information - A. Consolidated Statements and Other Financial Information –Legal Proceedings”.

Further, predefined damages (set forth in the Consumer Protection Law) for a discrepancy from a customer's pricing plan, remedied after the customer complained, may aggregate to substantial amounts if paid to numerous customers on multiple occasions.

We employ thousands of employees and are therefore subject to the risk of employee lawsuits, including class action suits by employees.

We are subject to the risk of intellectual property rights claims against us, in relation to our products and services including TV service and other content related services, including video, photographs, music, music-related or other content we purchase from third party content providers. These claims may require us to initiate or defend protracted and costly litigation, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages or may be required to obtain licenses for the infringing product or service, which, if in substantial sums, could harm our results of operations. If we cannot obtain all necessary licenses on commercially reasonable terms, we may be forced to stop using or selling the products and services. We may not have insurance coverage for these types of claims.

Our operations are dependent on complex technology and information systems.

Our operations are dependent on a number of complex technological and information systems, including billing systems. The occurrence of malfunctions in such complex and ever changing and expanding systems is inevitable. In addition, we are in the process of implementing a unified customer relation management, or CRM, system for both our cellular and fixed-line operations, which may result in larger expenditures than anticipated, require significant management attention that would otherwise be available for our ongoing business, or lead to unforeseen operating difficulties and malfunctions. A malfunction in any of our systems which severely impacts our ability to provide products and services to our customers or adequately bill them, may result in loss of revenues to us, may adversely impact our brand and service perception, and expose us to legal claims and regulatory sanctions, all of which may adversely affect our results of operations.

Cyber attacks impacting our networks or systems could have an adverse effect on our business.

Cyber attacks, including through the use of malware or ransomware, computer viruses, dedicated denial of services attacks, credential harvesting and other means for obtaining unauthorized access to or disrupting the operation of our networks and systems and those of our suppliers, vendors and other service providers, could have an adverse effect on our business. Cyber attacks against companies, including Cellcom Israel, have increased in frequency, scope and potential harm in recent years and have harmed our operations. Cyber attacks may cause equipment failures, loss, disclosure, access, usage, corruption, destruction or the appropriation of information, including sensitive personal information of customers or employees, or valuable content and technical and marketing information, as well as disruptions to our or our customers' operations. Further, the perpetrators of cyber attacks are not restricted to particular groups or persons. These attacks may be committed by company employees and agents, advertently or inadvertently, or by external actors operating in any geography, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective, and may even be launched by or at the behest of nation states. The preventive actions we take to reduce the risks associated with cyber attacks, including protection of our systems and networks, may be insufficient to repel or mitigate the effects of a major cyber attack in the future, as they become more sophisticated and harder to repel.

The inability to operate our networks and systems or those of our suppliers, vendors and other service providers as a result of cyber attacks, even for a limited period of time, may result in significant expenses to us and/or a loss of market share to other communications providers. The costs associated with a major cyber attack on us could include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cybersecurity measures and the use of alternate resources, lost revenues from business interruption and litigation. The potential costs associated with these attacks could exceed the insurance coverage we maintain. Further, certain of our businesses, such as those offering security solutions and infrastructure and cloud services to business customers, could be negatively affected if our ability to protect our own networks and systems is called into question as a result of a cyber attack. In addition, a compromise of security or a theft or other compromise of valuable information, such as financial data and sensitive or private personal information, could result in lawsuits and government claims, investigations or proceedings. Any of these occurrences could damage our reputation and could further result in material adverse effect on our results of operation or financial condition.

There are certain restrictions in our licenses relating to the ownership of our shares.

Our cellular license restricts ownership of our ordinary shares and who can serve as our directors, as follows:

- our founding shareholder, Koor Industries Ltd. (wholly owned by DIC), or Koor (or its transferee or transferees, if approved in advance by the Ministry of Communications as "founding shareholders"), must own at least 26% of each of our means of control;
- Israeli citizens and residents among our founding shareholders (or their approved transferees) must own at least 5% of our outstanding share capital and each of our other means of control;
- a majority of our directors must be Israeli citizens and residents;
- at least 10% of our directors must be appointed by Israeli citizens and residents among our founding shareholders; and
- we are required to have a security committee of our Board of Directors that deals with matters relating to state security.

If these requirements are not complied with, we could be found to be in breach of our license and our license could be changed, suspended or revoked.

In addition, our license provides that, without the approval of the Ministry of Communications, no person may acquire or dispose of shares representing 10% or more of our outstanding share capital. Further, our directors and officers and any holder of ordinary shares representing 5% or more of our outstanding share capital may not own 5% or more of Bezeq or any of our competitors or serve as a director or officer of such a company, subject to certain exceptions, which require the prior approval of the Ministry of Communications.

To ensure that an unauthorized acquisition of our shares would not jeopardize our license, our articles of association provide that any shares acquired without approval required under our license will not be entitled to voting rights.

We may be adversely affected by the significant technological and other changes in the telecommunications industry.

The telecommunications market is known for rapid and significant technological changes and requires ongoing investments in advanced technologies in order to remain competitive. In recent years we have witnessed an immense growth of data traffic on both cellular and fixed-line networks which required us to upgrade our cellular and fixed-line networks and purchase increasingly large capacity for our fixed-line internet connectivity and infrastructure services to accommodate such demand. We estimate that data traffic will continue to rapidly grow in the future, among other things, due to high definition and 4K content and TV services provided over the internet (both cellular and landline). Corona virus containment restrictions imposed by the Israeli government have substantially increased demand and such elevated demand is expected to continue during the containment period. To meet the growing demand for cellular data traffic, we are required, among other things, to continue our investment in our 4G network and to continue the upgrade of our transmission network to allow larger capacity and higher data speed rates. Winning additional frequencies in the new frequencies tender shall further allow us to maintain a quality 4G service over time and provide 5G service at a later date. To meet the growing demand for landline data traffic and find more cost effective alternatives for the capacity we purchase from Bezeq who owns a widespread landline broadband infrastructure, we have invested in deploying our own infrastructure, invested in IBC, and sold our independent fiber-optic infrastructure in residential areas to IBC and entered an indefeasible right of use agreement with IBC for its network (see also "Item 4. Information on the Company – B. Business Overview – Network and Infrastructure – Fixed-line Segment – Fixed-line Infrastructure – Investment in IBC"). Such endeavors are both costly and require management attention which could have been directed elsewhere.

Further, in March 2020, the Ministry of Communications determined that the replacement of our and another operator's 850 MHz frequencies with frequencies compatible with international standardization for our region will be effected as follows: phase 1 - our current 2x10 850MHZ frequencies will be reduced and replaced with other 2x5 MHz 850MHZ frequencies on June 1, 2020; phase 2 - at a later date to be determined, we will be awarded 2x5 MHz in the 800 frequencies; phase 3 - at a later date to be determined, the aforesaid 850MHz and 800MHz frequencies will be replaced with other 2x10 MHz in the 800 frequencies; additional frequencies may be allocated to us for limited periods during the transition period. Such replacement, will involve material investments in our networks, including the replacement of radio equipment in all of our cellular sites and may, during such project, adversely affect our products and services or quality thereof and our ability to comply with quality standards set in our license and impose a material hardship on the Company, both financially and operationally, which may have an adverse effect on our results of operations. Further, some of the frequencies to which we are required to transfer are not specifically detailed in the Plan, which may impose additional hardship on such replacement. See "We may not be able to obtain permits to construct and operate cell sites". In addition, as our usage of the 850MHz causes certain interferences to neighboring countries services, if such neighboring countries block or interfere with our 850 MHz based services, more so while our competitors' services remain uninterrupted, this would have a material adverse effect on our service and subsequently on our financial results.

In addition, in July 2019 the MOC published a frequencies tender the MOC expects to conduct during 2020. The tender is to include 30MHz in the 700Mhz frequencies band, 60MHz in the 2600 MHz frequencies band and 300 MHz in the 3500-3,800Mhz frequencies band with maximum allocation of 15MHz per network in the 700MHz frequencies band. As the 700MHz would serve as the main coverage enhancement frequency for both 4G and 5G services , the limited amount of 700MHz frequencies included in the tender and the maximum allocation per network, as well as due to other tender principles and draft license requirements, the tender may result in us not winning such frequencies or winning less frequencies than our competitors or less than our needs which may harm our ability to provide our services and our competitive standing; lead to a bidding war and may result in us having to pay sums substantially higher than those paid by other contenders in the tender. A frequencies tender will require us to make substantial investments in purchasing the frequencies and thereafter to make additional substantial investments in our networks, regardless their economic viability, in order to maintain our competitive standing in the cellular market, thereby imposing additional financial burden on us while we aim to decrease our expenses and investments. Further, under the principles of the tender we may only participate in the tender through a joined proposal with our network sharing partners which requires the prior approval of the tender committee to the joint proposal agreement. Such agreement has not yet been reached nor approved. Failure to agree on a joint proposal agreement (or other solution, if possible), may prevent the Company from participating in the frequency tender and thereby materially adversely affect its competitive abilities. Furthermore, the frequencies won, if won by our sharing partners, shall be available for usage by us subject to conditions to be agreed with the sharing partners, including with regards to their usage period (as are the frequencies our sharing partners won prior to entering the sharing agreements), and after such frequencies are no longer available to us, we may not have sufficient frequencies to maintain prior quality. See "Item 4. Information on the Company – B. Business Overview — Network and Infrastructure – Cellular Segment – Network sharing agreements". Participating in a frequencies tender and the said additional investments, more so if a bidding war will result in higher consideration for the frequencies, may have a substantial adverse effect on our results of operations. Further, failing to win frequencies all or in a smaller amount than our competitors, may have an adverse effect on our competitive standing and as a result, on our results of operations. See "Item 4. Information on the Company – B. Business Overview — Network and Infrastructure – Cellular Segment – Frequencies". Further, additional frequencies, should we win them, would require the construction or change of hundreds of cell sites. The difficulties in obtaining the required consents and permits, may prevent us from meeting the deployment requirements to be set in our license with relation to the frequencies proposed in the tender (should we win them) and from meeting the deployment requirements which may entitle us to performance based incentives, as well as expose us to additional litigation and such litigation's consequences. See also "We may not be able to obtain permits to construct and operate cell sites".

On the other hand, given the current low profitability of our business, we may be forced to decrease investments in our business and specifically in our networks, such as in relation to future generations and technologies, and the aforementioned frequencies tender which may adversely affect our future services, competitiveness and future results of operations. See also "As a result of substantial and continuing changes in our regulatory and business environment, our operating results, profitability and cash flow have decreased significantly in the past several years, with a loss for 2018. Further declines may adversely affect our financial condition".

If we fail to compensate for increased expenses or investments (especially in comparison to our competitors, not all of which will be required to make similar investments or pay increased expenses), due to, among other things, the competitive environment, our results of operations may be materially adversely affected.

Transferring to new technologies and using new equipment, such as our planned transfer to a new OTT Tv services platform, exposes our systems and services to malfunctions, whether due to malfunctions not discovered and resolved in the new technology or equipment or whether due to the transfer process itself. Our TV service is OTT based. As is the case with new technologies, it is more prone to malfunctions, than would be a service based on robust seasoned infrastructure.

Our handsets revenues and profitability have decreased and are expected to decrease further.

Handsets sales account for a substantial portion of our revenues and profitability. In recent years additional competitors have entered the handset market and increased the competition in this market and less successful launches of handset models and increased sales of handsets in the Israeli VAT free city (Eilat) have contributed to the decrease in our revenues from handsets. We expect our end-user equipment revenues and profitability to decrease further in 2020. Our end user equipment revenues in 2019 were NIS 661 million ($191 million), similar to 2018 and a decrease of 14.2% from NIS 770 million ($223 million) in 2017. Additional changes to this market, including the entry of additional competitors, including online retailers, both domestic and international, changes of distribution channels or customers purchasing habits, lack of successful launches of new less attractive handset models, inability to continue to market certain suppliers' products, more so as Samsung handsets currently account for the majority of our sales, or any other reasons resulting in decreased sales by us or in general, new legislation and decisions by regulators or the courts effecting our ability to market handsets or our profitability therefrom, may materially adversely affect our handset sales and profitability. See also "We face intense competition in all aspects of our business." Further, if the Corona virus effects and regulatory restrictions on our operations continue for a long duration, they would adversely affect our handset sales and profitability therefrom. See "The Corona virus may adversely affect our results of operations.

Our network sharing agreements consideration constitute a significant portion of our revenues

Under our network sharing agreement with Golan, we are entitled to an average annual consideration of over NIS 200 million over the agreement term and under our network sharing agreement with Marathon 018 Xfone Ltd., or Xfone, we are entitled to the higher of a minimum annual consideration increasing over time or per user consideration (see "Item 4. Information on the Company – B. Business Overview — Network and Infrastructure – Cellular Segment – Network sharing agreements"(. Should Golan or Xfone fail to make full and timely payments to us, due to financial difficulties, disagreements with us, or otherwise, this could materially adversely affect our results of operation. .

Our substantial debt increases our exposure to market risks, may limit our ability to incur additional debt that may be necessary to fund our operations and could adversely affect our financial stability

As of December 31, 2019, our total indebtedness and long-term loans were approximately NIS 3,375 million ($977 million), with our net debt at approximately NIS 1,897 million ($549 million). For additional details see "Item 5. Operating and Financial Review and Prospects. – B. Liquidity and Capital Resources – General". The terms of our debentures and other credit facilities currently permit us to incur additional indebtedness (subject in some cases to certain limitations). Our substantial debt could adversely affect our financial condition by, among other things:

- increasing our vulnerability to adverse economic, industry or business conditions, including increases in the Israeli Consumer Prices Index, or CPI, as approximately NIS 1,009 million ($292 million) is CPI linked;
- limiting our flexibility in planning for, or reacting to, changes in our industry and the economy in general;
- requiring us to dedicate a substantial portion of our cash flow from operations to service our debt, thus reducing the funds available for operations and future business development, such as purchasing additional frequencies and investing in the upgrade of our networks, as well as for dividend distribution; and
- limiting our ability to obtain, or resulting in less favorable terms and pricing for, additional financing to operate, develop and expand our business or for refinancing existing debt;
- weakening our competitive position

Israeli institutional investors must follow certain procedures and requirements before investing in non-governmental debentures. As a result, our series H through L indentures include certain limitations and covenants, including a covenant not to issue additional debentures if it involves a rating downgrade, certain financial covenants, negative pledge, cross default, limitation on the distribution of dividends, obligation to pay additional interest in case of certain rating downgrades (which occurred under our series F and G debentures in June 2013). For details regarding such limitations and covenants see "Item 5. Operating and Financial Review and Prospects. – B. Liquidity and Capital Resources – Debt Service". These limitations are expected to apply to any additional debt incurred by us. These procedures, limitations and covenants limit our freedom to conduct our business, may impose additional costs on us and may limit our ability to borrow additional debt from Israeli institutional investors as well as adversely affect the terms and price of such debt raising. Further, future increases of the interest rates may increase costs for future debt raising.

In August 2019 our rating in relation to our debentures traded on the Tel Aviv Stock Exchange, or TASE was downgraded to ilA and our rating outlook was maintained at “negative”. Any further downgrade in our rating, and any adverse change in our financial results, including any increase in our Net Leverage (defined in our series H through L indentures and other credit facilities as the ratio of net debt to EBITDA during a period of 12 consecutive months, excluding one-time events), may adversely affect the terms and price of debt raised, particularly through the issuance of debentures to institutional investors in the near future. In 2020, as part of the global effects of the Corona virus on the capital markets, our debentures yield have increased substantially and general capital markets activities have significantly slowed or halted. If such effects continue and for the duration they so continue, it would adversely affect our access to additional debt and/or capital.

Under the Concentration Law, the Israeli Minister of Treasury must set limitations regarding the aggregate credit that may be provided by Israeli financial institutions to a corporation or a business group (defined as a controlling shareholder and the corporations under its control), which may adversely affect our ability to raise debt from Israeli financial institutions.

Under the “Guidelines for Sound Bank Administration” issued by the Israeli Supervisor of Banks, Israeli banks are subject to limitations on lending money to a single borrower and one group of borrowers and on the aggregate credit that may be provided to large borrowers and groups of borrowers. Under the relevant regulations, Israeli institutional investors are also subject to certain limitations on their total investments (including debt investments) in a single corporation and a group of corporations. This may limit our ability to obtain additional financing to operate, develop and expand our business or to refinance existing debt because, for such purposes, we are deemed to be included in the same group as DIC.

Our business results may be affected by currency fluctuations, by our currency hedging positions and by changes in the Israeli Consumer Price Index

A portion of our cash payments are incurred in, or linked to, foreign currencies, mainly U.S. dollars. In particular, in 2017, 2018 and 2019, payments denominated in, or linked to, foreign currencies, mainly U.S. dollars, represented approximately 16%, 17% and 14%, respectively, of our total cash outflow (including payments of principal and interest on our debentures). As almost all of our cash receipts are in NIS, any devaluation of the NIS against the foreign currencies in which we make payments, will increase the NIS cost of our foreign currency denominated or linked expenses and capital expenditures.

Furthermore, since the principal amount of and interest that we pay on our Series H and J debentures, are linked to the Israeli CPI, any increase in the Israeli CPI will increase our financing expenses and could adversely affect our results of operations.

We purchase derivative financial instruments in order to hedge part of the foreign currency risks and CPI risks deriving from our operations and indebtedness. Derivatives are initially recognized at fair value. Changes in the fair value of such derivatives are recognized through our income statement upon occurrence. These differences in the derivative instruments' designation could result in fluctuations in our reported net income on a quarterly basis.

We may not be able to fulfill our dividend policy in the future; implementation of our dividend policy will significantly reduce our future cash reserves.

Our dividend policy targets a payout ratio of at least 75% of our net income in each calendar year, subject to any applicable law, our license and contractual obligations and provided that such distribution would not be detrimental to our cash needs or to any plans approved by our Board of Directors. Our series H through L indentures and other credit facilities contain a covenant not to distribute more than 95% of the profits available for distribution according to the Israeli Companies Law, or Profits. Moreover, under such indentures and other credit facilities, if our Net Leverage exceeds 3.5:1, we may not distribute more than 85% of our Profits and if our net leverage exceeds 4.0:1, we may not distribute more than 70% of our Profits. For additional details see "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Debt Service". In addition, our license requires that we and our 10% or more shareholders maintain at least $200 million of combined shareholders' equity. Dividend payments are not guaranteed and our Board of Directors may decide, in its absolute discretion, at any time and for any reason, not to pay dividends or to pay dividends at a ratio to net income that is less than that set in the policy. Since the fourth quarter of 2013, our board of directors chose not to declare dividends, given the intensified competition and its adverse effect on our results of operations and in order to strengthen our balance sheet. See "Item 8. Financial Information - A. Consolidated Statements and Other Financial Information - Dividend Policy".

Our dividend policy, to the extent implemented, will significantly reduce our future cash reserves and may adversely affect our ability to fund unexpected capital expenditures. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be possible on attractive terms or at all.

If we are unable to fulfill our dividend policy, or pay dividends at levels anticipated by investors in our shares, the market price of our shares may be negatively affected and the value of our investors' investment may be reduced.

We rely on certain suppliers for key equipment and services. We do not own a widespread infrastructure in the landline market and are dependent on infrastructure providers.

We depend upon a small number of suppliers to provide us with key equipment and services. For example, Nokia Networks Israel, or NSN, provides our GSM/GPRS/EDGE/UMTS/HSPA/LTE core system, radio access network and related products and services and Carrier Ethernet network; LM Ericsson Israel, or LM Ericsson, supplies part of our radio access network and related products and services based on UMTS/HSPA technology; MediaKind provides our OTT TV services platform; Cisco Systems, Inc., or Cisco, provides our SDH equipment for our transmission and ISP network; and Be'eri Printers provides our printing supplies and invoices as well as the distribution, packaging and delivery of invoices and other mail to the postal service distribution centers. In addition, we lease a small portion of our cellular related transmission capacity from Bezeq, the incumbent landline operator.

We are further dependent on infrastructure providers for our internet connectivity, broadband infrastructure (using the landline wholesale market and our IRU agreement with IBC), International Long Distance calls, or ILD, landline telephony (using Voice over Broadband, or VOB, technology), and OTT TV services. Those providers include Bezeq and Hot, which provide broadband infrastructure in Israel, TI Sparkle Ireland Telecommunications Ltd. and TI Sparkle (Israel) Ltd., or collectively TI Sparkle, which connects the Israeli internet network to the global internet network, as well as Israeli telephony, via an underwater communications cable. We are dependent on Bezeq for the provision of our wholesale broadband infrastructure services (as IBC's infrastructure is more limited in scope and Hot's tariffs are high). Should an effective telephony service be provided under the wholesale market and the wholesale market effectively apply to Hot as well, we would be dependent on them for such services as well (the wholesale market over Hot's infrastructure is in its early stages). Bezeq has breached certain regulatory obligations in the equal provision of wholesale services to its retail customers or refused to provide them at all, and has prevented and delayed the deployment of our independent infrastructure (now owned by IBC), including through labor disruptions by its employees, and such occurrences may adversely affect us in the future as well. We are further dependent on IBC with regards to the infrastructure service we have committed to purchase from IBC in the next 15 years (10-15% of IBC's 'home pass'), which in turn is dependent on Bezeq for the deployment of its infrastructure using Bezeq's infrastructure. See also "Item 4. Information on The Company – B. Business Overview – Fixed-line Segment".

In addition, our cellular end-user equipment sales have been dominated in recent years by Apple and Samsung products, representing over half of our handset sales. See "Item 4. Information on the Company – B. Business Overview – Cellular Segment – Handsets" for additional details.

Vubiquity Management Ltd., or VU, provides us international content and content operation services for our OTT TV services. RGE Group Ltd., or RGE, ONE Sport TV services Ltd., or ONE, and Charlton Ltd., or Charlton, each provides us with unique sports content. Keshet Broadcasting Ltd. and Reshet Media Ltd. provide us each with a linear channel and the right to include certain of such content in our VOD catalogue Netflix International B.V., or Netflix, and Amazon Europe Core S.a.r.l., or Amazon_provide our TV customers with access to their variable content, including direct access to the Netflix and Amazon services from our set-top box. Salesforce.com EMEA Limited, or Salesforce, provides us with a CRM SAAS platform and Vlocity UK Ltd., or Vlocity, provides us with its telecom-CRM SAAS solution, based on Salesforce platform and development and customization for Salesforce's and Vlocity's CRM solution.

We rely on agreements with foreign carriers to provide cellular roaming capabilities to our cellular subscribers, ILD services to our cellular and landline subscribers, as well as international voice hubbing (providing ILD services to foreign operators) services. We cannot control or compel the improvement of the quality of the service that they provide and it may be inferior or less advanced than the service that we provide.

In general, if these suppliers fail or refuse to provide equipment, content or services to us that meet requisite quality standards or on a timely basis, at unfavorable terms to us or provide our competitors more favorable terms and conditions, or if these suppliers fail to produce successful and desirable products or content when no equivalent alternatives are available, or if such suppliers raise the pricing of their products or content (for example, TV sports content prices in Israel have substantially increased with the entry of additional competitors), we may be unable to provide services or products to our subscribers in an optimal manner until an alternative source, if one is available, can be found or the situation is rectified, which may harm our ability to compete and result in loss of customers and revenues or place our licenses at risk of revocation for failure to satisfy the required service standards and subject us to customers' lawsuits.

Further, the Corona virus may result in shortage of equipment and suppliers failing to supply us with handsets, set-top boxes, network elements, spare parts or other equipment required for our networks operation and upgrade or sale and repair of handsets, as well as with suppliers failing to supply us with certain services required for our continued operation, such as maintenance and construction of our network, due to absence of personnel, all of which may have an adverse effect on our results of operations.

Our investment in new businesses involves many risks.

We have invested and expect to continue to invest in exploration and development of new business opportunities in order to extend and complete our capabilities and offerings, such as the investment in IBC, the purchase of Golan, if completed, and our offering the Internet of things (IOT) field. As presently we are IBC's sole IRU customer, IBC's revenues and financial position depend largely on us and therefore adverse effects to our financial position may adversely affect IBC's ability to raise debt to finance its operations. Should IBC require additional investments in order to fund its operations, we, as indirect shareholder of IBC, are expected to invest additional funds in IBC for the continued deployment of its network, thereby adding further burden on us. Further, any adverse changes to IBC's competitive standing and increase of the competition level which IBC faces, such as Bezeq commencing to operate its fiber-optic network (Bezeq has already executed a substantial part of the investments thereof), may adversely affect us as IBC's indirect shareholder.

Such endeavors may involve significant risks and uncertainties, including shift of management attention from our ongoing business, loss of focus of our sales and marketing efforts on our main businesses due to attention given to new businesses, insufficient revenues to offset liabilities assumed and expenses associated with these new investments, adversely affecting our cash flow, inadequate return of capital on our investments, regulatory changes which may impose additional burdens than planned, inability to effectively compete with incumbent providers or new competitors entering the market, and unidentified issues not discovered in our due diligence of such strategies and offerings, such as unforeseen implementation obstacles and large expenditures. Because these new ventures are inherently risky, no assurance can be given that such strategies and offerings will be successful and will not materially adversely affect our reputation, financial condition, and operating results. Moreover, entry into such new ventures may trigger increased competitive pressure by the incumbent providers of competing services on our core business, aiming at preventing our efforts to compete with them at the relevant market

The Corona virus may adversely affect our results of operations

There has been a substantial decrease in international travel due to the Corona virus, which has had an adverse effect on our roaming services (inbound and outbound) and if such decrease continues for a long duration, will result in a material adverse effect on our roaming revenues and results of operations.

In addition, the Israeli government published various regulatory requirements for Corona virus containment in Israel, including, as of mid-March 2020, the prohibition on public gathering and any unnecessary outing from one's home, including the closure of malls and other non-essential leisure establishments and a substantial reduction of presence in the workplace. Following such instructions, we closed our points of sale and walk-in centers and substantially reduced our calling center personnel (excluding technical support) and other personnel not essential for the continued operation of our networks and provision of our services. Such measures, if continued for a long duration, will have a material adverse effect on our sales of services and handsets and results of operations.

Further regulatory requirements for potential and confirmed Corona virus patients to enter quarantine may result in material adverse effects to our operations, including customer service, sales, installation of our landline services, deployment, operation and maintenance of our networks, if multiple employees and outsource personnel shall be prohibited from attending their positions.

The effects of the Corona virus if continued for a long duration, may also result in shortage of equipment and suppliers failing to supply us with handsets, set-top boxes, network elements, spare parts or other equipment required for our networks operation and upgrade or sale and repair of handsets, all of which may have an adverse effect on our results of operations.

As part of the global effects of the Corona virus on the capital markets, our debentures yield have increased substantially, our investment portfolio is expected to record losses during the first quarter of 2020 and general capital markets activities have significantly slowed or halted. If such effects continue and for the duration they so continue, it will adversely affect our access to additional debt and/or capital.

The Corona virus situation continues to evolve and it is difficult to predict the duration it will affect our operations and therefore the effect on our operations.

We are controlled by a single shareholder who can significantly influence matters requiring shareholders' approval.

As of January 31, 2020, Koor held, approximately 45.7% of our outstanding share capital (including 5% of our share capital held through a lending transaction by Koor to two Israeli shareholders, which are considered joint controlling shareholders with Koor and who undertook, among others, to vote with Koor in all shareholders resolutions) and the voting rights in respect of an additional approximately 2.3% of our share capital, pursuant to shareholders agreements among Koor and certain of our minority shareholders. Accordingly, subject to legal limitations, Koor has control (as the term "control" is defined in the Israeli Securities Law, 1968, or the Israeli Securities Law, namely the ability to direct a company's activities) over all matters requiring shareholder approval, including the election and removal of our directors (other than external directors) and the approval of significant corporate transactions. This concentration of ownership could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of our ordinary shares that might otherwise give our shareholders the opportunity to realize a premium over the then-prevailing market price for our ordinary shares.

Risks Relating to Operating in Israel

We conduct our operations in Israel and therefore our results may be adversely affected by political, economic and military instability in Israel.

Our operations, our network, our customers and some of our suppliers are located in Israel. Accordingly, political, economic and military conditions in Israel may directly affect our business. Any armed conflicts, terrorist activities or political instability in the region or hostilities involving Israel or the interruption or curtailment of trade within Israel or between Israel and its trading partners could adversely affect our operations, including due to a decrease in the number of tourists visiting Israel and increasing criticism of Israel in the international community (such as the increasing international pressure to boycott Israeli companies, including through the United Nations' Human Rights Council "name and shame list", especially when such companies operate in territories held by Israel in Judea and Samaria, as we and other Israeli operators are required to do under our license), and could make it more difficult for us to raise capital. Further, a substantial part of our network and information systems is located within range of missile strikes from the Gaza Strip and Lebanon. Any damage to our network or information systems may damage our ability to provide service, in whole or in part or otherwise damage our operation and could have an adverse effect on our business, financial condition or results of operations.

In addition, in the event that the State of Israel relinquishes control over certain territories currently held by it to the Palestinian Authority, we will not be able to provide service from our cell sites located in Israeli populated areas and on connecting roads in these territories. This may result in the loss of subscribers and revenues and in a decrease in our market share.

Our freedom and ability to conduct our operations may be limited during periods of national emergency.

Israeli law permits the Prime Minister of Israel, for reasons of state security or public welfare, to order a telecommunications license holder to provide services to or to establish a telecommunications facility for the security forces, and entitles the Israel Defense Forces to register or take engineering equipment and facilities as may be required for the security forces to carry out their duties. Israeli law also permits the Israeli Government, during national emergencies or for reasons of national security, to take all necessary actions in order to ensure state security, including taking control of our network. If national emergency situations arise in the future and if we are to be subject during such time to any of the foregoing actions, this could adversely affect our ability to operate our business and provide services during such national emergencies and adversely affect our business operations. Our other licenses contain similar restrictions.

Provisions of Israeli law and our license may delay, prevent or impede an acquisition of us, which could prevent a change of control.

The Companies Law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions. Further, the provisions of our licenses require the prior approval of the Ministry of Communications for changes of control in our Company.

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when the time expires, tax then becomes payable even if no actual disposition of the shares has occurred.

These provisions could delay, prevent or impede an acquisition of us, even if such an acquisition would be considered beneficial by some of our shareholders.

Risks Relating to Our Ordinary Shares

A substantial number of our ordinary shares could be sold into the public market, which could depress our share price.

Our largest shareholder, Koor, holds approximately 45.7% of our outstanding ordinary shares, as of January 31, 2020 (of which 5% are held (through a lending transaction) by two Israeli shareholders, which are considered joint controlling shareholders with Koor). The market price of our ordinary shares could decline as a result of future sales by Koor or other existing shareholders or the perception that these sales could occur. Sales may be made pursuant to a registration statement, filed with the U.S. Securities and Exchange Commission, or the SEC, pursuant to the terms of a registration rights agreement or otherwise, or in reliance on an exemption from or transaction not subject to the registration requirements of the Securities Act, including the exemptions provided by Rule 144. Any decline in our share price could also make it difficult for us to raise additional capital by selling shares.

In addition, pursuant to our capital offering effected in December 2019, we have issued 7,038,000 Series 3 options (of which 2,009,807 have already been exercised, as at February 29, 2020) which may be exercised until April 1, 2020 and 6,426,000 Series 4 options which may be exercised until September 30, 2020 (of which 359,676 have already been exercised, as at February 29, 2020). See "Item 5. Operating and Financial Review and Prospects. – B. Liquidity and Capital Resources – General".

In addition, under our 2015 option plan, options and Restricted Stock Units, or RSU, are subject to vesting schedules but vesting will be accelerated upon certain events including any sale or other disposition of all, or substantially all, of our outstanding shares. As of December 31, 2019 we had 4,550,541 shares reserved for issuance upon the exercise of options and RSUs. See "Item 6. Directors, Senior Management and Employment – E. Share Ownership –Share Incentive Plans".

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Our History

Cellcom Israel Ltd. was incorporated in 1994 in Israel. Our principal executive offices are located at 10 Hagavish Street, Netanya 4250708, Israel and our telephone number is (972)-52-999-0052. Our authorized U.S. representative, Puglisi & Associates, is located at 850 Library Avenue, Suite 204 Newark, Delaware 19711 and our agent for service of process in the United States, CT Corporation System, is located at 111 Eighth Avenue, New York, NY 10011.

In February 2007 we listed our shares on the NYSE and in July 2007 we dual listed our shares on the Tel Aviv Stock Exchange and began applying the reporting leniencies afforded under the Israeli Securities Law to companies whose securities are listed both on the NYSE and the TASE.

As of January 31, 2019, Koor, wholly owned by DIC, held approximately 45.7% of our share capital (including through being joint controlling shareholder together with two Israeli shareholders of 5% of our outstanding share capital held by them through a lending transaction as of January 2018) and the voting rights in respect of an additional approximately 2.3% of our share capital.

As of the date of this Annual Report on Form 20-F, there has been no indication of any public takeover offer by any third party, in respect to our ordinary shares, or by us, with respect to another company’s shares.

In December 2014 and May 2015 we entered the TV and internet infrastructure markets, respectively, which completed our communications offering to include all communications services in Israel.

In 2017 we completed a reorganization of our subsidiaries, following which all our landline operations are unified under our wholly owned subsidiary Cellcom Fixed Line Communications, Limited Partnership.

In 2017, our network sharing and hosting agreements with Golan and Xfone, and a third agreement combining the 4G network arrangements in the previous two agreements into a three-way agreement (the Xfone agreement, Golan agreement and the three-way agreement shall be referred to as the Sharing Agreements) came into force. For details of our network sharing and hosting agreements with Golan and Xfone, see "B. Business Overview – Network and Infrastructure – Cellular Segment – Network sharing agreements" below.

In 2019, we completed an investment transaction in IBC and sold our fiber-optic infrastructure in residential areas to IBC. "Item 4. Information on the Company – B. Business Overview – Network and Infrastructure – Fixed-line Segment – Fixed-line Infrastructure – Investment in IBC and sale of fiber-optic infrastructure to IBC".

In February 2020 we, Golan's shareholders and Golan entered a binding memorandum of understanding, or MOU, for the purchase of Golan's entire share capital, for the sum of NIS 590 million, to be paid in cash in two installments: the sum of NIS 413 million upon completion of the transaction and the sum of NIS 177 million within 3 years from completion thereof. The Company will issue and deposit 8.2 million shares of the Company with a trustee (the "Escrowed Shares"). The Escrowed Shares may be sold in order to finance the deferred payment including upon an acceleration event (as set out in the MOU). In addition, on the closing date, the Company shall pay Golan's shareholders: (a) an amount equal to the cash and cash equivalents of Golan Telecom as of the closing date minus any financial indebtedness; (b) NIS 7.58 million per month for the period between the closing date and December 31, 2020; and (c) return on investments made by Golan Telecom in the 5G shared network from the date the MOU was signed and until the transaction is completed.

The transaction includes standard and customary conditions and representations and is subject to the completion of due diligence by the Company without negative findings having an adverse material effect over the value of the Company in comparison to the information provided prior to signing of the MOU, receipt of regulatory approvals (including the MOC and competition authority's approvals) and material third parties' approval and absence of material adverse change to Golan's condition (as defined in the MOU). The parties shall negotiate a detailed agreement but are bound by the MOU whether such agreement is entered or not. In case the conditions for the completion of the transaction are not met until December 31, 2020, the MOU or detailed agreement, as the case may be, shall expire.

We cannot guarantee that the conditions for the completion of the transaction shall be met, including receipt of the required approvals.

We hold a general license for the provision of cellular telephone services in Israel, granted by the Ministry of Communications in 1994 and valid until 2022. We also hold a unified general license for the provision of fixed-line services, granted by the MOC in 2015 and valid until 2026.

The SEC maintains an internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov. The Company's website address is www.cellcom.co.il. The information contained on, or that can be accessed through, the Company's website is not part of, and is not incorporated into, this Annual Report.

Principal Capital Expenditures

Our accrual capital expenditure in 2017, 2018 and 2019 amounted to NIS 55 million, NIS 648 million and NIS 562 million, respectively. Accrual capital expenditure is defined as investment in fixed assets and intangible assets, such as investments in our communications networks, information systems, software and TV set-top boxes and capitalization of part of the customer acquisition costs as a result of the adoption of IFRS15.

B. BUSINESS OVERVIEW

General

We operate in two main segments, “Cellular” and “Fixed-line”. The cellular segment includes the cellular communications services, end user cellular equipment and supplemental services. The fixed-line segment includes landline and long distance telephony services, internet infrastructure and connectivity services, television services, transmission services end user fixed-line equipment and supplemental services.

Services and Products

Cellular Segment

General

We are the largest provider of cellular communications services in Israel based upon number of subscribers and estimated market share as of December 31, 2019. As of December 31, 2019, we provided cellular communications services to approximately 2.744 million subscribers in Israel with an estimated market share of 26%. We offer a broad range of cellular services through our 2G, 3G and 4G network. These services include basic cellular telephony services, text and multimedia messaging, advanced cellular content and data services and other value-added services. We also offer international roaming services, a wide selection of handsets from various leading global manufacturers and repair services on most handsets we offer. Not all services are supported by all handsets or by all of our networks.

We offer our cellular subscribers a variety of usage and sector pricing plans and bundles combining cellular services with other communications services our group offers, including quatro bundles (internet infrastructure service and connectivity, landline telephony, TV service and cellular services). We offer two methods of payment: post-paid and pre-paid. Post-paid services are offered to subscribers who are willing to pay for our services through banking and credit arrangements, such as credit cards and direct debits. Pre-paid services are offered to cellular subscribers who pay for our services prior to obtaining them, usually by purchasing our “Talkman” pre-paid cards or “virtual” Talkman cards. The majority of our sales are post-paid. Price erosion and the marketing of packages have resulted in a constant decline in our pre-paid subscriber base. In line with regulation, our pricing plans do not include a commitment to purchase our services for a predefined period, other than in large business agreements.

We provide Golan and Xfone national roaming services under our Sharing Agreements and we provide the Joint Corporations services as a subcontractor. See "-Networks and Infrastructure - Network sharing agreements" below.

Basic cellular services

Our principal cellular service is basic cellular telephony and data transfer, upload and download (in supporting handsets). Both are included in our packages price plans. In addition, we offer many other services with enhancements and additional features to our basic cellular telephony service, including voice mail, cellular fax, call waiting, call forwarding, caller identification and conference calling.

Data services can be used with handsets (in supporting models), cellular modems and tablets. We provide our customers with a variety of "internet data packages" for that purpose.

We also offer both an outbound roaming service to our subscribers when traveling outside of Israel and an inbound roaming service to visitors to Israel who can “roam” on our network. As of December 31, 2019, we had commercial roaming relationships with 553 operators in 180 countries based on the standard agreements of the GSM organization (an umbrella organization in which all the cellular operators operating with GSM technology are members). In addition, as of December 31, 2019, we had data roaming arrangements with 383 of these operators in 135 countries, in the majority of which 4G roaming as well, enabling our data roamers to use data services in the respective countries and visiting roamers in Israel of these operators to use our 3G and 4G services.

Value-added services

In addition to basic cellular telephony and data services, we offer many value-added services, such as Short Message Services, or SMS, and Multimedia Messaging Services, or MMS, cloud backup, content services such as "Cellcom Volume" our music application and "Cellcom tv" application and other applications such as a cyber security application and a parents' application against bullying on the Internet. We offer those services that we believe are likely to be popular with subscribers and benefit our business. Some of the value-added services that we offer are available only to subscribers who have supporting handset models and some are offered only to business subscribers.

To our business subscribers we also offer multi SMS, M2M, "Double Net" services allowing combined usage of cellular and landline networks in order to ensure continuous service, work force management, vehicles management applications and IOT (internet of things) solutions such as "smart city" end-to-end cellular and fixed line solutions. We are constantly considering and evaluating the possibility of introducing additional products and services to our customers.

Handsets

We sell a wide selection of handsets (which for purposes of this report may include other types of communications end-user equipment, such as tablets) designed to meet individual preferences. Prices of handsets vary based on handset features and special promotions. We offer a variety of installment plans for handsets. In most cases, handsets are to be paid for in 36 monthly installments. We offer a variety of handsets from world-leading brands such as Samsung, Apple, Xiaomi, LG, Sony and Nokia. The vast majority of our handset sales in 2019 have been by Samsung and Apple. The handset models we sell offer Hebrew language displays in addition to English, Arabic and Russian (in most of the models). We are also required to provide cellular services to subscribers who did not purchase their handsets from us, provided that the handset model complies with the standards set by the Ministry of Communications. For details regarding end user equipment repair services see "Customer Care" below.

We also sell tablets, streamers and added value products to our customers, such as smart watches and home security cameras.

Fixed line Segment

Our main fixed line services include our internet infrastructure (for private customers based mostly on the landline wholesale market and IBC's fiber-optic infrastructure and for business customers based on our landline infrastructure) and connectivity services, OTT TV services, ILD services, landline telephony services and transmission services (for business customers). We also offer bundles of these services, including a triple offering (internet service including infrastructure and connectivity, landline telephony, TV service) and quatro offering (internet services, landline telephony, TV service and cellular services). We also offer landline transmission and data services to selected business customers and telecommunications operators (including transmission revenues from Golan and Xfone according to the network sharing agreement), using our fiber-optic infrastructure and complementary microwave links, IP switchboard services and operation and management of business telecommunications systems. Additional services include cloud services and data protection products solutions based on products and services offered by us and by third party vendors and IOT solutions such as "smart city" end-to-end cellular and fixed line solutions.

Internet infrastructure and Connectivity

We are a major provider of internet connectivity services. Prior to the formation of the landline wholesale market, the Israeli internet market was characterized by a separation between the internet infrastructure providers (mainly Bezeq and Hot) and the internet connectivity service providers. Consequently, the internet customer was required to enter into a contractual arrangement with both types of these providers. The infrastructure provider is responsible for the connection of the customer from his computer or other device to the infrastructure provider's operator. The internet service provider is responsible for providing access to the customer from the infrastructure provider's operator, through its own network, to the local and global internet network. As of May 2015, we provide end-to-end internet service (infrastructure and connectivity) using Bezeq's infrastructure and more recently, over IBC's fiber-optic infrastructure (previously our independent fiber-optic internet infrastructure). We sell internet infrastructure services bundled with internet connectivity, as well as with our other services. For details regarding the landline wholesale market see "Business Overview – Competition – Fixed-line Segment – Landline" and "Government Regulation – Fixed-line Segment – Landline".

As of December 31, 2019, we provide end-to-end internet service, to approximately 278,000 households.

In addition, we offer our internet subscribers value added services, such as data protection services to our private subscribers and connectivity integration solutions and global communications solutions to our business customers, including firewalls, anti-virus and anti-spam software, overseas internet connectivity services and server hosting services. In addition, we provide internet connectivity services that offer the ability to filter the content viewed by the internet users. We are constantly considering and evaluating the possibility of introducing additional products and services to our customers.

OTT TV services

As of December 2014, we offer OTT-TV services, branded 'Cellcom tv' mostly to private customers. Cellcom tv is an hybrid OTT-DTT TV service provided to the Israeli market. The service includes a set-top box that enables linear channels, including based on the Israeli digital terrestrial television (DTT) broadcasting, other commercial channels and Video on Demand library subscription (SVoD), music streaming service and additional advanced features such as cloud recording and VoD playlist channels, for a highly competitive price. Cellcom tv service can generally also be accessed by smartphones, tablets, Smart TV and additional TV services' equipment like Apple TV and Android TV devices (TV anywhere). Our VoD catalogue and linear channels offer international and local content from top content suppliers. As of December 31, 2019, we provide OTT TV services to approximately 258,000 households.

ILD services

We are one of the major players in the Israeli ILD market. Our principal service in the ILD market is the provision of outgoing and incoming telephone calls with substantially worldwide coverage. We provide these services mostly to post-paid customers, but also to pre-paid customers mainly through the sale of calling cards. Most of the customers of the pre-paid services are foreign workers who reside in Israel.

In addition, we provide "Hubbing" services to non-Israeli international operators. Hubbing services are bridging services between two non-Israeli international operators. Such services are provided by us where there is no direct connection between two non-Israeli international operators or where pricing differences in different locations make such bridging service desirable.

Landline telephony services

We offer advanced, voice and data landline services to selected business customers. We also offer basic landline telephony services to private customers by VOB technology. Landline telephony service enables an end user to conduct a telephone conversation with another end user who uses either another landline or a cellular telephone or computer, either in Israel or overseas.

We estimate that our current market share in the Israeli landline telephony market is not material.

Internet of Things

IOT solutions provide the ability to connect various devices to the internet. We, together with strategic partners, offer IOT solutions based on a variety of communications solutions, including landline (WiFi) and cellular. We offer smart city solutions which include a central management and control system to manage the various solutions, water and electricity meter readout from a-far, smart parking, smart and efficient street lighting, smart cameras which include analytic capabilities for security solutions, smart sensors for efficient waste disposal, various environmental factors and flood alert, stress buttons for educational institutions as well as WiFi and broadband communication capabilities in public areas.

Networks and Infrastructure

Cellular Segment

General

We have built an extensive, durable and advanced cellular network system, enabling us to offer high-quality services to substantially the entire Israeli populated territory, while using a cost-effective design, utilizing shared components for our networks, where applicable. We seek to satisfy quality standards that are important to our subscribers, such as high voice quality, high data throughput rate, low “blocked call” rate (average rate of call attempts that fail due to insufficient network resources), low “dropped call” rate (average rate of calls that are terminated not in the ordinary course) and deep indoor coverage. Therefore, we have made substantial capital expenditures and expect to continue to be required to make substantial capital expenditures on our network system, including in relation to the frequencies change and the new frequencies included in the tender published by the MOC in July 2019 (see below).

Cellular Infrastructure

Our cellular network has developed over the years since we commenced our operations in 1994.

Our “fourth generation” LTE, or Long Term Evolution technology, was launched in August 2014, offers data throughput of up to 150 Mbps on the downlink path and up to 50 Mbps on the uplink path (voice services are provided through our 3G network). Our LTE network covers most of the population of Israel and in 2019 we intend to continue the deployment of this network and subject to us winning frequencies in the new frequencies tender – deployment compatible with new additional 4G frequencies, in order to enable higher data throughput rate. The average throughput indicator is not set in our license. Our 4G network is shared with Golan and Xfone and operates in Multi Operation Core Network, or MOCN, mode.

Our “third generation” UMTS/HSPA+, or high-speed packet data access, technology, offers full interactive multimedia capabilities with current data rates of up to 42 Mbps on the downlink path and up to 5 Mbps on the uplink path. In 2020 we intend to make the necessary investments in order to allow continued operation of our network using the new frequencies as required under the MOC frequencies change instruction (see below) with the objective to continue to support the demand for data traffic, while maintaining its quality of services. This network, considered to be a “3.9” technology, uses the same core as our GSM/GPRS/EDGE network and covers substantially all of the populated territory in Israel. Moreover, our UMTS/HSPA+ network supports types of services that require higher throughput and lower delay, such as video conferencing, and provides an adequate fallback for our LTE network by means of smart features and network load sharing. Our 3G network is shared with Golan and operates in MOCN mode.

Our “second generation” GSM/GPRS/EDGE 1800MHz network allows for voice calls, data transmission and multimedia services, although at slower speeds than our LTE and UMTS/HSPA+ networks, and covers substantially all of the populated territory in Israel. Our GSM/GPRS/EDGE technology is an advanced second-generation technology and considered to be a “2.75G” technology. It enables us to deliver multimedia and services at speed rates that are higher than the rates offered through regular “second generation” digital cellular technology. Packet data rates vary from 50 Kbps to 200 Kbps, depending mainly on handset capabilities. In addition, in the case of coverage gaps and for voice services supported by our GSM/GPRS/EDGE technology, the network provides a partial voice fallback for our LTE and UMTS networks.

Most of our traffic uses the UMTS/HSPA+ network with a continuous growth of data using our LTE network.

Our primary objective going forward is to continue to support the demand for data traffic on our UMTS/HSPA+, while maintaining its quality of services, using the new frequencies as required under the MOC frequencies change instruction (see below) and to continue deploying our LTE network and subject to us winning frequencies in the new frequencies tender – deployment compatible with new additional 4G frequencies and deployment of 5G network in selected areas, and to continue to support the demand for data traffic of our high speed UMTS/HSPA+ network and to continue to perform extensive optimization work to provide our subscribers with maximum capability to support video and other broad-bandwidth content. See "Item 3. Risk Factors – We may be adversely affected by significant technological and other changes in the telecommunications industry".

We provide connectivity for our cellular network mainly through our independent transmission network (based on our fiber-optic network and complementary microwave infrastructure), in substantially all of the populated territory of Israel. We lease complementary capacity from Bezeq, Hot and IBC. For additional details regarding our transmission network see "- Fixed-line segment – Fixed-line Infrastructure" below.

Pursuant to the requirements of all telephony service providers in Israel, our cellular network is interconnected, either directly or indirectly, to the networks of all other telephony service providers in Israel. Our network monitoring system provides around-the-clock surveillance of our entire network. The network operations center is equipped with sophisticated systems that constantly monitor the status of all switches and cell sites, identify failures and dispatch technicians to resolve problems. Operations support systems are utilized to monitor system quality and identify devices that fail to meet performance thresholds. These same platforms generate statistics on system performance such as dropped calls, blocked calls and handoff failures. Our network operations center is located in our Netanya headquarters. In addition, we have a duplicate back-up center in a separate location and a disaster recovery plan, or DRP, for all our engineering systems. The DRP also provides our network with additional advantages, including increased capacity in some cases and also provides us better durability and resilience. We also adopted a business continuity plan and a disaster recovery plan to ensure our ability to continue our operation in emergency situations in accordance with our license.

Spectrum allocation

Spectrum availability in Israel is limited and is allocated by the Ministry of Communications through a licensing process. We have been allocated 2 X 10 MHz in the 850 MHz frequency band previously used by our TDMA network and currently by our UMTS/HSPA base stations, 2 X 20 MHz in the 1800 MHz frequency band, 5 - 15 MHz (varying dependent on usage required in different areas), which are used by our LTE network and our GSM/GPRS/EDGE network (varying dependent on usage required in different areas) and 2 X10 MHz in the 2100 MHz frequency band used by our UMTS/HSPA network. We believe that our available spectrum is sufficient for our current needs.

Out of the 20 1800 MHz, 3MHz were allocated to us in August 2015 by the Ministry of Communications for 4G technologies (such as LTE, LTE Advanced). Unlike our other frequencies allocated to us for the duration of our license, these frequencies were awarded to us for a period of 10 years only.

The shared networks further use additional 2X10 MHz in the 1800 MHz frequency band. See "– Network sharing agreements" for additional details.

We pay frequency fees to the State of Israel.

Following an instruction from the International Telecommunications Union to commence a process to accord the frequencies used by Israeli cellular operators with European standards, we and another cellular operator that use some frequencies according to American standards, were required by the MOC to migrate to frequencies compatible with international standardization for our region. In March 2020 the MOC determined such replacement shall be effected as follows: phase 1 - our current 2x10 850MHZ frequencies will be reduced and replaced with other 2x5 MHz 850MHZ frequencies on June 1, 2020; phase 2 - at a later date to be determined and as soon as possible, we will be awarded 2x5 MHz in the 800 frequencies; phase 3 - at a later date to be determined, the aforesaid 850MHz and 800MHz frequencies will be replaced with other 2x10 MHz in the 800 frequencies; additional frequencies may be allocated to us for limited periods during the transition period. The MOC noted that we may use an interim leniency (currently until March 2021) to the Planning and Building Law, allowing, under certain conditions, replacement of cell sites without obtaining a building permit. The MOC will further consider allocating partial 800MHz or 900 MHz frequencies tender revenues, if such tenders are executed, to expedite such frequencies replacement. Such replacement will involve material investments and replacement of radio equipment in all our cellular sites and may, during such project, adversely affect our products and services or quality thereof and our ability to comply with quality standards set in our license (unless modified). See "Item 3. Key Information – D. Risk Factors – We operate in a heavily regulated industry, which can harm our results of operations. Regulation in Israel has materially adversely affected our results", "-We may not be able to obtain permits to construct and operate cell sites" and "- We may be adversely affected by significant technological and other changes in the telecommunications industry".

In addition, in July 2019 the MOC published a frequencies tender, which the MOC expects to conduct during 2020 The tender is to include 30MHz in the 700Mhz frequencies band, 60MHz in the 2600MHz frequencies band and 300 MHz in the 3500-3800Mhz frequencies band. The frequencies shall be allocated for a period of 10-15 years. The tender will be open for MNOs only, other than 100Mhz in the 3500MHz frequencies band which will be open for any contender. New contenders may only provide specific 5G services. MNO which shall not win 3500-3800 frequencies shall not be able to provide 5G services. MNOs sharing a network shall provide a joint bid (subject to the tender committee's prior approval) and maximum allocation of frequencies will be as follows: in the 700MHz frequencies band - 15MHz per network; in the 2600MHz frequencies band - 40MHZ per network; in the 3500-3800MHz frequencies band - 80MHZ per MNO and 120MHZ per network. The result being that at present the 700MHz would be the main coverage enhancement frequency, but given the amount available and maximum amount per network as well as due to other tender principles and draft license requirements, not all MNOs may win frequencies or may win less frequencies than their needs or less than their competitors. See "Item 3. Key Information – D. Risk Factors – - We may be adversely affected by significant technological and other changes in the telecommunications industry". The tender further sets coverage, timeline and quality requirements for winning certain frequencies and includes certain leniencies and performance based incentives which are subject to additional approvals not yet awarded. The petition we, Golan and Xfone filed in December 2019 against the mechanism the tender sets for the license fee was dismissed in February 2020.

Cell site construction and licensing

We construct cell sites based on our strategy to expand the geographical coverage and improve the quality of our network and as necessary to replace cell sites that need to be removed. Our acquisition teams survey the area in order to identify the optimal location for the construction of a cell site. In urban areas, this would normally be building rooftops. In rural areas, masts are usually constructed. Our transmission teams also identify the best means of connecting the base station to our network, based on our independent transmission network, either by physical optical fiber, microwave link or Bezeq, Hot or IBC landlines. Once a preferred site has been identified and the exact equipment configuration for that site decided, we begin the process of obtaining all necessary consents and permits. The construction of cell sites requires building permits from local or regional authorities, or an applicable exemption, as well as a number of additional permits from governmental and regulatory authorities, such as construction and operating permits from the Ministry of Environmental Protection in all cases, permits from the Civil Aviation Authority in most cases and permits from the Israeli Defense Forces in some cases. In special circumstances, additional licenses are required. See “Item 4. Information on the Company – B. Business Overview – Government Regulations – Cellular Segment – Permits for Cell Site Construction.”

Network sharing agreements

In March and April 2017 our Sharing Agreements came into effect – (1) the 4G network sharing and 2G and 3G hosting services agreement with Xfone (which commenced operating in the cellular market in April 2018), (2) the 3G and 4G network sharing and 2G hosting services agreement with Golan (originally entered into with Electra and adopted by Golan, after being acquired by Electra) and (3) an agreement combining the 4G network sharing arrangements of the Xfone agreement and the Golan agreement into one three-way agreement.

The Sharing Agreements set the terms under which the sharing networks operate, including:

- Usage of the parties' relevant frequencies, management and operation by separate entities, or the Joint Corporations, possession of equal parts of the shared network active elements, investment in equal parts in future active elements and IRU of each sharing party to the other sharing parties and IRU by us to the other sharing parties and the Joint Corporations to our passive elements of the shared networks, services provided by us to the Joint Corporations, as a subcontractor and certain arrangements for separation of the parities and adding another sharing party.

- The agreements are for a term of ten years, and will be extended for additional periods, unless either party notifies otherwise. The termination of the Golan Agreement prior to the lapse of the first 10 years due to a breach by Golan will entitle us to liquidated damages of NIS 600 million plus VAT. In addition to standard termination causes, Xfone may terminate its agreement by prior written notice if it decides to cease operating in the cellular market in Israel.

- The average annual consideration to be received by us under the Golan agreement (starting with lower annual payments and increasing over the term) is expected to be in a range of approximately NIS 210-220 million plus VAT (and a lower sum due to Xfone's participation in the Sharing Agreements and division of investments and expenses among the three operators), depending on Golan's number of subscribers and their usage of the shared network and our 2G network.

The consideration for us under the Xfone agreement includes substantially similar arrangements (*mutatis mutandis* to its sharing and hosting agreement), but during a period of up to five years beginning April 2018, Xfone will be entitled to replace its payments for IRU to the passive network and operating costs with a monthly payment per subscriber, but in any case not less than certain minimum annual amounts (ranging between approximately NIS 20 million in the first year and approximately NIS 110 million in the fifth year).

Under the Golan Agreement (which replaces the former national roaming services agreement), in April 2017, we provided a loan to Golan in the sum of NIS 130 million for a period of 10 years.

See "A. History and development of the Company – our history" above for details of our binding MOU to purchase Golan's share capital.

Fixed-line Segment

Fixed-line infrastructure

We launched our SDH transmission network in 1999 and our Carrier Ethernet network in 2010. In 2015 we launched an MBH network intended to support all our cellular traffic. These networks cover the central populated areas in Israel and business parks. These networks enable us to provide our business customers with telephony and high speed and high quality transmission and data services and provides us with our own wireline connectivity / backhaul services for our cellular networks while reducing our need to lease capacity from Bezeq, the incumbent landline operator in Israel.

Our optical transmission network is strategically deployed in order to cover the major portion of Israel’s business parks from Nahariya in the north to Beer Sheva in the south and Afula and Jerusalem in the east, consisting of approximately 1,990 kilometers. The fiber-optic network is monitored by a fault-management system that performs real-time monitoring in order to enable us to provide high quality service. In order to efficiently complete our transmission network’s coverage to the majority of our cell sites and business landline and transmission subscribers, we use a microwave network as a complementary solution in those areas that are not served by our fiber-optic network. As of December 31, 2019, we had approximately 2,617 microwave links to both our cell sites and our landline and transmission subscribers.

Additional transmission capacity required for our fixed line services to business customers is leased from Bezeq and Hot.

We pay frequency fees for frequencies used by our microwave network to the State of Israel.

In 2017, in light of the growing demand for data capacity by our fixed-line subscribers, mainly in the private sector, which we purchased from Bezeq, we commenced expanding our fiber-optic network into residential areas, using certain physical infrastructure of Bezeq and in 2018 we continued deploying our independent fiber-optic infrastructure in residential areas. In addition, in 2019, we completed an investment transaction in IBC, the purchase of an indefeasible right of use in IBC's fiber-optic network and the sale of our independent fiber-optic infrastructure in residential areas to IBC. Our investment in IBC, may require material investments in order for IBC to continue to deploy its network but it allows us to reduce investments in independent fiber-optic infrastructure and reduces our costs and our dependency on Bezeq. Such positive effects are expected to become more pronounced as, and subject to – IBC's infrastructure being further deployed. See "- Investment in IBC" below.

In 2019, we continued to expand our Carrier Ethernet network and our ISP network backbone in Israel and abroad in order to support growing demand for capacity, upgraded the capabilities and capacity of our customer Quality of Experience systems and upgraded and improved the capabilities of our central system for the protection of our network against cyber attacks.

Our internet infrastructure is currently comprised of connectivity sites in two locations in Israel (Haifa and Petah-Tikvah), which provide our customers, through overseas connectivity points in London and Frankfurt, with connectivity to the global internet network. This internet infrastructure contains backup capability in order to ensure continuity of service.

Investment in IBC and sale of fiber-optic infrastructure to IBC

In July 2019 we completed an investment transaction in IBC, composed of several agreements, or the Transaction, which in addition to standard and customary conditions, include the following:

- **Purchaser Agreements** - We and the Israel Infrastructure Fund, or IIF, entered into partnership agreements for the purchase of 70% of IBC's share capital by a jointly and equally owned limited partnership, or the Purchaser. The Purchaser Agreements contain an undertaking for an additional investment of up to NIS 200 million by both the Company and IIF, pro rata to their holdings in the Purchaser, over a period of 3 years (we have already provided IBC with the full additional investment obligation) and certain arrangements regarding a party's failure to make its share of the committed investment and regarding dead lock situations.

- **Share Purchase Agreement, or SPA** - The Purchaser, IBC, the Israeli Electric Company, or IEC and the other shareholders and main creditors of IBC entered an agreement for the purchase of 70% of IBC's share capital, through investment of the Purchaser in IBC, for a total amount of approximately NIS 110million (of which the Company paid half) (the "Consideration"), the majority of which was in the form of a shareholders' loan. The other 30% of IBC's issued and outstanding share capital are owned by IEC. The Consideration was used to settle generally all of IBC's debts (other than a certain amount to IEC).

- **Shareholders Agreement** - The Purchaser and IEC (holding 70% and 30% of IBC's share capital, respectively) entered into a shareholders agreement. The agreement regulates the management of IBC, including certain arrangements regarding funding of IBC and dilution (and anti-dilution in certain circumstances) of non-participating shareholders.

- **IRU Agreement** – We and IBC entered into an agreement granting us an indefeasible right of Use, or IRU to a 10-15% percentage of IBC's fiber optics 'home pass' (i.e. fiber-optic actually reaching / connected to the building; current undertaking of 15% and may be decreased to 10% under certain conditions), as shall be deployed by IBC in the next 15 years (and may be extended to additional periods with no additional consideration other than annual maintenance payments). The IRU consideration is subject to actual IBC's 'home pass' deployment (annual consideration for 2019 amounted to approximately NIS 18 million), is expected to increase each quarter based on the actual addition of 'home passes' deployed during such quarter and shall be paid in 36 quarterly installations (9 years), in addition to annual maintenance payments.

- **IEC Services Agreement** - IBC and IEC entered into an agreement updating IBC's previous right of use and services agreement for IBC's fiber-optic network when deployed over IEC's infrastructure. The IEC Services Agreement includes improved pricing and arrangements for IBC's exclusive right to deploy its fiber-optics over the IEC's electricity network and other services provided by IEC to IBC in relation thereof.

The sale of Residential fiber-optic

Further in July 2019, we and IBC entered an agreement and completed the transaction for the sale of our independent fiber-optic infrastructure in residential areas to IBC, for the sum of approximately NIS180 million (with additional consideration to be paid for services provided by the Company to IBC). The consideration for the sale was financed entirely through shareholders' loans, provided to IBC by IIF and the Company. Once the sale was completed, the IRU Agreement, including our obligation to purchase percentage of IBC's fiber optics 'home pass' (as detailed above), applies to the infrastructure purchased from us (the combined amount of 'home pass', surpassed 300,000 potential customers, at the end of 2019).

For additional details see "Item 3. Key Information – D. Risk factors – Risks related to our business - We operate in a heavily regulated industry, which can harm our results of operations. Regulation in Israel has materially adversely affected our results", " - We face intense competition in all aspects of our business", "- Our investment in new businesses involves many risks" and "Item 4. Information on the Company –B. Business Overview – Competition – Fixed-Line Segment- Fixed-Line Infrastructure".

In March 2020, IBC entered into an agreement with an Israeli financial institution, under which IBC shall be extended with a credit line of up to NIS 350 million, to be repaid until December 31, 2032, to further its business operation, including deployment of fiber-optic infrastructure in Israel. The agreement includes customary commercial terms and conditions. In addition, the partnership jointly held by the Company and Israel Infrastructure Fund undertook to provide IBC with an additional investment of NIS 50 million before 2021 year end.

Suppliers

In April 2014, we entered into a framework agreement with NSN Israel, of Nokia Networks group, a worldwide leading network manufacturer, for the purchase of an LTE network, which also supports LTE Advanced technology (4.5 generation) and related services. This agreement also governs the purchase and services provided under our previous agreement with NSN, in relation to our GSM/GPRS/EDGE /UMTS /HSPA core system, radio access network and related products and services. We have an option to purchase maintenance services on an annual basis until March 2030.

In September 2005, we entered into an agreement with LM Ericsson for the purchase of UMTS radio access network and ancillary products and services and in December 2011 for the purchase of upgraded UMTS /HSPA products and related services. We have an option to purchase additional maintenance services on an annual basis until 2026.

We use Telcordia’s (which was acquired by Ericsson) intelligent platform, or IN, which provides services to our networks and allows us, at minimal cost, to internally develop sophisticated services with a short time-to-market that are customized to local market requirements.

In addition, we have agreements with several Israeli engineering companies for the construction of our cell sites. We also purchase certain network components from other suppliers.

Samsung International Co. Ltd. provides us Samsung handsets and spare parts for such products, under terms, including price of products, agreed between us and Samsung from time to time.

In October 2016, we entered into an agreement with Apple Sales International for the purchase and distribution of iPhone handsets in Israel. The agreement is in force until May 2020. Under the terms of the agreement, we have committed to purchase a minimum quantity of iPhone products over the agreement's period, which represents a significant portion of our total cellular handsets purchase amounts over that period.

We have entered into a number of agreements with TI Sparkle between 2003 and 2019 for the purchase of rights of use of certain telecommunications capacities on TI Sparkle's underwater communications cables, which connect the Israeli internet network to the "entry points" of the global internet, as well as maintenance and operation services relating to these cables. Over the last few years we have increased the capacity purchased for significantly lower prices, as well as reduced maintenance costs. The term of the agreement with respect to capacity purchased from TI Sparkle is in effect until May 2027. We have the option to extend the agreements until May 2032.

We have entered into agreements with Bezeq and Hot, the primary internet infrastructure providers in the Israeli market, for the provision of our connectivity services. Due to the increase in customer demand for broadband width in recent years, we are required from time to time to increase the capacity we purchase from Bezeq and Hot, although at a lower pace than before, due to advanced efficient technologies and the fiber-optic alternative. In November 2009, we entered into an agreement with Alcatel Lucent for the purchase of our Carrier Ethernet network. We have an option to purchase maintenance services until 2022.

Under our agreement with Alcatel Lucent, we purchased an SDH transmission network. We purchase maintenance services for the network on an annual basis.

In February 2015, we entered into an agreement with Bynat Communications Computers Ltd., or Bynat, for the purchase and maintenance of an MBH transmission network by Cisco. We purchase maintenance services from Cisco.

In June 2004, we entered into an agreement with Nortel Networks Israel (Sales and Marketing) Ltd., or Nortel, , for the provision of our international communications switch, on which we base our ability to provide international calling service, as well as related equipment and services. From 2010, Geneband Inc. (which acquired Nortel's relevant business) provides us with support and maintenance services for the equipment provided under this agreement.

We have entered into an agreement with ECI Telecom Ltd. for the provision of transmission switches by ECI Telecom among our various location sites in Israel and overseas, used for our internet connectivity and ILD operations.

Our system for the provision of advanced centrex services based on cloud solutions to our business landline customers, is supplied by Broadsoft Ltd.

Our principal suppliers in the ILD market are Bezeq, Hot and the Israeli cellular operators. We have entered into interconnect agreements with them for facilitating inbound and outbound international traffic to and from their networks, as well as for billing and collection services for our services, for certain customers. We have also entered into agreements with approximately 100 foreign carriers. These agreements regulate and facilitate our ILD services, as well as our international voice hubbing services.

In 2011, we entered into an agreement with LM Ericsson, for the purchase of our OTT TV services system and ancillary products and services. In 2018, LM Ericsson's media operations were purchased by MK Systems USA Inc., and MK Systems' Israeli subsidiary which continue to provide us with maintenance services for our system. We are currently negotiating a new maintenance agreement. Our OTT TV service also uses the Israeli DTT infrastructure. The DTT infrastructure may be used freely by our customers. In 2019, we entered into an agreement with Kaltura Europe Ltd for the provision of a new cloud-based content management platform for our OTT TV service, allowing, among others functionalities, the ingestion, management, distribution, analysis and protection of the OTT TV content.

In 2013, we entered into an agreement with VU (recently purchased by Amdocs (Israel) Limited), a leading international supplier of multiplatform video services and solutions, for the supply of international video content and content operation and management services for our OTT TV service. Under our agreement with VU, we have committed to pay certain fixed amounts for such content and services. The Agreement is valid until the end of 2020; thereafter, it is renewable for additional periods of one year each, unless terminated by either party, subject to prior notice.

In October 2014, January 2016 and December 2016, we entered into agreements with RGE, ONE and Charlton, respectively, for the provision of sport channels, in which each of these suppliers holds exclusive broadcasting privileges. Each of the agreements is for a period of 5 to 6 years, during which time we are committed to pay each supplier certain minimum amounts.

We maintain a variety of information systems that enable us to deliver superior customer service while enhancing our internal processes.

Our billing and CRM systems are supported mostly internally. We also use a customer care system provided by PeopleSoft and supported mostly internally, inventory and suppliers management systems by Priority/Eshbel and SAP, a financial system by Coda and infrastructure integrations systems by Microsoft BizTalk and Oracle OSB.

In May 2016, we entered into several agreements aiming to provide us with a comprehensive CRM SAAS solution, on a cloud 'software as a service', or SAAS, basis, which, when completed, will gradually replace all our current CRM systems with one CRM solution. These agreements include the following main agreements:

An agreement with Salesforce, for the provision of Salesfoce's CRM SAAS platform, including various products and services and support for the agreement term. The agreement is valid until June2020. We also have an option to renew the agreement for two additional periods of 5 years each under certain terms.

Two agreements with Vlocity, as follows: (i) an agreement for the provision of Vlocity's telecom-CRM SAAS solution, based on Salesforce platform, including support for such services for the agreement term. This agreement is valid until November 2024 and thereafter will be automatically renewed for additional periods of 5 years each (unless we decide not to renew the agreement and (ii) an agreement for the development and customization for Salesforce's and Vlocity's CRM solution. This agreement will be valid until the project is completed, and may be terminated by us subject to prior written notice.

We use Nortel’s CTI system for the management of incoming calls to our telephonic call centers.

We also use a knowledge management system relating to our various services and products by Aman, branded "Cellcopedia".

We use ERP solutions provided by SAP. We use a data warehouse based on an Oracle database system and various data mining tools, ETL by Informatica and reports generated by Cognos. The data warehouse contains data on our subscribers’ usage and allows for various analytical segmentation of the data.

Cisco provides us maintenance proactive malfunction detection and consultant services for our IP networks equipment.

We entered into an agreement with Be’eri Printers for our printing supplies and invoices as well as the distribution, packaging and delivery of invoices and other mail to the postal service distribution centers in 2003. The agreement is effective until the end of 2022.

Sales and Customer Care and Marketing

Sales and customer care

As part of our strategy to fully penetrate every part of the Israeli market, we combine our sales and customer care efforts in order to maximize sales opportunities and achieve cost efficiency alongside accessible and quality customer service. Our customer service unit is our main channel for preserving the long-term relationship with our subscribers and we focus on customer retention through the provision of quality service and customer care. In addition, subscribers are encouraged to subscribe to additional value-added and content services as well other communications services, in order to enhance customer satisfaction and increase revenues, with a specific focus on bundles of services. We offer pricing plans, value-added services, handsets, accessories and related services through a broad network of direct and indirect sales personnel. We design pricing plans and promotional campaigns aimed at attracting new subscribers and enhancing our ability to retain our existing subscribers. In order to achieve this goal, we systematically monitor and analyze our subscribers’ preferences, characteristics and trends.

We pay our independent dealers commissions on sales, while our direct, employee sales personnel receive base salaries plus performance-based incentives. All of our, and our dealers', sales, customer care representatives and other customer-facing staff go through extensive training prior to commencing their work and thereafter regularly undergo training, and review of their performance in order to assure the quality of our services and to identify areas where we can improve.

We provide our customer facing representatives with a continually updated database, thus shortening the interaction time required to satisfy the customer's needs and preventing human errors. We constantly review our performance by reviewing customers applications and conducting surveys among our subscribers in order to ensure their satisfaction with our services and to improve them as necessary. In addition, we constantly apply preventive and preemptive measures aimed at reducing churn.

In our efforts to adjust our costs to market conditions, we have closed or unified points of sale and service in neighboring locations and reduced or relocated call centers, operating them in a more cost effective fashion, while placing greater focus on self-service channels and proactive malfunction resolution, identifying and solving problems ahead of customer complaint.

Our sales and customer care operation is conducted primarily through the following channels:

Points of sale/Walk-in centers. We distribute our products and services through a broad network of physical points of sale providing us with nationwide coverage of our existing and potential subscriber base.

As of December 31, 2019, we independently operated approximately 23 service and sales centers, with approximately 150 additional sale and service points operated by our dealers (including our wholly owned dealer, Dynamica), covering almost all the populated areas of Israel. These centers generally offer the entire spectrum of products and services that we provide to our subscribers and potential subscribers. These stores are mostly located in central and other frequently visited locations to provide our subscribers with easy and convenient access to our products and services. In our efforts to penetrate certain sectors of our potential subscriber base, we select dealers with proven expertise in marketing to such sectors. Our walk-in centers also offer handset repair service or serve as a contact point for depositing the handsets for repair and receiving the repaired handset (in the same center or at a location of their choice by a courier), with the repair services conducted in a central lab.

In 2019, we continued reducing the space of several additional points of sale, and we expect to continue to do so in 2020.

Telephonic sales/Call centers. Telephonic sales efforts target existing and potential subscribers. Our sales representatives (both in-house and outsourced) offer our customers a variety of products and services, both in proactive and reactive interactions. Our call-center services are divided into several sub-centers: general services; technical services; billing; sales; international roaming; and data, internet and TV. We are constantly reviewing the effectiveness of our service and also operate a multi-function call center providing all our services. We currently operate call centers in seven locations throughout Israel, three of which are outsourced. In 2019, we witnessed an increase in calls to our calls centers. During peak hours our call centers have the capability to respond to 600 customer calls simultaneously. We are making efforts to reduce the number of calls to our call centers by using our new CRM system to provide a more complete service and promoting our self-service channels.

Account managers. Our direct sales force for our business customers maintains regular contact with our mid-sized and large accounts. We provide small and mid-sized business customers one focal point to both sales and services by phone. Our account managers are aided by our various back office experts in determining customers' needs and making suitable offers, including tailor-made solutions, when required. We offer our business customers handsets repair services by a dispatch service. Sales to larger business customers or governmental and local authorities sometimes involve participation in the customer's tender process.

Online sales/Self service. We offer our customers the ability to purchase our products and services and receive various information through our internet site (and our OTT TV service dedicated internet site) and our smartphone application. We provide our subscribers and potential subscribers with various self-service channels, such as interactive voice response, or IVR, internet site, automatic and live chat and live sms chat, facebook chat and our mobile phone application which enables our customers to monitor data usage, obtain digital monthly invoices, includes self-service tutorials, online assistance with internet service problems and chat with a service representative. We invest efforts in directing our customers toward self-service channels.

Customer service for our OTT TV and internet infrastructure market services are provided also through technicians providing services at the customers' homes.

We constantly invest time and efforts making our services compatible to persons with disabilities, including as required by law. We provide customers with disabilities convenient accessibility to our premises and adapted services, including free dispatch services, text to speech services as well as support services through chat. We also train our representatives to provide accessible service to all our customers.

Marketing

Our marketing strategy emphasizes our position as a communications group and cellular market leader, our value for money and our provision of a comprehensive solution for our customers' communication needs, by offering bundles of services. We believe the provision of bundles, including triple and quatro play packages of our services strengthen loyalty and increase customer satisfaction. We aim to provide our customers with a comprehensive quality experience through the various means of communications that they use, including their mobile handset, tablet, laptop and television.

From surveys that we conduct from time to time, we learn that subscribers base their choice of communications provider primarily on the following parameters: the services included in the bundle; perceived price of services and handsets; level of customer service; perceived quality of the network; general brand perception; with regards to the cellular provider - selection of handsets and their compatibility with their needs and with regards to the TV service provider – the quality and variety of content. Our marketing activities take into consideration these parameters and we invest efforts to preserve our subscriber base and attract new subscribers.

We leverage our extensive interactions with our customers to provide the requested services and also to cross- and up-sell cellular and fixed line products and services according to customer needs, usage trends and profitability, mostly by using advanced CRM system models, to increase customer satisfaction, loyalty and revenues.

We regularly advertise in all forms of media, specifically in digital media and television, using our familiar and loved advertising language which contributes to our brand's strength and popularity.

We believe that our strong brand recognition gives us the high level of market exposure required to help us achieve our business objectives.

Competition

Competition – General

The principal competitive factors in the telecommunications market include the services included in the bundle, perceived price, general brand perception and customer service.

In response to the enhanced competition in the Israeli telecommunications market, we have implemented various steps and strategies, including:

- identifying new opportunities to maximize our advantages as a communications group, such as our successfully launched OTT TV services, internet infrastructure services through the landline wholesale services and our investment in fiber-optic through IBC and in IOT;

- focusing on the offering of bundles of services such as our successfully launched triple and quatro play offerings, as it strengthens customer retention and on enlarging customer purchases from us;

- entering network sharing and hosting agreements with Golan and Xfone, facilitating a more efficient cost structure in relation to our networks and operations thereof and investments therein;

- investing in IBC, selling our independent fiber-optic infrastructure in residential areas to IBC and entering an IRU agreement with IBC, in order to reduce our costs and dependency on Bezeq ;

- investing in our network to ensure our ability to offer quality and advanced cellular and fixed line services, and providing our customers with advanced services;

- taking aggressive efficiency measures through adjustments to our head count, reducing overhead expenses and improving work processes, in order to reduce costs and improve our agility; and

- actively pursuing mergers, acquisitions and similar opportunities.

Our ability to compete successfully will depend, in part, on our ability to anticipate and respond to trends and events affecting the industry, including the introduction of new services and technologies, changes in consumer preferences, demographic trends, economic conditions, pricing strategies of competitors and changes to the legal and regulatory environment.

Competition may intensify further as a result of the occurrence of any of the events described under “Item 3. Key Information – D. Risk Factors – Risks Related to our Business – We face intense competition in all aspects of our business.”

In March 2020 the MOC published a public hearing proposing to substantially reduce the guarantees all general license holders are required to provide the MOC.

Communications groups and structural separation

The Israeli telecommunications market is currently dominated by four communications groups: Bezeq, Hot, Partner and Cellcom. Each of the Bezeq and Hot groups are subject to certain structural separation requirements in relation to sale of bundles of services by each of them and their respective subsidiaries, as a result of being the incumbent and monopoly in their respective core business – landline and multichannel television services. Those requirements include Bezeq's obligation to offer some of the services in its bundle separately under the same terms as in the bundle, and the requirement that Bezeq allow its competitors to participate in a similar bundle (if it includes internet connectivity, VOB or ILD services) under the same terms and equally markets such bundles as its own bundle (though the second requirement does not apply to the sale of the bundle by a subsidiary of Bezeq). The same requirements apply to Hot in the case of bundles that include internet connectivity services, with respect to the internet connectivity service component of the bundle.

Following a certain relaxation of the structural separation imposed on the Bezeq group, Bezeq is allowed to offer bundles of services with its subsidiaries under certain conditions, and in 2015 Bezeq merged with Yes (a company providing multichannel pay-TV) (see "-Fixed line Segment – Television services" below). Bezeq's subsidiaries are allowed to sell and market each other's services, including through bundles of their services. Although the Hot group is also subject to structural separation limitations between its multi-channel television, connectivity, cellular and landline services, it was allowed to offer a bundle of landline telephony, multichannel television and internet infrastructure services and under certain conditions connectivity services as well, and Hot and Hot Mobile are also allowed to sell and market each other's services and exchange information. In January 2016 the Ministry of Communications announced its intention to annul Bezeq and Hot's structural separation as part of its plan to ensure massive investment in fiber optics infrastructure in Israel and in December 2016 the Ministry of Communication informed Bezeq that it intends to hold a public hearing regarding a possible annulment of the corporate separation and thereafter the structural separation in the Bezeq group and Bezeq has announced the commencement of a full merger process with Yes, including full integration of Yes into Bezeq. In 2018 Bezeq partially merged the operation of its subsidiaries – Pelephone, Yes and Bezeq International - thereby reinforcing their ability to compete with our triple offering. Bezeq's subsidiaries' applications for their re-organization under limited partnerships wholly owned by Bezeq, was denied by the MOC in January 2020. In February 2019, Bezeq filed a petition with the Supreme Court of Justice, against the MOC, requesting the immediate cancellation of the structural separation imposed on Bezeq. In January 2020 the MOC notified the court that recommendations by an inter-ministries team nominated with the task of reviewing the structural separation in Bezeq and Hot will be submitted within a four month period and a resolution may be given by the MOC at a later date.

In April 2019, the MOC resolved to further relax Hot's structural separation allowing marketing of Hot and its subsidiaries' services to medium – large business customers without any limitations.

The current regulation may change. See also "Item 3. Risk Factors - We face intense competition in all aspects of our business".

Cellular Segment

There is intense competition in all aspects of the cellular communications market in Israel, with a penetration rate (the ratio of cellular subscribers to the Israeli population) of approximately 130%, representing approximately 10.6 million cellular subscribers at December 31, 2019, and the average annual churn rate in Israel in 2019 is estimated to be 38%, higher than the churn rates in other developed economies. We expect this intensified competition to continue in the future. We currently compete for market and revenue share with nine other cellular communications operators: five MNOs (Partner, Pelephone, Hot Mobile, Golan and Xfone) and four MVNOs (Rami Levy Hashikma Communications Marketing Ltd., or Rami Levy, Azi Communications Ltd., or Azi, Free Telecom Ltd., or Free Telecom and Cellact Communications Ltd., or Cellact). The competition in the cellular market further increased after the entry of Xfone into the market in April 2018. Under the 4G tender terms, Xfone, Golan and Hot Mobile are eligible for up to a 50% discount on the license fees paid for the 4G frequencies, 10% for each 1% addition to their market share, obtained over a period of 5 years. For details of our network sharing and hosting agreements with Golan and Xfone, see "– Network and Infrastructure – Cellular Segment – Network sharing agreements" above.

Our estimated market share based on number of subscribers was approximately 26% as of December 31, 2019. The market shares at such time of Partner, Pelephone, Hot Mobile, Golan and Xfone were estimated to be approximately 25%, 21.7%, 15%, 8.7% and 2%, respectively, and the MVNOs' collective market share was estimated to be 2.0% . These estimates are based on the public reports of other operators and our estimate of the market share of the operators who do not publish reports.

Hot Mobile and Golan commenced their UMTS operations in 2012. Rami Levy, Azi, Free Telecom and Cellact, all MVNOs, commenced operations in 2011 - 2013. Xfone commenced its operations in 2018.

Partner started operations in 1998. As of November 2019, Partner's previous controlling shareholder - S.B. Israel Telecom Ltd. (indirectly controlled by the media entrepreneur Haim Saban)'s shares are held by Adv. Ehud Sol as a permanent receiver and in January 2020, Partner announced the receipt of a binding offer for 100% of its issued share capital from Hot and Hot's controlling shareholder – Altice Europe N.V. A merger of Partner with Hot Mobile, if effected, would turn the merged entity into the largest cellular operator in Israel. In March 2011, Partner purchased the outstanding shares of 012 Smile Telecom Ltd., or Smile Telelcom, an ISP and ILD operator, now also serving as Partner's cellular low cost brand dealer, and in 2015, its network sharing agreement with Hot Mobile was approved and the two companies began joint operation through a joint subsidiary.

Pelephone is a wholly-owned subsidiary of Bezeq, and started operations in 1986. As of January 2015, its low cost brand services are sold by another subsidiary of Bezeq – Walla Communications Ltd., an internet portal. Bezeq is controlled by B Communications Ltd., or B Communications,. B Communications is an Israeli company traded on the NASDAQ and the TASE and as of December 2019, is controlled by Searchlight II BZQ L.P and T.N.R Investments Ltd.. Hot Mobile operated in the cellular market as of 2001. In 2012 it began its UMTS operation. Hot Mobile is owned by Hot, which is indirectly controlled by the French businessman Patrick Derhy. In 2015, its network sharing agreement with Partner was approved and the two companies began joint operation through a joint subsidiary.

Golan is owned by Electra, a public Israeli company that distributes and retails consumer products and is part of a large Israeli business group. Golan began to operate in 2012. For details of our binding MOU to purchase Golan's share capital see "A. History and development of the Company – our history" above and for details of our network sharing and hosting agreements with Golan and Xfone, see "-Network and Infrastructure – Cellular Segment – Network sharing agreements" above.

Xfone is controlled by Xfone Communications Ltd., an Israeli ISP, which is owned by the Israeli businessman Hezi Bezalel.

Rami Levy is a subsidiary of a major Israeli discount supermarket chain. Azi is owned by Telzar, an ILD operator. Cellact is owned by Cellact Ltd., a content provider. Free Telecom is owned by an Israeli business man.

Israel is a small country (approximately 8.7 million residents) with 10 cellular operators and aggressive competition and regulation which led to some of the lowest cellular prices worldwide. Competition may remain in its current heightened condition or even increase and prices shall remain low, unless the market undergoes substantial changes.

Handsets

In the handsets market, we compete with numerous vendors, chain stores and importers' stores, while international platforms like Ali Express gain substantial market share mainly with low cost handsets manufactured in China. We expect this trend to continue and include more global companies. Competition in this market has increased significantly in recent years and decreased sales for us. See "Item 3.Risk Factors - Our handsets revenues and profitability have decreased and are expected to decrease further" for additional details. Competition in this market may increase further.

Fixed-line Segment

The only groups obligated to and having their own nation-wide (or substantially so) landline infrastructure in Israel are Bezeq and Hot. Bezeq's infrastructure is copper cable based and Hot's infrastructure is cable based. For proposed changes to Bezeq's nationwide deployment obligation in regards to its future fiber optic network see below " - Government Regulations - Fixed-line segment – Fiber-optic network".

We are dependent on Bezeq and Hot's broadband services for the supply of our internet services. The growing demand for data capacity increased our dependency on Bezeq's wholesale services. In 2014, IBC, whose deployment requirement under its license was reduced in 2019 to reach 40% of the households in Israel within ten years from July 2019 - commenced deployment of its infrastructure on the IEC's fiber optic infrastructure in selected areas. In 2016 and 2017, respectively, Partner and we began extending our existing independent fiber optic infrastructures into residential areas and in 2019 we completed our investment in IBC, the sale of our independent fiber-optic infrastructure in residential areas to IBC and entered an IRU agreement with IBC. Bezeq has executed a substantial part of the investments required for the operation of a fiber optic network as well, but has not commenced operating it. Bezeq operating its fiber-optic infrastructure may substantially increase competition in the field but will also increase public awareness to the service. IBC becoming a widespread alternative to Bezeq would improve our competitiveness in the fixed-line services market as it would reduce our dependency on Bezeq and reduce our costs. For more details, see " – Networks and Infrastructure – Fixed-line Segment – Fixed-line Infrastructure " and thereunder "- Investment in IBC" above.

A landline wholesale market was formally launched in Israel in 2015 and to date, includes internet infrastructure (BSA) and physical infrastructure services on Bezeq's infrastructure (wholesale telephony is not provided) and also available on Hot's infrastructure since 2019. See "-Government Regulations – Fixed-line Segment – Wholesale Landline Market" below.

An effective wholesale landline market, specifically one providing both telephony and infrastructure services, would enhance our ability to compete and extend our service offering. However, an annulment or substantial alleviation of corporate or structural separation and Bezeq's tariffs supervision, or further consolidation of Bezeq's subsidiaries, may have a material adverse effect on our competitive capabilities and results of operation, especially if effected before an effective wholesale market is in place. The consolidation of Bezeq's subsidiaries may have an adverse effect on our ability to grow in our triple and quatro offering. Further, the entry of new competitors to the fixed-line market, through the wholesale market, has increased competition in the fixed-line market and may trigger further escalation in the competition in other markets in which we operate. The possible acquisition of Partner by Hot would increase Hot's duopolistic powers and competitive standing.

Internet Infrastructure and Connectivity Business

The two main internet infrastructure providers for the private sector in Israel and offering internet infrastructure services to both ISPs and end-users are Bezeq and Hot. Bezeq, and as of 2018 Hot as well, are also providing internet infrastructure services to operators that do not own their own infrastructure under the landline wholesale market, who, in turn, provide this service to the end customer. Partner and IBC's infrastructure are deployed in selected areas. IBC's infrastructure includes as of July 2019, the independent fiber optic infrastructure we deployed in residential areas and sold to IBC. IBC's licenses allow the provision of broadband infrastructure services to other licenses holders as well as directly to large business customers, though a public hearing published in January 2020, proposes to allow IBC to provide its services to other end-users, both private (under certain conditions) and to medium - large business customers. IBC provides broadband infrastructure services through agreements entered into with some of the smaller ISPs and as of 2019, is also providing us with such services under an IRU agreement. Bezeq, Hot, we and Partner provide transmission services to business customers over each operator's respective independent transmission network.

As of September 30, 2019, internet infrastructure services were provided by Bezeq and Hot to approximately 988,000 and 705,000 households in Israel, respectively. As of the first half of 2015, internet infrastructure services were provided by other operators, including us, through the landline wholesale market, using Bezeq's infrastructure and as of 2018 also using Hot's infrastructure. Partner started offering fiber optic internet infrastructure services over its independent infrastructure to the private sector in 2017. In 2018, we started offering fiber optic internet infrastructure services in residential areas in which we deployed our independent fiber optic infrastructure as a stand alone service or as part of our triple and quatro offerings and currently are offering those services over IBC's network.

Based on Bezeq and Hot reports, at the end of September 2019, the internet infrastructure services household penetration rate was approximately 94%. We bundle this service with our internet connectivity service and also as part of our triple and quatro play offering. As of December 31, 2019, we had approximately 278,000 households subscribed to our end-to-end internet services. In 2018, Hot commenced providing wholesale landline services with maximum tariffs (set by the MOC) higher than those set for Bezeq's wholesale services and higher than the retail price Hot currently offers its own customers. Given Hot's high tariffs, our usage of its wholesale infrastructure is negligible. In December 2019 the MOC published a public hearing proposing to set fix tariffs (rather than the current traffic volume dependent tariffs) for Hot's internet infrastructure wholesale services, which are lower than Hot's current retail tariffs. A reduction of Hot's wholesale tariffs and effective inclusion of Hot's infrastructure in the wholesale market may increase the amount of potential subscribers to our triple and quatro play and bundle offerings. In July 2019, the MOC published a public hearing proposing to set maximum fix tariffs for infrastructure internet service over Bezeq's fiber optic infrastructure, higher than those set for Bezeq's current maximum tariffs over its copper cables infrastructure. In March 2020, the MOC published a public hearing proposing a reduced regulatory requirements temporary license for the provision of internet infrastructure services.

Internet connectivity access is currently provided by three major ISPs: us, Bezeq International, Partner, and some other smaller players including Hotnet (a subsidiary of Hot) and Xfone Communications Ltd. (Xfone's controlling shareholder).

The Israeli internet connectivity market is highly competitive and saturated. As of the date of this report, there are a few dozen ISPs in Israel, though most of them do not hold significant market shares. Competition among the various players concentrates mainly on pricing.

The offering of bundles of services and the aggressive campaigns of both Bezeq and Hot offering substantially higher bandwidth for lower tariffs to end-users, resulted in a substantial decrease in internet connectivity service prices and led to increased demand for greater bandwidth, which required us to increase the capacity we purchase from Bezeq and Hot, but tariffs remained high. We demanded the reduction of such tariffs and continue to await the MOC decision in a public hearing published in 2012 and 2015, in regards to such payments. / Further, the offering of bundles of internet infrastructure and connectivity using the wholesale market increased the competition in this field, resulted in loss of some of our internet connectivity customers. Bezeq's breach of its obligation to market our connectivity services when proposing an internet infrastructure and connectivity bundle until April 2018 also resulted in a substantial loss of connectivity business. If competition remains at current levels and the regulatory environment remains unchanged, this trend is expected to continue to have a material adverse effect on our results of operations.

Global internet connectivity is provided by three underwater cables. The main provider, which also provides us with the majority of our global internet connectivity, is TI Sparkle, and two additional underwater cables are owned by each of Tamares Telecom and the Bezeq group.

Television services

Multichannel pay-TV services are dominated by Hot (the incumbent cable based TV provider and monopoly in this field) and YES (a satellite based TV provider and a subsidiary of Bezeq) with approximately 777,000 and 558,000 households, respectively, as of September 30, 2019. The multichannel pay-TV market is also highly penetrated. We successfully entered this market in December 2014, using an hybrid OTT-DTT television service and have approximately 258,000 households subscribed to our Cellcom tv services as of December 31, 2019. Our service includes Netflix's and Amazon Prime's (internet based VOD content providers) applications integration, which enable us to distribute Netflix's services and Amazon Prime's services in Israel, including through direct access from our tv platform. In June 2017 Partner launched its OTT TV solution and has approximately 176,000 households subscribers as of September 30, 2019. In August and October 2017, respectively, Hot and Yes each launched an OTT TV low cost brand solution – branded Hot Next and Sting, respectively (Hot's OTT TV solution is also marketed by Rami Levy) and in March 2019 Yes announced its intention to gradually transfer from satellite broadcasting to OTT. Yes has further launched another Apple TV OTT solution branded Yes+. Partner's OTT TV solution includes Netflix and Amazon's applications integration. Hot's offer also includes Netflix's application integration. Also, Netflix and Amazon Prime provide their services to viewers in Israel, as complementary service to the existing competitors' content. We expect this trend to continue and include additional global players and also local participants.

Under the Israeli Antitrust Commissioner's 2014 instructions, aiming to facilitate the entry of new competitors to the TV market by reducing entry barriers, preconditions for the approval of any merger in the Bezeq group were published, including the requirements that Bezeq is to generally not bill ISPs for TV related internet infrastructure services and annul and not engage in any non-original production exclusivity arrangements.

ILD services

We are one of the major service providers in the Israeli ILD market. As of the date of this report, there are several ILD operators in the Israeli market. Our main competitors in this market are Bezeq (through its wholly-owned subsidiary Bezeq International) and Partner (through a wholly-owned subsidiary). Additional competitors include Xfone, Telzar International Communications Services Ltd., Rami Levy, Golan and Hot, through wholly-owned subsidiaries or affiliates. At the end of September 2019, our market share in the ILD market is estimated to be approximately 20%.

The Israeli ILD market is highly competitive, and the competition in the market is based mainly on the operator's ability to offer attractive pricing and to bundle this service with additional services such as cellular services.

In recent years the use of free of charge alternative technologies such as voice-over-IP has resulted in downsizing of the telephony market, especially the ILD services revenues. This trend is expected to continue in the future.

Landline telephony

The Israeli landline telephony market has been dominated for many years by Bezeq, the incumbent landline monopoly, which held as of December 31, 2019 (according to the Ministry of Communications report) approximately 2/3 of the landline telephony market (and an even larger revenues market share in the business landline telephony sector(. Hot, the incumbent TV monopoly, was the second entrant to this market. Other players include us, Partner's subsidiary and Bezeq International.

We offer landline telephony to selected business customers and landline telephony using VOB technology to private customers. We estimate that our current market share in the Israeli landline telephony market is not material. In case landline telephony is effectively included in the landline wholesale market, we may also offer landline home telephony services to private customers based on the wholesale market.

The landline wholesale market was to allow wholesale landline telephony service as of May 2015. In June 2017 the Ministry of Communications allowed Bezeq not to offer wholesale landline services until July 2018 and to provide a resale telephony service (at substantially higher tariffs) as a temporary substitute. In June 2018, the MOC resolved not to prolong Bezeq's temporary resale telephony as an alternative for its obligation to provide wholesale landline telephony services after the lapse of the temporary alternative period and to obligate Bezeq to provide wholesale landline telephony services as of August 1, 2018. To date, no such service has been provided. For details, see "– Government Regulation – Fixed-line Segment – Wholesale landline market".

Other fixed-line services

Transmission and landline data services are provided by Bezeq, Hot, Partner and us and as of 2019, IBC as well. These services are provided to business customers and to telecommunications operators. During 2019, the competition in these fields of operation intensified following HOT's and Partner's offerings and Bezeq lowering its prices, and the usage of bandwidth of transmission increased.

IOT services are provided by Bezeq, Pelephone, Partner and other software integration companies and additional participants are entering this field. We offer a wide range of advanced IOT services and solutions, through cooperation with leading IOT technology and services vendors. The IOT market is characterized by intense competition and includes the offerings of communications providers which offer both connectivity solutions and end-to-end solutions and large software integration companies.

Intellectual Property

We are a member of the GSM Association, together with other worldwide operators that use GSM technology. As a member of the association, we are entitled to use its intellectual property rights, including the GSM logo and trademark.

We are the proprietor of over 160 domain names and approximately 100 trademarks and trademarks applications, the most important of which are the star design, “Cellcom”, “Talkman”, “Cellcom Volume,” "Cellcom tv," "Netvision" and "013 Netvision". We are also the proprietor of a few registered patents.

Government Regulations

The following is a description of various regulatory matters that are material to our operations, including certain future legislative initiatives that are in the process of being enacted. There can be no certainty that the future legislation described here will be enacted or that it will not be subject to further change before its final enactment.

General

A significant part of our operations is regulated by the Israeli Communications Law, 1982, the regulations promulgated under the Communications Law and the provisions of our licenses, which were granted by the Ministry of Communications pursuant to the Communications Law. We are required by the Communications Law and the Wireless Telegraph Ordinance (New Version), 1972, to have a license in order to provide certain communications services in Israel and be allocated the spectrum to do so.

See also “Item 3. Key Information – D. Risk Factors – We operate in a heavily regulated industry, which can harm our results of operations. Regulation in Israel has materially adversely affected our results. ”

Cellular Segment

Our Cellular license

We provide our cellular services under a non-exclusive general license granted to us by the Ministry of Communications in June 1994, which requires us to provide cellular services in the State of Israel to anyone wishing to subscribe. The license expires on January 31, 2022, but may be extended by the Ministry of Communications for successive periods of six years, provided that we have complied with the license and applicable law, have continuously invested in the improvement of our service and network and have demonstrated the ability to continue to do so in the future. The main provisions of the license are as follows:

- the license may be modified, cancelled, conditioned or restricted by the Ministry of Communications in certain instances, including: if required to ensure the level of services we provide; if a breach of a material term of the license occurs; if any of our managers or directors is convicted of a crime of moral turpitude and continues to serve; or if we and our 10% or greater shareholders fail to maintain combined shareholders’ equity of at least $200 million; it is prohibited for any of our office holders or anyone holding more than 5% of our means of control, to hold, directly or indirectly, more than 5% of the means of control in Bezeq or another cellular operator in Israel, or to serve as an office holder of one of our competitors, subject to certain exceptions requiring the prior approval of the Ministry of Communications;

- the direct and indirect holdings of DIC and Koor (or a transferee or transferees approved by the Ministry of Communications), in the capacity as our founding shareholders, may not fall below 26% of our means of control (with “means of control” defined for these purposes as voting rights, the right to appoint a director or general manager, the right to participate in distributions, or the right to participate in distributions upon liquidation); the direct and indirect holdings of our founding shareholders who are Israeli citizens and residents may not fall below 5% of our means of control (in March 2020, the MOC published a public hearing proposing to replace such requirement with other national security based requirements); at least 10% of our directors must be appointed by Israeli citizens and residents from among our founding shareholders and the majority of our directors must be Israeli citizens and residents;

- we or our office holders or a 5% or greater holder of any of our means of control may not commit an act or omission that adversely affects or limits competition in the cellular communications market;

- it is prohibited to acquire (alone or together with relatives or with other parties who collaborate on a regular basis) or transfer our shares, directly or indirectly (including by way of creating a pledge which if foreclosed, will result in the transfer of shares), in one transaction or a series of transactions, if such acquisition or transfer will result in a holding or transfer of 10% or more of any of our means of control, or the transfer of control over our company , without the prior approval of the Ministry of Communications. For the purpose of the license, “control” is defined as the direct or indirect ability to direct our operations whether this ability arises from our articles of association, from written or oral agreement or from holding any means of control or otherwise, other than from holding the position of director or officer;

- we are subject to the guidelines of Israel's General Security Services, which may include requirements that certain office holders and holders of certain other positions be Israeli citizens and residents with security clearance and the Minister of Communications is entitled under our license to appoint a state employee with security clearance to act as an observer in all meetings of our Board of Directors and its committees. If our service is to be determined by the Israeli Government to be an "essential service", the Prime Minister and the Ministry of Communications could impose additional limitations, including a heightened requirement of Israeli ownership of our ordinary shares;

- we are required to have agreements with a manufacturer of cellular network equipment for the duration of its intended operating period, which must include, among other things, a know-how agreement and an agreement guaranteeing the supply of spare parts for our network equipment for a period of at least seven years; we are required to interconnect our network to other public telecommunications networks in Israel, on equal terms and without discrimination and to provide national roaming services to Golan, Hot Mobile and Xfone; we generally may not give preference in providing infrastructure services to a license holder that is an affiliated company over other license holders;

- there are certain general types of payments that we may collect from our subscribers, certain procedures and requirements for charging and collecting payments, general mechanisms for setting and raising tariffs, including the basic airtime charging units and prior notifications we must provide the MOC and our customers prior to increasing tariffs and the Ministry of Communications is authorized to intervene in setting tariffs in certain instances;

- we must maintain a minimum standard of customer service, including, among other things, operation of call centers, maintenance of a certain service level (both coverage and performance) of our network, protection of the privacy of subscribers; and certain limitations and requirements regarding the process and documentation of our marketing and sale interaction with our customers;

- we may not transfer, pledge or encumber the license or any assets used for implementing the license without the prior approval of the Ministry of Communications;

- we are required to obtain insurance coverage for our cellular activities. In addition, the license imposes statutory liability for any loss or damage caused to a third party as a result of establishing, sustaining, maintaining or operating our cellular network. We have further undertaken to indemnify the State of Israel for any monetary obligation imposed on the State of Israel in the event of such loss or damage. For the purpose of guaranteeing our obligations under the license, we have deposited a bank guarantee in the amount of NIS80 million with the Ministry of Communications, which may be forfeited in the event that we violate the terms of our license;

- we must maintain and follow additional requirements as to: business continuity plan and a disaster recovery plan and network sharing implementation, under which we may be accountable for violations attributed to the other sharing partners; and

- we are required to provide the Ministry of Communications information and reports upon its request, as well as detailed annual reports regarding various aspects of our operations.

In the event that we violate the terms of our license, we may be subject to substantial penalties, including monetary sanctions under the Communications Law, the sum of which shall be calculated as a percentage of our income and based on the gravity of the breach. The maximum amount per violation that may be imposed is approximately NIS 1.6 million plus 0.225% of our annual revenue for the preceding year, subject to criteria published by the Ministry of Communications. In recent years the MOC has substantially increased its supervision activities and imposed monetary sanctions, including on us (in immaterial amounts). Substantial sanctions will harm our results of operations. In the event that we materially violate the terms of our licenses, the Ministry of Communications has the authority to revoke them.

In July 2019, amendments to our licenses and to the Israeli Consumer Protection Law regulating the manner of response of call centers, including measurable parameters for response times, came into effect. These amendments had and are expected to continue to have an adverse effect on our results of operations.

Services in Judea and Samaria

The Israeli Civil Administration in Judea and Samaria granted us a non-exclusive license for the provision of cellular services to the Israeli-populated areas in Judea and Samaria. This license is effective until 2022. The provisions of the cellular license described above, including as to its extension, generally apply to this license.

Tariff supervision

Interconnect tariffs among landline operators, international call operators and cellular operators are subject to regulation.

In case of a disagreement as to the terms of a hosting service (including the consideration), whether for national roaming of a new MNO (currently Golan, Hot Mobile and Xfone) or hosting of an MVNO, the regulators may intervene in the terms of the agreement, including by setting the price of the service. Unfavorable terms and consideration for the hosting service, may result in material adverse effect on our results of operations. For additional details, see "– Mobile Virtual Network Operators" below.

The MOC is authorized to give instructions and to set interconnect tariffs and usage of another operator's network rates and supervised services prices, based not only on cost plus reasonable profit, but also on the basis of comparison to other licensees, comparable services or such services or interconnect tariffs in other countries. In addition, the MOC was authorized to give instructions in relation to structural separation for the provision of different services, including between services provided to a licensee and services provided to a subscriber.

Mobile virtual network operators

A mobile virtual network operator, or MVNO, is a cellular operator that does not own its own spectrum and usually does not have its own radio network infrastructure. Instead, MVNOs have business arrangements with existing cellular operators to use their infrastructure and network for the MVNO's own customers. See also "– Tariff Supervision" above.

To date, the Ministry of Communications has granted approximately 20 MVNO or unified licenses (which also allow the provision of cellular services as MVNO). Four MVNOs are currently active.

Network Sharing

Network sharing is conditioned upon certain conditions, including: (i) other operators may be allowed to join on terms similar to the terms granted to the sharing operator with the smallest market share; (ii) each sharing operator may host a MVNO without the other sharing operators' consent; (iii) the shared radio network must be operated through a joint entity held equally by the sharing operators, which entity will be required to obtain a license from the MOC and will use the frequencies allocated to sharing operators; and (iv) the radio elements of the shared network will be held in equal parts by the sharing operators, and each of the sharing operators will have the right to use other sharing operators' passive infrastructure including following termination of the agreement.

For details regarding our network Sharing Agreements, see "– Network and Infrastructure – Cellular Segment – Network sharing agreements".

Under the new frequencies tender, sharing operators must submit a joined offer. For details see "Network and Infrastructure – Cellular Segment – Spectrum allocation".

Permits for cell site construction

General

In order to provide and improve network coverage to our subscribers, we depend on cell sites located throughout Israel. The regulation of cell site construction and operation are primarily set forth in the Israeli National Zoning Plan 36 for Communications, or the Plan, and in the Communications Law.

The construction and operation of cell sites are subject to permits from various government entities and related bodies, including:

- building permits from the local planning and building committee or the local licensing authority (if no exemption is available);
- approvals for construction and operation from the Commissioner of Environmental Radiation of the Ministry of Environmental Protection;

- permits from the Civil Aviation Authority (in most cases);
- permits from the Israel Defense Forces (in certain cases); and
- other specific permits necessary where applicable, such as for cell sites on water towers or agricultural land.

National Zoning Plan 36

The Plan includes guidelines for constructing cell sites in order to provide cellular broadcasting and reception communications coverage throughout Israel, while preventing radiation hazards and minimizing damage to the environment and landscape and sets forth the considerations that the planning and building authorities should take into account when issuing building permits for cell sites. The Plan also determines instances in which the public must be informed of requests for building permits prior to their issuance, so that they may submit objections to the construction of a site. Following contradicting decisions by appeal and national zoning committees, in November 2018 the Supreme Court resolved that amelioration charges may be charged in relation to building permits issued in reliance on a national zoning plan. Such decision limits our ability to oppose the charges of amelioration charge in connection to our cell sites and may substantially increase the costs of constructing a site.

If the Plan is amended so as to include additional restrictions and requirements on the construction and operation of cell sites, this will harm our ability to construct new cell sites, make the process of obtaining building permits for the construction and operation of cell sites more cumbersome and costly, and could adversely affect our existing network and delay the future deployment of our network.

Site licensing

We have experienced difficulties in obtaining some of the permits and consents required for the construction of cell sites, especially from local planning and building authorities. The construction of a cell site without a building permit (or applicable exemption) constitutes a violation of the Planning and Building Law, which is criminal in nature. The Planning and Building Law contains enforcement provisions to ensure the removal of unlawful sites. As of December 31, 2019, we were subject to three criminal and administrative legal proceedings alleging that some of our cell sites were built and have been used without the relevant permits or not in accordance with the permits. As of the same date, a small portion of our cell sites operated without building permits or applicable exemptions. Although we are continually seeking to obtain building permits for these sites, we may not be able to obtain them and in several instances we may be required to relocate these sites to alternative locations or to demolish them without any suitable alternative. In addition, we may be operating a significant number of our cell sites, in a manner which is not fully compatible with the building permits issued for them, although they are covered by permits from the Ministry of Environmental Protection in respect of their radiation level. In some cases we will be required to relocate these cell sites to alternative locations, to reduce capacity coverage or to demolish them without any suitable alternative.

Based on advice received from our legal advisors and consistent with most court rulings on the matter and the Israeli Attorney General's opinion on the matter that the exemption from obtaining a building permit applies to cellular radio access devices, we have not requested building permits under the Planning and Building Law for rooftop radio access devices. In the course of petitions against the Attorney General's opinion and our and other operators' appeals against certain contrary decisions of the District Court against us and other operators, the Attorney General concluded that the application of the exemption does not balance properly the different interests involved and therefore cannot continue forward. At the Attorney General's request, the Israeli Supreme Court issued in 2010 an interim order which prevents cellular operators from constructing further radio access devices in cellular networks in reliance on the exemption until the enactment of regulations setting conditions for the application of such an exemption or other decision by the court, other than the replacement of existing radio access devices under certain conditions. In October 2018, regulations setting procedures for the construction, changes to and replacement of radio access devices exempt from building permits, or the 2018 Regulations, were enacted. Although these regulations reflect previous judicial limitations placed upon our ability to make changes and replace radio access devices in 2010, they also introduce a new licensing procedure that further reduces our ability to construct new radio access devices based on such exemption, more so in light of the necessity to support new frequencies if we win them in the frequencies tender (see "Item 4. Information on The Company – B. Business Overview — Network and Infrastructure – Cellular Segment – Spectrum allocation"). This may adversely affect our existing networks and our networks' build-out. In December 2018, following the enactment of the 2018 Regulations, petitions against the Attorney General's opinion were dismissed, the interim order was annulled and our and other operators' appeals against certain contrary decisions of the District Court were accepted.

Other legal proceedings relating to the exemption, including as to its application to rooftops located at the same level as a place of residence or otherwise regularly frequented, were decided against our position, and others, including as to the requirement to obtain an extraordinary usage permit in certain circumstances, including as to the radio access devices' ancillary equipment, are still under consideration. While the Company is of the opinion that the exemption relates to such ancillary equipment and the 2018 Regulations supports its position, the Ministry of Justice expressed an opinion that such regulations and the exemption do not relate to the radio access devices' ancillary equipment. The Ministry of Justice is expected to publish further instructions in the matter. Other claims asserting that those cell sites and other facilities do not meet other legal requirements, continue.

Inability to rely on, or substantial limitation of, the exemption, the dismantling of radio access devices and cell sites due to reasons out of our control and the objection of some local planning and building authorities to grant due permits where required, or the exclusion of the ancillary equipment from the exemption, if adopted, could have a negative impact on our ability to obtain environmental permits for these sites, could negatively affect the extent, quality, capacity and coverage of our network (specifically in urban areas), and our ability to continue to market our products and services effectively and may have a material adverse effect on our results of operations and financial condition.

Radio access devices do receive the required permits from the Ministry of Environmental Protection.

Several local planning and building authorities argue that Israeli cellular operators may not receive building permits in reliance on the current Plan, for cell sites operating in frequencies not specifically detailed in the frequencies charts attached to the Plan, although most of our and other operators' cell sites (including all 4G cell sites) operate in frequencies not specifically detailed in the Plan. In a number of cases, these authorities have refused to issue a building permit for such new cell sites, arguing that building permits for such cell sites should be sought through other processes (which are longer and cumbersome), such as an application for an extraordinary usage or under existing local specific zoning plans. Following conflicting district decisions regarding this claim, the Ministry of Justice expressed an opinion negating such claims and the matter is expected to be decided by the Supreme Court. Some of the frequencies to which we are required to transfer and all the frequencies included in the new frequencies tender (see " – Networks and Infrastructure – Cellular Segment – Spectrum Allocation") are not specifically detailed in the Plan. We believe that the Plan applies to all cell sites, whether or not they operate in specific frequencies.

If this approach escalates or should the Supreme Court rule against the Company, it would have a negative impact on our ability to deploy additional cell sites, which could negatively affect the extent, quality and capacity of our network coverage and our ability to continue to market our products and services effectively.

In addition to cell sites, we provide repeaters (also known as bi-directional amplifiers) and femto-cells to subscribers seeking a solution to weak signal reception within specific indoor locations. Based on advice received from our legal advisors, we have not requested building permits under the Planning and Building Law for outdoor rooftop repeaters, which are a small part of the repeaters that have been installed. It is unclear whether other types of repeaters and femto-cells require building permits. Some repeaters and femto-cells require specific permits and we receive such permits, and others require a general permit from the Ministry of Environmental Protection in respect of their radiation level, and we ensure that each repeater functions within the parameters of the applicable general permit. Should it be established that the installation of repeaters and femto-cells requires a building permit, we will perform cost-benefit analyses to determine whether to apply for permits for new and existing repeaters and femto-cells or to remove them.

In addition, we construct and operate microwave sites as part of our transmission network. The majority of microwave sites are exempted from receiving permits from the Ministry of Environmental Protection (due to their low output) or require a general permit in respect of their radiation level. Based on advice received from our legal advisors, we have not requested building permits for such microwave facilities on rooftops. If the courts determine that building permits are necessary for the installation of these sites, it could have a negative impact on our ability to obtain environmental permits for these sites and to deploy additional microwave sites and could hinder the extent, quality and capacity of our transmission network coverage and our ability to continue to market our landline services to our business customers (based on our own infrastructure) effectively.

Operating a cell site or a facility without the requisite permits or not in accordance with permits granted could subject us and our officers and directors to criminal, administrative and civil liability. Should any of our officers or directors be found guilty of an offence, although this has not occurred to date, they may face monetary penalties and a term of imprisonment. In addition, our sites or other facilities may be the subject of demolition orders and claims of breach of contract and we may be required to relocate cell sites to less favorable locations or stop operation of cell sites. This could negatively affect the extent, quality and capacity of our network coverage and adversely affect our results of operations.

Indemnification obligations

Under the Planning and Building Law, local building and planning committees require letters of indemnification from cellular operators indemnifying the committees for possible depreciation claims against the committees, as a condition for issuing a building permit for a cell site. The limitation period within which depreciation claims may be brought under the Planning and Building Law is the later of one year from receiving a building permit under the Plan and six months from the construction of a cell site. The Minister of Interior Affairs retains the general authority to extend such period further.

To date we have provided approximately 425 indemnification letters in order to receive building permits. Local planning and building committees have sought to join cellular operators, including us, as defendants in depreciation claims made against them even though indemnification letters were not provided. We were joined as defendants in a small number of cases. We expect that we will be required to continue to provide indemnification letters as the process of deploying our cell sites continues. As a result of the requirement to provide indemnification letters, we may decide to construct new cell sites in alternative, less suitable locations, to reduce capacity coverage or not to construct them at all, which could impair the quality of our service in the affected areas.

Environmental radiation issues

Under the Non-Ionizing Radiation Law, it is prohibited to construct and operate cell sites without construction and operating permits from the Ministry of Environmental Protection. Receiving a construction permit is a precondition to receiving a building permit from the planning and building committee and receiving a building permit or an exemption therefrom is a precondition for the receipt of an operating permit. For both permits, the applicant must present the means taken (including technological means) to limit exposure levels from each cell site or facility.

The validity of a construction permit is for a period not exceeding three months, unless otherwise extended by the Commissioner, and the validity of an operating permit is for a period of five years, subject to the submission of annual reports regarding radiation surveys of our cell sites and other facilities by third parties that were authorized to conduct such surveys by the Commissioner. These permits contain various conditions that regulate the construction and/or operating of cell sites, as the case may be. Our cell sites routinely receive both construction and operating permits from the Commissioner within the applicable time frames. In addition, Cellular operators are required to provide the Commissioner with online, ongoing data regarding the radiation level on each of their cell sites and other facilities. We provide the Commissioner with the requested data. See "– Site licensing" above for additional details in regards to obtaining a building permit or relying on an exemption.

The Non-Ionizing Radiation Law also regulates permitted exposure levels and provisions for supervision of cell site and other facility operation and grants the Commissioner authority to issue eviction orders if a cell site or other facility operates in conflict with its permit, and it imposes criminal sanctions on a company and its directors and officers for violations of the law. Failure to comply with the Non-Ionizing Radiation Law or the terms of a permit can lead to revocation or suspension of the permit, as well as to withholding the grant of permits to additional cell sites of that operator.

Positions of the Ministries of Communications, Health and Environmental Protection published in 2012 in relation to the various aspects of the provision of 4G services in Israel, include proposed limitations on usage and deployment in order to reduce exposure to non-ionizing radiation. Such limitations were not included in later documents issued by the MOC, allowing the provision of 4G services and awarding 4G frequencies to the cellular operators.

Any amendment to the Non-Ionizing Radiation Law and the Planning and Building Law that will prohibit or substantially limit the grant of permits under such laws, will, among other things, limit our ability to construct new sites (and if applied to existing cell sites, it will also limit our ability to renew operating permits for many of our existing sites), will adversely affect our existing networks and networks build out, specifically in urban areas, and could adversely affect our results of operations.

Handsets

The Israeli consumer protection regulations regulate the maximum permitted level of non-ionizing radiation from handsets, according to the European and the American standards. They also require cellular operators to attach an information leaflet to each handset package that includes explanations regarding non-ionizing radiation, the maximum permitted level of non-ionizing radiation and the level of radiation of that specific model of equipment. The Radiation Regulations further require that such information also be displayed at points-of-sale, service centers and on the Internet sites of cellular operators.

SAR levels are a measurement of non-ionizing radiation that is emitted by a hand-held cellular handset at its specific rate of absorption by living tissue. SAR tests are performed by the manufacturers on prototypes of each model of handset, not for each and every item. We include the information published by the manufacturer regarding SAR levels as we do not perform independent SAR tests for equipment and rely for this purpose on information provided by the manufacturers. As the manufacturers' approvals refer to a prototype handset, we have no information as to the actual SAR level of each specific item and throughout its lifecycle, including in the case of equipment repair. We inform our customers that there may be changes in the SAR levels in the event of equipment repair.

We obtain certain approvals from the Ministry of Communications and the Office of Standards in connection with the importation of handsets.

We are required to provide a warranty during the first year and maintain spare parts for certain end user equipment purchased from us, for certain malfunctions for certain periods. We are also required to annul equipment sales in certain circumstances, at the request of the customer.

Fixed-line Segment

Our Fixed-line Licenses

Our Unified license

The establishment and operation of fixed-line communications networks, and allocation of spectrum if relevant, requires a license.

We provide landline telephone, ILD, internet connectivity and infrastructure services as well as a "network end point" services, under a non-exclusive general unified license granted to our wholly owned subsidiary - Cellcom Fixed Line Communications Limited Partnership - in 2015. The license expires in 2026 but may be extended by the MOC for successive periods of 10 years. The license requires a bank guarantee in the amount of NIS 5 million deposited with the Ministry of Communications. The provisions of our cellular license, including as to its extension, generally apply to the unified license, subject to certain modifications, including a 20% minimum Israeli holding requirement which can be waived by the Minister of Communications when the unified license operator is controlled by a general license holder (as was done in our case). IBC holds a general unified infrastructure license, with similar provisions. For its deployment obligations see "Competition – Fixed line segment" and " – Internet infrastructure and connectivity business"_ above.

Services in Judea and Samaria

The Israeli Civil Administration in Judea and Samaria granted us a non-exclusive unified license for the provision of internet connectivity and infrastructure, ILD, landline and 'network end point' services to the Israeli-populated areas in Judea and Samaria. This license is effective until 2026. The provisions of the cellular license described above, including as to its extension, generally apply to this license, subject to certain modifications.

Data and transmission services

We hold a non-exclusive special license for the provision of local data communications services and high-speed transmission services only to Cellcom Fixed Line Communications Limited Partnership, effective until April 2021. Data and transmission services are being provided to our customers by Cellcom Fixed Line Communications Limited Partnership. The provisions of our cellular and unified licenses described above, including as to their extension, generally apply to this license, subject to certain modifications.

Fiber-optic network

The Communication Law provides operators certain privileges in the deployment of fiber-optic cables and exempts them (including auxiliary facilities) from the requirement to obtain building permits. The deployment in a public domain is subject to advanced notification to the occupier of the land and coordination with other infrastructure owners, and on private land, the consent of the owner of the land.

In addition, operators that do not own their own nation-wide landline infrastructure may use certain physical infrastructure of Bezeq and Hot, based on the wholesale landline market, and certain wholesale obligations are applied on all landline operators, including us. See "- Wholesale landline market" below**.**

In November 2019, a joint team of the Israeli Communications and Treasury Offices and the Competition Authority, tasked with examining the need for updating fiber-optic deployment and service obligations of landline operators who own their own infrastructure (and under current regulation are required to universally deploy each network they deploy) and the need for deployment incentives in areas where no deployment obligations be determined, after economic viability tests, published its recommendations for public hearing. These recommendations include the following:

- Under reasonable scenarios, no economic viability exists for one company's universal deployment.

- Bezeq will not be subject to universal deployment requirement in regards to deploying fiber-optics but would rather select the areas in which to deploy its fiber-optics and in those areas Bezeq will be obligated to provide service to all homes within 5 years.

- A trust established by the State of Israel for that purpose (the "Trust") will conduct tenders to subsidize deployment of fiber-optic by Bezeq's competitors in areas where Bezeq chooses not to deploy fiber-optic ("Non-Bezeq Areas"), based on economic viability and efficiency. The winner would be obligated to provide wholesale services to other competitors at wholesale rates. Bezeq may not participate in the tenders nor acquire wholesale service in those areas (though its subsidiaries may do so). The winner of the subsidy tender may use Bezeq's infrastructure in the Non-Bezeq Areas for rates significantly lower than the current wholesale rates. Only the winner will be entitled to the subsidy.

- Subsidy will be funded through additional 0.5% tax levied on all Israeli communications license holders revenues for the previous year (including Bezeq), whose annual revenues exceed NIS 10 million, as of 2022 and until all household in Israel are connected to fiber-optic. The funds will be managed by the Trust.

- Bezeq may not deploy fiber-optic in Non-Bezeq Areas for three years from the date of each respective subsidy tender for that area. Nonetheless, Bezeq may update its original deployment obligation by up to 10% and so long as such Non-Bezeq Area was not being chosen as an area to receive subsidy by the Fund.

Bezeq's obligations regarding its already existing infrastructure shall remain unchanged.

Adoption of the recommendations requires, among others, changes to applicable legislation and licenses.

Hot Telecom L.P.'s universal deployment obligations are still under examination of the joint team.

See "Item 3. Key Information – D. Risk Factors – We operate in a heavily regulated industry, which can harm our results of operations. Regulation in Israel has materially adversely affected our results","-We face intense competition in all aspects of our business", and "Item 4. Information on The Company –B. Business Overview – Competition – Fixed-line Segment" and "- Government Regulations – Fixed-line Segment – Wholesale land-line market".

See also "- Cellular Segment – Permits for cell site construction - Site Licensing" above for a discussion regarding microwave sites forming a part of our transmission network.

Wholesale landline market

A policy document regarding landline wholesale services published by the MOC in 2012 provided for the creation of an effective wholesale telecommunications access market in Israel and the gradual annulment of the structural separation in the Bezeq and Hot groups and its replacement with an accounting separation and change of the supervision on Bezeq retail tariffs to maximum tariffs rather than the current setting of fixed tariffs. The latter generally depends on the development of a wholesale market and the state of competition in the market, and with relation to television services, if there is a reasonable possibility of providing a basic package of OTT services providers without a national landline infrastructure.

In 2015, a wholesale landline market was formally launched in Israel in regards to internet infrastructure services and use of certain physical infrastructure by operators who do not own such infrastructure, following amendments to Bezeq's and Hot's licenses so as to include certain wholesale landline services, such as internet infrastructure services and wholesale landline telephony services and use of certain of their physical infrastructure by operators who do not own such infrastructure and promulgation of regulations setting the maximum tariffs of the wholesale landline services to be provided by Bezeq.

Under the Communications Law, certain wholesale obligations apply to all landline operators, including us, and requiring all landline operators to grant all other landline operators access to their passive infrastructure (except IBC's passive infrastructure over the Israeli Electricity Company infrastructure), the terms of which (with the exclusion of Bezeq and Hot, whose terms are set by the regulator) will be negotiated by the parties. For details of the Minister of Communications' authority to give instructions and set usage of another operator's network rates, see "–Government Regulation – Cellular Segment - Tariff supervision" above.

Although the wholesale market was formally applicable to Hot's infrastructure as well, Hot's infrastructure had been effectively excluded from the wholesale market, initially as the maximum tariffs for Hot's wholesale infrastructure service were not published by the MOC until June 2017 (and are higher than those set for Bezeq's service) and thereafter, due to disagreements with Hot as to the implementation of the service, which were resolved by the MOC. The Ministry of Communications resolved not to interfere with the tariffs Hot has set for its wholesale telephony service. In December 2019 the MOC published a public hearing proposing to set fix tariffs (rather than the current volume-dependent tariffs) for Hot's internet infrastructure wholesale services, which are lower than Hot's current retail tariffs. Effective inclusion of Hot's infrastructure in the wholesale market may increase the potential subscribers to our triple play and bundle offerings.

In June 2017, the Ministry of Communications published regulations setting Bezeq's resale telephony service to be provided by Bezeq as of July 2017, as a temporary 14 month alternative for wholesale landline telephony service, and postponed Bezeq's obligation to offer wholesale telephony service until the lapse of said resale telephony service period. In June 2018, the MOC resolved not to prolong Bezeq's temporary alternative further and to obligate Bezeq to provide wholesale landline telephony services as of August 1, 2018. As of the date of this report, Bezeq does not provide wholesale landline telephony services.

In July 2019, the MOC published a public hearing proposing to set maximum fix tariffs for infrastructure internet service over Bezeq's fiber optic infrastructure, higher than those set for Bezeq's current maximum tariffs over its copper cables infrastructure.

In February 2020, the MOC announced the retrospect reduction of wholesale services tariffs previously set by the MOC for usage of Bezeq's current copper cable based infrastructure and an update mechanism for 2019-2020 tariffs. Such reduction shall result in the return of sums previously paid by us to Bezeq and set off of additional sums against future payments to Bezeq for such services, during 2020, in an amount of approximately NIS 29 millions.

A hearing published by the MOC in 2014, which was further elaborated in 2017, proposing a method of inspecting whether Bezeq and Hot reduce their retail tariffs and thereby reduce the difference between the wholesale and retail tariffs ("margin squeeze") for certain landline services, aiming at reducing the profit of operators who do not own landline infrastructure and preventing their operation in the market, has not been concluded yet by the MOC.

OTT TV

Television services over the Internet are currently not subject to specific regulation in Israel.

Pursuant to the 2016 recommendations of a committee for the regulation of broadcasting nominated by the Ministry of Communications, in July 2018, a new bill for the regulation of broadcasting was published and includes classification of audio visual providers into four categories and determination of the regulation applied to each category as follows: (i) a provider with annual revenues of up to NIS 350 million from subscription fees – no license is required and no specific regulation applied; (ii) license of a medium size operator - a provider with annual revenues over NIS 350 million from subscription fees, but under NIS 700 million, requires a license, which includes a gradual mandatory investment in original Israeli content in an amount of up to 8 percent of the provider's annual revenues from subscription fees, as well as regulation, inter alia, in regards to minor and minorities protection, forbidden broadcasts and cross ownership limitations and prohibition on the provision of advertisement; (iii) license of a large size operator - a provider with annual revenues over NIS 700 million from subscription fees, requires a license, which includes a mandatory investment in original Israeli content in an amount not less than 8% of its annual revenues from subscription fees, prohibition on the provision of advertisements as well as regulation, inter alia, in regards to minor and minorities protection, forbidden broadcasts, regulation relating to consumer protection, cross ownership limitations, limitation regarding owning and producing channels and providing basic channel package; and (iv) license of a significant operator - a provider that owns a managed network for the provision of contents will be bound, inter alia, in regards to broadcasting open channels and specific channels of audio–visual license holders. The bill includes limited regulation regarding sports broadcasting and is focused on audio-visual providers, where the content provided is mainly aimed at the audience in Israel and therefore is expected not to apply to foreign TV content providers operating in Israel, such as Netflix and Amazon prime video. The Company does not expect the bill, if enacted, to materially change the regulation that applies to the Company. The bill requires legislative proceedings in the Israeli parliament, which may include material changes to the bill. If the legislation adopted requires us to make additional investments or impose unfavorable regulation on our OTT TV service, or apply such regulation to us and not to other OTT TV providers, or usage of the DTT infrastructure, it may adversely affect our OTT TV business.

Contributing to the Community and Protecting the Environment

We and our employees have been contributing to the community since our inception. We consider contribution to the community in Israel an important component of our business vision and believe we have a responsibility toward the Israeli community, as we acknowledge that business leadership goes hand in hand with social leadership.

During 2019, 23% of our employees participated in volunteering activities in the community.

We are aware of the importance of environmental protection. We seek to operate responsibly to continuously reduce negative impacts on the environment and the landscape, aiming at a better environmental performance than required by local law. We dedicate personnel, funds and technologies to reduce our ecological footprint , through activities such as efficient deployment of infrastructure subject to the applicable standards, recycling of electronic components and packages, reduction of paper usage by managed printing, reduction of pollutants' emissions and energy usage, collection of used batteries, provision of a monthly bill and other correspondence to our subscribers via e-mail or SMS, transfer to usage of environment friendly raw materials and separation between different types of waste in our repair services and purchasing of electricity produced by a private natural gas based power station.

C. ORGANIZATIONAL STRUCTURE

Our largest shareholder, Koor, is a wholly-owned subsidiary of DIC. DIC is a public Israeli company traded on the Tel-Aviv Stock Exchange, and is one of Israel's largest business groups. See footnote no. 1 to the table under “Item 7.A – Major Shareholders” for information on the holdings of DIC.

We and Cellcom Fixed Line Communications Limited Partnership (see "- Government Regulations - Fixed-line Segment - Our Fixed-line Licenses - Our Unified Licenses"), are incorporated in Israel. Cellcom Fixed Line Communications Limited Partnership and Dynamica Communications Chain Stores Ltd., our wholly owned dealer, are our significant subsidiaries.

D. PROPERTY, PLANT AND EQUIPMENT

Headquarters

In 2003, we entered into an agreement for the lease of our headquarters in Netanya, Israel. The leased property covers approximately 57,800 square meters, of which approximately 26,000 square meters consist of underground parking lots. The lease is in effect until December, 2022 and is renewable for two additional periods of five years each, upon our notice. As of 2015, we started subleasing part of the property, which currently amounts to a quarter of our headquarters to several sub-lessees for a period of up to three years, following the reduction in headcount in our headquarters. The sub-lessees have options to renew the lease for additional periods.

Netanya Property

In 2010, we entered into a lease agreement for our techno-logistic center, in Netanya, Israel. The leased property covers approximately 11,000 square meters. The lease expires in December 2022 and is renewable for an additional period of 4 years and 7 months, at our option. In case we do not exercise the option we shall be required to pay approximately NIS 8 million. As of 2015, we started subleasing part of the property, which currently amounts to approximately 6,100 square meters of the leased property, for periods of five to six years. The sub-lessees have an option to renew the leases for an additional period subject to certain conditions.

Haifa and Rosh-Ha’ayin Properties

We lease a property in Haifa and a property in Rosh-Ha'ayin. We use these properties for offices, for call centers, for network servers and for equipment storage. The Haifa lease covers approximately 8,900 square meters, is in effect until December 2021, and is renewable for two additional periods of two years each, upon our notice. The Rosh-Ha'ayin lease covers approximately 3,300 square meters, is in effect until December 2021 and is renewable for three additional periods of two years each, upon our notice. We sublease part of the property in Haifa to third parties and part of the property in Rosh-Ha'ayin to our wholly-owned dealer and another subsidiary.

Electricity

In December 2010, we entered into an agreement with Ramat Negev Energy Ltd., which constructed a private power plant fueled by natural gas in Israel, and we commenced purchasing a portion of our electricity from it in 2014. Under the agreement, we committed to purchase electricity for the earlier of a period of 15 years from commencement of operations of the power plant or until January 2028, subject to our right to terminate the agreement after six years from the commencement of operations of the power plant under certain conditions.

Service Centers, Points of Sale and Cell Sites

As of December 31, 2019, we leased 71 service centers, points of sale and other facilities (including those operated by our wholly-owned dealer), which are used for sales and customer service. Such lease agreements are generally for periods of two to three years, with extension options that vary by location.

In addition, we lease from various parties, including the Israeli Land Authority, or ILA, municipalities and private entities sites for the establishment, maintenance and operation of cell sites for our cellular network. The duration of these lease agreements are generally for two to five years, with an option to extend the lease for successive similar periods and exit windows that enable us to terminate the agreement prior to its scheduled expiration under certain circumstances. In some of the agreements, the lessor is entitled to terminate the agreement at any time without cause, subject to prior notice. Based on our past experience, we encounter difficulties in extending the term of approximately 5% of the lease agreements for cell sites, which at times results in our having to pay higher rent in order to remain in the same locations or to find alternative sites. This may aggravate given our network sharing agreements.

In addition, we lease a number of points of presence in Israel that are used for equipment and servers storage and other communications equipment for the provision of landline services, and storage space for our servers and equipment in London and Frankfurt.

Authorization Agreement with Land Regulatory Authorities

In June 2013, we renewed an authorization agreement with the ILA that authorizes us to use lands managed by the ILA for the establishment and operation of cell sites. The authorization agreement was effective until December 2019 and we are negotiating the terms of a new agreement. The authorization agreement provides that subject to the receipt of approval from the ILA, we will be entitled to establish and operate cell sites on the lands leased to third parties throughout the agreement's term. We undertook to vacate at the end of the agreement's term all facilities installed in the authorized area unless the authorization period is extended. Under the authorization agreement, the ILA is entitled to revoke authorizations granted to us in certain circumstances.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following operating and financial review and prospects should be read in conjunction with "Item 3. Key Information – A. Selected Financial Data" and our consolidated financial statements and accompanying notes appearing elsewhere in this annual report. Our financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the IASB *which differ in certain respects from U.S. Generally Accepted Accounting Principles, or U.S. GAAP.*

This discussion contains forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set forth under "Item 3. Key Information – D. Risk Factors" and elsewhere in this annual report.

A. OPERATING RESULTS

Overview

General

We are one of the four major communications groups in Israel and the largest provider of cellular communications services in Israel with approximately 2.744 million cellular subscribers as of December 31, 2019, with an estimated market share of 26%. In recent years we have increased our presence in the fixed line market, adding TV and internet infrastructure services (the latter through the landline wholesale market and, as of 2018, also over our independent fiber-optic infrastructure, which we sold to IBC in 2019), to our veteran ISP and landline telephony (both inland and long distance).

We earn revenues and generate our primary sources of cash by offering a broad range of communications services, including cellular, Internet services (connectivity and infrastructure), TV services and fixed-line telephony services (inland and international), as well as by selling handsets and other end-user equipment.

As of 2016, as a result of business and regulatory changes, as well as the Group's entry into new fields of operation in the fixed-line market, the Group's management attention in general and its chief operating decision maker's attention in particular, have shifted to focus on two main fields of operations, "Cellular" and "Fixed-line."

Our cellular segment's services include basic cellular communications services and data transfer, download and upload, as well as text and multimedia messaging services and advanced cellular content services, which we provide through our 2G and 3G networks, covering substantially all of the populated territory of Israel, and our 4G network covering most of the population of Israel. We also provide international roaming services to our subscribers in 180 countries as of December 31, 2019 as well as to subscribers of foreign networks visiting Israel. We offer our subscribers a wide selection of handsets of various leading global manufacturers as well as extended warranty services on most handsets we offer. A significant portion of our revenues is derived from our network sharing agreements with Golan and Xfone.

Our fixed-line segment's services include landline telephony services, internet infrastructure (since May 2015, through the landline wholesale market and, as of 2018, also over our own fiber-optic infrastructure which we sold to IBC in 2019) , connectivity services (ISP), television services (since December 2014) (OTT TV), transmission services, international calling services (ILD) , end user fixed-line equipment and IOT services.

We sell our various services on a stand-alone basis or bundled with certain other services offered by us, including a triple play bundle of end-to-end internet service, landline telephony and TV services and a quatro bundle which includes the triple offering plus cellular services.

Our management evaluates our performance through focusing on our key performance indicators, which include among others: cellular subscribers and average revenue per user of cellular, or ARPU, internet and TV subscribers (households) – both stand alone and as a part of a bundle, adjusted EBITDA (as defined in "Results of Operations"), adjusted EBITDA as percentage of revenues, operating income, net income, cash flow from operating activities, Free Cash Flow*,subscriber churn rate and handset sales and profitability. These key performance indicators are primarily affected by the competitive and regulatory landscape in which we operate and our ability to adapt to the challenges posed.

*__Free cash flow__ is a non-IFRS measure and is defined as the net cash provided by operating activities (including the effect of exchange rate fluctuations on cash and cash equivalents) excluding a loan to Golan Telecom, minus the net cash used in investing activities excluding short-term investment in tradable debentures and deposits and proceeds from sales of such debentures (including interest received in relation to such debentures) and deposits.

Our operating results, profitability and cash flow have decreased significantly in the past several years, with a loss for 2018 and 2019, mainly due to the intense competition resulting largely from regulatory developments intended to enhance competition in the Israeli telecommunications market, which caused significant price erosion in the prices charged for the provision of cellular services and a decrease from equipment sales. Our operating income in 2019 was NIS 24 million ($7 million), a decrease of 76.2% from NIS 101 million ($29 million) in 2018 and a decrease of 69.2% from NIS 328 million ($95 million) in 2017. We recorded a net loss in 2019 of NIS 107 million ($ 31 million), compared to a loss of NIS 64 million ($ 19 million) in 2018, compared to net income of NIS 113 million ($33 million) in 2017. The Company's net cash from operating activities in 2019 increased in comparison with 2018 due to the adoption of IFRS 16 standard (for details see below)

In August 2019 our rating in relation to our debentures traded on the Tel Aviv Stock Exchange, or TASE was downgraded to ilA and our rating outlook was maintained at "negative". Our and another cellular operator's controlling shareholder recognized a substantial impairment of goodwill expense associated with us and the other cellular operator, in their respective financial reports for the second quarter of 2019 and the already intense competition in the cellular market further heightened with campaigns announcing tariffs as low as US$ 3-4 per month for a cellular package. These developments had an adverse effect on our financial condition and the perception of the Israeli telecommunications market in general and more specifically of us – given our substantial debt, resulting in the substantial decrease of our shares' price, hardening requirements to access additional credit from banks and increase of our debentures yield, signifying increased cost of future debt raised from the capital market.

In September 2019 we announced and put in motion a comprehensive restructuring plan, or the Restructuring Plan, which includes the following goals, with a target to achieve them by the end of 2020:

(1) return to positive net income (excluding special and unusual items).

(2) reduce the Company’s net debt to EBITDA (excluding IFRS16 ramifications and special and unusual items) ratio to below 3 .

(3) prepare the Company to better cope with market conditions, the intense competition and future investments.

The Plan includes the following major components and target timetable:

- Cutting expenses - annual reduction of appx. NIS 150 million from third quarter 2019 OPEX level (to be executed by the end of 2020), including through substantial reduction of expenses and payments to suppliers, substantial reduction in manpower and reduction of landline wholesale access fees.

Cost cutting initiatives have begun immediately following the publication of the Restructuring Plan, are in line with the target, and include reduction of consideration to suppliers for a certain period, sale of internet services using IBC 's infrastructure under the IRU Agreement, instead of the more costly landline wholesale arrangement, and entering a new collective employment agreement which includes a voluntary retirement program (see Item 6. Directors, senior management and employees - D. Employees" below).

- Cutting investments – reduction of the company CAPEX level to appx. NIS 450 – 500 million per annum, (to be fully executed by the end of 2020), excluding new frequencies related CAPEX which may require added investments. For additional details regarding such CAPEX see "Frequencies Tender" below.

- Capital raising of appx. NIS 400 million – completed in December 2019 (see "Item 5. Operating and Financial Review and Prospects. – B. Liquidity and Capital Resources – Issuances of equity securities" below).

- Factoring of customers' end-user equipment of appx. NIS 100 – 150 million.

Presently under review due to operational complexity and related costs.

- Debt reduction – Open market repurchases of the Company's debentures up to NIS 150 million.

To be carried out by management, at its discretion, at such timing, amounts and structure, according to market conditions. As at the date of this report, the Company repurchased approximately 11 NIS million par value of debt.

Execution of the Restructuring Plan may entail one-time expenses. Those are not included in the Restructuring Plan components above.

We cannot guarantee the Restructuring Plan will be fully executed nor the effects it would have on our results of operations and financial condition. Our business environment continues to be characterized by increased competition in the various markets in which we operate. These factors which affected the Israeli communications market may continue to negatively impact our business, which may further adversely affect our results of operations and financial condition. Moreover, our financial condition is more volatile than our competitors, due to our substantially larger amount of debt. Other impacts may include the need to reduce investments, in absolute terms and in comparison to our competitors, which may harm our competitive standing and potential future growth, adversely affect our ability to raise additional debt and refinance our existing debt or adversely affect the terms and price of such debt raising, which in turn may further adversely affect our financial condition and may require equity capital raising, if possible; or on the contrary - require us to make substantial investments in order to maintain our competitive standing and potential future growth, such as pay large sums for additional frequencies and invest large sums in the deployment of a corresponding network, despite our substantial debt and reduced profitability, which in turn may lead to additional downgrade of our debentures rating, may adversely affect our financial condition and our ability to raise additional debt and refinance our existing debt or adversely affect the terms and price of such debt raising and may require equity capital raising, if possible. See also "Item 3. Risk factors – Risks related to our business - We may be adversely affected by the significant technological and other changes in the telecommunications industry" and"- Our substantial debt increases our exposure to market risks, may limit our ability to incur additional debt that may be necessary to fund our operations and could adversely affect our financial stability".

In 2020, as part of the global effects of the Corona virus, our roaming revenues have been adversely effected. If such effects and Israeli government restrictions on the general population, including our operations, continue for a long duration, they will adversely affect our handsets and services sales and all aspects of our operations, resulting in a material adverse effects on our results of operations. We have taken steps to mitigate such effects, by reducing our expenses and investments during the Corona virus pandemic, including by reducing our sales operations and by sending a large quantity of employees on unpaid leave. Furthermore, as part of the global effects of the Corona virus on the capital markets, our debentures yield have increased substantially, our investment portfolio is expected to record losses during the first quarter of 2020 and general capital markets activities have significantly slowed or halted. If such effects continue and for the duration they so continue, it will adversely affect our access to additional debt and/or capital. See "The Corona virus may adversely affect our results of operations" below.

In February 2020 we, Golan's shareholders and Golan have entered into a binding memorandum of understanding, or MOU, for the purchase of Golan's entire share capital, for the sum of NIS 590 million as well as (a) an amount equal to the cash and cash equivalents of Golan Telecom as of the closing date minus any financial indebtedness; (b) NIS 7.58 million per month for the period between the closing date and December 31, 2020; and (c) return on investments made by Golan Telecom in the 5G shared network from the date the MOU was signed and until the transaction is completed. The parties shall negotiate a detailed agreement but are bound by the MOU whether such agreement is entered or not. In case the conditions for the completion of the transaction are not met until December 31, 2020, the MOU or detailed agreement, as the case may be, shall expire. We cannot guarantee that the conditions for the completion of the transaction shall be met, including receipt of the required approvals. For additional details see "Item 4. A. History and development of the Company – our history" above.

We intend to drive revenue primarily by: maximizing the benefits of our position as a leading Israeli telecommunications group; offering our customers full and comprehensive mobile and wireline solutions and bundles of services (including triple/quatro play) and enhancing our competitive capabilities; retaining our existing subscribers and attracting new subscribers; offering new services that are synergetic to our core businesses like IOT and growing wireline service revenues. Entering a new and penetrated market may require substantial investment and additional expenses. We intend to continue our efforts to optimize our costs by implementing further efficiency measures and reducing our expenses and to adjust our operations to the changing market conditions. We cannot guarantee the success of these measures. For details of our Sharing Agreements, see "Item 4. Information on the Company –B. Business Overview – Network and Infrastructure – Cellular Segment – Network sharing agreements". For details of our fiber-optic activity see" Item 4. Information on the Company – B. Business Overview – Networks and Infrastructure – Fixed-line Segment – Fixed-line infrastructure" and "– Investment in IBC" thereunder.

In 2018, we entered into a collective employment agreement with the Company's employees' representatives and the Histadrut for a term of three years (2018-2020) and in 2019 and 2020 we entered additional agreements amending the 2018 agreement. See also "Item 3. Key Information – D. Risk Factors – Risks Related to our Business – The unionizing of our employees may impede necessary organizational and personnel changes, result in increased costs or disruption to our operation."

The Israeli telecommunications market is currently dominated by four communications groups: Bezeq, Hot, Partner and Cellcom, with the first two having a full (or substantially full) landline infrastructure.

The communications market is primarily regulated by the Ministry of Communications. Regulatory changes have had material adverse effects on our results of operations in recent years, including by facilitating the entry of additional competitors into the cellular market which dramatically increased competition. Recent consumer related amendments to our licenses had a material adverse effect on our results of operations. Such and other future amendments, if implemented, may continue to materially adversely affect our results of operations, should we not succeed to mitigate such effects. See “Item 4. Information on the Company – B. Business Overview – Government Regulations".

Competition may increase further or our competitive standing may suffer if: current trends continue, an acquisition or merger to which we are not a party is completed, the landline wholesale market, launched in 2015, is ineffective; the structural separation imposed on the Bezeq and Hot groups or Bezeq's tariffs supervision is annulled or further relaxed or other unfavorable regulatory changes relating to the Bezeq and Hot groups are effected or each of these groups further escalates competition; new competitors enter the communications markets; our new subsidiary IBC, fails to deploy a widespread landline infrastructure; handset increased competition continues or we do not purchase additional frequencies or purchase frequencies in an amount equal to our competitors or make the necessary investments in our networks or in our business in general. We have continually implemented aggressive efficiency measures in order to mitigate those adverse effects, which included voluntary retirement plans for employees. We intend to continue to implement changes in order to continue our efforts to mitigate the adverse effects of the increased competition in many areas in which we operate. We cannot guarantee the success of these measures. Moreover, unionization of our employees may impede the execution of such measures. See "Item 3. Key Information – D. Risk Factors – Risks Related to our Business - We face intense competition in all aspects of our business" and "-The unionizing of our employees may impede necessary organizational and personnel changes, result in increased costs or disruption to our operation", and "Item 4. Information on the Company - B. Business Overview – Competition" for additional details.

The construction and operation of our cell sites and other transmission facilities are highly regulated and require us to obtain various consents and permits. See “Item 4. Information on the Company – B. Business Overview - Government Regulations – Cellular segment – Permits for Cell Site Construction.” We have experienced difficulties in obtaining some of these consents and permits and our ability to rely on an exemption from obtaining a building permit was severely limited. Also, we may be operating a significant number of our cell sites in a manner not fully compatible with the building permits issued for them. Additional restrictions on the construction and operation of cell sites and other facilities have been enacted recently and may be enacted in the future or we may be required to demolish or relocate these cell sites and facilities, which may adversely affect our existing networks and networks build out, specifically in urban areas, may prevent us from meeting our license requirements and could adversely affect our results of operations.

Participation in the new frequencies tender and execution of frequencies transfer, as per the MOC's instruction, would involve material investments and operational risks to the Company. See "Item 3. Risk factors – Risks related to our business - We may be adversely affected by the significant technological and other changes in the telecommunications industry" and "Item 4. Information on the Company – B. Business Overview - Network and Infrastructure – Cellular Segment – Spectrum allocation".

Our profitability is also affected by other factors, including changes in our cost of revenues and selling, marketing, general and administrative expenses, including depreciation and financing expenses.

Our results are also impacted by currency fluctuations. While substantially all of our revenues are denominated in NIS, for 2019, approximately14 % of cash outflow was denominated in, or linked to, other currencies, mainly U.S. dollars. Changes to the Israeli CPI, may also impact our results as part of our debentures (Series H and J) and some of our expenses are linked to the Israeli CPI. Any devaluation of the NIS against the U.S. dollar or other foreign currencies will therefore increase the NIS cost of our expenses that are not denominated in NIS or are linked to those currencies and any increase in the Israeli CPI will increase the financial expenses associated with our debentures. We enter into derivative instruments to mitigate the effect of the various market risks associated with these expenses. See “Item 11 – Quantitative and Qualitative Disclosures About Market Risk.”

Further, we have incurred significant debt by issuing debentures and receiving loans, the aggregate outstanding principal amount of which as of December 31, 2019 was NIS 3,411 million. See “ – Liquidity and Capital Resources– Debt Service” and "- Other Credit Facilities”.

Our dividend policy targets a distribution of at least 75% of our annual net income on a quarterly basis. In respect of 2017, 2018 and 2019, our board of directors chose not to declare dividends given the intensified competition and its adverse effect on our results of operations and in order to strengthen our balance sheet. We undertook limitations on our dividend distributions in connection to the issuance of our debentures and other credit facilities. See “Item 8. Financial Information – A. Statements and Other Financial Information - Dividend Policy” and “- B. Liquidity and Capital Resources- Dividend payments” and "– Debt Service" and "– Other Credit Facilities".

As of January 1, 2017, we apply International Financial Reporting Standard (IFRS) 15 following early adoption thereof, and capitalize part of the salaries expenses and commissions related to customer acquisition costs. The application of this standard had a material positive effect on the Company's financial results for the years 2017 and 2018. The standard was applied using the cumulative effect approach as from the initial date of application.

As from January 1, 2018 we apply IFRS 9 regarding financial instruments, which replaced IAS 39. The standard was applied using the cumulative effect approach as from the initial date of application without amendment of the comparative data, other than with respect to certain hedging items, with an adjustment to the balance of retained earnings and other components of equity as of the initial date of application. For additional details see note 2-F-1-B to our financial statements.

As from January 1, 2019 we apply International Financial Reporting Standard 16, Leases (hereinafter: “IFRS 16” or “the standard”), which replaced International Accounting Standard IAS 17, Leases .The main effect of the standard’s application is reflected in annulment of the existing requirement from lessees to classify leases as operating (off-balance sheet) or finance leases and the presentation of a unified model for lessees to account for all leases similarly to the accounting treatment of finance leases in the previous standard. Until the date of application, the Group classified most of the leases in which it is the lessee as operating leases, since it did not substantially bear all the risks and rewards from the assets. see note 2-F-1-A to our financial statements

Revenues

We derive our revenues in the cellular segment primarily from the sale of cellular network services (such as airtime and data surfing), including content and value added services, roaming services as well as revenues derived from network sharing and hosting services, handset sale and handset repair services. Roaming services include roaming charges that we bill to our subscribers for the use of the networks of our roaming partners outside Israel, to which we refer as outbound roaming, and charges that we bill to our roaming partners whose subscribers use our network, to which we refer as inbound roaming. Originating calls on our network and from interconnect revenues from other operators for calls terminating on our network.

Our revenues in the fixed-line segment are derived from the sale of fixed-line communications services which include: internet infrastructure (through the landline wholesale market, since February 2015 and, as of 2018, also based on our independent fiber-optic infrastructure which we sold in 2019 to IBC) and connectivity services, OTT TV services, transmission services, provided to other operators and to Golan and Xfone according to our network sharing agreement, international calling services (ILD), landline telephony services, operator services and teleconferencing services and equipment sales that are related to this segment.

Our revenues from cellular services are usually affected by seasonality with the third quarter of the year characterized by higher roaming revenues due to increased incoming and outgoing tourism. Equipment sales of the fixed-line segment are usually higher in the fourth quarter.

Cost of revenues

The principal components of our cost of revenues are the purchase of equipment, interconnect fees, content cost, cell site leasing costs, salaries, transmission services cost, internet connectivity services cost, purchase of call minutes related mainly to international calling services, outbound roaming services fees and cost of Internet infrastructure. Our cost of revenues also includes depreciation of the cost of our network equipment, tv set-top boxes, amortization of our spectrum licenses and rights of use of communications lines.

Selling and marketing expenses

Selling and marketing expenses consist primarily of sales force salaries and dealers' commissions, advertising, public relations and promotional expenses. We compensate our sales force through salaries and incentives. Since January 1, 2017 part of our customer acquisition costs (salaries and dealers commissions) are capitalized as a result of the early adoption of a new International Financial Reporting Standard (IFRS 15). Our selling and marketing expenses also include depreciation, mainly of leasehold improvements and equipment in our service centers and points of sales, and amortization of intangible assets related to the acquisition of subsidiaries.

General and administrative expenses

General and administrative expenses consist primarily of salaries and compensation, professional and consultancy fees, leases and maintenance of our offices, bad debt and doubtful accounts allowance, and other administrative expenses. Our general and administrative expenses also include depreciation and maintenance fees, mainly for our billing and information systems.

Other income and expenses

Other income and expenses consist primarily of expenses related to employee retirement plans in 2019 and 2018 and gain from the sale of a subsidiary in 2017. Revenues from long-term credit arrangements (more than 12 monthly payments) are recognized on the basis of the present value of future cash flows, discounted according to market interest rates at the time of the transaction. The difference between the original credit and its present value is recorded as other income over the credit period.

Financing income and expenses

Financing income and expenses consist primarily of interest expense on long-term loans and interest on our debentures and other credit facilities, the effects of fluctuations in currency exchange rates, Israeli CPI adjustments related to the Israeli CPI-linked debentures, and income or losses relating to financial derivative instruments that do not qualify for hedge accounting according to IFRS. Financing income and expenses also include interest income on deposits, discount amortization associated with our debentures, and gains and losses from our current investment in tradable securities.

Income Tax

Generally, Israeli companies were subject to corporate tax on their taxable income at the rate of 24% for the 2017 tax year and 23% for the 2018 tax year and onward.

Israeli companies are subject to capital gains tax at the corporate tax rate. A deferred tax asset or liability is created for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Results of Operations - Comparison of 2017, 2018 and 2019

The following table sets forth key performance indicators for the periods indicated:

	Year Ended December 31,			Change*	
	2017	2018	2019	2018 vs. 2017	2019 vs. 2018
Cellular subscribers at end of period(1) (in thousands)	2,817	2,851	2,744	1.2%	(3.8)%
Internet-customers (households) (end of period) (in thousands) (2)	222	269	278	21.2%	3.3%
TV - households (end of period) (in thousands) (2)	170	219	258	28.8%	17.8%
Churn rate of cellular subscribers(1)(3)	46%	43%	49%	-	-
Average monthly revenue per cellular subscriber (ARPU) (1)(4) (in NIS)	57	51	51	(10.5)%	(1.9)%
Operating income (in NIS millions)	328	101	24	(69.2)%	(76.2)%
Net income(loss) (in NIS millions)	113	(64)	(107)	na	na
Adjusted EBITDA(5) (in NIS millions)	884	687	940	(22.6)%	34.6%
Operating income margin(6)	8.4%	2.7%	0.6%	(5.6PP)	(2.1PP)
Adjusted EBITDA margin(7)	22.8%	18.6%	24.9%	(4.2pp)	6.3pp

* pp denotes percentage points and this measure of change is calculated by subtracting the 2017 measure from the 2018 measure and the 2019 measure from the 2018 measure, respectively.

(1) Cellular subscriber data refers to active subscribers. We use a six-month method of calculating our cellular subscriber base, which means that we add post-paid subscribers to our subscriber base upon their joining our services and prepaid subscribers upon charging a prepaid card and we deduct subscribers from our subscriber base after six months of no revenue generation and activity on our network (for prepaid subscribers, as of the first quarter of 2019, 'no activity' includes only incoming SMS within our network) and no data usage (as of the first quarter of 2019, 'no data usage' means less than 0.5 Gigabyte over a period of 6 months) or less than NIS 1 of accumulated revenues for M2M (machine to machine) subscribers. The six-month method is, to the best of our knowledge, consistent with the methodology used by other cellular providers in Israel. The 2017 cellular subscriber base includes subscribers added as part of our purchase of the operations of an Israeli Mobile Virtual Network Operator, or MVNO, during the third quarter of 2017. As of the third quarter of 2018, we add M2M subscribers to the cellular subscriber base only upon first use instead of at the time of joining our service as was done until the change. This change did not have a material effect on M2M prior subscriber data. The changes executed at the end of the first quarter 2019, resulted in the deletion of 153,000 subscribers from our cellular subscriber base.

(2) TV and Internet customers (households) refer to active subscribers. Internet households receive end-to-end internet service, including infrastructure (based on the wholesale landline market) and connectivity services.

(3) Churn rate is defined as the total number of voluntary and involuntary permanent deactivations of cellular subscribers in a given period expressed as a percentage of the number of cellular subscribers at the beginning of such period. Involuntary permanent deactivations relate to cellular subscribers who have failed to pay their arrears for the period of six consecutive months. Voluntary permanent deactivations relate to cellular subscribers who terminated their use of our services. Churn rate data is excluding the above mentioned removals of subscribers.

(4) Average monthly revenue per cellular subscriber (ARPU) is calculated by dividing revenues from cellular services for the period by the average number of cellular subscribers during the period and by dividing the result by the number of months in the period. Revenues from inbound roaming services and hosting and network sharing services are included even though the number of subscribers in the equation does not include the users of those roaming, hosting and network sharing services. Inbound roaming services, hosting and network sharing services are included because ARPU is meant to capture all service revenues generated by a cellular network. Revenues from sales of Subscription Repair Services are included because they represent recurring revenues generated by subscribers, but revenues from sales of handsets (which for purposes of this report may include other types of cellular end user equipment, such as tablets), Random Repair Services, and other services are not. We and industry analysts, treat ARPU as a key performance indicator of a cellular operator because it is the closest meaningful measure of the contribution to service revenues made by an average subscriber. The 2019 ARPU was positively affected by the elimination of subscribers during 2019.

We have set out below the calculation of cellular ARPU for each of the periods presented:

	Year Ended December 31,		
	2017	2018	2019
	(In NIS millions, except number of subscribers and months)		
Revenues	3,871	3,688	3,708
less revenues from equipment sales	952	904	932
less other revenues not in ARPU*	949	1,061	1,102
Revenues used in ARPU calculation (in NIS millions)	1,971	1,723	1,674
Average number of subscribers	2,797,341	2,826,013	2,752,871
Months during period	12	12	12
ARPU (in NIS, per month)	57	51	51

* Other revenues include revenues from other communications services, mainly fixed-line revenues and repair services.

(5) Adjusted EBITDA is a non-IFRS measure and is defined as income before financing income (expenses), net; other income (expenses), net (excluding gain from the sale of a subsidiary and expense related to employee retirement plans); income tax; depreciation and amortization; and share based payments. We present adjusted EBITDA as a supplemental performance measure because we believe that it facilitates operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structure (most particularly affecting our interest expense given our significant debt), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age of, and depreciation expenses associated with fixed assets. Adjusted EBITDA should not be considered in isolation or as a substitute for operating income or other statement of operations or cash flow data prepared in accordance with IFRS as a measure of our profitability or liquidity. Adjusted EBITDA does not take into account our debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, adjusted EBITDA, as presented in this annual report, may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated.

The following is a reconciliation of adjusted EBITDA with net income and operating income:

	Year Ended December 31,		
	2017	2018	2019
	(In NIS millions)		
Net income(loss)	113	(64)	(107)
Financing expenses, net	175	171	144
Taxes on income (tax benefit)	40	(6)	(23)
Equity of investee	-	-	10
Operating income	328	101	24
Other expenses (income), net (excluding gain from the sale of a subsidiary and expense related to employee retirement plans)	(1)	-	10
Depreciation and amortization	555	584	898
Share based payments	2	2	8
Adjusted EBITDA	884	687	940

(6) Operating income margin is defined as operating income as a percentage of total revenues for each of the applicable periods.

(7) Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of total revenues for each of the applicable periods.

The following table sets forth our consolidated statements of income as a percentage of total revenues from operations for the periods indicated:

	Year Ended December 31,		
	2017	2018	2019
Revenues	100.0%	100.0%	100.0%
Cost of revenues	69.2%	72.2%	73.5%
Gross profit	30.8%	27.8%	26.5%
Selling and marketing expenses	12.4%	15.3%	16.5%
General and administrative expenses	11.0%	9.8%	8.9%
Other (income) expenses, net	0.2%	0.7%	(0.5)%
Operating income	7.6%	2.0%	0.6%
Financing expenses, net	3.7%	3.9%	3.9%
Income(loss) before income tax	3.9%	1.9%	(3.5)%
Income tax	1.0%	0.2%	0.6%
Net income(loss)	2.9%	1.7%	(2.9)%

Revenues

	Year Ended December 31,			Change	
	2017	2018	2019	2018 vs. 2017	2019 vs. 2018
	(In NIS millions)				
Revenues	3,871	3,688	3,708	(4.7)%	0.5%

The increase in revenues in 2019 compared with 2018 is attributable to a 3.1% increase in equipment revenues and an increase of 4% in recuring revenues from the fixed-line segment in the Internet and TV fields offset by 2.5% decrease in service revenues in the cellular segment,

The decrease in revenues in 2018 compared with 2017 is attributable to a 10.3% decrease in service revenues in the cellular segment, and a 5% decrease in equipment revenues. The decrease in service revenues was partially offset by an increase in revenues from the fixed-line segment in the Internet and TV fields.

The following table sets forth the breakdown of our revenues for the periods indicated based on the various sources thereof:

	2017		2018		2019	
	Revenues (in NIS millions)	% of Total Revenues	Revenues (in NIS millions)	% of Total Revenues	Revenues (in NIS millions)	% of Total Revenues
Service revenues:						
Cellular services	1,777	45.9%	1,581	42.9%	1,541	41.5%
Land-line communications services*	1,004	25.9%	1,068	29.0%	1,111	30.0%
Other services**	138	3.6%	135	3.7%	124	3.3%
Total service revenues	2,919	75.4%	2,784	75.5%	2,776	74.9%
Equipment revenues	952	24.6%	904	24.5%	932	25.1%
Total revenues	3,871	100.0%	3,688	100.0%	3,708	100.0%

* Consists of international calling services, landline telephony services, transmission services, hubbing services, internet services (ISP and internet infrastructure services) and TV services.

** Consists of repair services fees.

During 2019, service revenues (comprising 74.8% of total revenues) decreased 0.3%, compared with 2018. This decrease in service revenues resulted mainly from a 2.5% decrease in cellular service revenues resulting mainly from the ongoing erosion in the prices of these services. The decrease was partially offset by a 4% increase in the fixed-line service revenues resulting mainly from an increase in revenues from TV and internet services

During 2018, service revenues (comprising 75.8% of total revenues) decreased 4.6%, compared with 2017. This decrease in service revenues resulted mainly from a 10.3% decrease in cellular service revenues resulting mainly from the ongoing erosion in the prices of these services and from the difference between the national roaming services revenues and the revenues for rights of use in cellular networks according to the network sharing agreements as of the beginning of the second quarter of 2017. The decrease was partially offset by a 6.4% increase in the fixed-line service revenues resulting mainly from an increase in revenues from TV and internet services, as well as from fixed-line communications services provided according to the network sharing agreement with Golan which came into force as of the beginning of the second quarter of 2017.

Fixed-line service revenues totaled NIS 1,111 million in 2019 compared to NIS 1,068 million in 2018. This increase resulted mainly from an increase in revenues from TV and internet services

Fixed-line service revenues totaled NIS 1,068 million in 2018 compared to NIS 1,004 million in 2017. This increase resulted mainly from an increase in revenues from TV and internet services, as well as of fixed-line communications services provided according to the network sharing agreement with Golan as of the beginning of the second quarter of 2017.

During 2019, revenues from other services totaled NIS 124 million compared with a total of NIS 135 million in 2018.

During 2018, revenues from other services totaled NIS 135 million compared with a total of NIS 138 million in 2017.

During 2019, equipment revenues (comprising 25.2% of total revenues) increased 3.1%, compared with 2018. This increase resulted mainly from an increase in end user equipment sales in the fixed-line segment partially offset by a decrease in the quantity of cellular handsets end user equipment sold during 2019 as compared to 2018.

During 2018, equipment revenues (comprising 24.5% of total revenues) decreased 5%, compared with 2017. This decrease resulted mainly from a decrease in the quantity of cellular segment end user equipment sold during 2018 as compared to 2017. This decrease was partially offset by an increase in end user equipment sales in the fixed-line segment.

The following table sets forth the breakdown of our revenues for the periods indicated based on the types of subscribers:

	2017		2018		2019	
	Revenues (in NIS millions)	% of Total Revenues	Revenues (in NIS millions)	% of Total Revenues	Revenues (in NIS millions)	% of Total Revenues
Individual	2,702	69.8%	2,579	69.9%	2,561	69.1%
Business	992	25.6%	946	25.6%	991	26.7%
Other*	177	4.6%	163	4.5%	156	4.2%
Total	3,871	100.0%	3,688	100.0%	3,708	100.0%

* Mainly consists of revenues from inbound roaming services, hosting services and network sharing services.

A breakdown of revenues according to types of subscribers (individual and business) during 2019 compared with 2018, shows a 0.1% decrease in revenues attributable to individual subscribers and a 4.8% increase in revenues attributable to business subscribers. The decrease in the revenues attributable to individual subscribers resulted mainly from the ongoing erosion in the price of cellular services, resulting from the intensified competition in the cellular market partially offset by an increase in revenues of internet and TV services The increase in revenues attributable to the business subscribers resulted mainly from the increase in equipment revenues in fixed line segment.

A breakdown of revenues according to types of subscribers (individual and business) during 2018 compared with 2017, shows a 4.6% decrease in revenues attributable to individual subscribers and a 4.6% decrease in revenues attributable to business subscribers. The decrease in the revenues attributable to individual subscribers resulted mainly from the ongoing erosion in the price of cellular services, resulting from the intensified competition in the cellular market. The decrease in revenues attributable to the business subscribers resulted mainly from the decrease in recurring revenue resulted mainly from the intensified competition in the cellular market.

The following table sets forth the breakdown of our revenues for the periods indicated based on the types of subscription plans:

	2017		2018		2019	
	Revenues (in NIS millions)	% of Total Revenues	Revenues (in NIS millions)	% of Total Revenues	Revenues (in NIS millions)	% of Total Revenues
Pre-paid	195	5.0%	180	4.9%	185	5.0%
Post-paid	3,499	90.4%	3,344	90.7%	3,367	90.8%
Other*	177	4.6%	163	4.4%	156	4.2%
Total	3,871	100.0%	3,688	100.0%	3,708	100.0%

* Mainly consists of revenues from inbound roaming services, hosting services and network sharing services.

A breakdown of revenues according to types of subscription plans (pre-paid and post-paid) during 2019 compared with 2018, shows a 0.1% increase in revenues attributable to post-paid subscribers and a 2.7% increase in revenues attributable to pre-paid subscribers. The increase in revenues attributable to post-paid subscribers was primarily the result of an increase in revenues of internet and TV services partially offset by the ongoing erosion in the price of cellular services, resulting from the intensified competition in the cellular market.

A breakdown of revenues according to types of subscription plans (pre-paid and post-paid) during 2018 compared with 2017, shows a 4.4% decrease in revenues attributable to post-paid subscribers and a 7.7% decrease in revenues attributable to pre-paid subscribers. The decrease in revenues attributable to post-paid subscribers was primarily the result of the ongoing erosion in the price of cellular services, resulting from the intensified competition in the cellular market. The decrease in revenues attributable to pre-paid subscribers resulted mainly from increased churn of pre-paid cellular subscribers, as well as from the ongoing price erosion.

Segment Revenues Discussion

We operate in two operating segments:

Cellular Segment – this segment includes the cellular communications services, cellular equipment and supplemental services.

Fixed-line Segment – this segment includes landline telephony services, internet infrastructure and connectivity services (ISP), television services, transmission services landline equipment and supplemental services.

These segments are managed separately for the purposes of allocating resources and assessing performance.

We started presenting our operations in these two segments as of January 1, 2016.

We measure revenues on an operating segment basis. The following is a discussion of our revenues for our two operating segments:

	Year Ended December 31,			Change	
	2017	2018	2019	2018 vs. 2017	2019 vs. 2018
	(In NIS millions)				
Cellular service revenues	1,929	1,730	1,679	(10.3)%	(2.9)%
Cellular equipment revenues	770	655	661	(14.9)%	0.9%
Total cellular revenues	**2,699**	**2,385**	**2,340**	**(11.6)%**	**(1.9)%**
Fixed-line service revenues	1,166	1,215	1,258	4.2%	3.5%
Fixed-line equipment revenues	182	249	271	36.8%	8.8%
Total Fixed-line revenues	**1,348**	**1,464**	**1,529**	**8.6%**	**4.4%**
Consolidation adjustments	(176)	(161)	(161)	(8.5)%	-
Consolidated revenues	**3,871**	**3,688**	**3,708**	**(4.7)%**	**0.5%**

Cellular Segment

Revenues from the cellular segment in 2019 totaled NIS 2,340 million (including inter-segment revenues), compared to NIS 2,385 million in 2018. The decrease was primarily due to a decline in service revenues of 2.9% resulting mainly from the ongoing erosion in the price of these services offset by an increase in revenues from sharing agreement with Golan and Xfone.

Revenues from the cellular segment in 2018 totaled NIS 2,385 million (including inter-segment revenues), compared to NIS 2,699 million in 2017. The decrease was primarily due to a decline in service revenues of 10.3% resulting mainly from the ongoing erosion in the price of these services and from the difference between the national roaming services revenues until the end of the first quarter of 2017 and the revenues for rights of use in cellular networks according to the network sharing agreement with Golan which came into force as of the beginning of the second quarter of 2017 as well as a decrease in cellular equipment revenues of 14.9% compared to 2017.

Fixed-line Segment

Revenues for the fixed-line segment (including inter-segment revenues) in 2019 totaled NIS 1,529 million, compared to NIS 1,464 million in 2018. This increase resulted mainly from an increase in revenues from TV and internet services, as well as an increase in fixed-line equipment revenues.

Revenues for the fixed-line segment (including inter-segment revenues) in 2018 totaled NIS 1,464 million, compared to NIS 1,348 million in 2017. This increase resulted mainly from an increase in revenues from TV and internet services, as well as of fixed-line communications services provided according to the network sharing agreement with Golan as of the beginning of the second quarter of 2017 and an increase in fixed-line equipment revenues.

Segment Adjusted EBITDA Discussion

We measure adjusted EBITDA on an operating segment basis. See note 6 to our financial statements included elsewhere in this report for details of this measure of segment profitability. We define segment adjusted EBITDA as income for a segment before financing income (expenses), net; other income (expenses), net (excluding gain from the sale of a subsidiary and expenses related to employee retirement plans); income tax; depreciation and amortization; and share based payments.

Cellular segment

In 2019, the cellular segment generated adjusted EBITDA of NIS 627 million compared to NIS 418 million in 2018, a 47.6% increase. This increase resulted mainly due to the adoption of IFRS 16 standard excluding such effects, would have continued to decrease, in comparison with 2018 as a result of ongoing erosion in cellular service revenues.

In 2018, the cellular segment generated adjusted EBITDA of NIS 391 million compared to NIS 595 million in 2017, a 34.3% decrease. This decrease resulted mainly from the ongoing erosion in cellular service revenues.

Fixed-line segment

In 2019, the fixed-line segment generated adjusted EBITDA of NIS 313 million compared to NIS 269 million in 2018, a 14.5% increase. The increase arose mainly as a result of an increase in revenues from internet and TV services.

In 2018, the fixed-line segment generated adjusted EBITDA of NIS 269 million compared to NIS 258 million in 2017, a 4% increase. The increase arose mainly as a result of an increase in revenues from internet and TV services as well as fixed-line communications services provided according to the network sharing agreement with Golan since the second quarter of 2017.

Cost of revenues and gross profit

	Year Ended December 31,			Change	
	2017	2018	2019	2018 vs. 2017	2019 vs. 2018
	(In NIS millions)				
Cost of service revenues	2,035	2,019	2,038	(0.8)%	0.9%
Cost of equipment revenues	645	642	687	(0.5)%	7.0%
Total cost of revenues	2,680	2,661	2,725	(0.7)%	2.4%
Gross profit	1,191	1,027	983	(13.8)%	(4.2)%

The increase in cost of service revenues in 2019 compared with 2018 resulted mainly from an increase in costs TV services content and in costs related to internet services in the fixed-line segment offset by a decrease of expenses of international operators.

The increase in cost of equipment revenues resulted mainly from an increase in fixed-line equipment costs in costs, primarily as a result of an increase in revenues fixed line equipment sold in the cellular segment during 2019 as compared to 2018, which was partially offset by a decrease in cellular segment handset costs.

The decrease in cost of service revenues in 2018 compared with 2017 resulted mainly from decrease in interconnect costs, depreciation and repair services. This decrease was partially offset by an increase in costs of TV services content and in costs related to internet services in the fixed-line segment.

The decrease in cost of equipment revenues resulted mainly from a decrease in costs of end user equipment sold, primarily as a result of a decrease in the quantity of end user equipment sold in the cellular segment during 2018 as compared to 2017, which was partially offset by an increase in fixed-line equipment costs.

The decrease in gross profit in 2019 compared with 2018 resulted mainly from the ongoing erosion in the price of cellular services.

The decrease in gross profit in 2018 compared with 2017 resulted mainly from the ongoing erosion in the price of cellular services.

Selling and marketing expenses and general and administrative expenses

	Year Ended December 31,			Change	
	2017	2018	2019	2018 vs. 2017	2018 vs. 2017
	(In NIS millions)				
Selling and marketing expenses	479	567	610	18.4%	7.6%
General and administrative expenses	426	360	329	(15.5)%	(8.6)%
Total	905	927	939	2.4%	1.3%

The increase in selling and marketing expenses in 2019 compared with 2018, is primarily a result of an increase in depreciation expenses due to the capitalization of part of the customer acquisition costs. This increase was partially offset by a decrease of salaries expenses and doubtful accounts expenses.

The increase in selling and marketing expenses in 2018 compared with 2017, is primarily the result of an increase in depreciation of acquisition costs that were capitalized as a result of the early adoption of a new International Financial Reporting Standard (IFRS 15) as of January 1, 2017.

The decrease in general and administrative expenses in 2019 compared with 2018 resulted mainly from a decrease of lease expenses due to the adoption of International Financial Reporting Standard (IFRS 16) decrease in salaries and related expenses as well as a decrease in doubtful debts offset increase in depreciation due to the adoption of IFRS 16.

The decrease in general and administrative expenses in 2018 compared with 2017 resulted mainly from a decrease in salaries and related expenses as well as a decrease in doubtful debts.

Other income (expenses), net

	Year Ended December 31,		
	2017	2018	2019
	(In NIS millions)		
Other income (expenses), net	42*	1*	(20)

(*)The results at and for the years 2017, 2018 have been reclassified regarding a change in accounting policy regarding long term credit transactions

Other expenses in 2019 mainly includes expense of NIS 45 million following employee voluntary retirement plan. Offset by revenues from credit arrangements of handset sales and from capital gain from selling our fiber optic network in 2019 to IBC.

Other expenses in 2018 mainly includes expense of NIS 26 million following employee voluntary retirement plan executed in the second quarter of 2018. Other income in 2017 includes mainly a gain from the sale of a subsidiary (Internet Rimon) in the amount of approximately NIS 10 million.

Financing expenses, net

	Year Ended December 31,		
	2017	2018	2019
	(In NIS millions)		
Financing expenses	(196)	(190)	(193)
Financing income	21	19	49
Financing expenses, net	(175)	(171)	(144)

The decrease in financing expenses, net 2019 compared with 2018 resulted mainly from financing income 50 million NIS in 2019 as a result of profit of our current investment portfolio. The decrease in Financing expenses, net, for 2018 compared to 2017 resulted mainly from a decrease of the interest of debentures of the Company offset by losses in the Company's investment portfolio in 2018.

Income tax

	Year Ended December 31,			Change	
	2017	2018	2019	2018 vs. 2017	2019 vs. 2018
	(In NIS millions)				
Taxes on income(tax benefit)	40	(6)	(23)	na	283%

Taxes on income for 2019 totaled NIS 23 million tax benefit as a result of the loss before taxes on income that the Company recorded in 2019.

In January 2019 the Israeli Tax Authority issued a best judgment assessment for 2014 to the Company, generally due to timing differences. In February 2020 the Company and the Tax Authority reached a final agreement in relation to the years 2014-2017 tax assessment. The assessment did not have a material effect on the Company's financial statements.

Taxes on income for 2018 totaled NIS 6 million as a result of the loss before taxes on income that the Company recorded in 2018, which was partially offset by tax expenses due to non-deductible expenses.

Net income (Loss)

	Year Ended December 31,			Change	
	2017	2018	2019	2018 vs. 2017	2019 vs. 2018
	(In NIS millions)				
Net income (loss)	113	(64)	(107)	na	67.2%

The loss in 2019 totaled 107 million, primarily due to a decrease in operating profit mainly from the ongoing erosion in the price of cellular services as well as from an expense of NIS 45 million following employee voluntary retirement plan which was recorded on the fourth quarter of 2019

The loss in 2018 totaled 64 million, primarily due to a decrease in operating profit mainly from the ongoing erosion in the price of cellular services.

B. LIQUIDITY AND CAPITAL RESOURCES

General

Our liquidity requirements relate primarily to working capital requirements, debt service, capital expenditures for the expansion and enhancement of our networks, including rights to additional frequencies, end user equipment and payment of dividends, to the extent declared. We fund these requirements through cash flows from operations, raising new debt and issuances of equity securities, including ordinary shares.

Since institutional investors were required to follow certain procedures and requirements pursuant to Israeli regulation before investing in non-governmental debentures, our series H through L indentures include certain limitations and covenants. For additional details see "– Debt Service" below. These limitations are generally also included in our other credit facilities (see "– Other Credit Facilities" below) and are expected to apply to any additional debt incurred by us. These procedures, limitations and covenants limit our freedom to conduct our business, may impose additional costs on us and may limit our ability to borrow additional debt from Israeli institutional investors as well as adversely affect the terms and price of such debt raising.

In May 2012, June 2013 and August 2019, the rating of our debentures was downgraded. Any downgrade in our ratings may adversely affect the terms and price of our debt or additional debt raised, particularly through the issuance of debentures to institutional investors, which, given the limitation on the ability of Israeli banks to lend money to us pursuant to the "Guidelines for Sound Bank Administration" issued by the Israeli Supervisor of Banks (as for that purpose we are deemed to be included in the same group as DIC), may limit our ability to obtain additional financing to operate, develop and expand our business or to refinance existing debt. We believe that our sources of liquidity and capital resources, are adequate for our current requirements and business operations and should be adequate to satisfy our anticipated cash needs for working capital, capital expenditures, other current corporate needs and debt service for at least the next 12 months. Our future capital requirements will depend on many factors, including the level of revenues, the timing and extent of spending to support marketing and subscriber retention efforts, the expansion of sales and marketing activities and the timing of introductions of new products and enhancements of existing products, the level and timing of investing in our networks and services, including our OTT TV, internet infrastructure, additional investments in IBC, if required, and the purchase of additional frequencies and IOT services and any decision to reinstate dividends. Our Board of Directors would not expect to reinstate dividends unless it believes that our cash flow and available reserves will be sufficient to fund our needs, including our dividends. In February 2006, our Board of Directors adopted a policy to distribute each year at least 75% of our annual net income, on a quarterly basis, as dividends, subject to compliance with applicable law, our license and contractual obligations and so long as the distribution would not be detrimental to our cash needs or to any plans approved by our Board of Directors. We undertook limitations on dividend distributions in our indentures of series H through L debentures and in other credit facilities. See "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information – Dividend Policy", "– Debt Service" and "–Other Credit Facilities" below. In respect of 2019, our Board of Directors chose not to declare dividends given the intensified competition and its adverse effect on our results of operations and in order to strengthen our balance sheet. Should our Board of Directors decide to reinstate dividends, it is possible that our Board of Directors' estimate of our cash needs will be incorrect, or that events could occur that could increase our cash needs beyond anticipated. If that occurs, we may not have sufficient cash to cover these needs as a result of various expenditures previously made by the Company, including prior investments and expenses and prior dividend payments, and we would need to identify additional sources of financing, which could include equity or debt financing. We may not be able to obtain such financing on acceptable terms or at all.

Dividend payments

In 2017, 2018 and 2019 our Board of Directors chose not to declare dividends given the intensified competition and its adverse effect on our results of operations and in order to strengthen our balance sheet.

Shelf Prospectus

In August 2017, we filed a shelf prospectus with the Israeli Securities Authority, or ISA, and the Tel Aviv Stock Exchange, or TASE. The shelf prospectus allows us, from time to time, until August 2020, to offer and sell various securities including debt and equity, in Israel, in one or more offerings, subject to filing a supplemental shelf offering report that describes the terms of the securities offered and the specific details of the offering and the prior approval of the TASE of the supplemental shelf offering report.

At this stage, no decision has been made as to the execution of any offering, nor as to its scope, terms and timing, if executed, and there is no certainty that such offering will be executed.

The shelf prospectus includes our undertaking to comply with certain reporting obligations under the Israeli Securities Law in the event of certain warning signs of financial stress.

Issuances of equity securities

In December 2019, the Company issued in an offering to the public in Israel and to certain institutional investors outside of Israel, for an immediate total net consideration of approximately NIS 309 million:

- 30,600,000 ordinary shares of the Company (par value NIS 0.01 per share, or ordinary shares).
- 7,038,000 Series 3 Options. Each Series 3 Option entitled the holder thereof to purchase one ordinary share at an exercise price of NIS 8.64, until April 1, 2020. As of February 29, 2020, Series 3 Options were exercised for a total consideration of approximately NIS 17.36 million.
- 6,426,000 Series 4 Options. Each Series 4 Option entitles the holder thereof to purchase one ordinary share at an exercise price of NIS 9.60, until September 30, 2020. As of February 29, 2020, Series 4 Options were exercised for a total consideration of approximately NIS 3.45 million.

The offering was made under the Company's Israeli 2017 shelf prospectus and the securities issued were listed for trading on the Tel Aviv Stock Exchange.

Debt service

Public debentures

Our Series F debentures were issued in March 2012 to the public in Israel under our 2011 shelf prospectus (as amended in March 2012) and were listed for trading on the Tel Aviv Stock Exchange. As of December 31, 2019, Series F debentures consisted of approximately NIS 214 million ($62 million) aggregate principal amount debentures (and in January 2020, we repaid a principal payment in the amount of approximately NIS 214 million ($62 million) and repaid Series F debentures in full).

Our Series H and I debentures were issued in July 2014 to the public in Israel under our 2014 shelf prospectus and were listed for trading on the Tel Aviv Stock Exchange. In February 2015, pursuant to an exchange offer under our 2014 shelf prospectus and in a private offering, we issued approximately NIS 844 million ($244 million) principal amount of Series H debentures and approximately NIS 335 million ($97 million) principal amount of series I debentures in exchange for approximately NIS 555 million ($161 million) principal amount of Series D debentures and approximately NIS 272 million ($79 million) principal amount of Series E debentures, respectively. Series D and Series E were fully repaid. In March 2016, we issued approximately NIS 246 million ($71 million) aggregate principal amount of additional Series I debentures to certain institutional investors in a private offering. As of December 31, 2019, our Series H and I debentures consisted of approximately NIS 722 million ($209 million) principal amount and NIS 643 million ($186 million) principal amount, respectively.

The Series H debentures principal is payable in seven annual installments: three equal annual installments of 12% of the principal on July 5 of the years 2018 through 2020 (inclusive), and four equal annual installments of 16% of the principal on July 5 of the years 2021 through 2024 (inclusive). The interest on the Series H debentures is payable in semi-annual installments on January 5 and on July 5, of each calendar year commencing on January 5, 2015 through July 5, 2024 (inclusive). The Series H debentures bear an interest rate of 1.98% per annum, linked to the Israeli Consumer Price Index for May 2014.

The Series I debentures principal is payable in eight annual installments: three equal annual installments of 10% of the principal on July 5 of the years 2018 through 2020 (inclusive), and five equal annual installments of 14% of the principal on July 5 of the years 2021 through 2025 (inclusive). The interest on the Series I debentures is payable in semi-annual installments on January 5 and on July 5 of each calendar year commencing on January 5, 2015 through July 5, 2025 (inclusive). The Series I debentures bear an interest rate of 4.14% per annum, without any linkage.

The Series H and I debentures are unsecured and contain, in addition to standard terms and obligations, the following obligations:

- a negative pledge, subject to certain exceptions;

- a covenant not to distribute more than 95% of the profits available for distribution according to the Companies Law ("Profits"); provided that if our net leverage (defined as the ratio of net debt to EBITDA during a period of 12 consecutive months, excluding one-time events) exceeds 3.5:1, we will not distribute more than 85% of our Profits and if our net leverage exceeds 4.0:1, we will not distribute more than 70% of our Profits. Further if our net leverage exceeds 5.0:1, or exceeds 4.5:1 during four consecutive quarters, we will not distribute dividends.

  For this purpose, net debt is defined as credit and loans from banks and others and debentures, net of cash and cash equivalents and current investments in tradable securities; and EBITDA is defined as profit before depreciation and amortization, other expenses or income, net, financing expenses or income, net and taxes on income;

- a limitation on our ability to voluntarily redeem the debentures prior to their stated maturity date to a minimum amount of NIS 100 million of each series of debentures and an undertaking to pay the holders of such debentures an additional annual interest of 1% in the event of such early redemption;

- a covenant to have the debentures rated by a rating agency (in as much as under our control);

- an obligation to pay additional interest of 0.25% for a two-notch downgrade in the debentures' rating and additional interest of 0.25% for each additional one-notch downgrade and up to a maximum addition of 1%, in comparison to the rating given to the debentures prior to their issuance;

- a covenant not to issue additional debentures of the relevant series if the financial covenants aren't met or if the additional issuance by itself, will cause a certain rating downgrade.

The Series H and I Indenture contains events of default, including:

- cross default, excluding following an immediate repayment initiated in relation to a liability of NIS 150 million or less. The minimum amount required for triggering a cross default shall not apply to a cross default triggered by another series of debentures;
- failure of our main business to be cellular communications or loss of our cellular license for a period of over 60 days;
- suspension of trading of the debentures on the TASE over a period of 45 days;
- failure to comply with the above covenant regarding limitations on dividend distributions;
- failure to have the debentures rated over a period of 60 days;
- a petition or court order to withhold all legal proceedings against us or petition for creditors arrangement filed;
- the sale of a major part of our assets or merger (with certain exclusions);
- failure to publish financial reports when due;
- a net leverage in excess of 5.0:1, or in excess of 4.5:1 during four consecutive quarters;
- failure to comply with our negative pledge covenant; and
- any other event causing or expected to cause a material adverse effect (which shall not include any event that shall or is likely to cause our net leverage to increase to a ratio of under 5.0:1) on our business and posing real threat of a substantial damage to the debenture holders' rights.
- breach of the above limitation on dividend distributions;
- the existence of a real concern that we shall not meet our material undertakings towards the debenture holders;
- the inclusion in our financial statements during a period of two consecutive quarters of a note regarding the existence of significant doubt as to our ability to continue as a going concern; and
- breach of our undertakings regarding the issuance of additional debentures.

Our Series J and K debentures were issued in September 2016 to the public in Israel under our 2014 shelf prospectus and were listed for trading on the Tel Aviv Stock Exchange. In July 2018, we issued NIS 220 million ($59 million) principal amount of additional series K debentures in a private offering to certain Israeli institutional investors according to our June 2017 agreement with such investors. In December 2018, we issued approximately NIS 187 million ($50 million) principal amount of additional series K debentures to the public in Israel under our 2017 shelf prospectus. As of December 31, 2019, our Series J and K debentures consisted of approximately NIS 103 million ($30 million) principal amount and NIS 711 million ($206 million) principal amount, respectively.

The Series J debentures principal is payable in six installments, of which the first four installments of 15% of the principal each are payable on July 5 of the years 2021 through 2024, and the remaining two installments of 20% of the principal each are payable on July 5 of the years 2025 and 2026. The interest on the Series J debentures is payable on January 5 and on July 5 of each of the years 2017 through 2026. The Series J debentures bear interest at the rate of 2.45% per annum, linked to the Israeli Consumer Price Index for August 2016.

The Series K debentures principal is payable in six installments, of which the first four installments of 15% of the principal each are payable on July 5 of the years 2021 through 2024, and the remaining two installments of 20% of the principal each are payable on July 5 of the years 2025 and 2026. The interest on the Series K debentures is payable on January 5 and on July 5 of each of the years 2017 through 2026. The Series K debentures bear interest at the rate of 3.55% per annum, without linkage.

The Series J and Series K debentures are unsecured and contain standard terms and conditions in addition to certain additional undertakings by us generally similar to the terms of our Series H and Series I debentures.

Our Series L debentures were issued in January 2018 to the public in Israel under our 2017 shelf prospectus and were listed for trading on the Tel Aviv Stock Exchange. In December 2018, we issued approximately NIS 213 million ($57 million) principal amount of additional series L debentures to the public in Israel under our 2017 shelf prospectus. As of December 31, 2019, and following repurchases of our Series L debentures, our Series L debentures consisted of approximately NIS 603 million ($174 million) principal amount. For additional details see "A. Operating Results – Overview – General" above.

The Series L debentures principal is payable in six installments, of which the first four installments of 15% of the principal are each payable on January 5 of the years 2023 through 2026, and the remaining two installments of 20% of the principal are each payable on January 5 of the years 2027 and 2028. The interest on the Series L debentures is payable on January 5 of each of the years 2019 through 2028. The Series L debentures bear interest at the rate of 2.5% per annum, without linkage.

The Series L debentures are unsecured and contain standard terms and conditions in addition to certain additional undertakings by us generally similar to the terms of our Series J and Series K debentures, with a change to the additional interest to be paid in case of a two-notch downgrade in the debentures' credit rating to 0.5% (with no change to the maximum additional interest).

As of December 31, 2019, we complied with the above covenants.

Other credit facilities

In May 2015, we entered into a loan agreement with two Israeli financial institutions, or Lenders, according to which the Lenders have agreed, subject to certain customary conditions, to provide us two deferred loans for the total principal amount of NIS 400 million ($116 million), without any linkage, as follows:

- A principal amount of NIS 200 million ($58 million) was provided to us in June 2016, and bears an annual fixed interest of 4.6%. The loan's principal amount is payable in four equal annual payments on June 30 of each of the years 2018 through 2021 (inclusive). The interest will be paid in ten semi-annual installments on June 30 and December 31, of each calendar year commencing December 31, 2016 through and including June 30, 2021. As of December 31, 2019, the outstanding principal amount under this loan is NIS 100 million ($29 million).

- A principal amount of NIS 200 million ($58 million) was provided to us in June 2017, and bears an annual fixed interest of 5.1%. The loan's principal amount is payable in four equal annual payments on June 30 of each of the years 2019 through 2022 (inclusive). The interest will be paid in ten semi-annual installments on June 30 and December 31, of each calendar year commencing December 31, 2017 through and including June 30, 2022. As of December 31, 2019, the outstanding principal amount under this loan is NIS 150 million ($43million).

Under the agreement, the interest rate may be subject to certain adjustments. We may cancel or prepay one or both loans, subject to a certain cancelation fee or prepayment fee, as applicable. The agreement includes standard terms and obligations and also generally includes the negative pledge, limitations on distributions, events of default and financial covenants applicable to our debentures.

In August 2015, we entered into a loan agreement with an Israeli bank, or Lender, according to which the Lender has agreed, subject to certain customary conditions, to provide us a deferred loan in a principal amount of NIS 140 million ($41 million), without any linkage, which was provided to us in December 2016, and bears an annual fixed interest of 4.9%. The loan's principal amount is payable in five equal annual payments on June 30 of each of the years 2018 through 2022 (inclusive), and the interest will be payable in 11 semi-annual installments on June 30 and December 30 of each calendar year commencing June 30,2017 through and including June 30, 2022. We prepaid this loan in full in April 2019.

In June 2017, we entered into an additional loan agreement with the Lender according to which the Lender has agreed, subject to certain customary conditions, to provide us a deferred loan in a principal amount of NIS 150 million ($43 million), unlinked, in March 2019, which will bear an annual fixed interest of 4%. The loan's principal amount will be payable in four equal annual payments on March 31 of each of the years 2021 through and including 2024 and the interest will be payable in ten semi-annual installments on March 31 and September 30 of each calendar year, commencing September 30,2019 through and including March 31, 2024.

Under the Agreement, the interest rate may be subject to certain adjustments. We may prepay the loan, subject to a prepayment fee. The agreement also includes certain events which if not approved by the Lender allow the Lender to notify us of an acceleration of the repayment of the loan.

The agreement includes standard terms and obligations and also generally includes the negative pledge, limitations on distributions, financial covenants and event of defaults applicable to our debentures, with certain modifications, including foreclosure, materialization of a pledge, execution actions, receivership and (subject to certain exclusions) sale of assets in a specified certain lower amount, a failure to operate in a field which is material to our operations, and mergers and changes of formation (with more limited exclusions) will trigger an event of default. In case we provide stricter financial covenants to another financial institution or debenture holder, those will apply to this agreement as well.

As of December 31, 2019, we complied with the above covenants.

In the ordinary course of business, from time to time, we and our subsidiaries, enter into framework agreements with banks for various banking services, such as credit lines and hedging transactions and in 2019 we entered into a factoring transaction with a bank, in relation to part of our invoices to Golan. In 2015, we entered into an extended payment terms agreement with a bank in relation to a certain supplier, which includes terms similar to our loan agreements and we allow such arrangements requested by our suppliers from time to time.

Capital expenditure

Our accrual capital expenditure in 2017, 2018 and 2019 amounted to NIS 550 million, NIS 647 million and NIS 562 million, respectively. Accrual capital expenditure is defined as investment in fixed assets and intangible assets, such as investments in our communications networks, fiber-optic infrastructure, information systems, software and TV set-top boxes and as from 2017, capitalization of part of the customer acquisition costs as a result of the early adoption of a new International Financial Reporting Standard (IFRS15).

Cash flows from operating activities

Cash flows from operating activities totaled NIS 1,036 million in 2019, an increase from NIS 770 million in 2018. The increase in the operating cash flow is primarily attributed to a payments of lease contracts that according to IFRS 19 are classified as of January 1, 2019 in cash flow from financing activities as well as a decrease in salaries expenses and tax payments.

Cash flows from operating activities totaled NIS 770 million in 2018, a decrease from NIS 774 million in 2017. The decrease in cash flow is primarily attributed to a decrease in proceeds from customers due to the decrease in service revenues.

Cash flows from investing activities

The net cash flows from operating activities is the main capital resource for our investment activities. In 2017, 2018 and 2019, our net cash used in investing activities amounted to NIS 644 million, NIS 631 million and NIS 560 million, respectively. The payments were used primarily for the improvement and expansion of our networks, fiber-optic infrastructure and information systems. The decrease in 2019 compared with 2018 resulted mainly from the sale of independent fiber optic infrastructure of the company in residential areas to IBC in the amount of approx. NIS 181 million and a decrease in our acquisitions of property, plant and equipment and intangible assets. The decrease in 2018 compared with 2017 resulted mainly from a decrease in our current investments in debt securities and shares.

Cash flows from financing activities

In 2019, net cash used in financing activities amounted to NIS 672 million compared to NIS 537 million received in 2018. The net cash we received is primarily attributable to payments of debentures and loans payments of lease contracts offset by equity offering in 2019.

In 2018, net cash received in financing activities amounted to NIS 537 million compared to NIS 843 million used in 2017. The net cash we received is primarily attributable to issuances of debentures and equity offering in 2018.

Working capital

Our working capital as of December 31, 2019 was NIS 933 million, compared with NIS 1269 million as of December 31, 2018. The decrease in working capital was primarily due to decrease in cash and cash equivalents as a result of payments of debentures and an increase in current maturities of lease liabilities as a result of adoption of accounting standard IFRS 16 as of 01.01.2019

Our working capital as of December 31, 2018 was NIS 1269 million, compared with NIS 692 million as of December 31, 2017. The decrease in working capital was primarily due to an increase in cash and cash equivalents as a result of issuances of debentures and equity offering in 2018.

Trade receivables

Trade receivables consist of outstanding amounts due from customers, mainly for cellular, internet infrastructure and connectivity and landline telephony services and handsets and accessories, net of the allowance for doubtful accounts. Most of our handset sales are made on an installment basis (generally, 36 monthly payments). Installments due in the twelve months following the balance sheet date are included in current trade receivables; the remaining installments are included in long-term receivables. As of December 31, 2019, net current trade receivables amounted to NIS 1,142 million compared with NIS 1,152 million as at December 31, 2018 and NIS 1,280 million as at December 31, 2017. Net long-term trade receivables as of December 31, 2019 amounted to NIS 309 million compared with NIS 370 million as at December 31, 2017 and NIS 412 million as at December 31, 2017.

The decrease in trade receivables (current and long-term) in 2019 compared with 2018 was mainly due to a decrease in revenues from handsets. The decrease in trade receivables (current and long-term) in 2018 compared with 2017 was mainly due to a decrease in service and equipment revenues.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Not applicable.

D. TREND INFORMATION

Trend information is included throughout the other sections of this Item 5.

E. OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, except future commitments and agreements that are detailed in this report.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Set forth below is a description of our contractual cash obligations, in millions of NIS, as of December 31, 2019.

	Total	2020	2021-2022	2023-2024	2025 and Beyond
Long-term debt obligations (including interest)(1)	3,824	623	1,161	1,130	910
Operating lease obligations	839	246	325	139	129
Purchase obligations	402	317	85	-	-
Total	5,065	1,186	1,571	1,269	1,039

(1) Interest does not include any increase in interest that would be required based on increases in the Israeli CPI.

Application of Critical Accounting Policies and Use of Estimates

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reflected in the consolidated financial statements and accompanying notes, and related disclosure of contingent assets and liabilities. We base our estimates upon past experience, where applicable, various factors, external sources and on other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and could have a material impact on our reported results.

In many cases, the accounting treatment of a particular transaction, event or activity is specifically dictated by accounting principles and does not require management's judgment in its application, while in other cases, management's judgment is required in the selection of the most appropriate alternative among the available accounting principles, that allow different accounting treatment for similar transactions.

We believe that the accounting policies discussed below are critical to our financial results and to the understanding of our past and future performance, as these policies relate to the more significant areas involving management's estimates and assumptions. We consider an accounting estimate to be critical if: (1) it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making our estimate and (2) changes in the estimate or different estimates that we could have selected may have had a material impact on our financial condition or results of operations.

Long-lived assets – depreciation

Nature of critical estimate items

The communications industry is capital intensive. The depreciation of operating assets constitutes a significant operating cost for us. We have substantial investments in tangible long-lived assets, primarily our communications networks.

Assumptions / approach used

We depreciate our property, plant and equipment using the straight-line method. Separate individual significant components are depreciated over their individual estimated useful lives. We periodically review changes in our technology and industry conditions to determine adjustments to estimated remaining useful lives and depreciation rates.

Effect if different assumptions used

Changes in technology or changes in our intended use of these assets can cause the estimated period of use or the value of these assets to change. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in our assets' depreciable lives, and therefore, in our depreciation expense in future periods.

Impairment of long-lived assets

Nature of critical estimate items

Finite-lived long-lived assets

At each reporting date, we review finite-lived long-lived assets, principally consisting of property, plant and equipment, spectrum licenses and intangible assets for impairment based on the requirements of International Accounting Standard No. 36, whenever events or changes in circumstances indicate that their carrying values may not be recoverable through the present value of anticipated cash flows from the continued use of the asset, including those expected at the time of its future retirement and disposal. Where it is not possible to estimate the recoverable amount of an individual asset, we group together all of the assets that cannot be tested individually into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"), and estimate the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of value in use and fair value less cost to sell. Value in use is determined by discounting the expected future cash flows, we expect to derive from the asset, using a pre-tax discount rate. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Indefinite-lived intangible assets

Once a year and for the same date, or more frequently if there are indications of impairment, we estimate the recoverable amount of each cash-generating unit that contains goodwill. Cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. We monitor goodwill at operating segments level. As regards cash-generating units that include goodwill, an impairment loss is recognized when the carrying amount of the cash-generating unit, after adjustment for goodwill, exceeds its recoverable amount.

Assumptions / approach used

In analyzing finite-lived long-lived assets and Indefinite-lived intangible assets for potential impairment, significant assumptions that are used in determining the discounted cash flows of the asset group include:

- cash flows attributed to the asset group;
- future cash flows for the asset group, including estimates of residual values, which incorporate our views of growth rates for the related business and anticipated future economic conditions; and

- period of time over which the assets will be held and used.

- Key assumptions used in the calculation of recoverable amounts are discount rate and terminal value growth rate.

Effect if different assumptions used

The use of different estimates and assumptions within our discounted cash flow models (e.g., terminal value growth rates, pre-tax discount rate, future economic conditions, estimates of residual values) could result in discounted cash flows that are lower than the current carrying value of an asset group, thereby requiring the need to reduce the carrying value to the discounted cash flow amount.

The use of different discount rates when determining the fair value of the asset group could result in different fair values, and impact any related impairment charges.

Change in estimates in finite-lived long-lived assets

- During the year ended December 31, 2017 management has updated estimates as follows: Towards the end of the Company's 2G and 3G frequencies (the "Frequencies") original amortization period, the Company's annual depreciation committee examined the estimated useful life of the Frequencies. Based on Company's estimate, the Company will continue to use the Frequencies at least for the next 10 years.

  The estimated useful life of the Frequencies was determined in the past according to the period of the Company's cellular license (until 2022).

  According to applicable law, the Company's cellular license may be extended for additional 6-year periods, subject to the requirements set in the license. The Company estimates that based on its experience and acquaintance with the communications market in Israel, if current conditions continue, there is high probability that the license will be extended for an additional term of 6 years.

  In light of the aforesaid, the estimated useful life of the Frequencies has been re-evaluated for the first time, for an additional period of ten years, starting from the beginning of the second quarter of 2017 and ending in 2028 (instead of 18-20 years ending in 2022, as originally estimated).

Accounts receivable - bad debt and allowance for doubtful accounts

Nature of critical estimate items

We maintain an allowance for doubtful accounts to reflect estimated losses resulting from impairment of accounts receivables.

Assumptions / approach used

We regularly evaluate the adequacy of our allowance for doubtful accounts by taking into account variables such as past experience, age of the receivable balance and current economic conditions of the party owing the receivable balance. If the financial conditions of certain customers were to deteriorate, resulting in impairment in their ability to make payments, additional allowance for doubtful accounts may be required.

Effect if different assumptions used

We believe that our allowance for doubtful accounts is adequate to cover estimated losses in customer accounts receivable balances under current conditions. However, changes to the allowance for doubtful accounts may be necessary in the event that the financial condition of our customers improves or deteriorates.

Change in estimates

As from January 1, 2018 the Group applies IFRS 9, *Financial Instruments* The standard includes a new 'expected credit loss' model, which following its application, the amount of the provision for impairment of all the financial assets decreased by an amount of NIS 12 million as at January 1, 2018.

Provisions for contingent liabilities

Provisions in general are highly judgmental, especially in cases of legal disputes. We assess the probability of an adverse event as a result of a past event and if the probability is evaluated to be more likely than not and the amount of the obligation can be estimated reliably, we fully provide for the total amount of the estimated contingent liability. We continually evaluate our pending provisions to determine if additional accruals are required. It is often difficult to accurately estimate the ultimate outcome of a contingent liability. Different variables can affect the timing and amount we provide for certain contingent liabilities. Our provisions are therefore subject to estimates made by us having taken into consideration the opinion of our legal counsel, which are subject to changes as the status of legal and commercial disputes changes over time. Adverse revision in our estimates of the potential liability could materially impact our financial condition, results of operations or liquidity.

Uncertain tax positions

When assessing amounts of current and deferred taxes, we take into consideration the effect of the uncertainty that our tax positions will be accepted and the effect of incurring any additional tax and interest expenses. We are of the opinion that the cumulative tax liability is fair for all the years in respect of which final tax assessments have not yet been received, based on an analysis of a number of matters including interpretations of tax laws and our past experience. This assessment is based on estimates and assumptions that may also include assessments and exercising judgment regarding future events. It is possible that new information will become known in future periods that will require us to change our estimate regarding the tax liability that was recognized, and any such changes will be expensed immediately in that period.

Recognition of deferred tax asset in respect of tax losses

The Company assesses the probability that in the future there will be taxable profits against which carried forward losses can be utilized and accordingly the Company recognizes (or does not recognize) a deferred tax asset in respect of losses carried forward. In the absence of certainty for the existence of taxable income, deferred taxes are not recognized as an asset. The possible effects of this estimate is the recognition of additional income tax expenses.

New Accounting Standards Not Yet Adopted

For details regarding new accounting standards not yet adopted see note 3-S to our financial statements included elsewhere in this report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our directors, executive officers and other key employees as of December 31, 2019:

Name	Age	Position
Ami Erel* (2), (3), (4)	73	Chairman of the Board
Mauricio Wior (2)	63	Vice Chairman of the Board
Eran Saar** (3),(4)	47	Director
Ephraim Kunda (1), (2), (4), (5)	67	Independent Director
Gustavo Traiber*** (1), (2), (4)	58	Independent Director
Shmuel Hauser*** (1), (2), (4), (5)	64	Independent / External Director
Varda Liberman*** (1), (2), (3), (5)		Independent / External Director
Nir Sztern****	49	President and Chief Executive Officer
Shlomi Fruhling	47	Chief Financial Officer
Rafi Shauli*****	48	Vice President of Marketing, Television and Content
Ron Shvili******	52	Chief Technology Officer
Nadav Amsalem	46	Vice President of Business Customers
Sharon Amit*******	53	Vice President of Human Resources
Amos Maor	56	Vice President of Sales and Service
Liat Menahemi Stadler	53	Vice President of Legal Affairs and Corporate Secretary
Teimuraz Romashvili	41	Vice President of Pre Paid Activity
Ronnen Shles	52	Controller

(1) Member of our Audit Committee.

(2) Member of our Analysis Committee.

(3) Member of our Option Committee.

(4) Member of our Security Committee.

(5) Member of our compensation Committee.

* In February 2020, Mr. Erel announced his resignation from office as of March 1, 2020 and will be replaced as Chairman of the Board of Directors by Mr. Doron Cohen as of March 23, 2020.

** Since September 2019

*** Since March 2019

**** In December 2019, Mr. Sztern announced his resignation from office and was replaced by Mr. Avi Gabbay as of January 2020.

***** Since March 2019 as VP Television and Content and since December 2019, as VP Marketing as well. Mr. Shauli announced his resignation from office in February 2020, as of March 31, 2020. Ms. Litvak-Shacham shall replace Mr. Shauli until a replacement is nominated.

****** Mr. Shvili announced his resignation from office in January 2020 and was replaced by both Mr. Yaniv Kuriat as of March 15, 2020 and Mr. Victor Malka, as of March 18, 2020.

******* Ms. Amit resigned from her position as of December 31, 2019 and was replaced by Ms. Orly Pascal, as of January 1, 2020.

Ami Erel served as Chairman of our Board of Directors from 2005 to March 1, 2020. From 2014 to 2017 Mr. Erel provided consulting services to Discount Investment Corporation Ltd. (where he served as President and Chief Executive Officer from 2001 to 2013). Until 2011, Mr. Erel served a period as Chief Executive Officer and a period as Chairman of the board of directors. From 1997 to 1999, he served as President and Chief Executive Officer of Bezeq. From 2011 to 2016, Mr. Erel also served as Deputy Chairman of the Board of Directors of ADAMA Agricultural Solutions Ltd. (where he served from 2006 as a director and later as Chairman of the Board of Directors). Mr. Erel also serves as a director of Elron Electronic Industries Ltd. (where he served from 1999 to 2001 as President and until January 2007 as Chairman of the Board of Directors), Knafaim Holdings Ltd. and Dan hotels Ltd. Mr. Erel served as the chairman of the executive committee of the Manufacturers Association of Israel from 2005 to 2009 and from 2009 to 2011 he served as the chairman of the Israel Export & International Cooperation Institute. Mr. Erel holds a B.Sc. in electrical engineering from the Technion, Israel Institute of Technology.

Doron Cohen will serve as our Chairman of our Board of Directors as of March 23, 2020. Mr. Cohen has served as CEO of DIC and as a director of Elron Electronic Industries Ltd. since March 2020, as chairman of the board and founding partner at Credito since 2015, as an external director of Lachish Industries since 2014 and as the president of the Israeli Institute of Internal Auditors (IIA) since 2013. From 2015 to 2019, Mr. Cohen served as chairman of the board and CEO of IBC, from 2011 to 2013 as Director General of the Israeli Ministry of Finance and from 2009 to 2012 as the Director General of the Israeli Governmental Companies Authority. Mr. Cohen is a Certified Public Accountant and holds a B.A. in economics and accounting from the Tel-Aviv University and an M.A. in law, from the Bar-Ilan University.

Mauricio Wior has served as our Vice Chairman of our Board of Directors since January 2017. In January 2018, 2.5% of our outstanding share capital held by Koor was transferred (through a lending transaction) to a company controlled by Mr. Wior, following which Mr. Wior is considered joint controlling shareholder with Koor. Mr. Wior has served as Chairman of the Board of Directors of Shufersal Ltd. and a director in Shufersal Real Estate Ltd. Wior Communications Ltd. and IDB Tourism (2009) Ltd. since 2016, a member of the board of directors of IRSA Inversiones y Representaciones Sociedad Anónima, DIC's controlling shareholder, since 2006, a member of the board of directors of Banco Hipotecario in Argentina, a substitute director in DIC, the Company's indirect controlling shareholder, since 2014 and a member of the board of directors of additional private companies in Argentina. From 1990 to 2005, Mr. Wior served as the Chairman and CEO of cellular operators in Argentina, Uruguay, Chile, Ecuador, Peru and Venezuela, and as a senior executive of BellSouth Telecommunications, LLC. Mr. Wior holds a B.A in finance and accounting and an M.B.A. in Business Management, both from Tel Aviv University.

Eran Saar has served as a member of our Board of Directors since September 2019, served as the CEO of DIC from December 2019 to March 2020 and has served as the CEO of IDB since December 2019, has served as a director in Shufersal Ltd., Elron Electronic Industry Ltd., IDB Tourism (2009) Ltd., Israir Aviation and Tourism Ltd. and Epsilon Investment House Ltd. Since December 2019. From 2012 to 2019 Mr. Saar served as CEO of Equital Group and Isramco Negev 2. From 2011 to 2012 Mr. Saar served as CFO of Equital Group, from 2006 to 2010 Mr. Saar served as CEO of Isal Amlat Investments and CFO of Kaman Holding and from 1997 to 2005 Mr. Saar served as Deputy Director Corporations Dept., Israel Securities Authority. Mr. Saar is an attorney and a Certified Public Accountant and holds an M.B.A (finance) in Business Management, LL.B and a B.A. in accounting, all from the Hebrew University of Jerusalem.

Ephraim Kunda has served as a member of our Board of Directors since 2010. Mr. Kunda is an Israeli businessman and is the owner and managing director of a private consulting company that provides economic consultancy and business mediation services. From 2007 to 2010, Mr. Kunda has served as the Chairman of the board of directors and since 2010 as a member of the board of directors of Ravad Ltd., a public real estate investment company. From 2003 to 2007, Mr. Kunda served as an external director of Property and Building Corporation Ltd., a public real estate company controlled by DIC. Mr. Kunda holds a B.A. in Economics from Tel Aviv University.

Gustavo Traiber has served as a member of our Board of Directors since March 2019. Mr. Traiber is the owner and CEO of private real-estate investment company since 2015. From 2010 to 2014 Mr. Traiber served as CEO and Partner at Sun Team Group Ltd. Prior to that, Mr. Traiber served as a CEO of a private company and until 2006 served in several senior management positions in the cable companies. Since 2015, Mr. Traiber also serves as an external director of Adama Agricultural Solution Ltd. Mr. Traiber holds a B.A. in Political Science and International Relations from the Hebrew University in Jerusalem and an M.B.A. from the Interdiciplniery Center in Herzliya.

Varda Liberman has served as a member of our Board of Directors since March 2019. Ms. Liberman serves as a Prof. in the Interdisciplinary Center Herzliya since 1995, founded and heading the MBA program in Healthcare Innovation and entrepreneurship (since 2016), heading the business school's Behavioral Decision Making Area (since 2012) and heading the Mathematical and Statistical Studies (since 1995). Prof. Liberman further provides decision making lectures, counseling and couching to various organizations including the Israeli judicial system, the Israeli healthcare system, hi-tec companies, investment banks and office holders. From 2007 to 2010 Prof. Liberman served as an external director in Clal Insurance, from 2000 to 2006 in Tamir Fishman Mutual Funds and from 2001 until its privatization in 2004 in Sivan Training and Systems Ltd. Prof. Liberman holds a B.Sc. in Statistics and Mathematics, M.Sc. in Mathematics and Ph.D. in Mathematics, all from Tel Aviv University.

Shmuel Hauser has served as a member of our Board of Directors since March 2019. Mr. Hauser is a Senior Vice President at Ono Academic College, a former Dean at Ono Academic faculty of Business and a Professor of Finance at Ben-Gurion University. From 2011 to 2018, Prof. Hauser served as the Chairman of the Israel Securities Authority (ISA), co-chairman of Israel Accounting Standards Board (IASB), member of an advisory committee to the Banks' Supervisor at the Bank of Israel, and (in 2017) member of the advisory committee to the Israel Capital Market, Insurance and Savings Authority. Prior to that, from 2008 to 2011 Prof. Hauser served as the chairman of a private company, a director in two financial investment houses, and a director in the Israeli S&P ranking company (Maalot). Prof. Hauser also serves as an external director in Gazit Globe Ltd. and as an independent director in Alrov Group. Concurrent with his work, Prof. Hauser pursued an academic career in the fields of: Corporate Finance, Capital Market Regulation, and Microstructure. Prof. Hauser holds a B.A. in Statistics and Economics and an M.B.A., both from the Hebrew University in Jerusalem, and a Ph.D. form Temple University, Philadelphia, USA.

Nir Sztern served as our Chief Executive Officer from 2012 to January 2020. Mr. Sztern served as the chief executive officer of Netvision, from 2010 to 2011. From 2008 to 2010 he served as deputy CEO of Pelephone, and from 2002 to 2008 as Pelephone's vice president of marketing. From 2001 to 2002 he served as vice president of marketing and sales of Barak 013 Ltd. or Barak, a long distance operator (which was later merged into Netvision) and from 1999-2001 as head of Barak's marketing department. From 1994 to 1999 Mr. Sztern served as head of our private sector marketing department. Mr. Sztern holds a B.A. in economics and management from the Tel Aviv University and an M.B.A. in business administration, from the Israeli branch of Manchester University.

Avi Gabbay has served as our Chief executive officer since January 2020. From 2014 to September 2019, Mr. Gabbay held various leadership positions in Israel's politics, including as the Minister of Environmental Protection, the chairman of the Avoda (labor) Party, a member of the Israeli Parliament, and one of the founders of the Kulanu Party. From 2013 to 2015 he also served as the Chairman of the Board of the Appleseeds, a non-profit organization. From 1998 to 2013 Gabbay served in various roles in Bezeq Group, including Bezeq's CEO (2007-2013), Bezeq International's (Bezeq's subsidiary) CEO (2003-2007), VP Economics and Strategy, and VP Human Resources. From 1994 to 1998 Mr. Gabbay served in various positions in the Budget Division of the Israeli Ministry of Finance. Mr. Gabbay holds an MBA and a B.A. in economics, both from the Hebrew university of Jerusalem.

Shlomi Fruhling has served as our Chief Financial Officer since September 2013. Mr. Fruhling has served as a vice president of DIC from 2012. From 2008 to 2011 he served as VP Strategy and Finance of 013 Netvision Ltd. From 2005 to 2008 Mr. Fruhling has served as head economist of DIC. Mr. Fruhling holds a B.A. in economics and business administration from the Tel-Aviv Management College.

Rafi Shauli has served as our VP of television and content since June 2019 and also as our VP Marketing since December 2019. From 2012 to 2019 he served as the Company's head of private customers marketing department. From 2008 to 2011, he served as director of products and business development in the marketing division of Yes and from 2011 to 2012 as director of products and business development in the marketing division of Bezeq. From 2005 to 2008, Mr. Shauli served as director of communications solutions for businesses in the marketing department of 013 Netvision. Mr. Shauli holds a B.A. in economics and statistics from the Hebrew University of Jerusalem.

Ron Shvili served as our Chief Technologies Officer from November 2013 to March 15, 2020. Mr. Shvili has been an Entrepreneur in the field of cyber security since the beginning of 2013, when he retired from the Israeli Defense Forces, or IDF. From 1990 to 2012 Mr. Shvili held various key managerial and technological positions in the IDF and the Israeli Ministry of Defense. Mr. Shvili holds B.Sc and M.Sc in Electrical engineering from Tel-Aviv University.

Atara Litvak-Shacham has served as our VP of Excellence and Innovation since March 5, 2020. From 2019 to February 2020 Ms. Litvak-Shacham served as a marketing and business consultant. In 2018 she served as Lomus Global's VP Marketing. From 2015 to 2017, she served as Partner Communication's VP Marketing and Growth Engines and in 2014 she served as a Chief Marketing Officer for Colmobil Group's on-line initiative. From 2005 to 2012, Ms. Litvak-Shacham served as VP Marketing in Bezeq International. Ms. Litvak-Shacham holds a B.A. in Behavioral Science from the Ben Gurion University and an M.B.A from the Hebrew University.

Yaniv Koriat has served as our Chief Technologies Officer since March 15, 2020. From 2015 to March 2020 he served as our head of transport networks engineering. From 2011 to 2015 he served as a team leader of transport and IP networks engineering. From 2005 to 2011 he served as a deputy to the northern district manager of the network operations department and from 2000 to 2004, Mr. Koriat served as a cellsite technician. Mr. Koriat holds a B.Tech. in Electronics and Electricity engineering (Communications) from the University of Ariel and an M.B.A. from the Open University.

Victor Malka has served as our Chief Information Officer since March 18, 2020. From 2019 to March 2020 he served as an active communications consultant. From 2012 to 2019 he served as Bezeq, the Israeli communications company's head of information systems in the technologies division. From 2007 to 2012, he served as Bezeq's head of management systems in its engineering division and from 1996 to 2007 as Bezeq's head of information systems department in its engineering division. Mr. Malka holds a B.Sc. in Math and an M.Sc. in Operations Research and System Analysis, both from the Technion, Israel Institute of Technology.

Nadav Amsalem has served as our Vice President of Business Customers since July 2017. Mr. Amsalem served as head of the strategic customers department in our business customers division, in charge of the major corporate business customers from 2014. From 2011 to 2014, he served as the director of strategic landline customers and major business customers sector. Mr. Amsalem has been a member of our business customer's division since 2006.

Sharon Amit served as our Vice President of Human Resources from 2011 to 2019. Ms. Amit has served as Netvision's VP of Human Recourses from 2009 to November 2011. She served as VP of Human Recourses of Tikshoov Call Center from 2006 to 2009, of Bynat Computer Communications from 2002 to 2006 and of ADC Israel from 1996 to 2002. Ms. Amit holds a B.A. in English literature and East Asia science, from the Hebrew University in Jerusalem and an M.A. in labor studies from the Tel Aviv University.

Orly Pascal has served as our VP of Human Resources since January 2020. Ms. Pascal has served as SVP, Senior HRBP for International Markets & Global Support Functions at Teva Pharmaceutical Industries Ltd. ("Teva") from 2018 and From 2015 to 2017, she served as SVP, HR Regional Lead for Israel and Sr. HRBP for Global Support Functions, at Teva. From 2013 to 2014, Ms. Pascal has served as VP, HR Strategy & Integration, at Teva, and From 2012 to 2013, she served as Head of Employee Engagement, at Teva. Ms. Pascal holds a B.A. in Political Science from the Hebrew university of Jerusalem and M.B.A. in Business and Organizational Management, from the College of Management - Academic Studies.

Amos Maor has served as our Vice President of Sales and Service as of 2012. Mr. Maor has served as our Vice President of Operations and Supply Chain from 2004 to January 2011. From 2002 to 2004, Mr. Maor served as manager of Supply Chain of Elite Industries Ltd., and from 2000 to 2002, he served as manager of Elite’s sales division headquarters. Mr. Maor holds a B.Sc. in industry and management engineering from the Technion, Israel Institute of Technology.

Liat Menahemi Stadler has served as our Vice President of Legal Affairs and Corporate Secretary since 2006. From 2000 to 2006, Ms. Menahemi Stadler served as head of the technology and general purchasing division of our legal department. She has been a member of our legal department since 1998. Ms. Menahemi Stadler holds an LL.B. and a B.A. in English and French language and literature, both from the University of Haifa and is a member of both the Israeli and the New York Bar Associations.

Teimuraz Romashvili has served as our Vice President of Pre Paid Activity since 2011. Mr. Romashvili reports to the Company's VP Sales and Service. Mr. Romashvili has served as Netvision's head of pre-paid and international activity from 2007 to October 2011. From 2005 to 2007 he served as head of pre-paid activity in Barak and prior to that served in a variety of positions in Barak. Mr. Romashvili holds a B.A. in economics and management from the Economics Academy in Kiev, Ukraine.

Ronnen Shles has served as our Controller from January 2015. From 2007 to 2014, Mr. Shles served as head of the accounting unit in our financial control division. Mr. Shles is a certified public accountant and holds a B.A. in accounting and business administration from the College of Management.

B. COMPENSATION

Compensation Policy

Our compensation policy, described below, was approved by our compensation committee and board of directors and subsequently approved by our shareholders in January 2017 and shall be in effect for a period of three years therefrom.

Preamble

The Company's compensation policy is designed to align executive officer compensation with the Company's performance and to reflect best practices in executive officer compensation. The Company has created a pay-for-performance policy that is designed to align executive officer and shareholder interests by reinforcing the long-term growth, value creation and sustainability of the Company. The structure is designed to encourage a high degree of execution and rewards individuals for the achievement of objectives that ultimately create shareholder value. The structure is further designed to prevent executive officers from taking unnecessary risks in order to enlarge their compensation. The objective of the compensation policy is to attract, motivate and retain a talented management team that will continue providing unique solutions in a highly competitive and rapidly changing marketplace and deliver long-term value for all shareholders.

The Company's executive officer compensation policy refers to three main elements of compensation that include base salary, cash bonus compensation and equity-based compensation. The compensation package for each of our executive officers will include these three components.

The Compensation Committee and Board of Directors approve, periodically review and oversee the application of the Company's executive officer compensation programs.

Our Board of Directors monitors our executive officers' compensation structure annually in order to ensure that target total compensation for our executive officers is appropriate, considering our peer companies, overall company performance, individual executive officer's scope and size of responsibilities and performance during the previous year.

The compensation policy does not grant any rights to the Company's directors and executive officers, and the adoption of the compensation policy does not grant any of the Company's Directors and executive officers a right to receive any elements of compensation set forth in the compensation policy. The elements of compensation to which a director or executive officer will be entitled, will be exclusively those that are determined specifically in relation to him or her in accordance with the requirements of the Companies Law, and the regulations promulgated thereunder.

Executive Officer Pay for Performance

The Company's compensation philosophy is to encourage our executive officers to make sound decisions and drive long-term value creation for our shareholders. For our executive officers, we believe that in order to increase shareholder value, our compensation structure must:

- Have a substantial portion of pay "at risk" (i.e., pay that is not guaranteed); and
- Link "at risk" pay to performance objectives that are directly aligned to the Company's short and long-term performance objectives as well as strategic initiatives.

Effectively aligning the objectives of executive officer compensation with the interests of shareholders requires adopting compensation programs that motivate leadership to drive company performance to achieve sustainable top performance. To that end, our Board of Directors, at the recommendation of our Compensation committee, will establish cash and equity-based compensation plans with targets focused on rewarding individuals for strong company performance. In addition, because we believe that individuals should be rewarded based on the results of their contributions, we also consider individual performance in awarding incentive compensation.

Compensation Philosophy and Strategy

Our Board, at the recommendation of our Compensation Committee, has defined the following key objectives of our compensation programs for executive officers:

- Drive the Company's overall business strategy and results as they relate to long-term value creation;
- Pay for performance by linking total compensation to defined performance objectives, both at the Company level and for each executive officer individually;
- Attract and retain key executive officers by providing competitive total compensation opportunities, considering the Company's size, nature of operations and marketplace, while avoiding unnecessary risk taking by executive officers; and
- Align executive officer and investor interests by focusing executive officer behavior on driving long-term value creation.

Compensation Risk Assessment

In designing our compensation policy, we reviewed our compensation policies and practices in order to determine whether they create risks that are likely to have a material adverse effect on the Company. We concluded that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on the Company. Among the elements evaluated were the following:

- The multiple elements of our compensation packages for executive officers, including base salary, annual cash incentive and equity-based compensation program which vest over a number of years and provide a balance of short-term and long-term compensations with fixed and variable components that promote the long-term sustainability of our business;

- Equity-based compensation for our executive officers aligns the interests of the executive officers with those of our shareholders;
- Independent oversight by the Compensation Committee;
- Inclusion of claw-back provisions in the event of a material restatement of our financial statements for our financial performance based compensations;
- Effective management processes for developing strategic and annual work plans, and strong internal controls over financial reporting;
- The structure of our Annual Cash Bonus (as defined hereinafter) and equity-based compensation, which is based on a number of different performance measures to avoid employees placing undue emphasis on any particular performance measure at the expense of other aspects of the business; and
- The cap on our executive officers' Annual Cash Bonus and equity-based compensation, commensurable to objectives which do not motivate increased risk taking.

Compensation Principles

Peer Group Analysis. We use benchmarking as one of the tools for setting and reviewing our compensation system. To attract and retain our key executive officers, our goal is to provide compensation opportunities at competitive market terms. The Company's peer group is made up of a minimum of 10 companies, including telecommunications companies and companies operating in other markets whose turnover are similar to the Company's, as recommended by the Company's independent compensation consultant. When using the benchmarking, our intent is to create a compensation structure that generally targets the median of our selected peer companies, but also allows total compensation to exceed the median when warranted due to company performance and/or individual experience, responsibilities and exceptional performance.

Additional Considerations. When deciding on or periodically reviewing each executive officer's total compensation, our Compensation Committee and Board of Directors consider the following: (1) each executive officer's individual attributes, including his/her education, skills, expertise, professional experience and achievements, the executive's role, his/her areas of responsibility and previous compensation arrangements (when applicable); (2) the ratio between our executive officer total target compensation and the total compensation of the rest of the company's employees and the Subcontractors' Employees engaged by the Company (as such term is defined under the Companies Law), and specifically the ratio to the average total compensation and the median total compensation of such employees, and the influence of those gaps on the working relations in the Company, taking into consideration the Company's size, nature of operations, employees composition, marketplace and comparative data. Our Compensation Committee and Board of Directors considered these ratios in the Company and determined that they do not adversely influence the working relations in the Company.

Caps and limitations. Our compensation policy sets the target total compensation comprising of the base salary, a 100% performance score for the Annual Cash Bonus award and maximum equity-based compensation for our executive officers, as well as a cap for the Special Cash Bonus, as detailed hereunder. Our Compensation Committee and Board decide on each executive officer's total actual compensation which is limited by the target compensation, based on performance metrics as detailed hereunder. Our Board will not reduce the compensation package approved or any of its components, and will not place additional limitations, not detailed in this compensation policy, other than in unusual circumstances according to our Compensation Committee's and Board of Directors' discretion.

Compensation Recovery ("Claw back"). If our financial statements are materially restated within 4 years from publication thereof (other than restatement required due to changes in financial reporting standards), then the executive officers will repay prior payouts, in an amount of the excess over what the executive officer would have received according to the restated financial statements.

Change in Compensation at CEO Discretion. A change in the compensation package of an executive officer who reports to the CEO, which results in an increase of such executive officer's total compensation package by no more than 2.5%, may be approved solely by the CEO, provided all elements of compensation of such executive officer will continue to meet the requirements of the compensation policy.

Overview of Executive officer Compensation –the Elements of Pay

Elements of Executive officer Compensation. In line with the philosophy described above, the following elements compose the compensation of our executive officers:

- Base salary;
- An Annual Cash Bonus award and possible Special Cash Bonuses;
- Equity-based compensation awards; and
- Termination arrangements.

Compensation Mix. Base salary, Annual Cash Bonus and equity-based compensation awards make up the main elements of our executive officers' total compensation package. The Company strives to ensure that a substantial portion of each executive officer's total compensation is comprised of "at-risk" pay, with the targeted weight of each element out of the total compensation package of an executive officer being as follows:

- base salary – 30%-50% for our CEO and 40%-60% for other executive officers;
- Annual Cash Bonus - 25%-45% for our CEO and 20%-40% for other executive officers; and
- equity-based compensation* - 15%-45% for our CEO and 10%-40% for other executive officers.

*calculated per year, based on fair value at date of grant, with the value of the options amortized as compensation over the vesting period.

The ranges stated above represent the targeted compensation mix desired by the Company; however, the actual ratio between fixed and variable elements may vary based on performance. For example, in a year with no or limited Annual Cash Bonus, the percentage of base salary out of total compensation may be higher than stated above. The ranges above do not consider any Special Cash Bonus that our Compensation Committee and Board of Directors (and shareholders – in relation to our CEO) may decide to grant to an executive officer, as detailed under Special Cash Bonus below.

Our cash bonus and equity-based compensation awards are considered "at-risk" pay because they are not guaranteed and the recipients of the Annual Cash Bonus awards must achieve specific performance objectives at corporate and individual levels to receive any payment.

Total compensation cap. The Company's CEO's total annual compensation shall not exceed NIS 6 million, out of which the fixed element shall not exceed NIS 3 million. Each of the Company's other executive officers' total annual compensation shall not exceed NIS 3.6 million, out of which the fixed element shall not exceed NIS 1.8 million.*

* The value of equity-based awards refers to their value at the date of grant (in accordance with acceptable accounting principles) per each vesting annum (calculated on a linear basis).

Base Salary. The base salary varies between executive officers, and is individually determined according to past performance, educational background, prior business experience, qualifications, role and the business responsibilities of the executive officer. Since a competitive base salary is essential to our ability to attract and retain highly skilled professionals, we will seek to establish a base salary that is competitive with the base salaries paid to executive officers of a peer group of companies.

Accordingly, base salary shall generally target the 25%-75% percentiles of each executive officer's peer group salary, taking into consideration the aforementioned individual characteristics, as shall be reflected in a peer group analysis conducted by an independent consultant and reviewed by our Compensation Committee and Board of Directors, when such salary is set and/or updated.

The base salary may be linked to the Israeli Consumer Price Index, or CPI.

Base salary for our executive officers was reduced by 10% for a limited period, since May 2019, as per agreement with the employee representatives.

Benefits and Perquisites. The following benefits and perquisites may be granted to the executive officers in order, among other things, to comply with legal requirements:

- Vacation of up to 30 days per annum;
- Sick days of up to 30 days per annum;
- Convalescence pay equivalent to up to 10 days per annum;
- Monthly remuneration for an education fund, as allowed by applicable law;
- Contribution on behalf of the executive officer to a manager's insurance policy or a pension fund, as allowed by applicable law; and
- Contribution on behalf of the executive officer towards work disability insurance, as allowed by applicable law.

We may offer additional benefits and perquisites to the executive officers, which will be comparable to customary market practices, such as: company cellular phone and the costs of the use thereof; company car benefits; gifts for holidays and personal occasions (such as nuptials or birth of a child or grandchild), or for special projects; medical insurance, annual medical examination, professional associations membership fees etc., including tax gross-ups; provided however, that such additional benefits and perquisites shall be determined in accordance with our policies and procedures and with reference to the practice in peer group companies. The value of such additional benefits shall not exceed 30% of the executive officer's base salary.

Annual Cash Bonus. The Compensation Committee sets the annual cash bonus performance objectives and target annual bonus for each executive officer, at the start of each year, which are then reviewed and approved by the Board ("Annual Cash Bonus"). For our CEO, these objectives are based on the Company's annual work plan and objectives. For our other executive officers, these objectives are based on the Company’s annual work plan and objectives at the corporate level and key strategic objectives each executive officer is expected to achieve during that year at the individual level, based on each executive officer's position and scope of responsibilities.

The Annual Cash Bonus payout is determined based on actual performance of the Company and the executive officer in question (after elimination of material one time and reevaluation influences), in each of the performance objectives set for each executive officer, measured on a performance matrix. The results for each group of objectives (as detailed hereunder) are then combined into one performance score, based on the weight each performance objective was given.

- Corporate performance objectives may include adjusted EBITDA,* net income, free cash flow*and other Company performance objectives which the Company decides to focus on in a specific year. Our CEO's corporate performance objectives were determined by our shareholders general meeting to be the Company's adjusted EBITDA target for the relevant year.** Corporate performance objectives weigh between 30% to 50% of the overall performance score of each executive officer and 80% for our CEO. In extreme cases, such as major changes in our market leading to annual work plan or budget adjustments, our Compensation Committee and Board of Directors may update the objectives to match such changes, during the first half of the relevant year.

- Quantitative individual performance objectives may include the budget for the unit relevant to the executive officer, revenues from sales by the unit, recruiting subscribers by the unit and quality of network. These objectives weigh between 30% and 50% of the overall performance score of each executive officer.

- Qualitative individual performance objectives may include corporate governance, risk management, leadership, response to major business changes, executing special projects, as per the CEO's evaluation of each executive officer and as per the evaluation of the CEO by the Compensation Committee and the Board of Directors. This component will weigh up to 20% of the overall performance score of each executive officer (including the CEO).

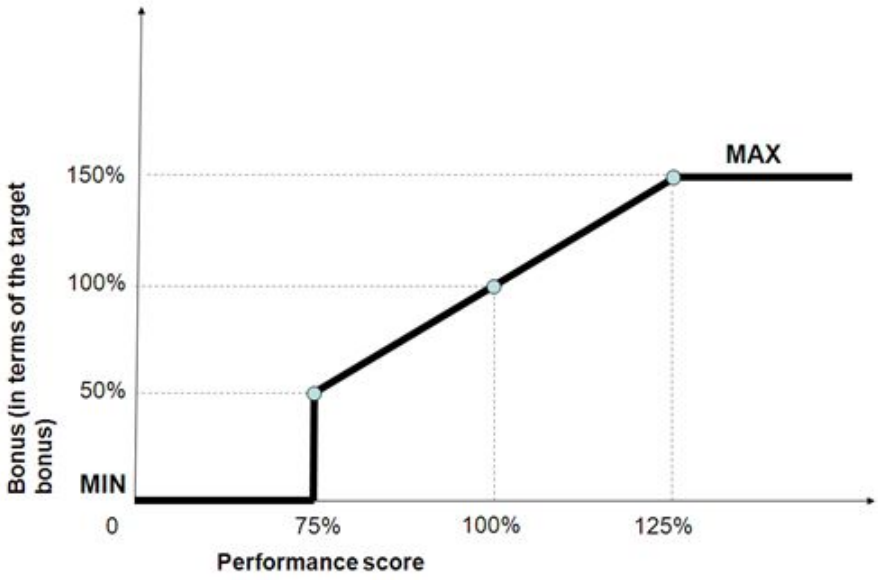
*Adjusted EBITDA and Free Cash Flow are non-IFRS measures. For a definition of adjusted EBITDA, see footnote (5) under "Item 5. Operating and financial review and prospects – Results of operations – Comparison of 2017, 2018 and 2019". For a definition of Free Cash Flow see under "Item 5. Operating and financial review and prospects – A. Operating results – Overview – General".

** Our former CEO's performance score of his performance objectives in 2019 is 102.3%.

Any payout of Annual Cash Bonuses for any year will be subject to an additional minimum requirement of achieving an annual adjusted EBITDA of not less than 75% of the Company's adjusted EBITDA for the previous year. We have met this threshold. Such minimum requirements are in no way indicative of the Company's expectations or estimations for any fiscal year, and are provided in order to assure shareholders that no Annual Cash Bonuses will be paid to office holders according to the Compensation Policy in years when the Company’s performance has deteriorated materially compared to the prior year.

Our Compensation policy sets a minimal threshold score of 75% of the combined target performance and a target Annual Cash Bonus of 10 monthly salaries for our CEO and 5-7 monthly salaries for our other executive officers ("Target Bonus") for the target performance objectives, in line with each executive officer's capability to influence the Company's results of operations. Performance below the minimum threshold results in no payout. Performance score under the combined performance target and above the threshold results in a linear reduction in which a 5% reduction of the combined performance score represents a reduction of 10% of the Target Bonus (i.e. down to 50% of the Target Bonus for a performance score of 75% of the combined performance target). Performance score above the combined target performance rewards the executive officer with a linear addition to the Target Bonus in which a 5% addition of the combined performance score represents an addition of 10% to the Target Bonus and up to a maximum of 150% of the Target Bonus.

Following is a graphic representation of the Annual Cash Bonus our executive officers may be entitled to:



Notwithstanding the aforesaid, for our executive officers, except the CEO, the Compensation Committee and the Board of Directors will have full discretion to determine the final Annual Cash Bonus payout based, among other things, on the Annual Cash Bonus performance score and/or additional considerations relevant to the performance and objectives of the Company and the relevant executive officer, including qualitative criteria.

Subject to the conditions and limitations set above, an executive officer who ceases to perform his/her role as an executive officer but has provided services to the company for at least 6 months of the relevant year, will be entitled to receive an Annual Cash Bonus for that year, relative to the period in which he/she performed their duties during the relevant year. An executive officer who provides services to the Company for less than 6 months during the relevant year of cessation, will not be entitled to an Annual Cash Bonus for that year. An executive officer who joins the Company during the relevant year, will be entitled to a portion of the Annual Cash Bonus, relative to the period in which he/she performed their duties during the relevant year and provided such period is at least 6 month long.

The aggregate maximum payout of all of the executive officers' Annual Cash Bonuses per annum shall not exceed 2% of the adjusted EBITDA for that calendar year (after elimination of material one time and reevaluation influences). In case of a positive adjusted EBITDA but negative net profit in a particular year, the Compensation Committee and the Board of Directors of the Company shall examine the circumstances leading to a negative net profit and shall consider reducing or cancelling the Annual Cash Bonus for that year. For 2019, our Compensation Committee and the Board of Directors resolved not to award an Annual Cash Bonus, given the Company's results of operations.

Special Cash Bonus. The Company may grant, subject to approvals required by law, a special bonus to one or more executive officers that have shown a special contribution, considerable efforts or special achievements, in relation to a unique or extraordinary business activity or other special circumstances, in advancement of the Company's goals (the "Special Cash Bonus"). The Special Cash Bonus is a separate bonus from the Annual Cash Bonus mentioned above. The Special Cash Bonus will be determined by quantitative and/or qualitative parameters, and while considering the personal contribution of the executive officer. The maximum payout for the Special Cash Bonus during the term of the Compensation Policy with respect to any executive officer will be the greater of: (a) 9 base salaries for our CEO and 7 base salaries for our other executive officers, or (b) 150% of the Target Bonus minus any Annual Cash Bonus payout for the relevant year. Any Special Cash Bonus with respect to the CEO will require approval by our shareholders' meeting in addition to the Compensation Committee and board of directors' approval. The aggregate maximum payout cap for Annual Cash Bonuses of all of the executive officers, as described in the previous section of this policy, shall apply also to the aggregate payout of the Special Cash Bonus of all of the executive officers, so that the aforesaid cap shall apply to the aggregate payout of all cash bonuses under this policy.

Equity-based compensation Plan. Under the Company's 2015 Share Incentive Plan or under any equity-based compensation plan adopted by the Company in the future, the Compensation Committee and Board may resolve to grant, from time to time, options or restricted share units ("RSUs"), or other instruments of equity-based compensation, to our executive officers.

The decision on equity-based compensation grant shall take into consideration each executive officer's position, scope of responsibilities, as well as its past performance and contribution to the Company.

In order to align executive officer and investor interests for creation of long term value, equity-based awards will include the following terms:

- Awards will vest linearly over a minimum period of three years beginning on the first anniversary of the grant date. The terms of such equity-based awards may include provision for acceleration of vesting in certain events, such as in the event of a merger, a consolidation, a sale of all or substantially all of our consolidated assets, change of controlling shareholder, or the sale or other disposition of all or substantially all of our outstanding shares.

- The exercise price of equity-based awards will be set so as to induce an incentive for long term value creation, but in any case, not lower than the higher of 5% above the average market price of the Company's share during the 30 day period preceding the date of grant, and the market price of the Company's share at the end of the trading day preceding the date of grant, and will be subject to customary adjustments including for dividend distributions.

- The value of equity-based awards at the date of grant (in accordance with acceptable accounting principles) per each vesting annum (calculated on a linear basis), in addition to the Target Bonus (whether or not actually paid), will not exceed 70% of our CEO's and 60% of our other executive officers' total cost of employment in that calendar year. We believe a grant date cap is more appropriate than an exercise date cap as it better aligns long term value creation objectives.

- The annual exercise of shares reserved for issuance upon the exercise of options of all the Company's executive officers will not dilute the Company's shareholders by more than 2% (in regards to option plans which contain a 'net exercise mechanism') of the Company's outstanding share capital for the year in which such options may be exercised. In addition, our board of directors committed to DIC that the Company will not issue options or shares pursuant to executive officers or employees' compensation, which may lead to a dilution of the Company's shareholders by more than 0.5% of the Company's outstanding share capital for the year in which such options may be exercised..

Termination and Retirement. Our executive officers may be entitled to up to a 3 months advance notice period upon termination of their employment with the Company if worked in the Company for up to 3 years, or up to 6 month advance notice period if worked in the Company for over three years and will be required to provide the Company with the same notice when they initiate retirement from their position. The executive officer is obligated to work during such period and Company may decide, at its sole discretion, to waive actual work during that period, in whole or in part. Under special circumstances, the Company may, as approved by our Compensation Committee and Board of directors, grant an executive officer who worked in the Company for a minimum of two years and was not terminated for cause, a termination bonus equal to up to 3 monthly salaries of the executive officer, including benefits or an adjustment period of up to 3 month during which the executive officer will be entitled to continue to enjoy all compensation and benefits. In case the executive officer worked in the Company for a minimum period of five years, such termination bonus or adjustment period, may be up to 6 monthly salaries or 6 months, respectively. In deciding on the grant of a termination bonus or the like, our Compensation Committee and Board of Directors shall take into consideration the executive officer's term of employment, his/her compensation during his/her employment with the Company, the Company's performance during that period, the contribution of the executive officer to achieving the Company's objectives and increasing its profits and the circumstances of termination.

The Company may approve, upon termination of an executive officer’s employment, amendment of the terms in connection with the executive officer’s equity-based compensation grants, such as extending the period for exercise of equity-based compensation upon termination, for longer periods than as set forth in the applicable plan, enabling acceleration of vesting of unvested equity-based compensation, while considering the same considerations stated above for a termination bonus.

The Company will not pay its executive officers any non-competition fees for post termination periods, although executive officers may be bound by post termination non-competition obligations.

Compensation for our directors

All directors (other than Executive Directors, as defined hereinafter), including external directors, independent directors, directors who are affiliated with our controlling shareholder or nominated or appointed by our controlling shareholders ("Controlling Shareholder Directors") and other directors, will be entitled to a directors fees in accordance with the amounts of statutory compensation to an external director of a dual-listed company allowed by the applicable Israeli law and regulations (as shall be updated from time to time and up to the maximum amounts allowed) and will not receive cash bonuses or equity-based compensation. Such directors' fees in relation to Controlling Shareholder Directors may be paid either directly to the director or to the controlling shareholder through a management agreement (if such agreement is in effect).

Our Controlling Shareholder Directors who hold an active role in the Company ("Executive Directors"), which may include the chairman of the Board of Directors, may be entitled to compensation from the Company (instead of the above directors fees) which may include an annual fixed payment and equity-based compensation. The provisions regarding our CEO's base salary and equity–based compensation detailed above in this policy, shall apply *mutatis mutandis* to the annual fixed payment and equity-based compensation such Executive Directors shall receive for their services, assuming a full time position as our Executive Directors. A part-time position may entitle our Executive Directors to a corresponding portion of annual fixed payment and equity-based compensation. Our Executive Directors are not entitled to receive a cash bonus. Director's fees for our executive officers was reduced by 25% for a limited period, since May 2019, as per agreement with the employee representatives.

Indemnification

Exemption from liability and liability insurance policy. Our articles of association allow us to exempt in advance a director and executive officer, or office holders, from liability to the company, in whole or in part, for a breach of his or her duty of care (except in connection with distributions) and we may enter into a contract for insurance against liability of any of our office holders with respect to certain breaches of his/her duties and certain financial liabilities and litigation expenses.

We maintain a liability insurance policy for the benefit of our office holders. Our directors and executive officers' coverage will not exceed US$100 million per claim and in the aggregate, and additional reasonable expenses in connection with defending lawsuits, and the premium will not exceed US$ 2 million per annum in any renewal or extension or substitution of the policy and the deductible will not exceed US$ 5 million per claim. Any such renewal or extension or substitution of the liability insurance policy for the benefit of our office holders (including those who are or are related to controlling shareholders or in respect of whom our controlling shareholders have a personal interest, who shall be insured under identical terms) does not require a separate approval of the Company's shareholders, in addition to the approval of this compensation policy (which in itself requires approval once every three years) if our compensation committee resolves that such renewal or extension or substitution upholds the limitations set above.

Indemnification. Our articles of association provide that we may indemnify our office holders against certain financial liability and litigation expenses. We have undertaken to indemnify our office holders for certain events listed in the indemnification letters given to them. Excluding reasonable litigation expenses, as noted above, the aggregate amount payable to all directors and officers and other employees who may have been or will be given such indemnification letters is limited to the amounts we receive from our insurance policy plus 30% of our shareholders’ equity as of December 31, 2001, or NIS 486 million, and to be adjusted by the Israeli CPI. The approval of the compensation policy by our shareholders shall not be considered as approval of the indemnification amount to the Company's office holders (over the amounts received from the Company's insurance policy).

The above exemption, indemnification and insurance coverage, are subject to the limitations set in the Companies Law.

Executive Officer and Director Compensation

The aggregate direct compensation we paid to all our executive officers and directors as a group (17 persons) for 2019 was approximately NIS 14 million, of which approximately NIS 1.9 million was set aside or accrued to provide for pension, retirement, severance or similar benefits. These amounts do not include expenses we incurred for other payments, including dues for professional and business associations, business travel and other expenses and benefits commonly reimbursed or paid by companies in Israel. In 2019 we did not record any equity based compensation costs in relation to our executive officers. See "6. Directors, Senior Management and Employees – E. Share Ownership – Share Incentive Plans". We pay our executive officers an annual bonus based on our overall performance and individual performance, in accordance and subject to the provisions of our compensation policy (described above). For 2019, our compensation committee and board of directors resolved not to pay our executive officers an Annual Cash Bonus.

The table below reflects the compensation granted to our five most highly compensated office holders during or with respect to the year ended December 31, 2019. We refer to the five individuals for whom disclosure is provided herein as our "Covered Executives." All amounts reported in the table are in terms of cost to the Company, as recognized in our financial statements for the year ended December 31, 2019, which includes compensation paid or to be paid to such Covered Executive following the end of the year in respect of services provided during the year. Each of the Covered Employees was covered by our D&O liability insurance policy and was entitled to indemnification and exculpation in accordance with applicable law and our articles of association. The amounts set forth in the table below are given in thousands of New Israeli Shekels (NIS).

Name and Principal Position [1]	Salary Cost [2]	Bonus[3]	Equity-Based Compensation[4]	Total
Nir Sztern, President and Chief Executive Officer	1,947,967		-	1,947,967
Shlomi Fruhling, Chief Financial Officer	1,271,431		-	1,271,431
Ron Shvili, Chief Technology Officer	1,152,795		-	1,152,795
Sharon Amit Vice President HR	1,087,261		-	1,087,261
Liat Menahemi Stadler Vice President of Legal Affairs and Corporate Secretary	1,082,999		-	1,082,999

(1) As of December 31, 2019. Mr. Sztern, Mr. Shvili and Ms. Amit have since than resigned their positions. Unless otherwise indicated herein, all Covered Executives are or were employed on a full-time (100%) basis.

(2) Salary cost includes the Covered Executive's gross salary plus payment of social benefits made by the Company on behalf of such Covered Executive. Such benefits may include, to the extent applicable to the Covered Executive, payments, contributions and/or allocations for savings funds (*e.g.*, Managers' Life Insurance Policy), education funds (referred to in Hebrew as "*keren hishtalmut*"), pension, severance, risk insurances (*e.g.*, life, or work disability insurance), payments for social security and tax gross-up payments, vacation, car, medical insurance and benefits, phone, convalescence or recreation pay and other benefits and perquisites consistent with our policies.

(3) Represents Annual Cash Bonuses approved by our compensation committee and board of directors to the Covered Executives with respect to the year ended December 31, 2019, based on our compensation policy.

(4) Represents the equity-based compensation expenses recorded in our consolidated financial statements for the year ended December 31, 2019, based on the fair value of the applicable options on the date of grant thereof, in accordance with accounting guidance for equity-based compensation. For a discussion of the assumptions used in reaching this valuation, see Note 20 to our consolidated financial statements included elsewhere in this report.

We pay each of our external directors the maximum amount of statutory compensation to an external director of a dual-listed company allowed by the applicable law and regulations, which is in the amount of NIS 134,180 (approximately $38,825) per year and NIS 4,035 (approximately $1,168) per meeting which such external director attends (including meetings of committees of the Board of Directors), adjusted for changes in the Israeli CPI for October 2015, or a Director's Fee. As resolved in our annual shareholders meeting held in July 2011, our independent directors (Gustavo Traiber and Ephraim Kunda) are compensated at the same level as a statutory external director of a dual listed company, as described above.

We pay our Controlling Shareholder Directors as follows: Regarding Mr. Ami Erel, our former Chairman of the board of directors, we paid a monthly remuneration approved by our compensation committee, board of directors and shareholders for his services as an executive director - the amount of NIS 87,500 plus VAT, linked to the Israeli CPI*. Regarding Mr. Mauricio Wior, our Vice Chairman of the board of directors and Mr. Eran Saar, Director, we pay a Director's Fee* (paid to DIC according to Mr. Saar's instructions). See "Item 8.Major Shareholders and Related Party Transactions – Related Party Transactions – Relationship With Affiliates".

* Reduced by 25% for a limited period, since May 2019, as per agreement with the employee representatives.

Employment Agreement of Nir Sztern

Mr. Nir Sztern, our Chief Executive Officer from January 2012 to January 2020, was entitled to a gross monthly salary of NIS 120,000 linked to Israeli CPI. Mr. Sztern was not awarded an Annual Cash Bonus nor Special Cash Bonus for 2019. The aggregate monthly cost to us of Mr. Sztern's employment in 2019 amounted to approximately NIS 162,300 (approximately $47,000). Mr. Sztern was further entitled to an advance notice of three months and additional three months of his salary and benefits.

Employment Agreement of Avi Gabbay

Mr. Avi Gabbay, our Chief Executive Officer as of January 19, 2020, is entitled to a gross monthly salary of NIS 110,000 linked to Israeli CPI. He is also entitled to a company car and the use of a cellular phone. Mr. Gabbay may receive an Annual Cash Bonus and Special Cash Bonus as per our Compensation Policy detailed above, in respect of which no social benefits are accrued. Mr. Gabbay was granted 4,153,472 options to the Company's shares which will vest in five installments at an exercise price of NIS 14.20 per share for the first installment - 967,993 options, NIS 14.99 per share for the second installment - 937,030 options, NIS 16.10 per share for the third installment - 805,570 options, NIS 17.25 per share for the fourth and fifth installments - 762,509 and 680,370 options, respectively. The options may be exercised within 3 years from the date of vesting of each installment. We will record the total sum of approximately NIS 12 million as a compensation expense related to Mr. Gabbay's grant, over a period of five years (nonlinearly). Mr. Gabbay may also participate in future grants as per our share option plan. Mr. Gabbay's agreement contains provisions for vacation days, sick leave, managers' insurance and an education fund. The agreement is for an unspecified period of time and can be terminated by either party with advance notice of three months during the first three years of Mr. Gabbay's employment with the Company and six month thereafter.

C. BOARD PRACTICES

Corporate Governance Practices

We are incorporated in Israel and therefore are subject to various corporate governance practices prescribed by the Companies Law and the regulations promulgated thereunder, relating to such matters as external directors, the audit committee, the compensation committee and the internal auditor. These matters are in addition to the applicable requirements of the New York Stock Exchange and U.S. securities laws. Under the New York Stock Exchange rules, a foreign private issuer may generally follow its home country rules of corporate governance in lieu of the comparable New York Stock Exchange requirements, except for certain matters such as composition and responsibilities of the audit committee and the independence of its members. We follow the Companies Law, the relevant provisions of which are summarized in this annual report, and comply with the New York Stock Exchange requirement to solicit proxies from our shareholders in respect of each meeting of shareholders.

For a summary of the significant differences between our corporate governance practices as a foreign private issuer and those required of U.S. domestic companies under NYSE Listing Standards, see “Item 16G – Corporate Governance”.

Under the Companies Law, our Board of Directors must determine the minimum number of members of our Board of directors required to have financial and accounting expertise, as defined in the regulations of the Companies Law. In determining the number of directors required to have such expertise, the Board of Directors must consider, among other things, the type and size of the company and the scope and complexity of its operations. Our Board of Directors has determined that we require at least two directors with the requisite financial and accounting expertise and that Messrs. Wior and Saar have such financial and accounting expertise. The Companies Law and the regulations promulgated thereunder also require that at least one of our External Directors has financial and accounting expertise, and consider a person who is an audit committee independent financial expert according to U.S. law, and meets a lower standard of "professional qualification" under the Companies Law, to comply with that requirement. Our Board of Directors has determined that Mr. Shmuel Hauser qualifies as an "audit committee financial expert" as defined in Item 16.A of Form 20-F.

Board of Directors and Officers

Our articles of association provide that we must have at least five directors. Each director (other than external directors and directors required to be appointed by Israeli citizens and residents from among our founding shareholders) will hold office until the next annual general meeting of our shareholders following his or her election. The approval of at least a majority of the voting rights represented at a general meeting and voting on the matter is generally required to remove any of our directors from office (other than external directors and directors required to be appointed by Israeli citizens and residents from among our founding shareholders), provided that directors appointed by the Board of Directors may also be removed by the Board of Directors. A majority of our shareholders at a general meeting may elect directors or fill any vacancy, however created, in our Board of Directors (other than external directors and directors required to be appointed by Israeli citizens and residents from among our founding shareholders). In addition, directors, other than an external director or a director required to be appointed by Israeli citizens and residents from among our founding shareholders, may be appointed by a vote of a majority of the directors then in office. We do not enter into service contracts with our directors.

Our Board of Directors currently consists of six directors, including four independent directors under the rules of the NYSE, of whom two also qualify as external directors under the Companies Law. Mr. Kunda and Mr. Traiber, our independent directors, were elected at our annual shareholders meeting held in March 2019 until our next annual meeting. Mr. Wior was appointed in February 2018 by the Israeli shareholders, in accordance with our license and articles of association's requirement that at least 10% of our directors be appointed by Israeli citizens and residents from among our founding shareholders, or Israeli Shareholders. Mr. Saar was appointed by our board of directors in September 2019, until our next annual meeting. Our external directors, Mr. Hauser and Ms. Liberman, were appointed in our shareholder meeting held in March 2019 for a term of three years, as per the Companies Law stipulations.

Our articles of association provide, as allowed by Israeli law, that any director may, by written notice to us, appoint another person who is not a director to serve as an alternate director (subject to the approval of the chairman of the Board of Directors; and in the case of an appointment made by the chairman, such appointment shall be valid unless objected to by the majority of other directors) and may cancel such appointment. The term of appointment of an alternate director is unlimited in time and scope unless otherwise specified in the appointment notice, or until notice is given of the termination of the appointment. No director currently has appointed any other person as an alternate director. The Companies Law stipulates that a person who serves as a director may not serve as an alternate director except under very limited circumstances. In addition, the Companies Law provides that an external director cannot appoint an alternate director to serve on the Board of Directors, and an external director cannot appoint another external director to serve as his or her alternate on a committee of the Board of Directors unless the alternate has the same qualifications as the appointing director. Similarly, an independent director cannot appoint an alternate director, unless the alternate director has the qualifications to serve as an independent director. An alternate director has the same responsibility as a director. Appointment of an alternate director does not negate the responsibility of the appointing director.

Each of our executive officers serves at the discretion of our Board of Directors and holds office until his or her successor is elected or until his or her earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

External Directors

Qualifications of external directors

Companies incorporated under the laws of the State of Israel whose securities are listed on a stock exchange are required by the Companies Law to appoint at least two external directors. External directors are required to possess professional and other qualifications as set out in the Companies Law and the regulations promulgated thereunder. Our external directors were appointed by our shareholders in March 2019 for an initial term of three years. The Companies Law provides that a person may not be appointed as an external director of a company that has a controlling shareholder if the person is a relative of the controlling shareholder, or if the person, or the person's relative, partner, employer, direct or indirect supervisor or any entity under the person's control has or during the two years preceding the date of appointment had, an affiliation with the company or any entity controlling, controlled by or under common control with the company.

The term “office holder” is defined in the Companies Law as a general manager, chief business manager, deputy general manager, vice general manager, any manager directly subordinate to the general manager or any other person assuming the responsibilities of any of the foregoing positions, without regard to such person’s title, and a director. Each person listed above under “Item 6.A - Directors and Senior Management,” except our controller, is an office holder for this purpose.

No person may serve as an external director if the person’s position or other business interests creates, or may create, a conflict of interest with the person’s responsibilities as a director or may otherwise interfere with the person’s ability to serve as a director. If at the time an external director is appointed all current members of the board of directors are of the same gender, then that external director must be of the other gender.

For two years following the termination of an external director’s service, the company and its controlling shareholder may not appoint the external director, or his or her spouse or child, as an office holder in that company or another company under common control, and cannot employ or receive services from that person for pay or grant any benefit, either directly or indirectly, including through a corporation controlled by that person. The same restrictions apply in regards to a relative who is not the external director’s spouse or child for a period of one year.

Election of external directors

External directors are typically elected by a 'Special Majority', meaning a majority vote at a shareholders’ meeting, provided that either:

- a majority of the aggregate number of shares voted at the meeting by non-controlling shareholders and shareholders who do not have a personal interest in the matter (other than a personal interest that is not the result of the shareholder's connections with a controlling shareholder) are voted in favor of the election of the external director (disregarding abstentions); or

- the total number of shares of non-controlling shareholders and shareholders who do not have an applicable personal interest in the matter voted against the election of the external director does not exceed 2% of the aggregate voting rights in the company.

The initial term of an external director is three years and he or she may be reelected to up to two additional terms of three years each by means of one of the following mechanisms: (i) the board of directors proposed the nominee and the nominee's appointment was approved by the shareholders by a Special Majority, or (ii) a shareholder holding 1% or more of the voting rights or the external director proposed the nominee, and the nominee is approved by the shareholders by a Special Majority, and that the nominee is not the proposing shareholder or a 5% shareholder who is an affiliate or competitor of the company or a relative or affiliate of such a shareholder. Thereafter, in dual listed companies like us, an external director may be reelected by our shareholders for additional periods of up to three years each under certain conditions. An external director may only be removed by the same percentage of shareholders votes as is required for the election of an external director, or by a court, and then only if the external director ceases to meet the statutory qualifications or violates his or her duty of loyalty to the company. If an external directorship becomes vacant, a company’s board of directors is required under the Companies Law to call a shareholders’ meeting promptly to appoint a new external director.

Each committee of a company's board of directors that has the right to exercise a power delegated by the board of directors is required to include at least one external director, and the audit and compensation committees are required to include all of the external directors. An external director is entitled to compensation as provided in regulations adopted under the Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with services provided as an external director.

Israeli-appointed directors

Our license requires that at least 10% of our directors will be appointed and removed by shareholders who are Israeli Shareholders. If our Board of Directors is comprised of 14 directors or less, the Israeli Shareholders will be entitled to appoint one director, and if our Board of Directors is comprised of between 15 and 24 directors, the Israeli shareholders will be entitled to appoint two directors. Our articles of association so provide. Mr. Mauricio Wior is the director appointed by the Israeli Shareholders.

Board Committees

Our Board of Directors has established an audit committee, analysis committee, option committee, compensation committee and a security committee.

Audit committee

Under the Companies Law, the board of directors of a public company must establish an audit committee. The audit committee must consist of at least three directors and must include all of the company's external directors, and the majority of its members is required to be independent (as such term is defined under the Companies Law). The chairman of the audit committee is required to be an external director. The members of the audit committee are also required to meet the independence requirements established by the SEC in accordance with the requirements of the Sarbanes-Oxley Act.

Our audit committee provides assistance to our Board of Directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting and internal control functions by pre-approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal control over financial reporting. The audit committee also oversees the audit efforts of our independent accountants and takes those actions as it deems necessary to satisfy itself that the accountants are independent of management and is responsible for reviewing and approving certain related party transactions, as described below

Our audit committee is composed entirely of independent members (both under the Companies Law and the Sarbanes-Oxley Act) and includes all the external directors. The members of our audit committee are Messrs. Hauser (chairman), Traiber, and Kunda and Ms. Liberman. Our board of directors determined Mr. Hauser to be qualified to serve as an "audit committee financial expert" as defined by the SEC's rules.

Financial exposure management subcommittee

Our financial exposure management subcommittee, which is a subcommittee of our audit committee, was nominated by our Board of Directors and reviews our financial exposures, investment and hedging policies and recommends to our Board of Directors how we might enhance our investment and hedging performance. Our financial exposure management subcommittee consists of our external directors, Messrs. Hauser and Traiber.

Analysis committee

Our analysis committee reviews our costs and annual budget and recommends ways to achieve cost efficiency in our activities to our Board of Directors. Our analysis committee also reviews our operations and future plans and recommends how we might enhance our present and future performance to our Board of Directors. Our analysis committee consists of Messrs. Wior, Traiber, Hauser, and Kunda and Ms. Liberman.

Option committee

Our option committee administers the issuance of options and Restricted Shares Units, or RSUs under our 2015 Share Incentive Plan to our employees who are not office holders, as well as any actions and decisions necessary for the ongoing management of the plan. Our option committee consists of Mr. Saar and Ms. Liberman.

Security committee and observer

Our security committee, which we were required to appoint once we became a public company pursuant to our license, deals with matters concerning state security. Only directors who have the requisite security clearance by Israel's General Security Services may be members of this committee. The committee is required to be comprised of at least four members, including at least one external director. In addition, the Minister of Communications is entitled under our license to appoint a state employee with security clearance to act as an observer in all meetings of our Board of Directors and its committees. Such an observer was appointed in February 2008. Our security committee consists of Messrs. Kunda, Hauser, Saar and Traiber.

Compensation committee

Under the Companies Law, the board of directors of a public company must establish a compensation committee. The compensation committee must consist of at least three directors and must include all of the company's external directors and the external directors must constitute the majority of its members. The chairman of the compensation committee must be one of the external directors. Other members of the committee should be directors whose terms of compensation are the same as external directors. Under the Companies Law, the compensation committee functions are to recommend to the board of directors, for ultimate shareholder approval by a special majority, a policy governing the compensation of office holders, based on specified criteria, to review modifications to the compensation policy from time to time, to review its implementation and to approve the actual compensation terms of office holders. The composition of our compensation committee complies with the requirements described above. Our compensation committee consists of Ms. Liberman (chairperson), Mr. Kunda and Mr. Hauser.

Internal Auditor

Under the Companies Law, the board of directors of a public company must appoint an internal auditor nominated by the audit committee. The role of the internal auditor is to examine whether a company's actions comply with applicable law and orderly business procedure. Under the Companies Law, the internal auditor may not be an interested party or an office holder, or a relative of any of the foregoing, nor may the internal auditor be the company's independent accountant or its representative. An interested party is generally defined in the Companies Law as a 5% or greater shareholder, any person or entity who has the right to designate one director or more or the chief executive officer of the company or any person who serves as a director or as the chief executive officer. Our internal auditor is Mr. Itzik Ravid of Rave Ravid and Associates, a leading Israeli internal auditing firm.

Approval of Specified Related Party Transactions under Israeli Law

Fiduciary duties of office holders

The Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company. The duty of care requires an office holder to act with the degree of care with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care includes a duty to use reasonable means, in light of the circumstances, to obtain:

- information on the appropriateness of a given action brought for his or her approval or performed by virtue of his or her position; and
- all other important information pertaining to these actions.

The duty of loyalty of an office holder includes a duty to act in good faith and for the best interests of the company, including to:

- refrain from any conflict of interest between the performance of his or her duties in the company and his or her other duties or personal affairs;
- refrain from any activity that is competitive with the company;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or herself or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of his or her position as an office holder.

Personal interests of an office holder

The Companies Law requires that an office holder disclose any personal interest that he or she may have and all related material information known to him or her relating to any existing or proposed transaction by the company promptly and in any event no later than the first meeting of the board of directors at which such transaction is considered. If the transaction is an extraordinary transaction, the office holder must also disclose any personal interest held by the office holder's spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of these people.

Under the Companies Law, an extraordinary transaction is a transaction:

- other than in the ordinary course of business;
- that is not on market terms; or
- that is likely to have a material impact on the company's profitability, assets or liabilities.

Under the Companies Law, once an office holder complies with the above disclosure requirement, the transaction can be approved, provided that it is in the best interest of the company. A director who has a personal interest in a matter which is considered at a meeting of the board of directors or the audit committee, will generally not be present at this meeting or vote on this matter unless a majority of the directors or members of the audit committee have a personal interest in the matter. If a majority of the directors have a personal interest in the matter, the matter also generally requires approval of the shareholders of the company. Under the Companies Law, unless the articles of association provide otherwise, a transaction with an office holder, or a transaction with a third party in which the office holder has a personal interest, requires approval by the board of directors. If it is an extraordinary transaction, audit committee approval is required, as well. For the approval of the compensation, indemnification or insurance of an officer holder, see "Compensation arrangements" below. Our articles of association provide that a non-extraordinary transaction with an office holder, or with a third party in which an office holder has a personal interest, may be approved by our Board of Directors, by our Audit Committee or, if the transaction involves the provision of our communications services and equipment or involves annual payments not exceeding NIS 250,000 per transaction, by our authorized signatories.

Personal interests of a controlling shareholder

Under the Companies Law, the disclosure requirements that apply to an office holder also apply to a controlling shareholder of a public company. A controlling shareholder for this purpose is a shareholder who has the ability to direct the activities of a company, including a shareholder that owns 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights, but excluding a shareholder whose power derives solely from his or her position on the board of directors or any other position with the company. Accordingly, Koor, DIC, our Israeli Shareholders, and entities and persons that directly or indirectly control DIC, are considered to be our controlling shareholders. Extraordinary transactions with a controlling shareholder or with relatives of a controlling shareholder or in which a controlling shareholder has a personal interest, directly and indirectly, including through a company controlled by him or her, and any transaction for him or her to provide services to the company (for arrangements regarding the compensation, indemnification or insurance of a controlling shareholder, see "Compensation arrangements" below), require the approval of the audit committee, the board of directors and a majority of the shareholders of the company, in that order. In addition, the shareholders' approval must be by a Special Majority.

In addition, any such extraordinary transaction whose term is more than three years generally requires approval as described above every three years.

Compensation arrangements

Every Israeli public company must adopt a compensation policy, recommended by the compensation committee and approved by the board of directors and the shareholders, in that order. The shareholder approval requires a Special Majority. In general, all office holders' terms of compensation – including fixed remuneration, bonuses, equity compensation, retirement or termination payments, indemnification, liability insurance and the grant of an exemption from liability – must comply with the company's compensation policy.

In addition, the compensation terms of directors, the chief executive officer, and any employee or service provider who is considered a controlling shareholder generally must be approved separately by the compensation committee, the board of directors and the shareholders of the company by a Special Majority, in that order. The compensation terms of other officers require the approval of the compensation committee and the board of directors.

Duties of shareholders

Under the Companies Law, a shareholder has a duty to refrain from abusing his or her power in the company and to act in good faith in exercising its rights in, and performing its obligations to the company and other shareholders, including, among other things, voting at general meetings of shareholders on the following matters:

- an amendment to the articles of association;
- an increase in the company's authorized share capital;
- a merger; and
- approval of related party transactions that require shareholders' approval.

In addition, any controlling shareholder, any shareholder who knows that its vote can determine the outcome of a shareholders' vote and any shareholder who, under the company's articles of association, can appoint or prevent the appointment of an office holder or holds any other right in respect of the company, is required to act with fairness towards the company. The Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, and this duty is the subject of ongoing judicial interpretation.

Approval of Private Placements

Under the Companies Law, a private placement of securities requires approval by the board of directors and the shareholders of the company if it will cause a person to become a controlling shareholder or if:

- the securities issued amount to 20% or more of the company's outstanding voting rights before the issuance;
- some or all of the consideration is other than cash or listed securities or the transaction is not on market terms; and
- the transaction will increase the relative holdings of a shareholder that holds 5% or more of the company's outstanding share capital or voting rights, or will cause any person to become, as a result of the issuance, a holder of more than 5% of the company's outstanding share capital or voting rights.

D. EMPLOYEES

Our ability to achieve our strategic goals largely depends on our employees. Consequently, we strive to recruit the most suitable candidates for each position, to give our employees the best training needed to qualify them for their tasks within our organization and aim to keep them satisfied while being productive and efficient. We implement a comprehensive review system that periodically analyzes our employees' performance in order to improve their performance and in order to enable us to properly compensate, retain and promote our best employees. Since we are committed to providing the best service to our subscribers, approximately 74% of our work force is engaged in customer-facing positions.

The numbers and breakdowns of our full-time equivalent employees as of the end of the past three years are set forth in the following table:

	Number of Full-Time Equivalent Positions		
Unit	**December 2017**	**December 2018**	**December 2019**
Management and headquarters	42	44	43
Human resources	99	100	88
Marketing	58	53	47
Customers*	2,443	2,482	2,365
Finance	128	154	148
Technologies	537	500	514
Our subsidiaries**, excluding our wholly owned dealer	51	60	60
Total	3,358	3,392	3,265

*Includes the customer-facing units: business customers, sales and services and supply chain.
**Includes companies in which we hold 50% or more of the issued share capital.

In 2018, we entered into a collective employment agreement with the Company's employees' representatives and the Histadrut, an Israeli labor union, for a term of three years (2018-2020) and in 2019 and 2020 we entered into a new collective employment agreements which amended the 2018 agreement. Under the 2019 agreement we reduced our expenses in relation to the collective employment agreement and granted entitled employees options and RSUs under our 2015 Share Incentive Plan; under the 2020 agreement we agreed on a voluntary retirement program, granted entitled employees options and RSUs under our 2015 Share Incentive Plan and granted our employees the right to appoint a director to our board. The agreement applies to the Company's employees, excluding certain managerial and specific positions. The agreement defines employment policy and terms in various aspects, which are more favorable to our employees than the requirements of Israeli law, including minimum wage, annual salary increase, incentives, benefits, contribution to an education fund, participation in our operational income over a certain threshold and other one time or annual payments to the employees, as well as a welfare budget and procedures relating to manning a position, change of place of employment and dismissal. In January and September 2019, following the Company's intention to execute a substantial reduction in manpower, the Histadrut announced a labor dispute at the Company and Dynamica, under which our employees would be entitled to take organizational steps (including a strike). Simultaneously with the September 2019 declaration of a labor dispute, the employees' representatives commenced a sudden and unlawful strike which ended the following day, following an understanding as to negotiations on the matter. The January 2019 declaration of labor dispute ended with the execution of the 2019 agreement and the September 2019 declaration ended with the execution of the 2020 agreement. See also "Item 3. Key Information – D. Risk Factors – Risks Related to our Business – The unionizing of our employees may impede necessary organizational and personnel changes, result in increased costs or disruption to our operation".

Israeli labor laws govern many aspects of the terms and conditions of employment and dismissal of employees, including minimum wages for employees, severance pay (Israeli law generally requires severance pay upon the retirement or death of an employee or termination of employment) and the employer's obligation to contribute certain percentages of the wages to a pension plan. As of January 2017, contribution to a pension plan by the employee is 6% of the employee's wages, with an additional 6.5% contribution by the employer. According to our collective employment agreement, such payments were increased as of 2020 to 7% and 7.5%, respectively, for employees who completed 3 years of employment with us. We contribute to part of our employees' pension arrangements a percentage higher than that required by applicable regulation, which contributions are also intended to cover future severance payments. Under the collective employment agreement, the contributions to severance payment of the employees shall amount to 8.3% of the employee wages, after completing 3 years of employment with us, whereas contributions to severance payment of other employees amounts to 6%. A provision in our consolidated financial statements covers severance pay in other cases, such as to those employees who were not entitled to managers' insurance or other pension arrangements. Furthermore, we and our employees are required to make payments to the National Insurance Institute, which is similar to the U.S. Social Security Administration. Such amounts also include payments by the employee for health insurance. As of January 1, 2019, the total payments to the National Insurance Institute are up to 19.6% of an employee's wages (up to a specified amount), of which the employee contributes approximately 12% and the employer contributes approximately 7.6%.

The Israeli labor law subjects employers to increased liability, including monetary sanctions and criminal liability, in cases of violations of certain labor laws and certain violations by contractors providing maintenance, security and cleaning services.

In 2015, the Minimum Wage Law was amended to increase the minimum wage paid to employees in Israel in four installments, from April 2015 to December 2017. The increase has adversely affected our results of operations. In April 2018, the hourly minimum wages increased again as a result of shortening of the work week in Israel.

We enter into personal employment agreements with our employees on either a monthly (in most cases, full-time positions) or hourly basis. Employment agreements of our employees who are included in the collective agreement are subject to the provisions of the collective employment agreement. Substantially all of our employees have signed non-disclosure and non-competition agreements, although the enforceability of non-competition agreements is limited under Israeli law

Our employee compensation structure is aimed at encouraging and supporting employee performance towards enabling us to meet our strategic goals. Approximately 85% of our customer-facing employees are entitled to performance-based incentives, which are granted mainly to customer-facing personnel. In addition, some of our employees are entitled to an annual bonus based on our overall performance and individual performance, subject to the discretion of our Board of Directors. Under the collective employment agreement, some of our employees are entitled to an annual bonus. We also contribute funds on behalf of some of our employees to an education fund and under the collective employment agreement to all employees after completing 3 years of employment with us.

We have entered into agreements with a number of services companies under which they provide us with temporary workers.

In the second quarter of 2016 and 2018 and the first quarter of 2020 we launched, together with the employees representing labor union, voluntary retirement plans for employees, following which we incurred costs of approximately NIS 13 million, NIS 26 million and NIS 45 million, respectively.

E. SHARE OWNERSHIP

As of January 31, 2020, Koor beneficially owned 60,412,844 ordinary shares in addition to 7,364,424 ordinary shares which are held (through a lending transaction) by two Israeli shareholders, which are considered joint controlling shareholders with Koor, and the voting rights in an additional 3,412,500 ordinary shares are held by Koor. In addition, Koor also holds series 3 and 4 options exercisable for 7,287,852 ordinary shares issuable upon the exercise of our TASE-listed options held by Koor until April 2020 and September 2020, respectively. This does not include a total of 200,269 ordinary shares held as of January 31, 2020 by a subsidiary of DIC, all for members of the public through mutual funds, which are managed by this company. Certain reporting persons under DIC's and Koor's Schedule 13D/A disclaim beneficial ownership of certain shares reported therein. Except as described above, none of our executive officers or directors beneficially owns 1% or more of our outstanding ordinary shares.

Share Incentive Plans

We have introduced two Share Incentive Plans, the first in September 2006 and the second in March 2015. The 2015 option plan, or the Plan, is open to all our employees, directors, consultants and sub-contractors and to those of our affiliates and our shareholders' affiliates. Under the plan, our Board of Directors (or an option committee to which such authority may be delegated by our Board of Directors) is authorized to determine the terms of the awards, including the identity of grantees, the number of options or restricted stock units ("RSUs") to be granted, the vesting schedule and the exercise price. The options or RSUs have a term of six years and vest in three equal installments on each of the first, second and third anniversary of the date of grant. Under the Plan, unvested options or RSUs terminate immediately upon termination of employment or service. The Plan defines acceleration events of options or RSUs granted, including a merger, a consolidation, a sale of all or substantially all of our consolidated assets, or the sale or other disposition of all or substantially all of our outstanding shares. The Plan terminates upon the earlier of ten years from its adoption date or the termination of all outstanding options or RSUs pursuant to an acceleration event. The terms of the Plan provide for a net exercise mechanism, the result of which is to require us to issue a smaller number of ordinary shares than represented by the outstanding options. Unless the Board of Directors otherwise approves, the number of ordinary shares issuable by us upon the exercise of an option will represent a market value that is equal to the difference between the market price of the ordinary shares and the option exercise price of the exercised options, at the date of exercise. Distribution of cash dividends before the exercise of the options reduces the exercise price of each option by an amount equal to the gross amount of the dividend per share distributed.

In November 2016, our board of directors resolved to grant 63,000 options under the 2015 share incentive plan to certain senior employees, at an exercise price of NIS 29.97 per share. The options granted were vested in three equal installments on each of the first, second and third anniversary of the date of grant. The options of the first installment may be exercised within 24 months from their vesting, and the options of the second and third installments may be exercised with 18 month from their vesting. We recorded the total sum of approximately NIS 0.4 million, as a compensation cost related to these grants, over the vesting period (2015 – 2019).

In May and June 2019, the Company's board of directors resolved to grant employees of the Company (who are not office holders or directors) and a non-profit organization for the employees a total amount of 2,944,197 options at an exercise price of NIS 15.66 and 1,019,400 RSUs. The options and RSUs granted to the employees will be vested in four equal installments on each of the first, second, third and fourth anniversary of the date of grant and the RSUs granted to the non-profit organization will be vested in two equal installments on each of the first and second anniversary of the date of grant. The options of the first installment may be exercised within 18 months from their vesting, and the options of the second, third and fourth installments may be exercised with 12 months from their vesting. We will record the total sum of approximately NIS 20 million, as a compensation cost related to these grants, over the vesting period 2019-2023.

In January 2020, our compensation committee and board of directors resolved to grant 4,153,472 options under the 2015 share incentive plan to Mr. Gabbay, the Company's new CEO. The options granted will vest in five installments on the first, second, third, fourth and fifth anniversaries of the date of grant at an exercise price of NIS 14.20 per share for the first installment - 967,993 options, NIS 14.99 per share for the second installment - 937,030 options, NIS 16.10 per share for the third installment - 805,570 options, NIS 17.25 per share for the fourth and fifth installments - 762,509 and 680,370 options, respectively. The options may be exercised within 3 years from the date of vesting of each installment. Mr. Gabbai's grant was further subject to shareholders approval in accordance with the Companies Law, which was received in March 2020. We will record the total sum of approximately NIS 12 million as a compensation expense related to Mr. Gabbay's grant, over a period of seven years (nonlinearly).

As of December 31, 2019, an aggregate of 4,550,541 ordinary shares were issuable upon exercise of options and RSUs according to the terms above.

In February 2020, we entered a new collective employment agreement with our employees representatives and the Histadrut, under which the Company will grant entitled employees options and RSUs, subject to all approvals and procedures required by law in three grants, as follows: (1) On June 1, 2020; (2) if the Company's net income for the fourth quarter of 2020 as reflected in its 2020 annual financial report is positive; (3) if the Company's net income for 2021 as reflected in its 2021 annual financial report is positive. The second and third grants may be delayed if the relevant conditions precedent aren't met, but no later than the annual financial report for 2022, in which time, if the conditions precedent are not met, the relevant grants will be annulled. The options and RSUs granted to the employees will be vested in four equal installments on each of the first, second, third and fourth anniversary of the date of grant. The options' exercise price shall be in line with the requirements set in the Company's compensation policy. The options of the first installment may be exercised within 18 months from their vesting, and the options of the second, third and fourth installments may be exercised with 12 month from their vesting. We will record the total sum of approximately NIS 14 million as a compensation expense related to each of the three grants, each over the vesting period. As of the date of this report, the precedent conditions for the grant of such options and RSUs have not yet been fulfilled.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth information regarding beneficial ownership of our shares as of January 31, 2020, by each person, or group of affiliated persons, known to us to be the beneficial owner of 5% or more of our outstanding shares.

In accordance with the rules of the SEC, beneficial ownership includes voting or investment power with respect to securities and includes any shares issuable pursuant to options that are exercisable within 60 days of January 31, 2020. Any shares issuable pursuant to options are deemed outstanding for computing the percentage of the person holding such options but are not outstanding for computing the percentage of any other person. The percentage of beneficial ownership for the following table is based on 148,279,166 ordinary shares outstanding as of January 31, 2020. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, our major shareholders do not have different voting rights and the persons named in the table have sole voting and investment power with respect to all ordinary shares held by them.

	Shares Beneficially Owned	
Name of Beneficial Owner	**Number**	**Percent**
Koor Industries Ltd., or Koor *	78,477,620	52.93%
Menora Mivtachim Holdings Ltd.**	9,271,818	6.25%
Directors and executive officers as a group (16 persons)***	242,000	0.16%

* Koor is a private company, wholly owned by Discount Investment Corporation Ltd., or DIC. DIC, a public Israeli company traded on the Tel Aviv Stock Exchange, is owned approximately 84% by Dolphin IL Investment Ltd., or Dolphin IL, and Tyrus S.A., both private companies controlled by various companies controlled by Mr. Eduardo Elzstain.

Koor's holdings include: (1) 60,412,844 ordinary shares held by Koor directly; (2) 7,364,424 ordinary shared held by the two Israeli shareholders (3,682,212 shares each) who are considered joint controlling shareholders with Koor (through a lending transaction) (one of which is controlled by Mr. Mauricio Wior, the vice chairman of the Company, and one of which is controlled by Mr. Blejer, an officer of a company controlled by the Company's controlling shareholder); (3) 3,412,500 ordinary shares (representing approximately 2.3% of our issued and outstanding shares) held by a few shareholders whose voting rights are vested in Koor; and (4) 7,287,852 ordinary shares issuable upon the exercise of our TASE-listed series 3 and 4 options held by Koor that are fully exercisable. Does not include 200,269 ordinary shares (representing approximately 0.14 % of our issued and outstanding shares) held as of January 31, 2020, by a subsidiary of DIC, all for members of the public through mutual funds, which are managed by this company.

The Israeli shareholders have appointed one member of our board of directors pursuant to our cellular license and our Articles of Association, and DIC's CEO serves as a member of our board of directors.

Approximately 82% of DIC's share capital has been pledged as collateral to IDB's debenture holders and IDB, in several pledges of varying ranks pursuant to the previously reported sale of DIC to Dolphin IL. Based on the foregoing, Dolphin IL (by reason of its control of DIC), DIC (by reason of its control of Koor), companies controlled by Eduardo Elsztain (as described above), and Eduardo Elsztain may be deemed to share with Koor the power to vote and dispose of our shares beneficially owned by Koor. Certain reporting persons under DIC's and Koor's Schedule 13D/A disclaim beneficial ownership of certain shares reported therein.

** Includes the holdings of Menora Mivtachim Holdings Ltd. and its affiliated entities..

*** Includes 242,000 ordinary shares issuable upon the exercise of stock options that expired as of February 13, 2020.

As of December 31, 2019, we had 15 holders of record of our equity securities who are, to our knowledge, located in the United States. The shares held by these holders of record represent 64.27% of our outstanding ordinary shares. However, this number is not representative of the number of beneficial holders nor is it representative of where such beneficial holders are located because nearly all of such ordinary shares were held of record by Cede & Co. for the account of the brokers or other nominees, including the Tel Aviv Stock Exchange; approximately 45.71% of our ordinary shares owned directly and through agreements with other shareholders of the Company by Koor as of January 31, 2020 is also held of record by Cede & Co.

B. RELATED PARTY TRANSACTIONS

Agreements among our Shareholders

In January 2018, Koor entered into a lending transaction under which 5% of our outstanding share capital held by Koor was transferred to two Israeli Shareholders (2.5% to each), or the Transferred Shares. One of them is controlled by Mr. Mauricio Wior, the vice chairman of the Company, and the other is controlled by an officer of DIC and of a company controlled by the Company's controlling shareholder. The main terms of the agreement are:

- The agreement will be in force until December 31, 2018 and will be automatically extended by a one year term until terminated according to its terms.

- Koor will have the right to terminate the agreement at any time and receive all or part of the Transferred Shares. The Israeli Shareholders will not be able to transfer the Transferred Shares without Koor's approval and subject to additional terms, including the transferees assuming the Israeli Shareholder's obligation towards Koor pursuant to the Agreement, the transferees being "Israeli Shareholders" under the Company's cellular license and the MOC's prior approval of such transfer, if required.

- As long as such requirement exits in the Company's cellular license, the Israeli Shareholders will have the right to appoint 10% of our directors)currently – one director). The Israeli Shareholders will vote with Koor in all shareholders resolutions (including the nomination of directors suggested by Koor). The Israeli Shareholders will be considered as joint-holders with Koor in our shares according to the Israeli Securities Law and, therefore, joint controlling shareholders.

- The Transferred Shares (including all rights or income therefrom) will be pledged by a first-degree pledge in favor of Koor, and any realization of such pledge will be subject to the receipt of the MOC's approval, if required.

- In case of any dividend or other distribution (including rights by way of a rights offering), these will be transferred by the Israeli Shareholders to Koor. In case of other corporate actions, including conversion, sub-division, consolidation etc., Koor may notify the Israeli Shareholders, at its sole discretion, if such rights will be part of the Transferred Shares or shall be transferred to Koor.

Minority shareholders agreements

Original minority shareholders (or their successors and assignees) currently own approximately 2.3% of our outstanding ordinary shares. These minority shareholders have granted the voting rights in these shares to Koor and are restricted from transferring these shares without the prior written consent of Koor and their transfer are subject to a right of first refusal in favor of Koor. Each of these minority shareholders has also committed not to compete, directly or indirectly, with our cellular communications business in Israel so long as he is a shareholder and for a period of one year thereafter.

Migdal 2006 share purchase agreement

In 2006, DIC sold 4% of our then outstanding ordinary shares to Migdal Insurance Company Ltd. and two of its affiliates, or the Migdal shareholders. As part of this transaction, DIC granted the Migdal shareholders a tag along right, in the event it sells shares resulting in it no longer being a controlling shareholder. In return, DIC has the right to force the Migdal shareholders to sell their shares in a transaction in which DIC sells all of its shares to a purchaser outside DIC or IDB and their affiliates. To the best of our knowledge, no such right has materialized.

Relationship with Affiliates

As of December 31, 2019, an aggregate amount of approximately NIS 10 million principal amount of our Series F and H through L Debentures were held by entities affiliated with DIC’s principal shareholders or officers for the benefit of members of the public through mutual funds.

As of December 31, 2019, an aggregate of 1,972,331 of our ordinary shares were held by members of the public through mutual funds which are managed by a subsidiary of DIC. Such holdings are not included in the holdings set forth in the Beneficial Owners' table above.

In the ordinary course of business, from time to time, we purchase, lease, sell and cooperate in the sale of goods and services, or otherwise engage in transactions with DIC, IDB or affiliates thereof, entities affiliated with DIC or IDB’s principal shareholders or officers and entities otherwise engaged with such DIC or IDB member or affiliates in a manner that may create a personal interest of our controlling shareholders or directors. We believe that all such transactions are on commercial terms comparable to those that we could obtain from unaffiliated parties. These transactions are subject to rigorous corporate governance rules, as described under Item 6.C under "Approval of Specified Related Party Transactions under Israeli Law".

Registration Rights Agreement

In 2006, we entered into a registration rights agreement with DIC, two wholly-owned subsidiaries of DIC (one of whom ceased to exist in 2011) which are shareholders and six other shareholders (some of whom no longer hold the registrable shares). For a summary of the terms of the agreement, see “Item 10. Additional Information – C. Material Contracts.”

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Consolidated Financial Statements

See Item 18.

Legal Proceedings General

We are served from time to time with claims concerning various matters, including disputes with customers, former employees, commercial disputes with third parties with whom we do business and disputes with government entities, including local planning and building committees and the Ministry of Communications. These include purported class actions, filed mainly by our subscribers, regarding claims such as alleged overcharging of tariffs, misleading representations, providing services not in compliance with applicable law, our license's requirements or a subscriber's agreement. The following is a summary of all significant or potentially significant litigation as well as all our purported class actions, pending as of the date of this annual report.

Increased number of requests for certification of class action lawsuits against us may increase our legal exposure as a result of such class action lawsuits and our legal costs in defending against such suits. See "Item 3. Key Information – D. Risk Factors – We are exposed to, and currently are engaged in, a variety of legal proceedings, including class action lawsuits."

In cases where the claim is approved, all amounts noted below will be adjusted to reflect changes in the Israeli CPI and statutory interest, from the date that each claim was filed.

Based on advice of counsel, we believe it is more likely than not that substantially all the claims and disputes detailed below will be determined in our favor and accordingly, no provision has been made in the financial statements in respect of these claims and disputes. We have made a provision in the amount of approximately NIS 58 million for the claim/s and dispute/s we are willing to settle or for which we cannot reach a conclusion that it is more likely than not that the claim/s and dispute/s will be determined in our favor.

Purported class actions

34 purported class actions have been filed against us in connection with allegations that we, among others (i) unlawfully, in violation of our license or agreements with our subscribers, charged or overcharged our subscribers for our services, (ii) misled our subscribers, (iii) unlawfully sent our subscribers and other parties commercial messages, (iv) unlawfully, in violation of our license or agreements with our subscribers, discriminated among our subscribers, (v) failed to provide service quality or customer care in accordance with the provisions of our license and applicable law, or (vi) unlawfully, in violation of agreements with our subscribers and applicable law, misused our subscribers' personal data. The amount claimed estimated by the plaintiffs in these purported class actions ranges from approximately NIS 2.5 million to NIS 405 million, or was not estimated by the plaintiffs if the lawsuits are certified as class actions or were filed against us and other defendants without specifying the amount claimed from us. In addition, in one purported class action no amount claimed was estimated by the plaintiffs, was dismissed (in part) and appealed by the plaintiffs (for details see "-Class actions" below). In addition, in one purported class action, a settlement agreement was approved by the court (see details below) and in four purported class actions, for which the aggregate amount claimed estimated by the plaintiffs was approximately NIS 152 million, and one purported class action in which the amount claimed was not estimated by the plaintiffs, settlement agreements were filed with the court and the proceedings are still pending.

We have recorded appropriate provisions for each of the settlement agreements filed with the courts and described above.

In 2015, a purported class action was filed against us, by plaintiffs alleging to be subscribers of the Company, claiming compensation for non-monetary damages in the amount of NIS 15 billion, in connection with allegations that we unlawfully violated the privacy of our subscribers and were unlawfully enriched by so doing. In March 2020, the court approved a settlement agreement filed with the court in February 2017. The settlement shall not have a material effect on the Company's financial statements. .

Class actions

In August 2016, the district court approved a request to certify a lawsuit filed against us in February 2015 as a class action, relating to an allegation that we unlawfully charged our subscribers with early termination fees. The total amount claimed was estimated by the plaintiff to be approximately NIS 15 million. In January 2018, a settlement agreement was filed with the court and the proceedings are still pending.

In October 2016, the district court approved a request to certify a lawsuit filed against us in January 2013 as a class action, relating to an allegation that we unlawfully charged our subscribers before the subscribers' portability to our network was completed. The total amount claimed was estimated by the plaintiff to be approximately NIS 19 million. In February 2019, a settlement agreement was filed with the court and the proceedings are still pending.

In December 2016, the district court partially approved a request to certify a lawsuit filed against us in July 2014 as a class action, relating to an allegation that the commercial messages we sent to our subscribers failed to meet the requirements of applicable law. In January 2017, the plaintiffs appealed the dismissal of the allegations which were not approved, to the Supreme Court, and in September 2019 the plaintiff's appeal was dismissed. The total amount claimed was estimated by the plaintiffs to be approximately NIS 21 million.

In January 2017, the district court partially approved a request to certify a lawsuit filed against us in February 2013 as a class action, relating to an allegation that we failed to disconnect customers within the time frame set in our license and applicable law. In March 2017, the plaintiffs appealed the dismissal of the allegations which were not approved, to the Supreme Court. In September 2018 plaintiff's appeal was consensually dismissed. The total amount claimed had the purported class action been approved was estimated by the plaintiffs to be approximately NIS 72 million.

In December 2017, the district court partially approved a request to certify a lawsuit filed against us in May 2015 as a class action, relating to an allegation that we breached the agreements with our subscribers by charging them for a call details service, which was previously provided free of charge, without obtaining their consent. In February 2018, we appealed the approval of this allegation to the Supreme Court and the plaintiff appealed the dismissal of other allegations. In January 2019 our appeal was consensually dismissed and the plaintiff's appeal was consensually accepted. The total amount claimed was not estimated by the plaintiffs.

In April 2018, the district court approved a request to certify a lawsuit filed against us in December 2014 as a class action, relating to an allegation that we unlawfully charged our subscribers who disconnected from our services during a certain billing cycle for a full monthly payment. The total amount claimed was not estimated by the plaintiff.

In July 2018, a request to certify a lawsuit filed against the Company in June 2015 was approved as a class action, relating to an allegation that the Company unlawfully charged subscribers for collection expenses due to lack of payment or late payment. In January 2019, we appealed the approval of this allegation to the Supreme Court and the plaintiff appealed the dismissal of other allegations. The total amount claimed relating to the original lawsuit was estimated by the plaintiffs to be millions of NIS.

Dividend Policy

Our dividend policy targets the distribution of at least 75% of our annual net income on a quarterly basis, subject to applicable law, our license and our contractual obligations and provided that such distribution would not be detrimental to our cash needs or to any plans approved by our Board of Directors. Our debentures and other credit facilities include additional limitations, including a covenant not to distribute more than 95% of the profits available for distribution according to the applicable Israeli law (“Profits”), provided that if net leverage (defined as the ratio of net debt to EBITDA over four consecutive quarters) exceeds 3.5:1, we will not distribute more than 85% of the Profits and if net leverage exceeds 4.0:1, we will not distribute more than 70% of the Profits. See "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Debt Service" and "– Other Credit Facilities". Our Board of Directors will consider, among other factors, our expected results of operation, including changes in pricing, regulation and competition, planned capital expenditure including for acquisitions and technological upgrades, and changes in debt service needs, including due to changes in interest rates or currency exchange rates, as well as our debentures' rating, in order to conclude whether there is no reasonable concern that a distribution of dividends will prevent us from satisfying our existing and foreseeable obligations as they become due. Dividend payments are not guaranteed and our Board of Directors may decide, in its absolute discretion, at any time and for any reason, not to pay dividends or to pay dividends at a ratio to net income that is less than that paid in the past. For example, our Board of Directors may determine not to distribute dividends in order to strengthen our balance sheet, that market conditions are uncertain or that our cash needs for debt service, capital expenditures or operations require that we do not pay dividends when considered. Accordingly, shareholders should not expect that any particular amount or at all will be distributed by us as dividends at any time, even if we have previously made dividend payments in such amount.

Our ability to pay dividends is subject to the following limitations under Israeli law: (1) dividends may only be paid out of cumulative retained earnings or out of retained earnings over the prior two years, provided that there is no reasonable concern that the payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due; and (2) our license requires that we and our 10% or more shareholders maintain at least $200 million of combined shareholders' equity. Our shareholders' equity on December 31, 2019 was over $ 200 million.

When we declare dividends, we do so in NIS and convert them for payment in US$ (where applicable) based upon the daily representative rate of exchange as published by the Bank of Israel prior to the distribution date.

In 2017, 2018 and 2019 our Board of Directors chose not to declare dividends given the intensified competition and its adverse effect on our results of operations and in order to strengthen our balance sheet.

B. SIGNIFICANT CHANGES

No significant change has occurred since December 31, 2019, except as otherwise disclosed in this annual report.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Trading in Israel

Our ordinary shares have traded on the Tel Aviv Stock Exchange, or the TASE, under the symbol CEL since July 1, 2007. Our ordinary shares do not trade on any other trading market in Israel.

Trading in the United States

Our ordinary shares have traded on the New York Stock Exchange, or NYSE, under the symbol CEL since February 7, 2007.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Our ordinary shares are listed on the NYSE and TASE under the symbol "CEL."

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Objects and Purposes

Our registration number with the Israeli registrar of companies is 51-1930125. Our object is to engage, directly or indirectly, in any lawful undertaking or business whatsoever as determined by our Board of Directors, including, without limitation, as stipulated in our memorandum of association.

Transfer of Shares

Fully paid ordinary shares are issued in registered form and may be freely transferred unless the transfer is restricted or prohibited by our articles of association, applicable law, our licenses or the rules of a stock exchange on which the shares are traded. The ownership or voting of ordinary shares by non-residents of Israel is not restricted in any way by our articles of association or the laws of the State of Israel, except for ownership by nationals of some countries that are, or have been, in a state of war with Israel.

The restrictions included in our licenses regarding holding and transferring of our means of control are included in our articles of association. For more details relating to these restrictions, see “Item 4. Information on the Company – B. Business Overview – Government Regulations – Cellular Segment – Our Cellular License” and our principal license, a convenience translation of which has been filed with the SEC. See "Item 19 – Exhibits". The holding and transfer restrictions under our licenses are posted on our website at http://investors.cellcom.co.il under “Investor Relations – Corporate Governance –Legal and Corporate.”

Voting

Holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders at a shareholder meeting. Shareholders may vote at shareholder meetings either in person, by proxy or by written ballot. Shareholder voting rights may be affected by the grant of special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future. As required under our license, our articles of association provide that any holdings of our ordinary shares that contravene the holding or transfer restrictions contained in our license (see “—Transfer of Shares” above) will not be entitled to voting rights. In addition, our license requires that as a condition to voting at any meeting of shareholders, in person or by proxy, each shareholder must certify that its holdings of our shares do not contravene the restrictions contained in our license.

Election of Directors

Our ordinary shares do not have cumulative voting rights for the election of directors. Rather, under our articles of association our directors (other than external directors and directors appointed by Israeli Shareholders – see "Item 6.A – Directors and Senior Management—External Directors" and "-Israeli Appointed Directors." above) are elected at a shareholders meeting by a simple majority of our ordinary shares. Directors may also be appointed by our Board of Directors, in which case they shall serve until the next annual general meeting of shareholders.

Dividend and Liquidation Rights

Our board of directors may, subject to the Companies Law, our financing agreements, and our licenses, declare a dividend to be paid to the holders of ordinary shares on a pro rata basis. In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares on a pro rata basis. This right may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Shareholders Meetings

We are required to convene an annual general meeting of our shareholders once every calendar year within a period of not more than 15 months following the preceding annual general meeting. Our board of directors is required to convene a special general meeting of our shareholders at the request of two directors or one quarter of the members of our Board of Directors or at the request of one or more holders of 5% or more of our share capital and 1% of our voting power or the holder or holders of 5% or more of our voting power. All shareholders meetings require prior notice of at least 21 days, or up to 35 days if required by applicable law or regulation. We aim to provide at least 40 day advance written notice, in accordance with the NYSE's recommendations. The chairperson of our Board of Directors presides over our general meetings. Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which may be between four and 40 days prior to the date of the meeting.

Quorum

Our articles of association provide that the quorum required for any meeting of shareholders shall consist of at least two shareholders present, in person or by proxy or written ballot, who hold or represent between them at least one-third of the voting power of our issued share capital. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or, if not set forth in the notice to shareholders, to a time and place set by the chairperson of the meeting with the consent of the holders of a majority of the voting power represented at the meeting and voting on the question of adjournment. At the reconvened meeting, the required quorum consists of at least two shareholders present, in person or by proxy or written ballot, unless the meeting was called pursuant to a request by our shareholders in which case the quorum required is the number of shareholders required to call the meeting as described under "—Shareholder Meetings."

Resolutions

An ordinary resolution at a shareholders meeting requires approval by a simple majority of the voting rights represented at the meeting, in person, by proxy or written ballot, and voting on the resolution. Under the Companies Law, unless otherwise provided in the articles of association or applicable law, all resolutions of the shareholders require a simple majority. In accordance with our articles of association a resolution for the voluntary winding up of the company requires the approval by holders of 75% of the voting rights represented at the meeting, in person or by proxy or written ballot, and voting on the resolution.

Modification of Class Rights

The rights attached to any class, such as voting, liquidation and dividend rights, may be amended by a vote of a majority of the issued shares of that class, or by adoption of a resolution by a majority of the shares of that class represented at a separate class meeting, or by a written consent of all holders of the issued shares of that class.

Insurance, Indemnification and exemption of Directors and Officers

Under the Companies Law, an Israeli company may not exempt an office holder from liability for breach of his duty of loyalty, but may exempt in advance an office holder from liability to the company, in whole or in part, for a breach of his or her duty of care (except a director in connection with unlawful distributions and with regard to a director or CEO in connection with certain failures upon insolvency), provided the articles of association of the company allow it to do so. Our articles of association allow us to do so.

Our articles of association provide that, subject to the provisions of the Companies Law, we may enter into a contract for insurance against liability of any of our office holders with respect to each of the following:

- a breach of his or her duty of care to us or to another person;
- a breach of his or her duty of loyalty to us, provided that the office holder acted in good faith and had reasonable grounds to assume that his or her act would not prejudice our interests;
- a financial liability imposed upon him or her in favor of another person concerning an act performed in the capacity as an office holder.
- reasonable litigation expenses, including attorney fees, incurred by the office holder as a result of an administrative enforcement proceeding instituted against him, including a payment imposed on the office holder in favor of an injured party as set forth in the Israeli Securities Law and expenses that the office holder incurred in connection with a relevant proceeding under the Israeli Securities Law, including reasonable legal expenses, which term includes attorney fees.

We maintain a liability insurance policy for the benefit of our officers and directors. See details under "Item 6. Directors, Senior Management and Employees - B. Compensation – Compensation Policy – Indemnification."

Our articles of association provide that we may indemnify an office holder against:

- a financial liability imposed on or incurred by an office holder in favor of another person by any judgment, including a settlement or an arbitrator's award approved by a court concerning an act performed in his or her capacity as an office holder. Such indemnification may be approved (i) after the liability has been incurred or (ii) in advance, provided that the undertaking is limited to types of events which our Board of Directors deems to be foreseeable in light of our actual operations at the time of the undertaking and limited to an amount or criterion determined by our Board of Directors to be reasonable under the circumstances, and further provided that such events and amounts or criteria are set forth in the undertaking to indemnify;

- reasonable litigation expenses, including attorney's fees, incurred by the office holder as a result of an investigation or proceeding instituted against him or her by a competent authority, provided that such investigation or proceeding was concluded without the filing of an indictment against him or her and either (A) concluded without the imposition of any financial liability in lieu of criminal proceedings or (B) concluded with the imposition of a financial liability in lieu of criminal proceedings but relates to a criminal offense that does not require proof of criminal intent; or in connection with an administrative enforcement proceeding or a financial sanction, including a payment imposed on the office holder in favor of an injured party as set forth in the Israeli Securities Law, and expenses that the office holder incurred in connection with a relevant proceeding under the Israeli Securities Law, including reasonable legal expenses, which term includes attorney fees; and

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or charged to him or her by a court, in proceedings instituted by us or on our behalf or by another person, or in a criminal indictment from which he or she was acquitted, or a criminal indictment in which he or she was convicted for a criminal offense that does not require proof of intent, in each case relating to an act performed in his or her capacity as an office holder.

We have undertaken to indemnify our directors, officers and certain other employees for certain events listed in the indemnification letters given to them. In respect of office holders whom our controlling shareholders have a personal interest in their receiving indemnification letters from us, such indemnification was approved for a period of three years from our annual shareholder meeting held in 2011 and in 2014 and 2017 was extended by our audit committee and board of directors for a three year period until 2020, according to regulations promulgated under the Companies Law. Excluding reasonable litigation expenses, as described above, the aggregate amount payable to all directors and officers and other employees who may have been or will be given such indemnification letters is limited to the amounts we receive from our insurance policy plus 30% of our shareholders' equity as of December 31, 2001, or NIS 486 million, and to be adjusted by the Israeli CPI.

The Companies Law provides that a company may not exempt or indemnify an office holder, or enter into an insurance contract, which would provide coverage for any monetary liability incurred as a result of any of the following:

- a breach by the office holder of his or her duty of loyalty unless, with respect to insurance coverage or indemnification, the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;

- a breach by the office holder of his or her duty of care if the breach was done intentionally or recklessly;

- any act or omission done with the intent to derive an illegal personal benefit; or
- any fine or penalty levied against the office holder.

The new Insolvency and Economic Rehabilitation Law, 2018 (in force as of September 15, 2019), provides that a company may not exempt or indemnify a director or the CEO of a company for a breach of his or her duty of care to the company (i.e. if the director or CEO knew or should have known that the company is insolvent and didn't take any measures to reduce it's scope).

Any exemption of, indemnification of, or procurement of insurance coverage for, our office holders must be approved according to the procedures required for the approval of compensation under "Item 6. Directors, Senior Management and Employment – C. Board Practices - Approval of Specified Related Party Transactions Under Israeli Law - Compensation Arrangements".

Mergers and Acquisitions under Israeli Law

The Companies Law requires that each company that is a party to a merger have the transaction approved by its board of directors and a vote of the majority of its shares at a shareholders meeting. Upon the request of a creditor of either party of the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger. In addition, a merger may not be completed unless at least (i) 50 days have passed from the time that the requisite proposal for the merger has been filed by each party with the Israeli Registrar of Companies and (ii) 30 days have passed since the merger was approved by the shareholders of each party.

The Companies Law also provides that an acquisition of shares of a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a 25% or greater shareholder of the company and there is no existing 25% or greater shareholder in the company. An acquisition of shares of a public company must also be made by means of a tender offer if as a result of the acquisition the purchaser would become a 45% or greater shareholder of the company and there is no existing 45% or greater shareholder in the company. These requirements do not apply if the (i) acquisition occurs in the context of a private placement by the company that received shareholder approval, (ii) the purchase of shares is from a 25% or greater shareholder of the company and results in the acquirer becoming a 25% shareholder of the company or more or (iii) the purchase of shares is from a 45% shareholder of the company and results in the acquirer becoming a 45% shareholder of the company or more. The special tender offer must be extended to all shareholders. The special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company’s outstanding shares will be acquired by the offeror and (ii) the majority of the offerees who responded to the offer accepted the offer, excluding offerees who are controlling shareholders of the offeror, offerees who hold 25% or more of the voting rights in the company or who have a personal interest in accepting the tender offer, or anyone on their behalf or on behalf of the offeror including the relatives of or corporations controlled by these persons..

If, as a result of an acquisition of shares, the acquirer will hold more than 90% of a company's outstanding shares, the acquisition must be made by means of a tender offer for all of the outstanding shares. If less than 5% of the outstanding shares are not tendered in the tender offer, all the shares that the acquirer offered to purchase will be transferred to it. The law provides for appraisal rights if any shareholder files a request in court within six months following the consummation of a full tender offer, but the acquirer may stipulate that any shareholder tendering his shares will not be entitled to appraisal rights. If more than 5% of the outstanding shares are not tendered in the tender offer, then the acquirer may not acquire shares in the tender offer that will cause his shareholding to exceed 90% of the outstanding shares.

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders who are not exempt from Israeli income tax under Israeli law or an applicable tax treaty. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies by certain shareholders are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, tax then becomes payable even if no actual disposition of the shares has occurred. For information regarding Israeli tax on the sale of our shares, see "Item 10.E - Taxation—Israeli Tax Considerations—Capital Gains Tax on Sales of Our Ordinary Shares."

Anti-Takeover Measures under Israeli Law

The Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred or additional rights to voting, distributions or other matters and shares having preemptive rights. We do not have any authorized or issued shares other than ordinary shares. In the future, if we do create and issue a class of shares other than ordinary shares, such class of shares, depending on the specific rights that may be attached to them, may delay or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization of a new class of shares will require an amendment to our articles of association and to our memorandum, which requires the prior approval of our shareholders by a simple majority of the shares represented and voted upon at a shareholders meeting. Our articles of association provide that our Board of Directors may, at any time in its sole discretion, adopt protective measures to prevent or delay a coercive takeover of us, including, without limitation, the adoption of a shareholder rights plan.

C. MATERIAL CONTRACTS

For a description of our material suppliers, see "Item 4. Information on the Company – B. Business Overview – – Network and Infrastructure – Cellular Segment – Network Sharing Agreements", " – Fixed-line Segment – Investment in IBC" and "–Suppliers" thereunder.

For a description of our debt agreements, see "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Debt Service" and "– Other Credit Facilities".

Registration Rights Agreement

DIC and certain other shareholders entered into a registration rights agreement with us in 2006. As of January 31, 2020, 67,777,268 ordinary shares, held by Koor, are entitled to registration rights as well as any additional shares still held, if held, by the other shareholders who joined the agreement.

The registration rights holders are entitled to one demand registration per 12-month period, so long as such request is initiated by registration rights holders of at least 3.25% of the then outstanding registrable securities and the demand refers to a minimum of 3% of our then outstanding share capital, subject to customary deferral rights. In addition, in connection with any public offerings that we initiate in the future, if we propose to register any of our securities for our own account or for the account of any of our shareholders other than in a demand registration, the registration rights holders have piggyback rights to include their shares, subject to customary underwriters' cutback rights.

All registration rights terminate, with respect to any individual registration rights holder, at such time as all registrable shares of such holder may be sold without registration pursuant to Rule 144 under the Securities Act during any three-month period. We are required to pay all expenses incurred in carrying out the above registrations, as well as the reasonable fees and expenses of one legal counsel for the selling registration rights holders, except for underwriter discounts and commissions with respect to the shares of such holders. The agreement provides for customary indemnification and contribution provisions.

D. EXCHANGE CONTROLS

There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our ordinary shares or the proceeds from the sale of the shares, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding certain transactions.

E. TAXATION

U.S. Federal Income Tax Considerations

The following is a general discussion of certain material U.S. federal income tax consequences to the U.S. holders described below of ownership and disposition of the Company's shares. This discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a U.S. holder in light of the U.S. holder's particular circumstances and does not address U.S. state, local and non-U.S. tax consequences. This discussion does not address the potential application of the provisions of the Internal Revenue Code of 1986, as amended, or the Code, known as the Medicare contribution tax or any alternative minimum tax consequences. The discussion applies only to U.S. holders that hold the Company's shares as capital assets for U.S. federal income tax purposes, and it does not describe all of the tax consequences that may be relevant to U.S. holders subject to special rules, such as certain financial institutions, insurance companies, dealers or traders in securities, persons holding the shares as part of a hedge, straddle, conversion transaction or other integrated transaction, persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar, partnerships or other entities classified as partnerships for U.S. federal income tax purposes, tax-exempt organizations, shareholders that own or are deemed to own 10% or more of the Company's stock by vote or value, or shareholders that own our shares in connection with a trade or business conducted outside of the United States.

This discussion is based on the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations and the U.S.-Israel income tax treaty, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. Shareholders are urged to consult their tax advisors regarding the U.S. federal, state, local and foreign tax consequences of purchasing, owning and disposing of the Company's shares in light of their particular circumstances.

The discussion below applies only to U.S. holders. As used herein, a "U.S. holder" is a person that is, for U.S. federal income tax purposes, a beneficial owner of the Company's shares and is either:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns the Company's shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the entity. Such entities and their partners or members should consult their tax advisors regarding the tax consequences of ownership of the Company's shares.

Except as described below, this discussion assumes that the Company is not a passive foreign investment company, or PFIC, for any taxable year.

Taxation of Distributions

Distributions paid on the Company's shares, other than certain *pro rata* distributions of ordinary shares, will be treated as dividends to the extent paid out of current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Since the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, U.S. holders will generally be required to treat such distributions as taxable dividends and include them in income on the date of receipt. Subject to applicable limitations, dividends paid to certain non-corporate U.S. holders will be taxable at favorable rates applicable to long-term capital gains. The dividend income will include any amounts withheld by the Company or its paying agent in respect of Israeli taxes. The dividend will be treated as foreign-source income and will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code.

Dividends paid in NIS will be included in a U.S. holder's income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. Such gain or loss would generally be treated as U.S.-source ordinary income or loss.

Subject to applicable limitations that vary depending upon a U.S. holder's particular circumstances, Israeli taxes withheld from dividends at a rate not exceeding any applicable rate provided by the U.S.-Israel income tax treaty may be creditable against the U.S. holder's U.S. federal income tax liability. The limitation on a U.S. holder's eligibility for foreign tax credits is calculated separately with respect to specific classes of income. Instead of claiming a credit, a U.S. holder may, at the U.S. holder's election, deduct the otherwise creditable foreign taxes in computing the taxable income for the year, subject to generally applicable limitations under U.S. federal income tax law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year. The rules governing foreign tax credits are complex and U.S. holders should consult their tax advisors regarding the availability of foreign tax credits and the deductibility of foreign taxes in their particular circumstances.

Sale and Other Disposition of the Company's Shares

Gain or loss realized on the sale or other disposition of the Company's shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. holder owned the shares for more than one year. The amount of gain or loss will be equal to the difference between the U.S. holder's tax basis in the shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. Such gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company Rules

The Company believes that it was not a PFIC for the taxable year of 2019. However, since PFIC status depends upon the composition of a company's income and assets and the market value of its assets from time to time (and since the market value of the Company's assets may be determined, in part, by reference to the market value of its shares, which has been volatile and may decline), there can be no assurance that the Company will not be a PFIC for any taxable year. If the Company were a PFIC for any taxable year during which a U.S. holder owned a share in the Company, certain adverse consequences could apply to the U.S. holder. Specifically, gain recognized by a U.S. holder on a sale or other disposition of a share would be allocated ratably over the U.S. holder's holding period for the share. The amounts allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the resulting tax liability. Further, any distribution in excess of 125% of the average of the annual distributions received by the U.S. holder on the Company's shares during the preceding three years or the U.S. holder's holding period, whichever is shorter, would be subject to taxation as described immediately above. Certain elections (such as a mark-to-market election) may be available to U.S. holders and may result in alternative tax treatment. In addition, if the Company were a PFIC for a taxable year in which we pay a dividend or the prior taxable year, the favorable dividend rates discussed above with respect to dividends paid to certain non-corporate holders would not apply. If the Company were a PFIC for any taxable year in which a U.S. holder owned the Company's shares, the U.S. holder would generally be required to file annual returns with the Internal Revenue Service, or the IRS, on IRS Form 8621. Furthermore, if the Company is a PFIC for any taxable year during which a U.S. holder owned its shares, the Company will generally continue to be a PFIC with respect to such U.S. holder's shares even if the Company ceases to be a PFIC for subsequent taxable years.

Information Reporting and Backup Withholding

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding unless (i) the U.S. holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. holder provides a correct taxpayer identification number and certifies that the U.S. holder is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that the required information is timely furnished to the IRS.

Certain U.S. holders who are individuals and certain specified entities may be required to report on IRS Form 8938 information relating to their holdings of the Company's shares, subject to certain exceptions (including an exception for securities held in accounts maintained by U.S. financial institutions). U.S. holders should consult their tax advisers regarding the application of these rules in the U.S. holders' particular circumstances.

Israeli Tax Considerations

The following is a discussion of certain material Israeli tax consequences to purchasers of our ordinary shares. The discussion also contains a description of certain relevant material provisions of the current Israeli income tax system applicable to companies in Israel. This discussion is based upon the tax laws of Israel and regulations promulgated thereunder as of the date hereof, which are subject to change. To the extent that the discussion is based on new tax legislation that has not been subject to judicial or administrative interpretation, we cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion.

This discussion applies to shareholders who or that hold our ordinary shares as capital assets and does not address all of the tax consequences that may be relevant to holders of our ordinary shares in light of their particular circumstances or certain types of holders of our ordinary shares subject to special tax treatment. Because individual circumstances may differ, shareholders should consult their tax advisors to determine the applicability of the rules discussed below to them, including the application of Israeli or other tax laws. The discussion below is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations. Each prospective investor should consult his, her or its own tax or legal adviser of acquiring, holding and disposing of our ordinary shares.

Taxation of Israeli Companies

General Corporate Tax Structure

Israeli companies are generally subject to corporate tax on their taxable income currently at the rate of 23%. Israeli companies are generally subject to capital gains tax at the corporate tax rate.

Capital Gains Tax on Sales of Our Ordinary Shares

Israeli law generally imposes a capital gains tax on the sale of any capital assets, including shares in Israeli resident companies, by Israeli and non- Israeli residents, unless, with respect to non-Israeli residents, a specific exemption is available or unless a tax treaty between Israel and such non-Israeli resident's country of residence provides otherwise and subject to the receipt in advance of a valid certificate from the Israel Tax Authority. In calculating capital gain, the law distinguishes between real gain and inflationary surplus. The inflationary surplus is the portion of the total capital gain equal to the increase in the relevant asset's value that is attributable to the increase in the Israeli CPI between the date of purchase and the date of sale. The real capital gain is the excess of the total capital gain over the inflationary surplus. The inflationary surplus is generally exempt from tax. A non-resident that invests in taxable assets with foreign currency, may elect to calculate the amount of inflationary surplus in that foreign currency.

Taxation of Israeli Residents

The tax rate generally applicable to real capital gains derived from the sale of shares, whether listed on a stock market or not, is 25% for Israeli individuals, unless such shareholder claims a deduction for financing expenses in connection with such shares, in which case the gain will generally be taxed at a rate of 30%. Additionally, if such shareholder is considered a "significant shareholder" at the time of the sale or at any time during the 12-month period preceding such sale, the tax rate will be 30%. For this purpose, a significant shareholder is one that holds, directly or indirectly, alone or together with others, at least 10% of any of our means of control (including, among other things, the right to receive profits of the company, voting rights, the right to receive the company's liquidation proceeds and the right to appoint a director).. An additional tax of 3% will be imposed on individuals whose annual taxable income exceeds a certain threshold (NIS 651,600 for 2020). Individual and corporate shareholders dealing in securities in Israel are taxed at the tax rates applicable to "business income": currently, 23% for companies and a marginal tax rate of up to 47% for individuals, plus an additional tax of 3%, which is imposed on individuals whose annual taxable income exceeds a certain threshold (NIS 651,600 for 2020).

Israeli companies are generally subject to the corporate tax rate (see above) on capital gains derived from the sale of shares listed on a stock market currently at the rate of 23%.

Taxation of Non-Israeli Residents

Non-Israeli residents (individuals and entities) are generally exempt from Israeli capital gains tax on any gains derived from the sale of shares of Israeli companies publicly traded on the Tel Aviv Stock Exchange or a recognized stock exchange outside of Israel (including the New York Stock Exchange), provided that such shareholders did not acquire their shares prior to the issuer's initial public offering (in which case a partial exemption may be available) and that the gains were not derived from a permanent establishment maintained by such shareholders in Israel. Shareholders that do not engage in activity in Israel generally should not be subject to such tax. However, non-Israeli entities will not be entitled to the exemption from capital gains tax if Israeli residents (i) have a controlling interest of more than 25% in such non-Israeli entity or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non-Israeli entities, whether directly or indirectly.

In addition, a sale of securities may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty. For example, under the U.S.-Israel income tax treaty, the sale of our ordinary shares by a shareholder who qualifies as a resident of the United States within the meaning of the U.S.-Israel income tax treaty and who is entitled to claim the benefits afforded to such person by the U.S.-Israel income tax treaty, referred to as a treaty U.S. resident, and who holds our ordinary shares as a capital asset, is also exempt from Israeli capital gains tax unless (i) the treaty U.S. resident holds, directly or indirectly, shares representing 10% or more of our voting power during any part of the 12-month period preceding such sale, (ii) the capital gains arising from such sale are attributable to a permanent establishment of the treaty U.S. resident that is located in Israel, or (iii) the treaty U.S. resident, if an individual, is present in Israel for a period or periods of 183 days or more in the aggregate during the tax year. However, under the U.S.-Israel income tax treaty, a treaty U.S. resident would be permitted to claim a credit for taxes paid in Israel against the U.S. federal income tax imposed on the sale, subject to the limitations in U.S. laws applicable to foreign tax credits. The U.S.-Israel income tax treaty does not relate to U.S. state or local taxes. Eligibility to benefit from tax treaties is conditioned upon the shareholder presenting a withholding certificate issued by the Israel Tax Authority prior to the applicable payment.

Taxation of Dividends Paid on Our Ordinary Shares

Taxation of Israeli Residents

Individuals who are Israeli residents are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25%, unless the recipient is a significant shareholder (as defined above) at the time of the distribution or at any time during the 12-month period preceding the distribution, in which case the applicable tax rate is 30%. The company distributing the dividend is required to withhold tax at the rate of 25% (a different rate may apply to dividends paid on shares deriving from the exercise of stock options or other equity-based awards granted as compensation to employees or office holders of the company). Companies which are Israeli residents are generally exempt from income tax on the receipt of dividends from another Israeli company.

Moreover, an additional tax of 3% will be imposed on individuals whose annual taxable income exceeds a certain threshold (NIS 651,600 for 2020).

Taxation of Non-Israeli Residents

Non-residents of Israel (whether individuals or entities) are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25% unless the recipient is a significant shareholder at the time of the distribution or any time during the 12-month period preceding the distribution, in which case the applicable tax rate will be 30% unless a reduced rate is provided under an applicable tax treaty (subject to receipt of a valid withholding certificate from the Israel Tax Authority allowing for such reduced withholding tax rate). The company distributing the dividend is required to withhold tax at the source at the rate of 25%.

Under the U.S.-Israel income tax treaty, the maximum rate of tax withheld in Israel on dividends paid to a holder of our ordinary shares who is a treaty U.S. resident is 25%. The maximum rate of withholding tax on dividends may be reduced to 12.5% in certain circumstances where the recipient of the dividend is a U.S. corporation holding 10% or more of our outstanding voting power during the tax year in which the dividend is distributed as well as during the whole of its prior tax year, provided that not more than 25% of the gross income for such preceding year consists of certain types of interest or dividends and certain other conditions under the U.S.-Israel income tax treaty are met.. Eligibility for such reduced rate is conditioned upon presenting a withholding certificate issued by the Israel Tax Authority allowing for withholding at such reduced rate. The aforementioned rates under the U.S.-Israel income tax treaty will not apply if the dividend income was derived through a permanent establishment of the treaty U.S. resident in Israel.

A non-resident of Israel who has dividend income derived from or accrued in Israel, from which tax was withheld at source, is generally exempt from the obligation to file tax returns in Israel in respect of such income, provided that (i) such income was not derived from a business conducted in Israel by such non-Israeli resident, and (ii) the non-resident of Israel has no other taxable sources of income in Israel with respect to which a tax return is required to be filed.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act, applicable to foreign private issuers. As a foreign private issuer, we are exempt from certain rules and regulations under the Exchange Act prescribing the content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act, with respect to their purchase and sale of our ordinary shares. In addition, we are not required to file reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we file annual reports with the SEC on Form 20-F containing financial statements audited by an independent accounting firm. We also furnish reports to the SEC on Form 6-K containing unaudited financial information for the first three quarters of each fiscal year and other material information, in accordance with the reporting requirements applicable to us as a dual listed company and as required due to our controlling shareholder's reporting obligations with respect to us. Substantially all of our SEC filings are available to the public at the SEC's website at *http://www.sec.gov* and as of July 2007 also at the TASE's website at *http://maya.tase.co.il* and at the Israeli Securities Authority's website at *http://www.magna.isa.gov.il*.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the course of our normal operations, we are exposed to market risks including fluctuations in foreign currency exchange rates, interest rates and the Israeli CPI. We are exposed to currency risks primarily as a result of purchasing inventory and fixed assets mainly in U.S. dollars while almost all of our cash receipts are in NIS. A substantial amount of our cash payments are incurred in, or linked to foreign currencies. In particular, in 2018 and 2019, such payments represented approximately 17% and 14%, respectively, of total cash outflows (including payments of principal and interest on our debentures). Also, we are exposed to interest rate risks through our hedging instruments and to possible fluctuations in the Israeli CPI through our Series H and J debentures.

In order to protect ourselves from fluctuations in foreign currency exchange rates, we have established a foreign currency hedging program. Under this program, we currently hedge part of our U.S. dollar liabilities, firm commitments and budgeted expenditures for up to 12 months using foreign currency forward exchange contracts and currency options. A foreign currency forward exchange contract is a contract whereby we agree to buy or sell a foreign currency at a predetermined exchange rate at a future date. A currency option is an option to buy or sell a foreign currency at a predetermined exchange rate at a future date. The exchange rate fluctuations that impact our foreign currency denominated financial liabilities, firm commitments and budgeted expenditures are intended to be offset by gains and losses on these hedging instruments.

The goal of our hedging program is to limit the impact of exchange rate fluctuations on our transactions denominated in U.S. dollars. We do not hold derivative financial instruments for trading purposes. Nevertheless, under IFRS, we are required to treat our hedges of budgeted expenditures for which there is no contractual commitment as though they were speculative investments. As a result, we are required to value these hedge positions at the end of each fiscal quarter and record a gain or loss equal to the difference in their market value from the last balance sheet date, without any reference to the change in value to the related budgeted expenditures. Accordingly, these differences could result in significant fluctuations in our reported net income.

In addition, as of the beginning of 2020, we designate certain derivatives as hedging instruments in order to hedge changes in cash flows that relate to highly probable forecasted transactions and which derive from changes in U.S. dollars exchange rates (hedge accounting). At the end of each fiscal quarter the effective portion of changes in fair value of these derivatives is recognized in other comprehensive income. when the hedged forecasted cash flows occur, the amounts accumulated in the hedging reserve and cost of hedging reserve are reclassified to profit or loss in the same period, or periods, in which the hedged forecasted future cash flows affect profit or loss.

As of December 31, 2019, we had three outstanding series of debentures, which are linked to the Israeli CPI, in an aggregate principal amount of approximately NIS 1.1 billion. As of December 31, 2019, we had forward Israeli CPI / NIS transactions, in a total amount of approximately NIS 0.4 billion, with an average maturity period of three months, in order to hedge our exposure to fluctuations in the Israeli CPI. We periodically review the possibility of entering into additional transactions in order to lower the exposure in respect of the debentures.

Set forth below is the composition of the derivative financial instruments (excluding (embedded derivatives) at the following dates:

	As of December 31,					
	2017		2018		2019	
	Par Value	Fair Value	Par Value	Fair Value	Par Value	Fair Value
	(In NIS millions)					
Forward contracts on foreign currency exchange rate (mainly US$– NIS)	105	(1)	203	4	128	(2)
Forward contracts on Israeli CPI rate	500	(17)	400	(1)	360	(3)
Options on the foreign currency exchange rate (mainly US$– NIS)	(105)	1	(147)	0	(68)	1
Total	500	(17)	456	3	420	(4)

Sensitivity information

Without taking into account our hedging instruments and based upon our debt outstanding as at December 31, 2019, fluctuations in foreign currency exchange rates, or the Israeli CPI would affect us as follows:

- an increase of 1% of the Israeli CPI would result in an increase of approximately NIS 8 million in our financing expenses.

For additional details see note 21 to our financial statements, included elsewhere in this report.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) as of December 31, 2019, have concluded that, as of such date, our disclosure controls and procedures were effective and ensured that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms.

Management Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition and use of disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting, as of December 31, 2019. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Based on our assessment, management believes that as of December 31, 2019 our internal control over financial reporting is effective based on these criteria.

Attestation Report of the Registered Public Accounting Firms

The effectiveness of management's internal control over financial reporting as of December 31, 2019 has been audited by our independent registered public accounting firm, Keselman & Keselman, a member of PricewaterhouseCoopers International Limited, and its report as of March 23, 2020, expresses an unqualified opinion on the Company's internal control over financial reporting.

This report is included in page F-3 of this Form 20-F.

Changes in Internal Control Over Financial Reporting

During the period covered by this annual report, the changes in our internal control over financial reporting that occurred that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting were:

In connection with the implementation of IFRS 16, a new accounting standard for leases that replaces IAS 17 and is applicable for annual periods as of January 1, 2019 the Company has designed an internal control over the process of identifying existing leases and calculating the effect of the new standard on the Company's financial reporting as at December 31, 2019. During 2019, the Company implemented an internal control process for the ongoing implementation of this standard so as to ensure effective internal control for the prevention of errors in financial reporting in the leasing process.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Hauser qualifies as “audit committee financial expert” as defined in Item 16A of Form 20-F. Mr. Hauser qualifies as an independent director under the independence standards applicable to listed company audit committee members, pursuant to Rule 10A-3 under the Securities Exchange Act.

ITEM 16B. CODE OF ETHICS

Our Code of Ethics applies to all of our officers, directors and employees. We have posted a copy of our Code of Ethics on our website at http://investors.cellcom.co.il under “Investor Relations – Corporate Governance – Legal and Corporate - Code of Ethics.”

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Keselman & Keselman, a member of PricewaterhouseCoopers International Limited, serves as our independent registered public accounting firm.

These accountants billed the following fees to us for professional services in each of those fiscal years:

	2018	2019
	(NIS in thousands)	
Audit Fees	2,450	2,300
Tax Fees and other	263	165
Total	2,713	2,465

“Audit Fees” are the aggregate fees billed for the audit of our annual financial statements. This category also includes services that generally the independent accountant provides, such as consents and assistance with and review of documents filed with the SEC. These fees also include accounting consultations regarding the accounting treatment of matters that occur in the regular course of business, implications of new accounting pronouncements and other accounting issues that occur from time to time. “Tax Fees” are the aggregate fees billed for professional services rendered for tax compliance, tax advice, other than in connection with the audit. Tax compliance involves audit of original and amended tax returns, tax planning and tax advice.

Our Audit Committee has adopted a pre-approval policy for the engagement of our independent accountant to perform certain audit and non-audit services. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the audit committee pre-approves a maximum amount for certain potential services and approval is provided prior to any service performed by the independent accountant. Prior to any engagement of the independent accountant by the Company or its subsidiaries to render audit or non-audit services, a detailed description of the particular service to be performed as well as the fee structure are pre-approved by the Company's audit committee.

The Audit Committee has delegated part of its pre-approval authority to the chairman of the Audit Committee, subject to ratification by the entire Audit Committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16G. CORPORATE GOVERNANCE

The following are the significant ways in which our corporate governance practices differ from those followed by domestic companies under the listing standards of the NYSE:

Nominating/Corporate Governance Committee - Under Section 303A.04 of the NYSE Listed Companies Manual, or LCM, a U.S. domestic listed company, other than a controlled company, must have a nominating/corporate governance committee composed entirely of independent directors. We do not have a nominating/corporate governance committee as we are not required to have such a committee under the Companies Law.

Compensation Committee - Under Section 303A.05 of the LCM, a U.S. domestic listed company, other than a controlled company, must have a compensation committee composed entirely of independent directors that operates pursuant to a written charter addressing its purpose, responsibilities and membership qualifications and may receive counseling from independent consultants, after evaluating their independence. We have a compensation committee whose purpose, responsibilities and membership qualifications are governed by the Companies Law. There are no specific independence evaluation requirements for outside counsel. The Companies Law requires our compensation committee to include a majority of external directors (who are also independent directors). Our compensation committee is currently composed entirely of independent directors.

Separate Meetings of Non-Management Directors - Under Section 303A.03 of the LCM, the non-management directors of each U.S. domestic listed company must meet at regularly scheduled executive sessions without management. We do not have a similar requirement under the Companies Law, and our independent directors do not meet separately from directors who are not independent, other than in the context of audit committee meetings.

Audit Committee - Under Section 303A.06 of the LCM, domestic listed companies are required to have an audit committee that complies with the requirements of Rule 10A-3 of the Securities and Exchange Act of 1934. Rule 10A-3 requires the audit committee of a U.S. company to be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services, and that each such firm must report directly to the audit committee. However, Rule 10A-3 provides that foreign private issuers may comply with applicable home country law that (i) requires or permits shareholders to appoint the registered public accounting firm or (ii) prohibits the delegation of responsibility to the issuer's audit committee without being in conflict with Rule 10A-3. Pursuant to the Companies Law, our registered public accounting firm is appointed by the shareholders at the annual meeting of shareholders. Our audit committee is responsible for recommending to the shareholders the appointment of our registered public accounting firm and to pre-approve the amounts to be paid to our registered public accounting firm. Pursuant to our audit committee charter, our audit committee is responsible for overseeing the work of our registered public accounting firms.

Equity Compensation Plans - Under Section 303A.08 of the LCM, shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with certain limited exemptions as described in the Rule. We follow the requirements of the Companies Law, under which approval of equity-compensation plans and material revisions thereto is within the authority of the board of directors. However, any compensation to directors, the chief executive officer or office holders with relation to whom our controlling shareholders have a personal interest, including equity based compensation, generally requires the approval of the compensation committee, the board of directors and the shareholders, in that order. The compensation of office holders is generally required to comply with a shareholder-approved compensation policy, which is required to include a monetary cap on the value of equity compensation that may be granted to any office holder. Our compensation policy complies with that requirement.

Corporate Governance Guidelines - Under Section 303A.09 of the LCM, domestic listed companies must adopt and disclose their corporate governance guidelines. We do not have a similar requirement under the Companies Law and therefore, other than as disclosed in this annual report on Form 20-F, we do not to disclose our corporate governance guidelines.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART II

ITEM 17. FINANCIAL STATEMENTS

See Item 18.

ITEM 18. FINANCIAL STATEMENTS

See pages F-1 through F-93 of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description
1.1	Updated Articles of Association and Memorandum of Association (7)
2.1	Form of Ordinary Share Certificate(1)
2.1.1	Description of Securities Registered under Section 12 of the Exchange Act*
4.7	Shelf Prospectus Indenture dated March 7, 2012, between Cellcom and Strauss Lazar Trust Company (1992) Ltd.(2)
4.7.1	Amendment and Addendum no. 1 to the Indenture from January 19, 2012, dated March 7, 2012, between Cellcom and Strauss Lazar Trust Company (1992) Ltd.(2)
4.8	Series H and I Indenture dated June 23, 2014, between Cellcom and Mishmeret Trust Services Company Ltd., as amended in Addendum no.1 dated June 26, 2014(3)
4.9	Series J and K Indenture dated September 25, 2016, between Cellcom and Mishmeret Trust Services Company Ltd. (4)
4.10	Series L Indenture dated January 21, 2018, between Cellcom and Strauss Lazar Trust Company (1992) Ltd.(5)
4.12	Registration Rights Agreement dated March 15, 2006 among Cellcom, Goldman Sachs International, DIC, DIC Communications and Technology Ltd. and PEC Israel Economic Corporation(1)
4.13	Amended Non-Exclusive General License for the Provision of Mobile Radio Telephone Services in the Cellular Method dated June 27, 1994*
4.15	Amended 2015 Share Incentive Plan(6)
4.16	Memorandum of Understanding dated February 18, 2020 among Cellcom, Golan and shareholders of Golan*
8.1	Subsidiaries of the Registrant(*)
12.1	Certification of Principal Executive Officer pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to §302 of the Sarbanes-Oxley Act *
12.2	Certification of Principal Financial Officer pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to §302 of the Sarbanes-Oxley Act *
13.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act *
15.1	Consent of Independent Registered Public Accounting Firm - Somekh Chaikin *
15.2	Consent of Independent Registered Public Accounting Firm - Keselman & Keselman*

Exhibit Number	Description
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

(1) Incorporated by reference to our registration statement on Form F-1 (registration no. 333-140030) filed with the SEC on January 17, 2007.

(2) Incorporated by reference to our annual report on Form 20-F for the year 2011 filed with the SEC on March 7, 2012.

(3) Incorporated by reference to our annual report on Form 20-F for the year 2014 filed with the SEC on March 16, 2015.

(4) Incorporated by reference to our annual report on Form 20-F for the year 2016 filed with the SEC on March 20, 2017.

(5) Incorporated by reference to our annual report on Form 20-F for the year 2017 filed with the SEC on March 26, 2018.

(6) Incorporated by reference to our registration statement on Form S-8 filed with the SEC on August 13, 2015.

(7) Incorporated by reference to our annual report on Form 20-F for the year 2017 filed with the SEC on March 26, 2018.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CELLCOM ISRAEL LTD.

By: /s/ Avi Gabbay
Name: Avi Gabbay
Title: Chief Executive Officer

Date: March 23, 2020

Cellcom Israel Ltd.
and Subsidiaries

Consolidated Financial Statements

As at December 31, 2019
(Audited)

Contents

	Page
Reports of Independent Registered Public Accounting Firms	F-3 - F-5
Consolidated Financial Statements	
Consolidated Statements of Financial Position	F-6
Consolidated Statements of Income	F-7
Consolidated Statements of Comprehensive Income	F-8
Consolidated Statements of Changes in Equity	F-9
Consolidated Statements of Cash Flows	F-10 - F-11
Notes to the Consolidated Financial Statements	F-12 - F-93

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Cellcom Israel Ltd.

Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statement of financial position of Cellcom Israel Ltd. and its subsidiaries (the "Company") as of December 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2F to the consolidated financial statements, the Company changed the manner in which it accounts for Leases in 2019.

Convenience Translation

The consolidated financial statements as of and for the year ended December 31, 2019 have been translated into United States dollars ("dollars") solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in New Israeli Shekels have been translated into dollars on the basis set forth in Note 2D to the consolidated financial statements.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

Tel Aviv, Israel
March 23, 2020

We have served as the Company's auditor since 2018.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Cellcom Israel Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Cellcom Israel Ltd. and its subsidiaries (the "Company") as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, including the related notes (collectively the "consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Change in Accounting Principle

As discussed in Note 2F to the consolidated financial statements, the Company changed the manner in which it accounts for financial instruments in 2018.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

Kesselman & Kesselman have served as the Company's auditor since 2018.

/s/ Somekh Chaikin
Certified Public Accountants (Isr.)
Member Firm of KPMG International

Somekh Chaikin have served as the Company's auditor from 1994 to 2018.

Tel Aviv, Israel
March 18, 2019

Somekh Chaikin

KPMG Millennium Tower

17 Ha'arba'a Street, PO Box 609 Tel Aviv
61006, Israel

+972 3 684 8000

Report of Independent Registered Public Accounting Firms

To the Shareholders and Board of Directors
Cellcom Israel Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of income, comprehensive income, changes in equity, and cash flows of Cellcom Israel Ltd. and subsidiaries (the Company) for the year ended December 31, 2017, and the related notes (collectively, the consolidated financial statements).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Change in Accounting Principle

As discussed in Note 2F to the consolidated financial statements, the Company has changed its method of accounting for revenue recognition as of January 1, 2017 due to the adoption of International Financial Reporting Standard No. 15 Revenue from Contracts with Customers.

Basis for Opinion

The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

/s/ Somekh Chaikin
Certified Public Accountants (Isr.)
Member Firm of KPMG International
Tel Aviv, Israel

Consolidated Statements of Financial Position

	Note	December 31, 2018 NIS millions	December 31, 2019* NIS millions	Convenience translation into US dollar (Note 2D) December 31, 2019* US$ millions
Assets				
Cash and cash equivalents	9	1,202	**1,006**	**291**
Current investments, including derivatives		404	**473**	**137**
Trade receivables	10	1,152	**1,142**	**330**
Current tax assets	30	11	**3**	**1**
Other receivables	10	84	**69**	**20**
Inventory	11	94	**66**	**19**
Total current assets		2,947	**2,759**	**798**
Trade and other receivables	10	852	**782**	**227**
Property, plant and equipment, net	12	1,652	**1,432**	**414**
Intangible assets and others, net	13	1,298	**1,294**	**374**
Investments in equity accounted investees	8	-	**150**	**43**
Right-of-use assets, net	14	-	**745**	**216**
Total non- current assets		3,802	**4,403**	**1,274**
Total assets		6,749	**7,162**	**2,072**
Liabilities				
Current maturities of debentures and of loans from financial institutions	19	620	**509**	**147**
Current taxation liabilities	30	-	**6**	**2**
Current maturities of lease liabilities	14	-	**226**	**65**
Trade payables and accrued expenses	15	696	**687**	**199**
Provisions	16	105	**99**	**29**
Other payables, including derivatives	17	257	**299**	**86**
Total current liabilities		1,678	**1,826**	**528**
Long-term loans from financial institutions	19	334	**300**	**87**
Debentures	19	2,911	**2,511**	**727**
Long-term lease liabilities	14	-	**533**	**154**
Provisions	16	20	**22**	**6**
Other long-term liabilities	18	16	**4**	**1**
Liability for employee rights upon retirement, net	20	14	**19**	**5**
Deferred tax liabilities	30	99	**60**	**17**
Total non- current liabilities		3,394	**3,449**	**997**
Total liabilities		5,072	**5,275**	**1,525**
Equity attributable to owners of the Company	21			
Share capital		1	**2**	**1**
Share premium		325	**623**	**180**
Receipts on account of share options		10	**24**	**7**
Retained earnings		1,339	**1,236**	**358**
Non-controlling interests		2	**2**	**1**
Total equity		1,677	**1,887**	**547**
Total liabilities and equity		6,749	**7,162**	**2,072**

Date of approval of the consolidated financial statements: March 23, 2020.
* See Note 2 (F) regarding initial application of IFRS 16, Leases.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

	Note	Year ended December 31, 2017 NIS millions	Year ended December 31, 2018 NIS millions	Year ended December 31, 2019* NIS millions	Convenience translation into US dollar (Note 2D) Year ended December 31, 2019* US$ millions
Revenues	24	3,871	3,688	**3,708**	**1,073**
Cost of revenues	25	(2,680)	(2,661)	**(2,725)**	**(788)**
Gross profit		1,191	1,027	**983**	**285**
Selling and marketing expenses	26	(479)	(567)	**(610)**	**(177)**
General and administrative expenses	27	(426)	(360)	**(329)**	**(95)**
Other income (expenses), net	28	42**	1**	**(20)**	**(6)**
Operating profit		328	101	**24**	**7**
Financing income		21**	19**	**49**	**14**
Financing expenses		(196)	(190)	**(193)**	**(56)**
Financing expenses, net	29	(175)	(171)	**(144)**	**(42)**
Share in losses of equity accounted investees		-	-	**(10)**	**(3)**
Profit (loss) before taxes on income		153	(70)	**(130)**	**(38)**
Tax benefit (Taxes on income)	30	(40)	6	**23**	**7**
Profit (loss) for the year		113	(64)	**(107)**	**(31)**
Attributable to:					
Owners of the Company		112	(62)	**(107)**	**(31)**
Non-controlling interests		1	(2)	-	-
Profit (loss) for the year		113	(64)	**(107)**	**(31)**
Earnings (loss) per share	21				
Basic earnings (loss) per share (in NIS)		1.11	(0.58)	**(0.90)**	**(0.26)**
Diluted earnings (loss) per share (in NIS)		1.10	(0.58)	**(0.90)**	**(0.26)**
Weighted-average number of shares used in the calculation of basic earnings (loss) per share (in shares)		100,654,935	107,499,543	**118,376,455**	**118,376,455**
Weighted-average number of shares used in the calculation of diluted earnings (loss) per share (in shares)		100,889,661	107,499,543	**118,376,455**	**118,376,455**

* See Note 2(F) regarding initial application of IFRS 16, Leases.
** Reclassified – see Note 2(F) regarding voluntary change in accounting policy

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Year ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2019	Convenience translation into US dollar (Note 2D) Year ended December 31, 2019
	NIS millions	NIS millions	NIS millions	US$ millions
Profit (loss) for the year	113	(64)	**(107)***	**(31)***
Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss				
Changes in fair value of cash flow hedges transferred to profit or loss, net of tax	1	-	-	-
Total other comprehensive income for the year that after initial recognition in comprehensive income was or will be transferred to profit or loss, net of tax	1	-	-	-
Other comprehensive income items that will not be transferred to profit or loss				
Re-measurement of defined benefit plan, net of tax	-	(1)	**(4)**	**(1)**
Total other comprehensive loss for the year that will not be transferred to profit or loss, net of tax	-	(1)	**(4)**	**(1)**
Total other comprehensive income (loss) for the year, net of tax	1	(1)	**(4)**	**(1)**
Total comprehensive income (loss) for the year	114	(65)	**(111)**	**(32)**
Total comprehensive income (loss) attributable to:				
Owners of the Company	113	(63)	**(111)**	**(32)**
Non-controlling interests	1	(2)	-	-
Total comprehensive income (loss) for the year	114	(65)	**(111)**	**(32)**

* See Note 2(F) regarding initial application of IFRS 16, Leases.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to owners of the Company						Non-controlling interests	Total equity	Convenience translation into US dollar (Note 2D)
	Share capital	Share premium	Receipts on account of share options	Capital reserve	Retained earnings	Total			
	NIS millions								US$ millions
Balance as of January 1, 2017	1	-	-	(1)	1,322	1,322	18	1,340	
Comprehensive income for the year									
Profit for the year	-	-	-	-	112	112	1	113	
Other comprehensive income for the year, net of tax	-	-	-	1	-	1	-	1	
Transactions with owners, recognized directly in equity									
Share based payments	-	-	-	-	2	2	-	2	
Derecognition of non-controlling interests due to loss of control in a consolidated company	-	-	-	-	-	-	(15)	(15)	
Balance as of December 31, 2017	1	-	-	-	1,436	1,437	4	1,441	
Effect of initial application of IFRS 9*	-	-	-	-	(36)	(36)	-	(36)	
Balance as of January 1, 2018 after initial application	1	-	-	-	1,400	1,401	4	1,405	
Comprehensive loss for the year									
Loss for the year	-	-	-	-	(62)	(62)	(2)	(64)	
Other comprehensive loss for the year, net of tax	-	-	-	-	(1)	(1)	-	(1)	
Transactions with owners, recognized directly in equity									
Share based payments	-	-	-	-	2	2	-	2	
Equity offering	-	259	17	-	-	276	-	276	
Exercise of share options	-	66	(7)	-	-	59	-	59	
Balance as of December 31, 2018	**1**	**325**	**10**	-	**1,339**	**1,675**	**2**	**1,677**	**485**
Comprehensive loss for the year, net of tax									
Loss for the year*	-	-	-	-	**(107)**	**(107)**	-	**(107)**	**(31)**
Other comprehensive loss for the year, net of tax	-	-	-	-	**(4)**	**(4)**	-	**(4)**	**(1)**
Transactions with owners, recognized directly in equity									
Share based payments	-	-	-	-	**8**	**8**	-	**8**	**3**
Equity offering (see Note 21)	**1**	**283**	**25**	-	-	**309**	-	**309**	**90**
Expiration of share options	-	**10**	**(10)**	-	-	-	-	-	-
Exercise of share options	-	**5**	**(1)**	-	-	**4**	-	**4**	**1**
Balance as of December 31, 2019	**2**	**623**	**24**	-	**1,236**	**1,885**	**2**	**1,887**	**547**

* See Note 2(F) regarding initial application of IFRS 16, Leases.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

	Year ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2019*	Convenience translation into US dollar (Note 2D) Year ended December 31, 2019*
	NIS millions	NIS millions	NIS millions	US$ millions
Cash flows from operating activities				
Profit (loss) for the year	113	(64)	**(107)**	**(31)**
Adjustments for:				
Depreciation and amortization	555	584	**898**	**260**
Share based payments	2	2	**8**	**2**
Gain on sale of property, plant and equipment, intangible assets and others	(1)	-	**(8)**	**(2)**
Gain on sale of shares in a consolidated company	(10)	-	**-**	**-**
Net change in fair value of investment property	-	-	**6**	**2**
Income tax expense (tax benefit)	40	(6)	**(23)**	**(7)**
Financing expenses, net	175**	171**	**144**	**42**
Other expenses	-	-	**3**	**1**
Share in losses of equity accounted investees	-	-	**10**	**3**
Changes in operating assets and liabilities:				
Change in inventory	(6)	(24)	**28**	**8**
Change in trade receivables (including long-term amounts)	101**	166**	**80**	**23**
Change in other receivables (including long-term amounts)	(191)	(21)	**13**	**4**
Change in trade payables, accrued expenses and provisions	(27)	(26)	**(27)**	**(8)**
Change in other liabilities (including long-term amounts)	28	11	**23**	**6**
Payments for derivative hedging contracts, net	(3)	-	**(10)**	**(3)**
Income tax paid	(44)	(23)	**(12)**	**(4)**
Income tax received	42	-	**10**	**3**
Net cash from operating activities	774	770	**1,036**	**299**
Cash flows used in investing activities				
Acquisition of property, plant, and equipment	(346)	(356)	**(324)**	**(94)**
Acquisition of intangible assets and others	(237)	(237)	**(233)**	**(67)**
Acquisition of equity accounted investee	-	-	**(16)**	**(5)**
Change in current investments, net	(77)	(56)	**(49)**	**(14)**
Receipts from other derivative contracts, net	-	3	**9**	**3**
Proceeds from sale of property, plant and equipment, intangible assets and others	1	1	**181**	**52**
Grant of long-term loans to equity accounted investees	-	-	**(141)**	**(41)**
Interest received	12	14	**13**	**4**
Proceeds from sale of shares in a consolidated company, net of cash disposed	3	-	**-**	**-**
Net cash used in investing activities	(644)	(631)	**(560)**	**(162)**

* See Note 2(F) regarding initial application of IFRS 16, Leases.
** Reclassified – see Note 2(F) regarding voluntary change in accounting policy.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows (cont'd)

	Year ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2019*	Convenience translation into US dollar (Note 2D) Year ended December 31, 2019*
	NIS millions	NIS millions	NIS millions	US$ millions
Cash flows used in financing activities				
Payments for derivative contracts, net	(3)	(15)	**(2)**	**(1)**
Receipt of long-term loans from financial institutions	200	-	**150**	**43**
Payments for long-term loans from financial institutions	-	(78)	**(212)**	**(61)**
Repayment of debentures	(864)	(556)	**(504)**	**(145)**
Proceeds from issuance of debentures, net of issuance costs	-	997	-	-
Repurchase of own debentures	-	-	**(10)**	**(3)**
Dividend paid	(1)	-	-	-
Interest paid	(175)	(126)	**(151)**	**(43)**
Acquisition of non-controlling interests	-	(19)	-	-
Equity offering (see Note 21)	-	275	**309**	**89**
Proceeds from exercise of share options	-	59	**4**	**1**
Payment of principal of lease liabilities	-	-	**(256)**	**(74)**
Net cash from (used in) financing activities	(843)	537	**(672)**	**(194)**
Changes in cash and cash equivalents	(713)	676	**(196)**	**(57)**
Cash and cash equivalents as at the beginning of the year	1,240	527	**1,202**	**348**
Effects of exchange rate changes on cash and cash equivalents	-	(1)	-	-
Cash and cash equivalents as at the end of the year	527	1,202	**1,006**	**291**

* See Note 2(F) regarding initial application of IFRS 16, Leases.

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 - Reporting Entity

Cellcom Israel Ltd. ("the Company") is a company incorporated and domiciled in Israel and its official address is 10 Hagavish Street, Netanya 4250708, Israel. The consolidated financial statements of the Group as at December 31, 2019, comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's holdings in included entities. The Group operates and maintains a cellular mobile telephone system in Israel and provides cellular telecommunications services, landline telephony services, internet services, international calls services, television over the internet services and transmission services. The Company is controlled by Koor Industries Ltd. (directly and through agreements with other shareholders of the Company), a wholly owned subsidiary of Discount Investment Corporation Ltd. ("DIC"), which is controlled by companies controlled by Mr. Eduardo Elsztain. The Company's shares are traded on the Tel Aviv Stock Exchange (TASE) and on the New York Stock Exchange (NYSE).

Note 2 - Basis of Preparation of the Financial Statements

A. Statement of compliance

The consolidated financial statements have been prepared by the Group in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were approved by the Company's Board of Directors on March 23, 2020.

B. Functional and presentation currency

These consolidated financial statements are presented in New Israeli Shekels ("NIS"), which is the Group's functional currency, and are rounded to the nearest million unless otherwise indicated. NIS is the currency that represents the primary economic environment in which the Group operates.

C. Basis of measurement

These consolidated financial statements have been prepared on the basis of historical cost except for the following assets and liabilities: current investments and derivative financial instruments that are measured at fair value through profit or loss, investment property that are measured at fair value, deferred tax assets and liabilities, provisions, assets and liabilities in respect of employee benefits and Investments in associates and joint ventures.

For further information regarding the measurement of these assets and liabilities see Note 3, regarding Significant Accounting Policies.

D. Convenience translation into U.S. dollars ("dollars" or "$")

For the convenience of the reader, the reported NIS figures as of December 31, 2019 and for the year then ended, have been presented in dollars, translated at the representative rate of exchange as of December 31, 2019 (NIS 3.456 = US$ 1.00). The dollar amounts presented in these financial statements should not be construed as representing amounts that are receivable or payable in dollars or convertible into dollars, unless otherwise indicated.

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

E. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The preparation of accounting estimates used in the preparation of the Group's financial statements requires that management of the Company makes assumptions regarding circumstances and events that involve considerable uncertainty. Company Management prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about estimates, uncertainty and critical judgments about provisions and contingent liabilities, is described in Notes 16 and 32. In addition, information about critical estimates, made while applying accounting policies and that have the most significant effect on the consolidated financial statements are described below:

Impairment testing of trade and other receivables
The financial statements include an impairment loss in trade and other receivables which properly reflect, according to management's estimation, the potential loss from non-recoverable amounts. The Group provides for impairment loss based on its experience in collecting past debts, as well as on information on specific debtors. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. See also Note 23.

Impairment testing and useful life of assets
The Group regularly reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. See also Note 3(I).

The useful economic life of the Group's assets is determined by management at the time the asset is acquired and regularly reviewed for appropriateness. The Group defines useful life of its assets in terms of the assets' expected utility to the Group. This judgment is based on the experience of the Group with similar assets. The useful economic life of licenses is based on the duration of the license agreement period. The useful economic life of capitalized customer acquisition costs is based on the expected service period from these contracts. See also Notes 3(D) and 3(F).

Impairment testing of goodwill
The Group reviews a cash generating unit containing goodwill for the purpose of testing it for impairment at least once a year. Determining the recoverable amount requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit and also to choose a suitable discount rate for those cash flows which represents market estimates as for the time value of the money and the specific risks that are related to the cash-generating unit. Determining the estimates of the future cash flows is based on management past experience and management best estimates as for the economic conditions that will exist over the rest of the remaining useful life of the cash generating unit. Further details are given in Note 3(I).

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

E. Use of estimates and judgments (cont'd)

Legal claims
In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the Group takes into consideration the opinion of its legal counsels and their best professional judgment, the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates. See also Note 32.

Uncertain tax positions
When assessing amounts of current and deferred taxes, the Group takes into consideration the effect of the uncertainty that its tax positions will be accepted and the risk of it incurring any additional tax and interest expenses.

The Group is of the opinion that the cumulative tax liability is fair for all the years in respect of which final tax assessments have not yet been received, based on an analysis of a number of matters including interpretations of tax laws and the Group's past experience. This assessment is based on estimates and assumptions that may also include assessments and exercising judgment regarding future events. It is possible that new information will become known in future periods that will require the Group to change its estimate regarding the tax liability that was recognized, and any such changes will be expensed immediately in that period. See also Note 30.

Recognition of deferred tax asset in respect of tax losses
The Group assesses the probability that in the future there will be taxable profits against which carried forward losses can be utilized and accordingly the Group recognizes (or not recognizes) a deferred tax asset in respect of losses carried forward. In the absence of certainty for the existence of taxable income, deferred taxes are not recognized as an asset in the carrying amount. The possible effects of this estimate is the recognition or cancellation of deferred tax assets in statement of income.
For information on losses for which a deferred tax asset was recognized, see Note 30 regarding taxes on income.

Determining the lease term and the discount rate of a lease liability
In order to determine the lease term, the Group takes into consideration the period over which the lease is non-cancellable, including renewal options that it is reasonably certain it will exercise and/or termination options that it is reasonably certain it will not exercise. In addition, The Group discounts the lease payments using its incremental borrowing rate. The Possible effects of this estimate is an increase or decrease in the right-of-use asset and lease liability and in depreciation and financing expenses in subsequent periods. See also Note 14.

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

F. Changes in the accounting policies

1. Initial application of new standards, amendments to standards and interpretations

A. IFRS 16, *Leases*

As from January 1, 2019 (hereinafter: “the date of initial application”) the Group applies International Financial Reporting Standard 16, Leases (hereinafter: “IFRS 16” or “the standard”), which replaced International Accounting Standard 17, Leases (hereinafter: "IAS 17" or "the previous standard").

The main effect of the standard’s application is reflected in annulment of the existing requirement from lessees to classify leases as operating (off-balance sheet) or finance leases and the presentation of a unified model for lessees to account for all leases similarly to the accounting treatment of finance leases in the previous standard. Until the date of application, the Group classified most of the leases in which it is the lessee as operating leases, since it did not substantially bear all the risks and rewards from the assets.

In accordance with IFRS 16, for agreements in which the Group is the lessee, the Group recognizes a right-of-use asset and a lease liability at the inception of the lease contract for all the leases in which the Group has a right to control identified assets for a specified period of time, other than exceptions specified in the standard. Accordingly, the Group recognizes depreciation and amortization expenses in respect of a right-of-use asset, tests a right-of-use asset for impairment in accordance with IAS 36 and recognizes financing expenses on a lease liability. Therefore, as from the date of initial application, lease payments relating to assets leased under an operating lease, which were presented as part of expenses in the statement of income, are capitalized to assets and written down as depreciation and amortization expenses.

The Group elected to apply the standard using the cumulative effect approach, in which the Group recognized a lease liability at the initial implementation date according to the present value of the remaining future lease payments capitalized at the incremental borrowing rate of the lessee at that date, and concurrently recognized a right-of-use asset at the same amount of the liability, adjusted for any prepaid or accrued lease payments that recognized as an asset or liability before the date of initial implementation. Therefore, application of the standard did not have an effect on the balance of retained earnings at the date of initial application.

Furthermore, as part of the initial application of the standard, the Group has chosen to apply the following expedients:

(1) retain the definition and/or assessment of whether an arrangement is a lease in accordance with current guidance with respect to agreements that exist at the date of initial implementation;
(2) apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
(3) exclude initial direct costs from measurement of the right-of-use asset at the date of initial application;
(4) use hindsight when determining the lease term if the contract includes an extension or termination option;
(5) assess whether a contract is onerous in accordance with IAS 37 immediately before the date of initial implementation instead of assessing impairment of right-of-use assets.

In measurement of the lease liabilities, the Group discounted lease payments using the incremental borrowing rate at January 1, 2019. The weighted average discount rate used to measure the lease liability was 3.0%.

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

F. Changes in the accounting policies (cont'd)

1. Initial application of new standards, amendments to standards and interpretations (cont'd)

A. IFRS 16, *Leases* (cont'd)

The difference between the Group's contractual commitments in respect of the minimum contractual lease fees in the amount of NIS 741 million as reported in Note 35 "Operating Leases" of the year ended at December 31, 2018 to the lease liabilities recognized as of the initial implementation date of the Standard in the amount of NIS 830 million is mainly due to extension options of the lease period which are not included in applying IFRS 16 which was partially offset by a decrease resulted from the discounted lease payments according to IFRS 16.

Impact of the application of IFRS 16 in the reporting period

As a result of applying IFRS 16, in relation to the leases that were classified as operating leases according to IAS 17, the Group recognized right-of-use assets, net and Investment property as at December 31, 2019 in the amount of NIS 745 million and lease liabilities as at December 31, 2019 in the amount of NIS 759 million.
Furthermore, instead of recognizing lease expenses in the amount of NIS 275 million in relation to those leases, during the period ended December 31, 2019 the Group recognized additional depreciation expenses and change in fair value of investment property in the amount of NIS 258 million, and additional financing expenses in the amount of NIS 24 million. For the impact of applying IFRS 16 on the Adjusted EBITDA, see note 6, regarding Operating Segments.

The main changes in accounting policies following the application of IFRS 16:

(1) Determining whether an arrangement contains a lease

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

(a) The right to obtain substantially all the economic benefits from use of the identified asset; and
(b) The right to direct the identified asset’s use.

For cell and switches sites lease contracts that contain non-lease components, such as services or maintenance, that are related to a lease component, the Group elected to account for the contract as a single lease component without separating the components.
For office buildings, warehouses, service centers, retail stores and motor vehicles lease contracts that contain non-lease components, such as services or maintenance, that are related to a lease component, the Group elected to separate the components and account the lease component separately.

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

F. Changes in the accounting policies (cont'd)

1. Initial application of new standards, amendments to standards and interpretations (cont'd)

A. IFRS 16, *Leases* (cont'd)

(2) Leased assets and lease liabilities

Upon initial recognition, the Group recognizes a liability at the present value of the balance of future lease payments, and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments.

Since the interest rate implicit in the Group's leases is not readily determinable, the incremental borrowing rate of the lessee is used.

Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model, and depreciated over the shorter of the lease term or useful life of the asset.

(3) The lease term

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively.

(4) Depreciation of right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows:

- Cell and switches sites — 4 years
- Office buildings, warehouses, service centers and retail stores — 3 years
- Motor vehicles — 2 years

(5) Reassessment of lease liability

Upon the occurrence of a significant event or a significant change in circumstances that is under the control of the Group and had an effect on the decision whether it is reasonably certain that the Group will exercise an option, which was not included before in the lease term, or will not exercise an option, which was previously included in the lease term, the Group re-measures the lease liability according to the revised leased payments using a new discount rate. The change in the carrying amount of the liability is recognized against the right-of-use asset, or recognized in profit or loss if the carrying amount of the right-of-use asset was reduced to zero.

(6) Lease modifications

When a lease modification increases the scope of the lease by adding a right to use one or more underlying assets, and the consideration for the lease increased by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the contract’s circumstances, the Group accounts for the modification as a separate lease.

In all other cases, on the initial date of the lease modification, the Group allocates the consideration in the modified contract to the contract components, determines the revised lease term and measures the lease liability by discounting the revised lease payments using a revised discount rate.

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

F. Changes in the accounting policies (cont'd)

1. Initial application of new standards, amendments to standards and interpretations (cont'd)

A. IFRS 16, *Leases* (cont'd)

(6) Lease modifications (cont'd)

For lease modifications that decrease the scope of the lease, the Group recognizes a decrease in the carrying amount of the right-of-use asset in order to reflect the partial or full cancellation of the lease, and recognizes in profit or loss a profit (or loss) that equals the difference between the decrease in the right-of-use asset and re-measurement of the lease liability.

For other lease modifications, the Group re-measures the lease liability against the right-of-use asset.

(7) Subleases

In leases in which the Group subleases the underlying asset, the Group examines whether the sublease is a finance lease or operating lease with respect to the right-of-use received from the head lease. The Group examined the subleases existing on the date of initial application based on the remaining contractual terms at that date.

The table below presents the effects of the items affected by the initial application on the statement of financial position as at January 1, 2019:

	According to IAS 17	The change	According to IAS 16
		NIS millions	
Trade and other receivables (including long-term amounts)	2,088	2	2,090
Right-of-use assets and Investment property	-	826	826
Lease liabilities	-	830	830
Trade payables and accrued expenses	696	(2)	694

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

F. Changes in the accounting policies (cont'd)

1. Initial application of new standards, amendments to standards and interpretations (cont'd)

B. IFRS 9 (2014), *Financial Instruments*

As from January 1, 2018 the Group applies IFRS 9, *Financial Instruments* (in this item: "the standard" or "IFRS 9"), which replaces IAS 39, *Financial Instruments: Recognition and Measurement* (in this item "IAS 39").

Additionally, following the application of IFRS 9, the Group has adopted consequential amendments to IFRS 7, *Financial Instruments: Disclosures*, and to IAS 1, *Presentation of Financial Statements*.

The Group has chosen to apply the standard and the amendment to the standard as from January 1, 2018 (in this item: "date of initial application") without amendment of the comparative data, with an adjustment to the balance of retained earnings and other components of equity as at the date of initial application.

The table hereunder summarizes the effects of the transition to IFRS 9 on the opening balances of assets and liabilities and retained earnings, including the tax effect:

	According to the previous policy	Effect of the standard	According to IFRS 9
		NIS millions	
Trade and other receivables (including long-term amounts) (1)	2,175	(12)	2,163
Debentures, including current maturities (2)	(2,900)	(34)	(2,934)
Deferred tax liabilities	(131)	10	(121)
Retained earnings	(1,436)	36	(1,400)

1) The standard includes a new 'expected credit loss' model, which following its application, the amount of the provision for impairment of all the financial assets decreased by an amount of NIS 12 million as at January 1, 2018.

2) According to the standard, in cases that a change in terms or exchange of financial liabilities is immaterial and does not lead to de-recognition, the new cash flows should be discounted at the original effective interest rate, with the difference between the present value of the financial liability having the new terms and the present value of the original financial liability being recognized in profit or loss. As a result of applying the standard, the carrying amount of a Series of debentures whose terms were changed and for which a new effective interest rate was calculated at the time of the change in terms according to IAS 39, was recalculated from the date of the change in terms using the original effective interest rate. Accordingly, the balance of the liability decreased by the amount of NIS 34 million.

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

F. Changes in the accounting policies (cont'd)

1. Initial application of new standards, amendments to standards and interpretations (cont'd)

C. Amendment to IAS 28, Investments in Associates and Joint Venture: Long-Term Interests in Associates or Joint Ventures

The Amendment clarifies that for long-term interests that form part of the entity's net investment in the associate or joint venture, the entity shall first apply the requirements of IFRS 9 and then apply the instructions of IAS 28 with respect to the remainder of those interests, so that the long-term interests are in the scope of both IFRS 9 and IAS 28.

The application of the amendment did not have a material effect on the Group's financial statements**.**

D. IFRIC 23, Uncertainty Over Income Tax Treatments

IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 for uncertainties in income taxes. According to IFRIC 23, when determining the taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments, the entity should assess whether it is probable that the tax authority will accept its tax position. Insofar as it is probable that the tax authority will accept the entity's tax position, the entity will recognize the tax effects on the financial statements according to that tax position. On the other hand, if it is not probable that the tax authority will accept the entity's tax position, the entity is required to reflect the uncertainty in its accounts by using one of the following methods: the most likely outcome or the expected value. IFRIC 23 clarifies that when the entity examines whether or not it is probable that the tax authority will accept the entity's position, it is assumed that the tax authority with the right to examine any amounts reported to it will examine those amounts and that it has full knowledge of all relevant information when doing so. Furthermore, according to IFRIC 23 an entity has to consider changes in circumstances and new information that may change its assessment. IFRIC 23 also emphasizes the need to provide disclosures of the judgments and assumptions made by the entity regarding uncertain tax positions.

The application of IFRIC 23 did not have a material effect on the financial statements.

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

F. Changes in the accounting policies (cont'd)

2. Voluntary change in accounting policy

During the period, management has updated the accounting policy about the effect of long-term credit arrangements, on the financial performance of the Group as follows:

New accounting policy
Revenues from long-term credit arrangements (more than 12 monthly payments) are recognized on the basis of the present value of future cash flows, discounted according to market interest rates at the time of the transaction. The difference between the original credit and its present value is recorded as other income over the credit period.

Previous accounting policy
Revenues from long-term credit arrangements (more than 12 monthly payments) are recognized on the basis of the present value of future cash flows, discounted according to market interest rates at the time of the transaction. The difference between the original credit and its present value is recorded as interest income over the credit period.

The voluntary change in accounting policy is intended to provide shareholders with a better expression of its business activities, to enhance the comparability of its financial statements to its peers and to prepare the consolidated financial statements in a more reliable and more relevant way.

The application of the change in the accounting policy was apply retrospectively. Retrospective application is applied a new accounting policy to transactions as if that policy had always been applied.

The effect of this change on the condensed consolidated interim financial statements in previous periods is as follows:

	Year ended December 31, 2017 NIS millions	Year ended December 31, 2018 NIS millions
Increase in other income	**31**	**27**
Decrease in financing income	**(31)**	**(27)**

G. Exchange rates and known Consumer Price Indexes are as follows:

	Exchange rates of US$	Consumer Price Index (points)*
As of December 31, 2019	**3.456**	**224.67**
As of December 31, 2018	3.748	224.00
As of December 31, 2017	3.467	221.35
Change during the year:		
Year ended December 31, 2019	**(7.79)%**	**0.30%**
Year ended December 31, 2018	8.10%	1.20%
Year ended December 31, 2017	(9.83)%	0.30%

*According to 1993 base index.

Note 3 - Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Group for all periods presented in these consolidated financial statements, except as described in changes in the accounting policies section in Note 2, regarding Basis of Preparation of the Financial Statements.

A. Basis of consolidation

1. Subsidiaries

Subsidiaries are entities controlled directly or indirectly by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

2. Non-controlling interests

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company.

Measurement of non-controlling interests on the date of the business combination

Non-controlling interests that are instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation (for example: ordinary shares), are measured at the date of the business combination at either fair value, or at their proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. This accounting policy choice does not apply to other instruments that meet the definition of non-controlling interests (for example: options to ordinary shares). Such instruments will be measured at fair value or in accordance with other relevant IFRSs.

Allocation of profit or loss and other comprehensive income to the shareholders

Profit or loss are allocated to the owners of the Company and the non-controlling interests. Total profit or loss is allocated to the owners of the Company and the non-controlling interests even if the result is a negative balance of non-controlling interests.

Transactions with non-controlling interests, while retaining control

Transactions with non-controlling interests while retaining control are accounted for as equity transactions.

Issuance of put option to non-controlling interests

A put option issued by the Group to non-controlling interests that is settled in cash or another financial instrument is recognized as a liability at the present value of the exercise price. In subsequent periods, changes in the value of the liability in respect of put options by the Group to non-controlling interests are recognized in profit or loss according to the effective interest method.

The Group’s share of a subsidiary’s profits includes the share of the non-controlling interests to which the Group issued a put option.

Note 3 - Significant Accounting Policies (cont'd)

A. Basis of consolidation (cont'd)

3. Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. The difference between the sum of the proceeds and fair value of the retained interest, and the derecognized balances is recognized in profit or loss under other income or other expenses.

4. Investment in associates and joint ventures (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. There is a rebuttable presumption that significant influence exists when the Group holds between 20% and 50% of another entity. In assessing significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.

Joint ventures are joint arrangements in which the Group has rights to the net assets of the arrangement.

Associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. Transaction costs that are directly attributable to an expected acquisition of an associate or joint venture are recognized as an asset as part of the item of deferred expenses in the statement of financial position. These costs are added to the cost of the investment on the acquisition date.

The consolidated financial statements include the Group’s share of the income and expenses in profit or loss of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Long-term interests that are in substance form part of the net investment, such as long-term loans that their repayment is not expected and is unlikely to occur in the foreseeable future, are first accounted for in accordance with the instructions of IFRS 9 and then apply the instructions of IAS 28 with respect to the remainder of those interests, so that the long-term interests are in the scope of both IFRS 9 and IAS 28.

5. Transactions eliminated on consolidation

Intra-group balances and transactions in the Group, and any unrealized income and expenses arising from intra-group transactions, were eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group’s interest in these investments.

Note 3 - Significant Accounting Policies (cont'd)

B. Foreign currency transactions

Transactions in foreign currencies are translated to NIS at the prevailing foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as of the reporting date are translated to NIS at the prevailing foreign exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost, are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to NIS at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognized in profit and loss.

C. Financial instruments

(1) Non-derivative financial assets – policy applicable as from January 1, 2018

Initial recognition and measurement of financial assets

The Group initially recognizes trade receivables and debt instruments issued on the date that they are created. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price. Receivables originating from contract assets are initially measured at the carrying amount of the contract assets on the date classification was changed from contract asset to receivables.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. When the Group retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost or fair value through profit or loss.

Financial assets are not reclassified in subsequent periods unless, and only if, the Group changes its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets so as to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

(1) Non-derivative financial assets – policy applicable as from January 1, 2018 (cont'd)

Classification of financial assets into categories and the accounting treatment of each category (cont'd)

All financial assets not classified as measured at amortized cost or financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss. On initial recognition, the Group designates financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has balances of trade and other receivables that are held within a business model whose objective is collecting contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

Assessment of the business model for debt assets

The Group assesses the objective of the business model within which the financial asset is held on the level of the portfolio, since this best reflects the manner by which the business is managed and information is provided to management. The following considerations are taken into account in the assessment of the Group's business model:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the business model and the financial assets within the model is evaluated and reported to the entity's key management people;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

Assessment whether cash flows are solely payments of principal and interest

For the purpose of assessing whether the cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the timing or amount of the cash flows;
- Terms that may change the stated interest rate, including variable interest;
- Extension or prepayment features; and
- Terms that limit the Group's claim to cash flows from specified assets.

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

(1) Non-derivative financial assets – policy applicable as from January 1, 2018 (cont'd)

Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss (other than certain derivatives designated as hedging instruments).

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. Financial assets at amortized cost comprise cash and cash equivalents and trade and other receivables. Cash and cash equivalents include cash balances available for immediate use and call deposits. Cash equivalents include short-term highly liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value.

(2) Non-derivative financial assets – policy applicable before January 1, 2018

Initial recognition and measurement of financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are created. All other financial assets acquired in a regular way purchase, including assets designated at fair value through profit or loss, are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument, meaning on the date the Group undertook to purchase or sell the asset. Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, and cash and cash equivalents.

Financial assets are initially measured at fair value. If the subsequent measurement of the financial asset is not at fair value through profit and loss, then the initial measurement includes transaction costs that can be directly attributed to the acquisition or creation of the asset.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Regular way sales of financial assets are recognized on the trade date, meaning on the date the Group undertook to sell the asset. As to the Group’s policy on impairment see Paragraph H.

Classification of financial assets into categories and the accounting treatment of each category

The Group classifies its financial assets according to the following categories:

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy, providing that the designation is intended to prevent an accounting mismatch, or the asset is a combined instrument including an embedded derivative.

Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.
Financial assets classified as held-for-trading comprise securities that are held to support the Group's short-term liquidity needs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents include cash balances available for immediate use and call deposits. Cash equivalents include short-term highly liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value.

Offset of financial instruments - See section 3 below.

(3) Non-derivative financial liabilities

Non-derivative financial liabilities include: loans and borrowings from banks and others, marketable debt instruments, finance lease liabilities, and trade and other payables.

Initial recognition of financial liabilities

The Group initially recognizes debt securities issued on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Subsequent measurement of financial liabilities

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are designated at fair value through profit or loss if the Group manages such liabilities and their performance is assessed based on their fair value in accordance with the Group's documented risk management strategy, providing that the designation is intended to prevent an accounting mismatch.

Transaction costs directly attributable to an expected issuance of an instrument that will be classified as a financial liability are recognized as an asset in the framework of deferred expenses in the statement of financial position. These transaction costs are deducted from the financial liability upon its initial recognition, or are amortized as financing expenses in the statement of income when the issuance is no longer expected to occur.

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

(3) Non-derivative financial liabilities (cont'd)

Derecognition of financial liabilities
Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

Substantial modification in terms of debt instruments
An exchange of debt instruments having substantially different terms, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Furthermore, a substantial modification of the terms of an existing financial liability, or an exchange of debt instruments having substantially different terms between an existing borrower and lender, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value.

In such cases the entire difference between the amortized cost of the original financial liability and the fair value of the new financial liability is recognized in profit or loss as financing income or expense.

The terms are substantially different if the discounted present value of the cash flows according to the new terms, including any commissions paid, less any commissions received and discounted using the original effective interest rate, is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability.

In addition to the aforesaid quantitative criterion, the Group examines, inter alia, whether there have also been changes in various economic parameters inherent in the exchanged debt instruments, therefore, as a rule, exchanges of CPI-linked debt instruments with unlinked instruments are considered exchanges with substantially different terms even if they do not meet the aforementioned quantitative criterion.

Non-substantial modification in terms of debt instruments - policy applicable after January 1, 2018
In a non-substantial modification in terms (or exchange) of debt instruments, the new cash flows are discounted using the original effective interest rate, and the difference between the present value of the new financial liability and the present value of the original financial liability is recognized in profit or loss.

Offset of financial instruments
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Expansion of debentures for cash
When expanding debentures for cash, debentures are initially measured at their fair value, which is the proceeds received from the issuance (since this is the best market which the issuer has an immediate access to), with no effect on profit or loss in respect of the difference between the proceeds from issuance and the market value of the tradable debentures close to their issuance.

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

(4) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and CPI risks exposures.

Measurement of derivative financial instruments
Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

Economic hedges
Hedge accounting is not applied to derivative instruments that economically hedge financial assets and liabilities denominated in foreign currencies or CPI-linked. Changes in the fair value of such derivatives are recognized in profit or loss under financing income or expenses.

Derivatives that do not serve hedging purposes
The changes in fair value of derivatives that do not serve hedging purposes are recognized in profit or loss, as financing income or expense.

(5) Assets and liabilities linked to the Israeli CPI that are not measured at fair value

The value of CPI-linked financial assets and liabilities, which are not measured at fair value, is re-measured every period in accordance with the actual increase/decrease in the CPI.

(6) Issuance of parcel of securities

The consideration received from the issuance of a parcel of securities is attributed initially to financial liabilities that are measured each period at fair value through profit or loss, and then to financial liabilities that are measured only upon initial recognition at fair value. The remaining amount is the value of the equity component. When a number of equity components are issued in a parcel of securities, the consideration of the parcel attributes to their relative fair value. The fair value of each of the components of the package, are based on the average market prices of the securities three business days after their issuance.

Direct issuance costs are attributed to the specific securities in respect of which they were incurred. Joint issuance costs are attributed to the securities on a proportionate basis according to the allocation of the consideration from the issuance of the parcel, as described above. Issuance costs that allocated to equity components are presented net from equity.

D. Property, plant and equipment

Fixed asset items are measured at cost less accumulated depreciation and accumulated impairment losses.

Note 3 - Significant Accounting Policies (cont'd)

D. Property, plant and equipment (cont'd)

(1) Recognition and measurement

The cost of fixed assets includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located (when the Group has an obligation to dismantle and remove the asset or to restore the site), and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Communications networks consist of several significant components with different useful lives. Each component is treated separately and is depreciated over its estimated useful life.

Changes in the obligation to dismantle and remove the items and to restore the site on which they are located, other than changes deriving from the passing of time, are added or deducted from the cost of the asset in the period in which they occur. The amount deducted from the cost of the asset shall not exceed the balance of the carrying amount on the date of change, and any balance is recognized immediately in profit or loss.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the net disposal net proceeds with the carrying amount of property, plant and equipment and are recognized net within "other income" or "other expenses", as relevant in statement of income.

(2) Subsequent costs

The cost of replacing part of a fixed asset item is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing are recognized in profit or loss as incurred.

(3) Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, or other amount substituted for cost, less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Note 3 - Significant Accounting Policies (cont'd)

D. Property, plant and equipment (cont'd)

The annual depreciation rates for the current and comparative periods are as follows:

	%
Communications network	5-15
Control and testing equipment	15-25
Equipment and infrastructure for television services	15-33
Vehicles, Computers, Furniture and Landline communications equipment	6-33

Leasehold improvements are depreciated over the shorter of their estimated useful lives or the expected lease terms.

Depreciation methods, useful lives and residual values are reviewed at least at the end of each reporting year and adjusted if appropriate.

E. Rights of use of communications lines and right of use of fiber-optic infrastructure

Accounting policy applicable before January 1, 2019

The Group implements IFRIC 4, "Determining Whether an Arrangement Contains a Lease", which defines criteria for determining at the beginning of the arrangement, whether the right to use asset constitutes a lease arrangement.

According to IFRIC 4, as mentioned above, acquisition transactions of irrevocable rights of use of underwater cables capacity and right of use of fiber-optic infrastructure are treated as service receipt transactions. The amount which was paid for the rights of use of communications lines and right of use of fiber-optic infrastructure are recognized as a prepaid expense and is amortized on a straight-line basis over the period stated in the agreements, including the option period, which constitutes the estimated useful life of those capacities.

Accounting policy applicable as from January 1, 2019

The Group implements IFRS 16, "Determining Whether an Arrangement Contains a Lease", which defines criteria for determining at the beginning of the arrangement, whether the right to use asset constitutes a lease arrangement. As a result, the accounting treatments of transactions of irrevocable rights of use of underwater cables capacity and right of use of fiber-optic infrastructure have not changed.

F. Intangible assets and others

(1) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented as part of intangible assets.
In subsequent periods goodwill is measured at cost less accumulated impairment losses.

Note 3 - Significant Accounting Policies (cont'd)

F. Intangible assets and others (cont'd)

(2) Development

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized to intangible assets only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has the intention and sufficient resources to complete development and to use or sell the asset.

Direct development costs associated with internally developed information system software, and payroll costs for employees devoting time to the software projects, incurred during the application development stage, are capitalized and recognized as an intangible asset. Other development expenditure is recognized in profit or loss as incurred.

In subsequent periods, capitalized development expenditures are measured at cost less accumulated amortization, from the date which the asset is ready for use, and accumulated impairment losses.

(3) Incremental customer acquisition costs

Incremental customer acquisition costs are capitalized to asset, from January 1, 2017, following the adoption IFRS 15, when it is expected that the Group will recover these costs. Costs of obtaining a contract that would have been incurred regardless of the contract being obtained are recognized as an expense when incurred. Costs incurred to fulfill a contract with a customer are recognized as an asset when they: relate directly to a contract the Group can specifically identify; they generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and they are expected to be recovered. In any other case the costs are recognized as an expense when incurred.

Accordingly, incremental incentives and commissions paid to Group employees and resellers for securing contracts with customers, are recognized as intangible assets. In subsequent periods, customer acquisition costs are measured at cost less accumulated amortization according to the specific anticipated contract period and accumulated impairment losses.

(4) Other intangible assets

Customer relationships that are formed upon the acquisition of subsidiaries have a finite useful life and are amortized according to the expected benefits rate from these assets in each period.

Other intangible assets and others - licenses and frequencies, software and information systems costs are measured at cost less accumulated amortization and accumulated impairment losses and including direct costs necessary to prepare the asset for its intended use.

(5) Subsequent expenditure

Subsequent expenditure is capitalized to intangible asset only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Note 3 - Significant Accounting Policies (cont'd)

F. Intangible assets and others (cont'd)

(6) Amortization

Amortization is a systematic allocation of the amortizable amount of an intangible asset over its useful life. The amortizable amount is the cost of the asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis, (except for customer relationships as aforementioned (up to 2019)), over the estimated useful lives of the intangible assets from the date they are available for use, since these methods most closely reflect the expected pattern of consumption of the future economic benefits embodied in each asset. Goodwill and intangible assets having an indefinite useful life are not systematically amortized but are tested for impairment at least once a year.

Internally generated intangible assets are not systematically amortized as long as they are not available for use, i.e. they are not yet on site or in working condition for their intended use. Accordingly, these intangible assets, such as development costs, are tested for impairment at least once a year, until such date as they are available for use.

The annual amortization rates for the current and comparative periods are as follows:

	%	
Licenses and Frequencies	4-7	(mainly 4)
Information systems	25	
Software	15-25	
Customer acquisition costs	33-50	

Amortization methods, useful lives and residual values are reviewed at least each year-end and adjusted if appropriate.

The Group examines the useful life of an intangible asset that is not periodically amortized at least once a year in order to determine whether events and circumstances continue to support the decision that the intangible asset has an indefinite useful life.

G. Investment property

Investment property is property (land or building – or part of a building – or both) held (by the owner or as a right of use assets) either to earn rental income or for capital appreciation or for both, but not for:

1. Use in the production or supply of goods or services or for administrative purposes; or
2. Sale in the ordinary course of business.

Furthermore, some of the rental properties that are leased by the Group are classified and treated as investment property.

Investment property is initially measured at cost including capitalized borrowing costs. Cost includes expenditure that is directly attributable to the acquisition of the investment property. In subsequent periods the investment property is measured at fair value with any changes therein recognized in profit or loss.

Any gain or loss on disposal of an investment property is recognized in profit or loss under other income or other expenses, as relevant.

Note 3 - Significant Accounting Policies (cont'd)

H. Inventory

Inventory of cellular phone equipment, accessories and spare-parts are measured at the lower of cost and net realizable value. Cost is determined by the moving average method and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Group periodically evaluates the condition and age of inventories and makes provisions for impairment of inventories accordingly.

I. Impairment

(1) Non-derivative financial assets – policy applicable as from January 1, 2018

Financial assets and contract assets

The Group recognizes a provision for expected credit losses in respect of Financial assets at amortized cost and Contract assets (as defined in IFRS 15).

The Group has elected to measure the provision for expected credit losses in respect of trade receivables, contract assets and lease receivables at an amount equal to the full lifetime credit losses of the instrument.

Lifetime expected credit losses are expected credit losses that result from all possible default events over the expected life of the financial asset. The maximum period considered when assessing expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following events:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract such as a default or payments being past due;
- The restructuring of a loan or payment due to the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Note 3 - Significant Accounting Policies (cont'd)

I. Impairment (cont'd)

(1) Non-derivative financial assets – policy applicable as from January 1, 2018 (cont'd)

Presentation of provision for expected credit losses in the statement of financial position

Provisions for expected credit losses of financial assets measured at amortized cost are deducted from the gross carrying amount of the financial assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group does not have reasonable expectations of recovering a financial asset at its entirety or a portion thereof. This is usually the case when the Group determines that the debtor does not have assets or sources of income that may generate sufficient cash flows for paying the amounts being written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Write-off constitutes a de-recognition event.

(2) Non-derivative financial assets – policy applicable before January 1, 2018

A financial asset not carried at fair value through profit or loss is tested for impairment when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Evidence of impairment of debt instruments
The Group considers evidence of impairment for loans, trade receivables and other receivables at both a specific asset and collective level. All individually significant trade receivables, loans and receivables are assessed for specific impairment. All individually significant trade receivables, loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade receivables, loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Accounting for impairment losses of financial assets measured at amortized cost
An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in profit or loss and reflected in a provision for loss against the balance of the financial asset measured at amortized cost.

Reversal of impairment loss
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

Note 3 - Significant Accounting Policies (cont'd)

I. Impairment (cont'd)

(3) Property, plant and equipment and intangible assets and others

Timing of impairment testing

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, then the asset's recoverable amount is estimated.

Once a year and on the same date, or more frequently if there are indications of impairment, the Group estimates the recoverable amount of each cash generating unit that contains goodwill, or intangible assets that have indefinite useful lives or are unavailable for use.

Determining cash-generating units

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Measurement of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit, for which the estimated future cash flows from the asset or cash-generating unit were not adjusted.

Allocation of goodwill to cash generating units

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of cash-generating units, including those existing in the Group before the business combination, that are expected to benefit from the synergies of the combination.

The Company's corporate assets

The Company's corporate assets do not generate separate cash inflows and are utilized by more than one cash-generating unit. Corporate assets that cannot be allocated reasonably and consistently to cash-generating units are allocated to a group of cash-generating units if there are indications that a corporate asset may be impaired or indications of impairment in a group of cash-generating units, in which case the recoverable amount is determined for the group of cash-generating units that uses the corporate asset.

Note 3 - Significant Accounting Policies (cont'd)

I. Impairment (cont'd)

Recognition of impairment loss

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. As regards cash-generating units that include goodwill, an impairment loss is recognized when the carrying amount of the cash-generating unit, after including the balance of goodwill, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

Reversal of impairment loss

An impairment loss in respect of goodwill is not reversed. In respect of other assets, for which impairment losses were recognized in prior periods, an assessment is performed at each reporting date for any indications that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(4) Investments in associates and joint ventures

An investment in an associate and joint venture is tested for impairment when objective evidence indicates there has been impairment. Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognized separately, and therefore is not tested for impairment separately.

If objective evidence indicates that the value of the investment may have been impaired, the Group estimates the recoverable amount of the investment, which is the greater of its value in use and its net selling price. In assessing value in use of an investment in an associate or joint venture, the Group either estimates its share of the present value of estimated future cash flows that are expected to be generated by the associate or joint venture, including cash flows from operations of the associate or joint venture and the consideration from the final disposal of the investment, or estimates the present value of the estimated future cash flows that are expected to be derived from dividends that will be received and from the final disposal.

An impairment loss is recognized when the carrying amount of the investment, after applying the equity method, exceeds its recoverable amount. An impairment loss is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment in the associate or in the joint venture.

An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the investment after the impairment loss was recognized, and only to the extent that the investment's carrying amount, after the reversal of the impairment loss, does not exceed the carrying amount of the investment that would have been determined by the equity method if no impairment loss had been recognized.

Note 3 - Significant Accounting Policies (cont'd)

J. Employee benefits

(1) Post-employment benefits

Part of the Group's liability for post-employment benefits is covered by a defined contribution plan financed by deposits with insurance companies or with funds managed by a trustee. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. The Group's obligation of contribution to defined contribution pension plan is recognized as an expense in profit and loss in the periods during which services are rendered by employees. In addition, the Group has a net obligation in respect of defined benefit plan. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. This benefit is presented at present value deducting the fair value of any plan assets and is determined using actuarial assessment techniques which involves, among others, determining estimates regarding the capitalization rates, anticipated return on the assets, the rate of the increase in salary and the rates of employee turnover. There is significant uncertainty in respect to these estimates because of the long-term programs. For further information, see Note 20.

The Group recognizes immediately, directly in retained earnings through other comprehensive income, all re-measurements gains and losses arising from defined benefit plans. Interest costs and interest income on plan assets that were recognized in profit or loss are presented under financing income and expenses, respectively.

(2) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary retirement. Termination benefits for voluntary retirements are recognized as an expense if the Group has made an offer of voluntary retirement, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(3) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Group expects the benefits to be wholly settled.

(4) Share-based payment and restricted stock unit transactions

The grant date fair value of share-based payment and restricted stock units ("RSU") awards granted to employees are recognized as a salary expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense in respect of share-based payment and RSU awards that are conditional upon meeting service and non-market performance conditions, are adjusted to reflect the number of awards that are expected to vest. For share-based payment and RSU awards with non-vesting conditions or with market performance vesting conditions, the grant date fair value of the share-based payment and RSU awards are measured to reflect such conditions, and therefore the Group recognizes an expense in respect of the awards whether or not the conditions have been met.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, to consider exercise restrictions and behavioral considerations.

Note 3 - Significant Accounting Policies (cont'd)

K. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date.

The Group recognizes a reimbursement asset if, and only if, it is virtually certain that the reimbursement will be received if the Company settles the obligation. The amount recognized in respect of the reimbursement does not exceed the amount of the provision.

A provision for claims is recognized if, as a result of a past event, the Company has a present legal or constructive obligation and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably.

L. Revenue

The Group recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

Revenues derived from services, including cellular services, internet services, international calls services, fixed local calls, interconnect, roaming revenues, content and value added services, transmission services and television over the internet services, are recognized when the services are provided, in proportion to the stage of completion of the transaction and all other revenue recognition criteria are met.

Usually, the sale of equipment to the customer is executed with no contractual obligation of the client to consume services in a minimal amount for a predefined period. As a result, the Group refers to the sale transaction as a separate transaction and recognizes revenue from sale of equipment upon delivery of the equipment to the customer. Revenue from services is recognized and recorded when the services are provided.

Identifying the contract

The Group accounts for a contract with a customer only when the following conditions are met:

(a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them;
(b) The Group can identify the rights of each party in relation to the goods or services that will be transferred;
(c) The Group can identify the payment terms for the goods or services that will be transferred;
(d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and
(e) It is probable that the consideration, to which the Group is entitled to in exchange for the goods or services transferred to the customer, will be collected.

For the purpose of paragraph (e) the Group examines, inter alia, the percentage of the advance payments received and the spread of the contractual payments, past experience with the customer and the status and existence of sufficient collateral.

Note 3 - Significant Accounting Policies (cont'd)

L. Revenue (cont'd)

If a contract with a customer does not meet all of the above criteria, consideration received from the customer is recognized as a liability until the criteria are met or when one of the following events occurs: the Group has no remaining obligations to transfer goods or services to the customer and any consideration promised by the customer has been received and cannot be returned; or the contract has been terminated and the consideration received from the customer cannot be refunded.

Identifying performance obligations

On the contract's inception date the Group assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer one of the following:

(a) Goods or services (or a bundle of goods or services) that are distinct; or

(b) A series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

The Group identifies goods or services promised to the customer as being distinct when the customer can benefit from the goods or services on their own or in conjunction with other readily available resources and the Group's promise to transfer the goods or services to the customer is separately identifiable from other promises in the contract. In order to examine whether a promise to transfer goods or services is separately identifiable, the Group examines whether it is providing a significant service of integrating the goods or services with other goods or services promised in the contract into one integrated outcome that is the purpose of the contract.

In contracts with customers for the provision of various communication services in one package, the Group has identified more than one performance obligations in each contract with a customer, according to the services promised to the customer.

Option to purchase additional goods or services

An option that grants the customer the right to purchase additional goods or services constitutes a separate performance obligation in the contract only if the option grants the customer a material right it would not have received without the original contract.

Determining the transaction price

The transaction price is the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties. The Group takes into account the effects of determining the transaction price and the existence of a significant financing component.

Variable consideration

The transaction price includes fixed amounts and amounts that may change as a result of discounts, refunds, credits, price concessions, incentives, performance bonuses, penalties, claims and disputes and contract modifications that the consideration in their respect has not yet been agreed by the parties.

The Group includes variable consideration, or part of it, in the transaction price only when it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. At the end of each reporting period and if necessary, the Group revises the amount of the variable consideration included in the transaction price.

Note 3 - Significant Accounting Policies (cont'd)

L. Revenue (cont'd)

Allocating the transaction price to performance obligations
In a multiple performance obligations transaction, the transaction price is allocated between the components of the transaction according to the ratio of their stand-alone selling prices.

Existence of a significant financing component
In order to measure the transaction price, the Group adjusts the amount of the promised consideration in respect of the effects of the time on the value of money if the timing of the payments agreed between the parties provides to the customer or the Group a significant financing benefit. When assessing whether a contract contains a significant financing component, the Group examines, inter alia, the expected length of time between the date the Group transfers the promised goods or services to the customer and the date the customer pays for these goods or services, as well as the difference, if any, between the amount of the consideration promised and the cash selling price of the promised goods or services.

When the contract contains a significant financing component, the Group recognizes the amount of the consideration using the discount rate that would be reflected in a separate financing transaction between it and the customer on the contract's inception date. The financing component is recognized as other income over the period, which are calculated according to the effective interest method.

During 2019, management has updated the accounting policy about the effect of long-term credit arrangements, on the financial performance of the Group according to revenues from long-term credit arrangements (more than 12 monthly payments) are recognized on the basis of the present value of future cash flows, discounted according to market interest rates at the time of the transaction. The difference between the original credit and its present value is recorded as other income (instead of interest income) over the credit period. see also Note 2(F).

In cases where the difference between the time of receiving payment and the time of transferring the goods or services to the customer is one year or less, the Group applies the practical exemption included in the standard and does not separate a significant financing component.

Satisfaction of performance obligations
Revenue is recognized when the Group satisfies a performance obligation by transferring control over promised goods or services to the customer.

Contract costs
Incremental costs of obtaining a contract with a customer are recognized as an asset when the Group is expected to recover these costs. Costs to obtain a contract that would have been incurred regardless of the contract are recognized as an expense as incurred.

Warranty
In order to assess whether a warranty provides a distinct service to the customer and is therefore a distinct performance obligation, the Group examines, inter alia, the following characteristics: does the customer have the option to purchase the warranty separately; is the warranty required by law; the period of the warranty and the nature of the actions the Group promises to execute.

In respect to contracts with customers, the Group provides warranty services to customers in accordance with the contract, the Regulations of the Law or as is customary in the industry. Warranty services are provided to ensure the quality of the work and to meet the specifications agreed between the parties and do not constitute additional service provided to the customer. Therefore, the Group does not recognize the liability as a separate performance obligation, but treats it in accordance with the Instructions of IAS 37 and recognizes the provision for liability according to the estimated cost of the said services.

Note 3 - Significant Accounting Policies (cont'd)

L. Revenue (cont'd)

Principal or agent

When another party is involved in providing goods or services to the customer, the Group examines whether the nature of its promise is a performance obligation to provide the defined goods or services themselves, which means the Group is a principal provider and therefore recognizes revenue in the gross amount of the consideration, or obligation to arrange that another party provides the goods or services which means the Group is an agent and therefore recognizes revenue in the amount of the net commission.

The Group is a principal provider when it controls the promised goods or services before their transfer to the customer. Indicators that the Group controls the goods or services before their transfer to the customer include, inter alia, as follows: the Group is the primary obligor for fulfilling the promises in the contract; the Group has inventory risk before the goods or services are transferred to the customer; and the Group has discretion in setting the prices of the goods or services.

M. Cost of revenues

Cost of revenues mainly include equipment purchase costs, salaries and related expenses, value added services costs, royalties expenses, ongoing license fees, interconnection and roaming expenses, cell site leasing costs, depreciation and amortization expenses and maintenance expenses, directly related to services rendered.

The Group recognizes discounts from suppliers as a decrease in Cost of Sales. Therefore, discounts in respect of purchases that are added to the closing inventory balance are treated as inventory and the remainder as a decrease in Cost of Sales.

N. Advertising expenses

Advertising costs are expensed as incurred.

O. Lease payments

The accounting policy that was applied in periods prior to January 1, 2019

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

The accounting policy applied as from January 1, 2019, following the adoption of IFRS 16

See note 2(F) regarding changes in accounting policy.

P. Financing income and expenses

Financing income is comprised of interest income on funds invested, dividend income, changes in the fair value of financial instruments measured at fair value through profit or loss and income from exchange rate differences.

Changes in the fair value of financial assets at fair value through profit or loss also include income from dividends and interest.

Note 3 - Significant Accounting Policies (cont'd)

P. Financing income and expenses (cont'd)

Financing expenses are comprised of interest expenses, linkage expenses, discount amortization expenses, changes in fair value of financial instruments measured at fair value through profit or loss, losses from exchange rate differences and unwinding of the discount on provisions.

In the statements of cash flows, payments for derivative contracts which are used for economic hedges of financial liabilities arising from financing activities, are presented as part of cash flows from financing activities.

Payments for derivative contracts which are used for economic hedges of handset and network related acquisitions and international roaming services activity, and changes in the fair value of those derivatives, are presented as part of cash flows from operating activities.

In the statements of cash flows, payments for derivative contracts which are used for economic hedges of financial liabilities arising from financing activities, are presented as part of cash flows from financing activities.

Gains and losses from exchange rate differences and changes in the fair value of financial instruments measured at fair value through profit or loss, are presented on a net basis, as financing income or financing expenses.

Interest income and expenses are recognized in the profit and loss using the effective interest method.

Q. Taxes on income

Taxes on income comprise current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or are recognized directly in equity or in other comprehensive income to the extent they relate to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and there is intent to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realized simultaneously.

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more probable than not that the Group will have to use its economic resources to pay the obligation.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Note 3 - Significant Accounting Policies (cont'd)

Q. Taxes on income (cont'd)

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in its subsidiaries and the Group's holdings in included entities, where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their current tax assets and liabilities will be realized simultaneously.

R. Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and share options granted to employees.

S. New standards not yet adopted

Amendment to IFRS 3, *Business Combinations*

The Amendment clarifies whether a transaction to acquire an operation is the acquisition of a "business" or an asset. For the purpose of this examination, the Amendment added an optional concentration test so that if substantially all of the fair value of the acquired assets is concentrated in a single identifiable asset or a group of similar identifiable assets, the acquisition will be of an asset. In addition, the minimum requirements for definition as a business have been clarified, such as for example the requirement that the acquired processes be substantive so that in order for it to be a business, the operation shall include at least one input element and one substantive process, which together significantly contribute to the ability to create outputs. Furthermore, the Amendment narrows the reference to the outputs element required in order to meet the definition of a business and added examples illustrating the aforesaid examination.

The Amendment is effective for transactions to acquire an asset or business for which the acquisition date is in annual periods beginning on or after January 1, 2020, with earlier application being permitted.

In the opinion of the Group, application of the Amendment may have a material effect on the accounting treatment of future acquisitions of operations.

Note 4 - Fair Value

A. Determination of Fair Value

A number of the Group's accounting policies and disclosures require the determination of fair value, of certain assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

1. Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the appropriate interest rate at the reporting date.

2. Current investments and derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks.

The fair value of investments in debt securities and investments in equity instruments are based on quoted market prices.

3. Investment property

The fair value of investment property is estimated using the comparison technique, with the valuation model being based on the price per square meter of comparable properties, as arising from observable transactions in an active market.

4. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Share-based payment transactions

Fair value of employee stock options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior) and the risk-free interest rate (based on government bonds). Service conditions attached to the transactions are not taken into account in determining fair value.

B. Fair Value Hierarchy

When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

Note 5 - Financial Risk Management

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The Board has established a sub-committee for financial exposures management, which is responsible for developing and monitoring the Group's financial exposures management policies. The sub-committee recommends to the Board of Directors changes in the Group's financial exposures management policy.

The Group's risk management policies are established to identify and analyze the financial risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities through training and procedures. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures, and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. See also Note 23, regarding Financial Instruments.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group's credit risk arises principally from the Group's receivables from customers and investments in debt instruments. The carrying amounts of financial assets and contract assets represent the Group's maximum credit risk exposure.

Trade receivables, other receivables and contract assets

The Group conducts credit evaluations on receivables over a certain amount, and requires financial guarantees against them. Management monitors outstanding receivable balances and the financial statements include appropriate allowances for estimated irrecoverable amounts. The Group is exposed to credit risk arising mainly from its operation in Israel.

Cash and cash equivalents

Most of the Group's cash and cash equivalents are maintained with major banking institutions in Israel.

Investments in debt instruments

The Group limits its exposure to credit risk by investing only in liquid debt instruments and only with counterparties that have a credit rating of at least "AA-" from S&P Maalot. Management actively monitors credit ratings and given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Note 5 - Financial Risk Management (cont'd)

Credit risk (cont'd)

Derivatives
The counterparties of the derivatives held by the Group are major banks in Israel.

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives, in the consolidated statement of financial position. Financial instruments that could potentially subject the Group to credit risks consist primarily of trade receivables. Credit risk with respect to these receivables is limited due to the composition of the subscriber base, which includes a large number of individuals and businesses.

Assessment of expected credit losses for corporate customers
The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss and applying experienced credit judgement. Credit risk grades are defined using quantitative and qualitative factors that are indicative of the risk of default.

Assessment of expected credit losses for individual customers
The Group uses a provision matrix that is based on, inter alia, an aging of trade receivables, to measure the expected credit losses from individual customers, which comprise a very large number of small balances.
Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off. The loss rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – age of debt and period of delinquency, geographic region, age of customer relationship and type of product purchased.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and extreme conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The cash surpluses held by Group companies that are not required for financing their current activity, are invested in interest-bearing investment channels such as: short-term deposits and debentures.

These investment channels are chosen based on future forecasts of the cash Group will require in order to meet its liabilities.

The Group examines current forecasts of its liquidity requirements so as to make certain that there is sufficient cash for its operating needs, and it is careful at all times to have enough unused credit facilities so that the Group does not exceed its credit limits and is in compliance with its financial covenants. These forecasts take into consideration matters such as the Group’s plan to use debt for financing its activity, compliance with required financial covenants, and compliance with external requirements such as laws or regulation.

The Group has contractual commitments to purchase inventories and fixed assets, to incur capital expenditure with regard to its investment in a jointly controlled entity and an obligation to pay lease payments. For further information about material commitments see Note 31, regarding Commitments.

Note 5 - Financial Risk Management (cont'd)

Market risk

In the ordinary course of business, the Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out according to the policy established by the Board of Directors.

Interest rate and CPI risks

The Group is exposed to fluctuations in the interest rate, including changes in the CPI, as part of its borrowings are linked to the CPI. As part of its risk management policy the Group has entered into forward contracts that partially hedge the exposure to changes in the CPI. All such transactions are carried out within the policy established by the Board of Directors.

Currency risk

The Group's operating income and cash flows are exposed to currency risk, mainly due to handset and network related acquisitions, purchase of TV content, purchase of telecommunications capacity and its international roaming services activity. The Group also manages bank accounts that are denominated in a currency other than its respective functional currency, primarily USD and Euro. As part of its financial exposures hedging policy, the Group uses forward and option contracts to partially hedge the exposure to fluctuations in foreign exchange rates.

Other market price risk

Equity price risk arises from equity securities that are measured through profit and loss. Management monitors the mix of debt and equity securities in its investment portfolio based on market indices.

Capital management

The Group's capital management aim is to ensure a sound and efficient capital structure which takes into consideration, among others, the following factors:

A gearing ratio that supports the Group's cash flow needs with respect to its potential cash flow generation and also supporting its dividend policy, considering the limitation imposed on dividend distribution as established in the indenture of the Group's Series F, H through L debentures and in the Company's long term loans and deferred loan agreements, while maintaining a Net Debt to Adjusted EBITDA ratio (see definition in Note 19, regarding Debentures and long-term loans from financial institutions) as established in such documents, and that meets the industry standards. The Group considers Net Debt to Adjusted EBITDA ratio to be an important measure for investors, debentures holders, analysts, and rating agencies. This ratio is a non-GAAP figure not governed by International Financial Reporting Standards and its definition and calculation may vary from one company to another. The Group's debt mainly consists of short and long-term debentures traded publicly in the Tel Aviv Stock Exchange and loans from financial institutions.

Note 6 - Operating Segments

The Group operates in two reportable segments, as described below, which are the Group's strategic business units. The strategic business unit's allocation of resources and evaluation of performance are managed separately. The operating segments were determined based on internal management reports reviewed by the Group's chief operating decision maker (CODM). The CODM does not examine the balance of assets or liabilities for those segments and therefore, they are not presented.

- Cellular segment - the segment includes the cellular communications services, cellular equipment and supplemental services.
- Fixed-line segment - the segment includes landline telephony services, internet services, television services, transmission services, landline equipment and supplemental services.

	Year ended December 31, 2019*				
	NIS millions				
	Cellular	**Fixed-line**	**Reconciliation for consolidation**	**Consolidated**	**Reconciliation of subtotal Adjusted segment EBITDA to loss for the year**
External revenues	**2,326**	**1,382**	**-**	**3,708**	
Inter-segment revenues	**14**	**147**	**(161)**	**-**	
Adjusted segment EBITDA According to IAS 17* **	**380**	**285**			**665**
Impact of IFRS 16	**247**	**28**			**275**
Adjusted segment EBITDA According to IFRS 16* **	**627**	**313**			**940**
Depreciation and amortization					**(898)**
Tax benefit					**23**
Financing income					**49**
Financing expenses					**(193)**
Other expenses					**(10)**
Share based payments					**(8)**
Share in losses of equity accounted investees					**(10)**
Loss for the year					**(107)**

	Year ended December 31, 2018				
	NIS millions				
	Cellular	**Fixed-line**	**Reconciliation for consolidation**	**Consolidated**	**Reconciliation of subtotal Adjusted segment EBITDA to loss for the year**
External revenues	2,371	1,317	-	3,688	
Inter-segment revenues	14	147	(161)	-	
Adjusted segment EBITDA* **	418**	269			687
Depreciation and amortization					(584)
Tax benefit					6
Financing income					19**
Financing expenses					(190)
Share based payments					(2)
Loss for the year					(64)

Note 6 - Operating Segments (cont'd)

	Year ended December 31, 2017				
	NIS millions				
	Cellular	Fixed-line	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Adjusted segment EBITDA to profit for the year
External revenues	2,685	1,186	-	3,871	
Inter-segment revenues	14	162	(176)	-	
Adjusted segment EBITDA* **	626**	258			884
Depreciation and amortization					(555)
Taxes on income					(40)
Financing income					21**
Financing expenses					(196)
Other income					1
Share based payments					(2)
Profit for the year					113

* See Note 2(F) regarding initial application of IFRS 16, Leases.

** Reclassified – see Note 2(F) regarding voluntary change in accounting policy

*** Adjusted segment EBITDA as reviewed by the Group's CODM, represents earnings before interest (financing expenses, net), taxes, other income (expenses) (except for expenses in respect of voluntary retirement plans for employees, and gain (loss) due to sale of subsidiaries), depreciation and amortization, profits (losses) of equity account investees and share based payments, as a measure of operating profit. Adjusted Segment EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies.

Note 7 – Subsidiaries

A. Presented hereunder is a list of the Group's significant subsidiaries:

		The Group's ownership interest in the subsidiary for the year ended December 31	
	Principal location of the subsidiary's activity	2018	2019
Name of subsidiary			
Cellcom Fixed Line Communication L.P.	Israel	100%	**100%**
Dynamica Cellular Ltd.	Israel	100%	**100%**

B. In 2017, following the Ministry of Communication's requirement to unify the unified licenses held by each communications group into one unified license, the Company completed a reorganization of its subsidiaries, following which all the Company's fixed-line operation under the unified license are unified under the Company's wholly owned subsidiary Cellcom Fixed Line Communications, Limited Partnership.

Note 8 - Equity Accounted Investees and Joint Operations

In July 2019, the Company and the Israel Infrastructure Fund, or IIF, completed the co-investment in Israel Broadband Company (2013) Ltd., or IBC. After completion of the transaction, the Company and IIF hold by jointly and equally owned limited partnership 70% of IBC's share capital. Therefore, the Company indirectly holds 35% of the voting rights of IBC and accounts for the investment by the equity method.

The Company paid the sum of appx. NIS 56 million for its indirect stake in IBC, the majority of which was indirectly provided as shareholder loan to IBC (NIS 16 million of the amount paid for the share capital).

In addition, the Company sold its independent fiber-optic infrastructure in residential areas to IBC in an amount of appx. NIS 181 million (the capital gain recorded in other income was NIS 8 million). The amount was financed entirely through shareholder loans indirectly provided to IBC by the Company and IIF, each in the amount of appx. NIS 90 million.

For additional details, see Note 31(H), regarding communications.

Composition of the investments

	December 31, 2019 NIS millions
Investments in equity accounted investees:	
Purchase of share capital	**16**
Shareholder loans	**141**
Share in losses of equity accounted investees	**(10)**
Accumulated Interest	**6**
Other	**(3)**
	150

Note 9 - Cash and Cash Equivalents

Composition

	December 31,	
	2018 NIS millions	2019 NIS millions
Bank balances	50	**56**
Call deposits	1,152	**950**
	1,202	**1,006**

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 23.

Note 10 - Trade and Other Receivables

Composition

	December 31,	
	2018	2019
	NIS millions	NIS millions
Current		
Trade Receivables*		
Open accounts	423	**402**
Checks and credit cards receivables	141	**191**
Accrued income	122	**136**
Current maturity of long-term receivables	466	**413**
	1,152	**1,142**
Other Receivables		
Prepaid expenses	66	**60**
Others	18	**9**
	84	**69**
	1,236	**1,211**
Non-current		
Trade receivables*	370	**309**
Rights of use of communications lines	342	**323**
Deposits and other receivables	22	**20**
Loan to a customer	114	**120**
Other	4	**10**
	852	**782**
	2,088	**1,993**

* Net of allowance for doubtful debts.

The Group is exposed to credit risks and impairment losses related to trade and other receivables as disclosed in Note 23.

The Company's customer balance does not include NIS 30 million for discount transactions made with a financial institution.

Non-current trade receivables balances are in respect of equipment sold in installments (mainly 36 monthly payments) which current amount as of December 31, 2019, is calculated at a 3.3% annual discount rate (December 31, 2018 - 3.3%).

Note 11 - Inventory

A. **Composition**

	December 31,	
	2018	2019
	NIS millions	NIS millions
Handsets	69	**38**
Accessories	14	**8**
Spare parts	11	**20**
	94	**66**

B. In 2019, the Group tested slow moving inventory for impairment and wrote down inventory to its net realizable value by the amount of NIS 3 million (2018 - NIS 4 million). The write-down is included in Cost of revenues.

Note 12 - Property, Plant and Equipment, net

	Communications network	Control and testing equipment	Landline communications equipment*	Vehicles, Computers, furniture and other equipment*	Leasehold improvements	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cost						
Balance at January 1, 2018	4,989	58	224	278	113	5,662
Additions	265	5	144	14	2	430
Disposals	(180)	-	-	(91)	(15)	(286)
Balance at December 31, 2018	5,074	63	368	201	100	5,806
Additions	**205**	**1**	**110**	**14**	**1**	**331**
Disposals**	**(300)**	**-**	**(69)**	**(21)**	**(19)**	**(409)**
Balance at December 31, 2019	**4,979**	**64**	**409**	**194**	**82**	**5,728**
Accumulated Depreciation						
Balance at January 1, 2018	3,692	49	74	172	77	4,064
Depreciation for the year	258	5	64	38	9	374
Disposals	(179)	-	-	(91)	(14)	(284)
Balance at December 31, 2018	3,771	54	138	119	72	4,154
Depreciation for the year	**252**	**3**	**94**	**26**	**8**	**383**
Disposals**	**(147)**	**-**	**(55)**	**(20)**	**(19)**	**(241)**
Balance at December 31, 2019	**3,876**	**57**	**177**	**125**	**61**	**4,296**
Carrying amounts						
At January 1, 2018	1,297	9	150	106	36	1,598
At December 31, 2018	1,303	9	230	82	28	1,652
At December 31, 2019	**1,103**	**7**	**232**	**69**	**21**	**1,432**

* Reclassified

** The disposals includes the disposal of independent fiber-optic infrastructure in residential areas as a result of the sale to IBC, for additional details see Note 8.

In the ordinary course of business, the Group acquires property, plant and equipment on credit. The cost of acquisitions, which has not yet been paid at the reporting date, amounted to NIS 153 million (December 31, 2018 and 2017, NIS 221 million and NIS 143 million, respectively).

Note 13 - Intangible Assets and Others, net

	Licenses and Frequencies	Information systems	Software	Customer acquisition costs	Goodwill	Customer relationships and other	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cost							
Balance at January 1, 2018	552	325	45	120	809	314	2,165
Additions	-	71	8	138	-	1	218
Disposals	-	(100)	(12)	-	-	-	(112)
Balance at December 31, 2018	552	296	41	258	809	315	2,271
Additions	-	**84**	**9**	**138**	-	-	**231**
Disposals	-	**(65)**	**(13)**	-	-	**(6)**	**(84)**
Balance at December 31, 2019	**552**	**315**	**37**	**396**	**809**	**309**	**2,418**
Accumulated Amortization							
Balance at January 1, 2018	401	141	27	27	-	309	905
Amortization for the year	15	74	8	80	-	3	180
Disposals	-	(100)	(12)	-	-	-	(112)
Balance at December 31, 2018	416	115	23	107	-	312	973
Amortization for the year	**15**	**78**	**7**	**126**	-	**3**	**229**
Disposals	-	**(60)**	**(12)**	-	-	**(6)**	**(78)**
Balance at December 31, 2019	**431**	**133**	**18**	**233**	-	**309**	**1,124**
Carrying amounts							
At January 1, 2018	151	184	18	93	809	5	1,260
At December 31, 2018	136	181	18	151	809	3	1,298
At December 31, 2019	**121**	**182**	**19**	**163**	**809**	**-**	**1,294**

In the ordinary course of business, the Group acquires Intangible assets on credit. The cost of acquisitions, which has not yet been paid at the reporting date, amounted to NIS 34 million (December 31, 2018 and 2017, NIS 37 million and NIS 28 million, respectively).

Impairment testing for cash-generating units containing goodwill

The recoverable amount of each of the Company's cash-generating units was evaluated by the company with the assistance of an external appraiser using the Value In Use model which was calculated using discounted cash flows method based on a projected five-year cash flows. The five-year projected cash flows were estimated in light of the long-term growth rate. The Company used a relevant discount rate, which reflected the specific risks associated with the future cash flows of its cash-generating units. The carrying amount of the goodwill allocated to the cellular-segment and fixed-line segment as of December 31, 2019 amount NIS 77 million and NIS 732 million, respectively.

Actual results may differ from those assumed in the Company's valuation method. It is reasonably possible that the Company's assumptions described above could change in future periods. If any of these were to vary materially from the Company's plans, it may record impairment of goodwill in the future.

Note 13 - Intangible Assets and Others, net (cont'd)

Impairment testing for cash-generating units containing goodwill (cont'd)

These assumptions are as follows:

	Cash generating unit Cellular segment		Cash generating unit Fixed-line segment	
Pre-tax discount rate	**9.3**	**%**	**9.3**	**%**
Terminal value growth rate	**1.5**	**%**	**1.5**	**%**
Market share	**25.0**	**%**	**N/**	**R**
ARPU	**NIS 54.5**		**N/**	**R**

- The discount rate and the terminal value growth rate are denominated in real terms.
- The cash generating units have cash flows for 5 years, as included in their discounted cash flow model.
- The long-term growth rate has been determined as 1.5% which represents, among others, the natural population growth rate.
- The pre-tax discount rate is estimated and calculated using several assumptions, among others, cash generating units's Cost of Equity, risk premium for normative debt leveraging of the Group and estimates of the normative leverage ratio for the industry.
- ARPU (Average revenue per user) in terminal year (except revenue from hosting services and national roaming services).

Sensitivity to changes in assumptions

The estimated recoverable amount of the cash generating units exceeds their carrying amount by approximately NIS 191 million and NIS 829 million in Cellular segment and Fixed-line segment respectively. Management has identified key assumptions for which there reasonably could be a possible change that could cause the carrying amount to exceed the recoverable amount. The table below shows the amount that these assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount:

	Cash generating unit Cellular segment	Cash generating unit Fixed-line segment
Pre-tax discount rate	**9.8%**	**12.6%**
Terminal value growth rate	**0.9%**	**N/R**
Market share	**24.6%**	**N/R**
ARPU	**NIS 53.9**	**N/R**

Based on the above valuation performed, the Company concluded that the recoverable amount of its cash generating units as of December 31, 2019, is higher than their carrying amount and thus, no impairment was recognized.

The Company will continue to monitor the recoverable amount of its cash generating units to determine whether events and changes in circumstances such as deterioration in the business climate or operating results, continuous decline in the share price, changes in management’s business strategy or downward adjustments to the Company’ cash flows projections, warrant further impairment testing in future periods.

Note 14 – Leases

As mentioned at note 2(F), from January 1, 2019, the Group implements IFRS 16, Leases. The Group's mainly leases are assets used for cell and switches sites, buildings and motor vehicles.

A. Right-of-use Assets and Investment Property

	Cell and switches sites	Buildings	Motor vehicles	Total	Investment Property	Total
	Right-of-use Assets					
	NIS Millions					
Cost						
Balance as at January 1, 2019	626	153	23	802	24	826
Additions, changes in agreements and evaluation	135	24	30	189	-	189
Disposals	(24)	(1)	(5)	(30)	-	(30)
Balance as at December 31, 2019	**737**	**176**	**48**	**961**	**24**	**985**
Amortizations and losses from impairment						
Balance as at January 1, 2019	-	-	-	-	-	-
Amortization	177	53	22	252	-	252
Changes in fair value of investment property	-	-	-	-	6	6
Disposals	(5)	(1)	(5)	(11)	-	(11)
Changes in agreements and other	(3)	(1)	(3)	(7)	-	(7)
Balance as at December 31, 2019	**169**	**51**	**14**	**234**	**6**	**240**
Balance as at January 1, 2019	626	153	23	802	24	826
Balance as at December 31, 2019	**568**	**125**	**34**	**727**	**18**	**745**

Note 14 – Leases (cont'd)

B. Leases liabilities

	Cell and switches sites	Buildings	Motor vehicles	Total
	NIS Millions			
Balance as at January 1, 2019	622	183	25	830
Additions, changes in agreements and evaluation	141	30	33	204
Disposals	(18)	-	(1)	(19)
Finance expenses for lease liabilities	19	4	1	24
Payments for leases	(193)	(65)	(22)	(280)
Balance as at December 31, 2019	**571**	**152**	**36**	**759**
Book Value				
Current maturities of lease liabilities	148	61	17	226
Long-term lease liabilities	423	91	19	533
Balance as at December 31, 2019	**571**	**152**	**36**	**759**

C. Options to extend the lease

Some leases of buildings contain an option to extend the lease that the Group based on the management estimate was not taken into account in the calculation of the lease liability. This estimate could increase the leases liability by approximately NIS 259 million (based on the last discount rate).

Note 15 - Trade Payables and Accrued Expenses

Composition

	December 31,	
	2018	2019
	NIS millions	NIS millions
Trade payables	288	**345**
Accrued expenses	408	**342**
	696	**687**

The credit balance as of December 31, 2019 in respect of reverse factoring of trade payables transactions includes approximately NIS 106 million on short-term, that repaid trade payables balances in this amount as of the balance sheet date and are due for repayable between January 2020 until December 2020.

Note 16 - Provisions

Composition

	Dismantling and restoring sites	Litigations	Other contractual obligations	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Balance as at January 1, 2018	21	49	42	112
Provisions made during the year	-	21	12	33
Provisions reversed during the year	(1)	(7)	(12)	(20)
Balance as at January 1, 2019	20	63	42	125
Provisions made during the year	**2**	**12**	**4**	**18**
Provisions reversed during the year	-	**(17)**	**(5)**	**(22)**
Balance as at December 31, 2019	**22**	**58**	**41**	**121**
Non-current	**22**	-	-	**22**
Current	-	**58**	**41**	**99**
	22	**58**	**41**	**121**

Dismantling and restoring sites

The Group is required to incur certain costs in respect of a liability to dismantle and remove assets and to restore sites on which the assets were located. These dismantling costs are calculated on the basis of the identified costs for the current financial year, extrapolated for future years using the best estimate of future trends in prices, inflation, etc., and are discounted at a risk-free rate. Forecast of estimated site departures or asset returns is revised in light of future changes in regulations or technological requirements.

Litigations

The Group is involved in a number of legal and other disputes with third parties. The Group's management, after taking legal advice, has established provisions which take into account the facts of each case. The timing of cash outflows associated with legal claims cannot be reasonably determined. For detailed information regarding legal proceedings against the Group, refer to Note 32.

Other contractual obligations

Provisions for other contractual obligations and exposures include various obligations that are derived either from a constructive obligation or legislation for which there is a high uncertainty regarding the timing and amount of future expenditure required for settlement.

Note 17 - Other Payables, Including Derivatives

Composition

	December 31,	
	2018	2019
	NIS millions	NIS millions
Employees and related liabilities	116	**109**
Liability for voluntary retirement plan *	-	**45**
Government institutions	32	**25**
Interest payable	63	**55**
Accrued expenses	4	**5**
Deferred revenue	41	**55**
Derivative financial instruments	1	**5**
	257	**299**

*For additional details, see Note 31(G) regarding commitments

Note 18 - Other Long-term Liabilities

Composition

	December 31,	
	2018	2019
	NIS millions	NIS millions
Long-term trade payables	12	-
Deferred revenue	4	**3**
Other	-	**1**
	16	**4**

Note 19 - Debentures and Long-term Loans from Financial Institutions

This note provides information about the contractual terms of the Group's debentures and long-term loans from financial institutions, which are measured at amortized cost. For more information about the Group’s exposure to interest rate, foreign currency and liquidity risk, see Note 23.

	December 31,	
	2018	2019
	NIS millions	NIS millions
Non- current liabilities		
Debentures	2,911	**2,511**
Long-term loans from financial institutions	334	**300**
	3,245	**2,811**
Current liabilities		
Current maturities of debentures	492	**409**
Current maturities of loans from financial institutions	128	**100**
	620	**509**

Note 19 - Debentures and Long-term Loans from Financial Institutions (cont'd)

Debentures

The terms and debt repayment schedule

The terms and repayment schedule of the Company's debentures are as follows*:

				December 31, 2018		December 31, 2019	
				NIS millions		NIS millions	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Debentures (Series F)** - linked to the Israeli CPI	NIS	4.60%	2017-2020	429	444	**214**	**223**
Debentures (Series G)** - unlinked	NIS	6.99%	2017-2019	86	86	-	-
Debentures (Series H) - linked to the Israeli CPI	NIS	1.98%	2018-2024	836	777	**722**	**682**
Debentures (Series I) - unlinked	NIS	4.14%	2018-2025	724	701	**643**	**626**
Debentures (Series J) - linked to the Israeli CPI	NIS	2.45%	2021-2026	103	104	**103**	**104**
Debentures (Series K) - unlinked	NIS	3.55%	2021-2026	711	705	**711**	**706**
Debentures (Series L) - unlinked	NIS	2.50%	2023-2028	614	586	**603**	**579**
Total Debentures				3,503	3,403	**2,996**	**2,920**

* In January 2020, after the end of the reporting period, the Company repaid interest and principal of debentures in a total sum of approximately NIS 278 million, following which Debentures Series F were fully repaid.
** In June 2013, the Company's rating was updated from an "ilAA-/negative" to an “ilA+/stable” rating, in relation to the Company's debentures traded on the Tel Aviv Stock Exchange. Following this update of rating and since this was the second downgrade in the Debentures' rating since their issuance, the annual interest rate that the Company pays for its Series F and G debentures has been increased by 0.25% to 4.60% and 6.99%, respectively, beginning July 5, 2013.

In March 2019, the Company's rating outlook was updated from "stable" to “negative”.

In August 2019, the Company's rating was updated from an “ilA+/negative” to an "ilAA-/negative" rating in relation to the Company's debentures traded on the Tel Aviv Stock Exchange. No change has occurred in annual interest rates following this update.

In December 2019, the Company self-purchased Series L Debentures for approximately NIS 10 million.

The Company's outstanding debentures were issued based on the then current Israeli shelf prospectus and are listed on the Tel Aviv Stock Exchange, or TASE.

The Company's debentures are unsecured and contain standard terms and conditions in addition to certain additional undertakings by the Company, as follows:

In connection with the issuance of Series F debentures, the Company has undertaken to comply with certain financial and other covenants. Inter alia:

- a Net Leverage* exceeding 5, or exceeding 4.5 during four consecutive quarters, shall constitute an event of default; As of December 31, 2019, the Net Leverage is 2.03.

- not to distribute more than 95% of the profits available for distribution according to the Israeli Companies law (“Profits”); provided that if the Net Leverage* exceeds 3.5:1, the Company will not distribute more than 85% of its Profits and if the Net Leverage* exceeds 4:1, the Company will not distribute more than 70% of its Profits. Failure to comply with this covenant shall constitute an event of default;

- cross default, excluding following an immediate repayment initiated in relation to a liability of NIS 150 million or less, shall constitute an event

of default;

- a negative pledge, subject to certain exceptions. Failure to comply with this covenant shall constitute an event of default;

Note 19 - Debentures and Long-term Loans from Financial Institutions (cont'd)

Debentures (cont'd)

- an obligation to pay additional interest of 0.25% for two-notch downgrade in the debentures' rating and additional interest of 0.25% for each additional one-notch downgrade and up to a maximum addition of 1%, in comparison to the rating given to the debentures prior to their issuance;

- failure to have the debentures rated over a period of 60 days, shall constitute an event of default.

* Net Leverage - the ratio of Net Debt to Adjusted EBITDA, excluding one-time influences. Net Debt defined as credit and loans from banks and others, debentures and interest payable, net of cash and cash equivalents and current investments in tradable securities. Adjusted EBITDA defined as in relation to the twelve month period preceding the Group's most updated consolidated financial statements and calculated as profit before depreciation and amortization, other expenses/ income, net, financing expenses/ income net, profits (losses) of equity account investees and taxes on income. The definition of Adjusted EBITDA as defined above is identical to the definition of EBITDA (which the Group used in previous periods).

In connection with the issuance of Series H and Series I debentures in July 2014, the Company undertook additional undertakings, in addition to those previously undertaken by the Company in its Series F and G indenture (as detailed above), including: (1) in addition to being an event of default, meeting the financial covenants previously undertaken by the Company (a maximum net leverage ratio (Net Debt to Adjusted EBITDA ratio) in excess of 5.0:1, or in excess of 4.5:1 for four consecutive quarters) would be a condition for dividend distribution; and (2) meeting such financial covenants would also be a condition for the issuance of additional debentures of each of the two series. In addition, the Series H and Series I Indenture contains substantially similar events of default to those found in the Series F and Series G Indenture, with the exception of certain new events of default that do not appear in the Series F and Series G Indenture as well as certain modifications to the events of default that are found in the Series F and Series G Indenture, including: (1) breach of the above limitation on dividend distributions; (2) the minimum amount required for triggering a cross default shall not apply to a cross default triggered by another series of debentures; (3) the existence of a real concern that the Company shall not meet its material undertakings towards the debenture holders; (4) the inclusion in the Company's financial statements during a period of two consecutive quarters of a note regarding the existence of significant doubt as to the Company's ability to continue as a going concern; and (5) breach of the Company's undertakings regarding the issuance of additional debentures.

In January 2018, the Company issued a new series of debentures, Series L debentures, in a principal amount of approximately NIS 401 million, at an interest rate of 2.5% per annum (annual effective interest rate of 2.66%). Series L debentures principal will be payable in six installments, of which the first four installments of 15% of the principal each will be paid on January 5 of the years 2023 through 2026, and the remaining two installments of 20% of the principal each will be paid on January 5 of the years 2027 and 2028. The interest on the outstanding principal of the Series L debentures is payable on January 5 and on July 5 of each of the years 2019 through 2028. The series was issued at par value (NIS 1,000 per unit). The total net consideration received by the Company was approximately NIS 400 million. The debentures (principal amount and interest) are without any linkage.

The Series L debentures are unsecured and contain standard terms and conditions in addition to certain additional undertakings by the Company, generally similar to the terms of the Company's existing Series J and K debentures, with a change to the additional interest to be paid in case of a two-notch downgrade in the debentures' credit rating to 0.5% (with no change to the maximum additional interest).

According to the Company's June 2017 undertaking in an agreement with certain Israeli institutional investors, according to which the Company irrevocably undertook to issue to the institutional investors, and the institutional investors irrevocably undertook to purchase from the Company, NIS 220 million aggregate principal amount of additional debentures of the existing series K debentures (which are listed on the Tel Aviv Stock Exchange, or TASE), on July 1, 2018, the Company issued the debentures as aforesaid, at an interest rate of 3.55% per annum (annual effective interest rate of 3.6%). The total consideration received by the Company was approximately NIS 222 million (approximately NIS 220 million net).

Note 19 - Debentures and Long-term Loans from Financial Institutions (cont'd)

Debentures (cont'd)

In December 2018, the Company issued additional Series K debentures in an aggregate principal amount of approximately NIS 187 million in exchange for total consideration of approximately NIS 187 million, representing an effective interest rate of 3.89% per annum. series K debentures of the company are listed on the Tel Aviv Stock Exchange, or TASE.

In December 2018, the Company issued additional Series L debentures in an aggregate principal amount of approximately NIS 213 million in exchange for total consideration of approximately NIS 193 million, representing an effective interest rate of 4.53% per annum. series L debentures of the company are listed on the Tel Aviv Stock Exchange, or TASE.

The Series J, K and L debentures contain standard terms and conditions in addition to certain additional undertakings by the Company, generally similar to the terms of the Company's existing Series H and I debentures.

As of December 31, 2019, the Group is in compliance with the above covenants.

Long-term loans from financial institutions

The terms and repayment schedule of the Company's long-term loans are as follows:

				December 31, 2018		December 31, 2019	
				NIS millions		NIS millions	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Loan from financial institution	NIS	4.60%	2018-2021	150	150	**100**	**100**
Loan from financial institution	NIS	5.10%	2019-2022	200	200	**150**	**150**
Loan from bank	NIS	4.90%	2018-2019	112	112	-	-
Loan from bank	NIS	4.00%	2021-2024	-	-	**150**	**150**
Total loans				462	462	**400**	**400**

The Company's outstanding long-term loans contain standard terms and conditions in addition to certain additional undertakings by the Company, including: that the loans' interest rates may be subject to certain adjustments; the Company may prepay the loans, subject to a prepayment fee; generally include the negative pledge, limitations on distributions, events of default and financial covenants applicable to the Company's series F and H through I debentures. In addition, the loan from a bank includes: certain modifications to such events of default, including foreclosure, materialization of a pledge, execution actions, receivership and (subject to certain exclusions) sale of assets, in a specified certain lower amount, a failure to operate in a field which is material to the Company's operations and mergers and changes of formation (with more limited exclusions) will trigger an event of default; certain events which if not approved by the bank allow the bank to notify the Company of an acceleration of the repayment of the loan; and in case the Company provides stricter financial covenants to another financial institution or debenture holder, those will apply to this agreement as well.

Note 19 - Debentures and Long-term Loans from Financial Institutions (cont'd)

Long-term loans from financial institutions (cont'd)

According to a deferred loan agreement entered by the Company with an Israeli bank in June 2017, in March 2019, the loan in a principal amount of NIS 150 million was provided to the Company. The loan is with no linkage and bears an annual fixed interest of 4%. The loan's principal amount will be payable in four equal annual payments on March 31 of each of the years 2021 through and including 2024 and the interest will be payable in ten semi-annual installments on March 31 and September 30 of each calendar year commencing September 30, 2019 through and including March 31, 2024. The agreement includes similar terms and obligations to those included in the Company's loan agreement from August 2015, and applies the right to demand immediate repayment of either or both agreements due to certain events of default under either agreement.

In April 2019, the Company made an early repayment of a loan under the Company's August 2015 loan agreement with the said Israeli bank stated above, provided to the Company in December 2016, in an amount of NIS 112 million (in addition to outstanding accumulated interest until date of repayment).

As of December 31, 2019, the Group is in compliance with the above covenants.

Movement in liabilities deriving from financing activities

	Loans	Debentures	Derivatives	Interest payable	Put options to non-controlling interests	Total
	NIS millions					
Balance as at January 1, 2018	(540)	(2,900)	(17)	(54)	(11)	(3,522)
Effect of initial application of IFRS 9	-	(34)	-	-	-	(34)
Balance as at January 1, 2018	(540)	(2,934)	(17)	(54)	(11)	(3,556)
Changes from financing cash flows						
Payments for derivative contracts, net	-	-	15	-	-	15
Repayment of debentures and long-term loans from financial institutions	78	556	-	-	-	634
Proceeds from issuance of debentures, net of issuance costs	-	(997)	-	-	-	(997)
Interest paid	-	-	-	126	-	126
Acquisition of non-controlling interests	-	-	-	-	19	19
Total net financing cash flows	78	(441)	15	126	19	(203)
Financing expenses (income) recognized in profit or loss	-	(28)	1	(135)	(8)	(170)
Balance as at December 31, 2018	(462)	(3,403)	(1)	(63)	-	(3,929)
Changes from financing cash flows						
Payments for derivative contracts, net	-	-	**2**	-	-	**2**
Repayment of debentures and long-term loans from financial institutions	**212**	**504**	-	-	-	**716**
Receipt of long-term loans from financial institutions	**(150)**	-	-	-	-	**(150)**
Repurchase of own debentures	-	**10**	-	-	-	**10**
Interest paid	-	-	-	**127**	-	**127**
Total net financing cash flows	**62**	**514**	**2**	**127**	-	**705**
Financing expenses recognized in profit or loss	-	**(31)**	**(6)**	**(119)**	-	**(156)**
Balance as at December 31, 2019	**(400)**	**(2,920)**	**(5)**	**(55)**	-	**(3,380)**

Note 20 - Liability for Employee Rights upon Retirement, Net

The obligation of the Group, under law and labor agreements, to pay severance pay to employees who are not covered by the pension or insurance plans as mentioned in section A below, as of December 31, 2019 and 2018 is NIS 19 million and NIS 14 million respectively, as included in the consolidated statements of financial position, under Liability for employee rights upon retirement, net.

A. Post-employment benefit plans - defined contribution plan

The Group’s liability for severance pay for its Israeli employees is calculated pursuant to Israeli Severance Pay Law. The Group’s liability is mostly covered by monthly deposits with severance pay funds, insurance policies and by an accrual on the consolidated statements of financial position. For most of the Group's employees, the payments to pension funds and to insurance companies exempt the Group from any obligation towards its employees, in accordance with Section 14 of the Severance Pay Law-1963. Accumulated amounts in pension funds and in insurance companies are not under the Group's control or management and accordingly, neither those amounts nor the corresponding accrual for severance pay are presented in the consolidated statements of financial position.

B. Post-employment benefit plans - defined benefit plan

The portion of the severance payments which is not covered by deposits in defined contribution plans, as aforementioned, is accounted for by the Group as a defined benefit plan, according to which a liability for employee benefits is recognized and in respect of which, the Group deposits amounts in central severance pay funds and in appropriate insurance policies. The total liability as at December 31, 2019 is NIS 26 million (2018 - NIS 26 million). The fair value of the plan assets, the severance pay fund, is NIS 15 million (2018 - NIS 20 million). The expense recognized in the consolidated statement of income for the year ended December 31, 2019 in respect of defined benefit plans, is NIS 1 million (2018 - NIS 2 million).

C. As of December 31, 2019 the Group's liability for adaptation grants to employees is NIS 8 million (2018 - NIS 8 million).

Note 21 - Capital and Reserves

Share capital

	2017	2018	2019
		NIS	
Issued and paid at January 1	1,006,046	1,010,446	**1,161,968**
Equity offering	-	121,212	**306,000**
Exercise of share options	4,400	30,310	**4,917**
Issued and paid at December 31	1,010,446	1,161,968	**1,472,885**

The share capital is comprised of ordinary shares of NIS 0.01 par value each.

In June 2019, 3,030,300 series 2 options of the Company which were issued on June 2018, expired.

In December 2019, The Company issued for immediate total net consideration of approximately NIS 309 million:

- 30,600,000 ordinary shares of the Company (par value NIS 0.01 per share, or ordinary shares).
- 7,038,300 Series 3 Options. Each Series 3 Option entitles the holder thereof to purchase one ordinary share at an exercise price of NIS 8.64, until April 1, 2020. Until December 31, 2019, 491,717 of Series 3 Options were exercised for a total consideration of NIS 4 million. (2,011,998 of Series 3 Options have already been exercised, as at March 23, 2020)
- 6,426,000 Series 4 Options. Each Series 4 Option entitles the holder thereof to purchase one ordinary share at an exercise price of NIS 9.60, until September 30, 2020. Until December 31, 2019, no options were exercised from Series 4. (359,676 of Series 4 Options have already been exercised, as at March 23, 2020)

The offering was made under the Company's 2017 shelf prospectus and the securities were registered for trading on the Tel Aviv Stock Exchange.

At December 31, 2019, the authorized share capital was comprised of 300 million ordinary shares (December 31, 2018, 2017 - 300 million each). The holders of ordinary shares are entitled to receive dividends as declared.

Basic and diluted earnings (loss) per share

The calculation of basic earnings (loss) per share was based on the profit (loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding (100,654,935, 107,499,543 and 121,442,952 during the years 2017, 2018 and 2019, respectively). The calculations of diluted earnings (loss) per share was based on the profit (loss) attributable to ordinary shares and the weighted average number of ordinary shares in the basic earnings (loss) per share in addition of 234,726, 262,615, 3,066,497 incremental shares (NIS 0.01 par value each) that would be issued resulting from exercise of all options for the years ended December 31, 2017, 2018, 2019 respectively.

in December 31, 2019, 17,161 thousand options (2018 and 2017 - 780 thousand and 78 thousand options, respectively), were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company’s shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

Dividends

In 2017-2019 the Company did not pay dividend to the shareholders of the Company.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred or exercised.

Note 22 - Share-Based Payments

In March 2015, the Company's board of directors approved shared based incentive plan - "2015 Share Incentive Plan" for employees, directors, consultants and sub-contractors of the Company and the Company's affiliates. Under the plan, the Company's board of directors is authorized to determine the terms of the grants, including the identity of grantees, the number of options or restricted stock units ("RSUs") to be granted, the vesting schedule and the exercise price. The terms of the share based payments include a dividend adjustment mechanism. The options will be exercised at net exercise mechanism, with no cash transfer.

In January 2020, after reporting date, the Company's Board of Directors decided to grant options to MR. Avi Gabai the CEO of the Company, the Board of Directors decision was approved by the shareholders' meeting in March 2020.

The options granted will be vested in five portions after one, two, three, four and five years from the date of grant. The options are exercisable within 36 months from the date of maturity of each portion.

The first portion includes a total of 967,993 options at exercise price of NIS 14.2, the second a quantity of 937,030 at a exercise price of NIS 14.99, third portion includes a total of 805,570 options at an exercise price of NIS 16.10, fourth portion includes a total of 762,509 options at a exercise price of NIS 17.25 and Fifth portion a total of 680,370 options at an exercise price of NIS 17.25. The fair value of the options granted was calculated at an estimated average value of NIS 2.8 per option. The assumptions of their basis were calculated at fair value: an average of a risk-free interest rate - 0.35%, a weighted average life expectancy - 4.8 years and expected volatility - 40%. The value of the benefit program is approx. NIS 12 million and will be recorded over 5 years.

Grant date/ Employees entitled	Number of instruments In thousands	Instruments conditions	Vesting conditions	Contractual life of options	Adjusted exercise price per share as of December 31, 2019
Share options granted in August 2015 to senior employees	2,660	Each option is exercisable into one share of NIS 0.1 par value, at the market price exercised at net exercise mechanism	Three equal installments over three years of employment	4.5 years	NIS 25.65
Share options granted in November 2016 to senior employees	63	Each option is exercisable into one share of NIS 0.1 par value, at the market price exercised at net exercise mechanism	Three equal installments over three years of employment	4.5 years	NIS 29.97
Share options granted in May 2019 to senior employees	2,944	Each option is exercisable into one share of NIS 0.1 par value, at the market price exercised at net exercise mechanism	four equal installments over four years of employment	5 years	NIS 15.66
Restricted stock units (RSU) granted in may 2019 to senior employees	686	At fixed dates, the RSU is exercisable into one share of NIS 0.1 par value	four equal installments over four years of employment	5 years	-
Restricted stock units (RSU) granted in may 2019 to non-profit organization	333	At fixed dates, the RSU is exercisable into one share of NIS 0.1 par value	two equal installments over two years	2 years	-

Note 22 - Share-Based Payments (cont'd)

The changes in the balances of the options were as follows:

	Number of options	Weighted average of exercise price (NIS)	Number of options	Weighted average of exercise price (NIS)	Number of options	Weighted average of exercise price (NIS)
	2017		2018		2019	
Balance as at January 1	2,764,334	24.7	963,335	28.0	**780,332**	**25.9**
Granted during the year	-	-	-	-	**2,944,197**	**15.66**
Forfeited during the year	(146,334)	38.9	(159,000)	36.6	**(160,729)**	**16.96**
Exercised during the year	(1,654,335)	25.6	(24,333)	25.6	-	-
Total options outstanding as at December 31	963,665	27.9	780,332	25.9	**3,563,800**	**17.8**
Total of exercisable options as at December 31	106,000	44.9	766,332	25.8	**759,332**	**25.8**

1. The weighted average of the remaining contractual life of options outstanding as at December 31, 2019 is 3.4 years.
2. The fair value of employee stock options was measured using the Black and Scholes model. The model assumptions include the share price at the measurement date, expected volatility based on historical volatility in the company's shares, life of instruments based on past experience and risk-free interest rate.

	2017	2018	2019
Fair value of share options and assumptions:			
Fair value at grant date	-	-	**3.26**
Fair value assumptions:			
Share price at grant date NIS	-	-	**15.05**
Exercise price NIS	-	-	**15.66**
Expected volatility (weighted average)	-	-	**34.7%**
Option life (expected weighted average life)	-	-	**2.75**
Risk free interest rate	-	-	**0.7%**

Note 22 - Share-Based Payments (cont'd)

The changes in the balances of the RSU were as follows:

	Number of RSU		
	2017	**2018**	**2019**
Balance as at January 1	-	-	-
Granted during the year	-	-	**1,019,400**
Forfeited during the year	-	-	**(32,659)**
Exercised during the year	-	-	-
Total RSU outstanding as at December 31	-	-	**986,741**
Total of exercisable RSU as at December 31	-	-	**759,332**

	2017	**2018**	**2019**
Fair value of restricted stock units:			
Fair value of restricted stock units at grant date	-	-	**15.05**
Salary expenses arising from share-based payments (NIS millions)	2	3	**8**

Note 23 - Financial Instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2018	December 31, 2019
	NIS millions	NIS millions
Trade receivables including long-term amounts	1,522	**1,451**
Loans and other receivables including long-term amounts	138	**293**
Investment in debt securities and deposits	362	**428**
Cash and cash equivalents in banks	1,202	**1,006**
Derivative financial instrument	6	**1**
	3,230	**3,179**

The maximum exposure to credit risk of financial assets at the reporting date by type of counterparty is:

	December 31, 2018	December 31, 2019
	NIS millions	NIS millions
Receivables from subscribers	1,318	**1,235**
Receivables from distributors and other operators	160	**156**
Investment in government of Israel debt securities	80	**92**
Investment in institutional debt securities	282	**306**
Deposits	-	**30**
Cash and cash equivalents in banks	1,202	**1,006**
Investments in equity accounted investees	-	**145**
Other	188	**209**
	3,230	**3,179**

Impairment losses

The aging of financial assets at the reporting date was as follows:

	Gross	Impairment	Gross	Impairment
	2018		2019	
	NIS millions	NIS millions	NIS millions	NIS millions
Not past due	3,138	28	**3,108**	**35**
Past due less than one year	126	35	**111**	**32**
Past due more than one year	162	133	**146**	**119**
	3,426	196	**3,365**	**186**

Note 23 - Financial Instruments (cont'd)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2018 NIS millions	2019 NIS millions
Balance at January 1	187	**196**
Effect of initial application of IFRS 9	12	**-**
Balance as at January 1 after of initial application	199	**196**
Write-off lost debts	(40)	**(39)**
Doubtful debt expenses	37	**29**
Balance at December 31	196	**186**

The allowance accounts in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the amount considered irrecoverable is written off against the trade receivable directly.

Liquidity risk

The following are the maturities of contractual financial liabilities and other non-contractual liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2019	**Carrying amount**	**Contractual Cash flows**	**1st year**	**2nd year**	**3rd year**	**4-5 years**	**More than 5 years**
				NIS millions			
Debentures*	**(2,974)**	**(3,389)**	**(507)**	**(466)**	**(454)**	**(1,052)**	**(910)**
Long-term loans from financial institutions*	**(401)**	**(435)**	**(116)**	**(148)**	**(93)**	**(78)**	-
Trade and other payables	**(884)**	**(884)**	**(884)**	-	-	-	-
Forward exchange contracts on foreign currencies	**(2)**	**(2)**	**(2)**	-	-	-	-
Forward exchange contracts on CPI	**(3)**	**(3)**	**(3)**	-	-	-	-
Other long-term liabilities	**(1)**	**(1)**	-	**(1)**	-	-	-
Lease liabilities	**(759)**	**(839)**	**(246)**	**(183)**	**(142)**	**(139)**	**(129)**
	(5,024)	**(5,553)**	**(1,758)**	**(798)**	**(689)**	**(1,269)**	**(1,039)**

* Including accrued interest

December 31, 2018	**Carrying amount**	**Contractual Cash flows**	**1st year**	**2nd year**	**3rd year**	**4-5 years**	**More than 5 years**
				NIS millions			
Debentures*	(3,466)	(4,008)	(610)	(506)	(466)	(988)	(1,438)
Long-term loans from financial institutions*	(462)	(503)	(147)	(141)	(135)	(80)	-
Trade and other payables	(815)	(815)	(815)	-	-	-	-
Forward exchange contracts on CPI	(1)	(1)	(1)	-	-	-	-
Other long-term liabilities	(13)	(13)	(13)	-	-	-	-
	(4,757)	(5,340)	(1,586)	(647)	(601)	(1,068)	(1,438)

* Including accrued interest

Note 23 - Financial Instruments (cont'd)

Currency risk and CPI

The Group's exposure to foreign currency risk and CPI is as follows:

	December 31, 2018			December 31, 2019		
	In or linked to foreign currencies (mainly USD)	Linked to CPI	Unlinked	In or linked to foreign currencies (mainly USD)	Linked to CPI	Unlinked
	NIS millions			NIS millions		
Current assets						
Cash and cash equivalents	13	-	1,189	**14**	-	**992**
Current investments, including derivatives	20	171	177	**13**	**186**	**182**
Trade receivables	56	-	1,096	**43**	-	**1,099**
Other receivables	-	1	1	-	-	**4**
Non- current assets						
Long-term receivables	-	57	449	-	**60**	**393**
Current liabilities						
Current maturities of debentures and of loans from financial institutions	-	(328)	(292)	-	**(331)**	**(178)**
Trade payables and accrued expenses	(182)	-	(514)	**(171)**	-	**(516)**
Other current liabilities, including derivatives	-	(20)	(164)	**(2)**	**(48)**	**(306)**
Current maturities of lease liabilities	-	-	-	**(6)**	**(216)**	**(4)**
Non- current liabilities						
Long-term loans from financial institutions	-	-	(334)	-	-	**(300)**
Debentures	-	(998)	(1,914)	-	**(679)**	**(1,832)**
Other non-current liabilities	(12)	-	-	-	-	**(20)**
Long-term lease liabilities	-	-	-	**(15)**	**(509)**	**(9)**
	(105)	(1,117)	(306)	**(124)**	**(1,537)**	**(495)**

The Group's exposure to linkage and foreign currency risk in respect of derivatives is as follows:

	December 31, 2019			
	Currency/ linkage receivable	Currency/ linkage payable	Notional Value	Fair value
			NIS millions	
Instruments not used for hedging				
Forward exchange contracts on foreign currencies	USD	NIS	**128**	**(2)**
Forward exchange contracts on CPI	CPI	NIS	**360**	**(3)**
Foreign currency put options	NIS	USD	**(68)**	**1**

Note 23 - Financial Instruments (cont'd)

Currency risk and CPI (cont'd)

	December 31, 2018			
	Currency/ linkage receivable	Currency/ linkage payable	Notional Value	Fair value
			NIS millions	
Instruments not used for hedging				
Forward exchange contracts on foreign currencies	USD	NIS	203	4
Forward exchange contracts on CPI	CPI	NIS	400	(1)
Foreign currency put options	NIS	USD	(147)	-
Embedded derivative in lease contracts	USD	NIS	15	1

Sensitivity analysis

A change of the CPI as at December 31, 2019 and 2018 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

	Change	Equity NIS millions	Net income NIS millions
December 31, 2019			
Increase in the CPI of	2.0%	**(15)**	**(15)**
Increase in the CPI of	1.0%	**(8)**	**(8)**
Decrease in the CPI of	(1.0)%	**8**	**8**
Decrease in the CPI of	(2.0)%	**15**	**15**
December 31, 2018			
Increase in the CPI of	2.0%	(11)	(11)
Increase in the CPI of	1.0%	(6)	(6)
Decrease in the CPI of	(1.0)%	2	2
Decrease in the CPI of	(2.0)%	1	1

Sensitivity of change in foreign exchange rate is immaterial as at December 31, 2019 and 2018.

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments, not including derivatives, was:

	Carrying amount	
	2018	2019
	NIS millions	NIS millions
Fixed rate instruments		
Financial assets	355	**656**
Financial liabilities	(3,865)	**(3,320)**
	(3,510)	**(2,664)**
Variable rate instruments		
Financial assets	1,179	**995**

Note 23 - Financial Instruments (cont'd)

Fair value sensitivity analysis for fixed rate instruments

A change of interest rates at the end of the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Equity				Profit or loss			
	1.0% increase	1.0% decrease	0.5% increase	0.5% decrease	1.0% increase	1.0% decrease	0.5% increase	0.5% decrease
	NIS millions				NIS millions			
December 31, 2019								
Fair value sensitivity (net)	**(12)**	**12**	**(6)**	**6**	**(12)**	**12**	**(6)**	**6**

	Equity				Profit or loss			
	1.0% increase	1.0% decrease	0.5% increase	0.5% decrease	1.0% increase	1.0% decrease	0.5% increase	0.5% decrease
	NIS millions				NIS millions			
December 31, 2018								
Fair value sensitivity (net)	(10)	10	(5)	5	(10)	10	(5)	5

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the end of the reporting period would have increased (decreased) equity and profit or loss by immaterial amounts.

Fair Value

(1) Financial instruments measured at fair value for disclosure purposes only

The book value of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, current investments, including derivatives, trade and other payables, including derivatives and other long-term liabilities, are equal or approximate to their fair value.

The fair values of the remaining financial liabilities and their book values as presented in the consolidated statements of financial position are as follows:

	December 31, 2018		December 31, 2019	
	Book value	Fair value*	Book value	Fair value*
	NIS millions		NIS millions	
Debentures including current maturities and accrued interest	(3,466)	(3,585)	**(2,973)**	**(2,954)**
Long-term loans from financial institutions including current maturities and accrued interest	(462)	(479)	**(401)**	**(406)**

* The fair value as of December 31, 2019 includes principal and interest in a total sum of approximately NIS 278 million, paid in January 2020, after the end of the reporting period. The fair value as of December 31, 2018 includes principal and interest in a total sum of approximately NIS 373 million, paid in January 2019.

The fair value of marketable debentures is determined by reference to the quoted closing asking price at the reporting date (level 1), with the addition of principal and interest amounts, which were paid during the following month after the end of the reporting period.

Note 23 - Financial Instruments (cont'd)

Fair Value (cont'd)

(2) Fair value hierarchy of financial instruments measured at fair value

The table below analysis financial instruments carried at fair value, by valuation method, to the different levels.

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Financial assets at fair value through profit or loss				
Current investments in debt securities, shares and deposits	**472**	-	-	**472**
Derivatives	-	**1**	-	**1**
Total assets	**472**	**1**	-	**473**
Financial liabilities at fair value through profit or loss				
Derivatives	-	**(5)**	-	**(5)**
Total liabilities	-	**(5)**	-	**(5)**

There have been no transfers during the year between Levels 1 and 2.

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Financial assets at fair value through profit or loss				
Current investments in debt securities and shares	398	-	-	398
Derivatives	-	6	-	6
Total assets	398	6	-	404
Financial liabilities at fair value through profit or loss				
Derivatives	-	(1)	-	(1)
Total liabilities	-	(1)	-	(1)

(3) Details regarding fair value measurement at Level 2

Financial instrument	Valuation method for determining fair value
Forward contracts	Fair value measured on the basis of discounting the difference between the forward price in the contract and the current forward price for the residual period until redemption using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks.
Foreign currency options	Fair value is measured based on the Black-Scholes formula.

Note 23 - Financial Instruments (cont'd)

Fair Value (cont'd)

(4) Offset of financial assets and financial liabilities

The following table sets out the carrying amounts of recognized financial instruments that were offset in the consolidated statements of financial position:

		December 31, 2019		
	Note	Gross amounts of recognized financial assets (liabilities)	Gross amounts of financial assets (liabilities) recognized and offset in the consolidated statements of financial position	Net amounts of financial assets (liabilities) presented in the consolidated statements of financial position
		NIS millions	NIS millions	NIS millions
Financial assets				
Trade receivables	9	**136**	**(89)**	**47**
Financial liabilities				
Trade payables and accrued expenses	13	**(108)**	**89**	**(19)**

		December 31, 2018		
	Note	Gross amounts of recognized financial assets (liabilities)	Gross amounts of financial assets (liabilities) recognized and offset in the consolidated statements of financial position	Net amounts of financial assets (liabilities) presented in the consolidated statements of financial position
		NIS millions	NIS millions	NIS millions
Financial assets				
Trade receivables	9	160	(125)	35
Financial liabilities				
Trade payables and accrued expenses	13	(144)	125	(19)

Share price risk - sensitivity analysis

The Group’s investments in securities include investments in equity instruments. The sensitivity analysis below presents the effect of a change in share prices on the fair value of securities held by the Group, assuming that all other variables remain constant.

A change in share prices would have increased (decreased) profit or loss and equity by the amounts shown below (after tax):

	December 31, 2019	
	Profit or loss	Equity
	NIS millions	NIS millions
Increase of 5%	2	2
Increase of 10%	3	3

Decrease of 5%	(2)	(2)
Decrease of 10%	(3)	(3)

Note 24 - Revenues

By type of revenue:

	Year ended December 31,		
	2017	2018	2019
	NIS millions	NIS millions	NIS millions
Revenues from equipment	952	904	**932**
Revenues from services:			
Cellular services	1,777	1,581	**1,541**
Land-line communications services	1,004	1,068	**1,111**
Other services	138	135	**124**
Total revenues from services	2,919	2,784	**2,776**
Total revenues	3,871	3,688	**3,708**

Note 25 - Cost of Revenues

Composition

	Year ended December 31,		
	2017	2018	2019
	NIS millions	NIS millions	NIS millions
According to source of income:			
Cost of equipment sold	645	642	**695**
Cost of revenues from services	2,035	2,019	**2,030**
	2,680	2,661	**2,725**
According to its components:			
Cost of equipment sold	645	642	**695**
Rent and related expenses	281	271	**64**
Salaries and related expenses	224	217	**213**
Fees to communications operators	767	783	**763**
Cost of content	212	223	**267**
Depreciation and amortization	412	390	**601**
Royalties and fees	86	84	**85**
Other	53	51	**37**
Total cost of revenues from services	2,035	2,019	**2,030**
	2,680	2,661	**2,725**

Note 26 - Selling and Marketing Expenses

Composition

	Year ended December 31,		
	2017	2018	2019
	NIS millions	NIS millions	NIS millions
Salaries and related expenses	241	277	**278**
Commissions	88	85	**83**
Advertising and public relations	36	38	**46**
Depreciation and amortization	33	86	**155**
Other	81	81	**48**
	479	567	**610**

Note 27 - General and Administrative Expenses

Composition

	Year ended December 31,		
	2017	2018	2019
	NIS millions	NIS millions	NIS millions
Salaries and related expenses	124	81	**73**
Depreciation and amortization	110	108	**142**
Rent and maintenance	51	46	**3**
Data processing and professional services	36	34	**33**
Allowance for doubtful accounts	46	37	**29**
Other	59	54	**49**
	426	360	**329**

Note 28 - Other Income (Expenses), net

Composition

	Year ended December 31,		
	2017	2018	2019
	NIS millions	NIS millions	NIS millions
Interest income from installment sale transactions	31*	27*	**24**
Expenses of voluntary retirement plan	-	(26)	**(45)****
Capital gain from the sale of an indirect subsidiary of the Company and other	11	-	**1**
Other Income (Expenses), net	42	1	**(20)**

* Reclassified – see Note 2(F) regarding voluntary change in accounting policy

** For additional details, see Note 31(G) regarding commitments

Note 29 - Financing Income and Expenses

Composition

	Year ended December 31,		
	2017	2018	2019
	NIS millions	NIS millions	NIS millions
Interest income from installment sale transactions	*	*	*
Net change in fair value of financial assets measured at fair value through profit or loss	14	12	**36**
Financing income from loans	-	3	**11**
Other	7	4	**2**
Financing income	21	19	**49**
Interest expenses and linkage expenses to CPI on long-term liabilities	(147)	(138)	**(123)**
Net change in fair value of derivatives	(8)	(7)	**(12)**
Discount amortization	(32)	(26)	**(27)**
Financing expenses of lease liabilities	-	-	**(24)**
Other	(9)	(19)	**(7)**
Financing expenses	(196)	(190)	**(193)**
Net financing expenses recognized in profit or loss	(175)	(171)	**(144)**

* Reclassified – see Note 2(F) regarding voluntary change in accounting policy

Note 30 - Income Tax

A. Details regarding the tax environment of the Group

Corporate tax rate

Presented hereunder are the tax rates relevant to the Group in the years 2017-2019:
2017 - 24%
2018-2019 - 23%

On December 22, 2016 the Israeli Parliament passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) - 2016, by which, inter alia, the corporate tax rate was reduced from 25% to 23% in two steps. The first step to a rate of 24% as from January 2017 and the second step to a rate of 23% as from January 2018.

As a result of the aforesaid, the deferred tax balances as at December 31, 2018 and at December 31, 2019 were calculated according to the new tax rate of 23% - the tax rate expected to apply on the date of reversal.

Current taxes for the reported periods are calculated according to the tax rates presented above.

B. Composition of tax on income (tax benefit)

	Year ended December 31,		
	2017	2018	2019
	NIS millions	NIS millions	NIS millions
Current tax expense (income)			
Current year	27	14	**19**
Adjustments for prior years, net	(1)	1	**(3)**
	26	15	**16**
Deferred tax expense (income)			
Creation and reversal of temporary differences	14	(21)	**(39)**
Change in tax rate	-	-	-
	14	(21)	**(39)**
Tax on income (tax benefit)	40	(6)	**(23)**

Note 30 - Income Tax (cont'd)

C. Income tax in respect of other comprehensive income (loss)

	Year ended December 31,		
	2017	2018	2019
	NIS millions	NIS millions	NIS millions
Before tax	1	(2)	**(5)**
Tax (benefit) expenses	-	1	**1**
Net of tax	1	(1)	**(4)**

D. Reconciliation between the theoretical tax on the pre-tax profit (loss) and the tax expense (income)

	Year ended December 31,		
	2017	2018	2019
	NIS millions	NIS millions	NIS millions
Profit (loss) before taxes on income	153	(70)	**(130)**
Primary tax rate of the Group	24.0%	23.0%	**23.0%**
Tax calculated according to the Group's primary tax rate	37	(16)	**(30)**
Additional tax (tax saving) in respect of:			
Non-deductible expenses	5	6	**8**
Taxes in respect of previous years	(1)	1	**(3)**
Other differences	(1)	3	**2**
Income tax expenses (tax income)	40	(6)	**(23)**

Note 30 - Income Tax (cont'd)

E. Recognized deferred tax assets and liabilities

Deferred taxes are calculated according to the tax rate anticipated to be in effect on the date of reversal as stated above.

The movement in deferred tax assets and liabilities is attributable to the following items:

	Allowance for doubtful debts	Property, plant and equipment and intangible assets	Carry forward tax deductions and losses	Other	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Balance of deferred tax asset (liability) as at January 1, 2019	**45**	**(196)**	**17**	**35**	**(99)**
Changes recognized in profit or loss	**(2)**	**11**	**30**	**(1)**	**38**
Changes recognized in other comprehensive income	**-**	**-**	**-**	**1**	**1**
Balance of deferred tax asset (liability) as at December 31, 2019	**43**	**(185)**	**47**	**35**	**(60)**
Deferred tax asset	**43**	**5**	**47**	**42**	**137**
Offset of balances					**(137)**
Deferred tax asset in the consolidated statements of financial position as at December 31, 2019					**-**
Deferred tax liability	**-**	**(190)**	**-**	**(7)**	**(197)**
Offset of balances					**137**
Deferred tax liability in the consolidated statements of financial position as at December 31, 2019					**(60)**

Note 30 - Income Tax (cont'd)

E. Recognized deferred tax assets and liabilities (cont'd)

	Allowance for doubtful debts	Property, plant and equipment and intangible assets	Carry forward tax deductions and losses	Other	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Balance of deferred tax asset (liability) as at January 1, 2018	43	(197)	-	23	(131)
Changes recognized in profit or loss	(1)	1	17	4	21
Changes recognized in equity	3	-	-	7	10
Changes recognized in other comprehensive income	-	-	-	1	1
Balance of deferred tax asset (liability) as at December 31, 2018	45	(196)	17	35	(99)
Deferred tax asset	45	5	17	37	104
Offset of balances					(104)
Deferred tax asset in the consolidated statements of financial position as at December 31, 2018					-
Deferred tax liability	-	(201)	-	(2)	(203)
Offset of balances					104
Deferred tax liability in the consolidated statements of financial position as at December 31, 2018					(99)

F. Tax assessments

In March 2020, the Company with Israeli Tax Authority reached a final agreement in relation to the years 2014 - 2017 tax assessment. The assessment shall not have a material effect on the Company's financial statements.

013 Netvision Ltd has received final tax assessments up to and including the year ended December 31, 2015 (2015 fiscal year).

Note 31 - Commitments

A. The Group has commitments regarding the license it was granted in 1994, including:

1. Not to pledge any of the assets used to execute the license without the advance consent of the Ministry of Communications.

2. The Company's shareholders' joint equity, combined with the Company's equity, shall not amount to less than US$ 200 million. Regarding this stipulation, a shareholder holding less than 10% of the rights to the Company's equity is not taken into account.

The Group is in compliance with the above conditions.

B. As at December 31, 2019, the Group has commitments to purchase equipment for the communications networks, end user equipment, systems and software maintenance, and content and related services, in a total amount of approximately NIS 402 million.

C. Between 2003 and 2019, the Group entered into a number of agreements with TI Sparkle Ireland Telecommunications Ltd. (formerly Mediterranean Nautilus Ltd.) and TI Sparkle (Israel) Ltd. (formerly Mediterranean Nautilus (Israel) Ltd.), (or collectively TI Sparkle), for the purchase of rights of use of certain telecommunications capacities on TI Sparkle's communications cables, as well as maintenance and operation services relating to these cables. Over the last few years the Group has increased the capacity purchased for significantly lower prices, as well as reduced maintenance costs. The term of the agreement with respect to capacity purchased from TI Sparkle is in effect until May 2027. The Group has the option to extend the agreements until May 2032. The remainder of the obligation under all existing agreements as of December 31, 2019 is NIS 45 million.

D. In March and April 2017 the Sharing Agreements came into effect – (1) the 4G network sharing and 2G and 3G hosting services agreement with Xfone (which commenced operating in the cellular market in April 2018), (2) the 3G and 4G network sharing and 2G hosting services agreement with Golan (originally entered into with Electra and adopted by Golan, after being acquired by Electra) and (3) an agreement combining the 4G network sharing arrangements of the Xfone agreement and the Golan agreement into one three-way agreement.

The Sharing Agreements set the terms under which the sharing networks operate, including:

- usage of the parties' relevant frequencies, management and operation by separate entities, or the Joint Corporations, possession of equal parts of the shared network active elements, investment in equal parts in future active elements and IRU of each sharing party to the other sharing parties and IRU by us to the other sharing parties and the Joint Corporations to our passive elements of the shared networks, services provided by us to the Joint Corporations, as a subcontractor and certain arrangements for separation of the parities and adding another sharing party.

- The agreements are for a term of ten years, and will be extended for additional periods, unless either party notifies otherwise. The termination of the Golan Agreement prior to the lapse of the first 10 years due to a breach by Golan will entitle us to liquidated damages of NIS 600 million plus VAT. In addition to standard termination causes, Xfone may terminate its agreement by prior written notice if it decides to cease operating in the cellular market in Israel.

- The average annual consideration to be received by us under the Golan agreement (starting with lower annual payments and increasing over the term) is expected to be in a range of approximately NIS 210-220 million plus VAT (and a lower sum due to Xfone's participation in the Sharing Agreements and division of investments and expenses among the three operators), depending on Golan's number of subscribers and their usage of the shared network and our 2G network.

Note 31 - Commitments (cont'd)

D. (cont'd)

- The consideration for us under the Xfone agreement includes substantially similar arrangements (mutatis mutandis to its sharing and hosting agreement), but during a period of up to five years beginning April 2018, Xfone will be entitled to replace its payments for IRU to the passive network and operating costs with a monthly payment per subscriber, but in any case not less than certain minimum annual amounts (ranging between approximately NIS 20 million in the first year and approximately NIS 110 million in the fifth year).

- Under the Golan Agreement (which replaces the former national roaming services agreement) in April 2017, the company provided a loan to Golan in the sum of NIS 130 million which half include interest of 1.85% and linked to CPI and the other half include interest of 3.5% unlinked. The loan is for a period of 10 years to be repaid in 6 semi-annual equal installments beginning the 8th year of the Term (interest and CPI differentials to be accrued, will be paid as of the 6th year). The loan is guaranteed by a second degree floating charge on Golan's assets and rights (excluding certain exceptions).

According to the terms of the Golan agreement, part of the consideration is recognized as revenues and part is recognized as a reduction of operation costs. The agreement includes a number of performance obligations for revenue recognition purposes: (1) IRU of passive elements; (2) IRU in its part of the existing active elements of the shared 3G and 4G network and 2G hosting services; (3) Transmission services. In addition, Golan shall pay the Company for participation in the operating costs of the 3G and 4G shared network and 2G network and future ongoing investments in the shared networks, according to a mechanism set in the agreement.

E. In October 2016, the Company entered into an agreement with Apple Sales International for the purchase and distribution of iPhone handsets in Israel. The agreement is in force until May 2020. Under the terms of the agreement, the Company has committed to purchase a minimum quantity of iPhone products over the agreement's period, which represents a significant portion of our total cellular handsets purchase amounts over that period.

F. In May 2016, the Company entered into several agreements aiming to provide the Company with a comprehensive CRM SAAS solution, on a cloud 'software as a service', or SAAS, basis, which, when completed, will gradually replace all the Company current CRM systems with one CRM solution that will serve both the Company cellular and fixed-line segments. These agreements include the following main agreements:

An agreement with salesforce.com EMEA Limited, or Salesforce, for the provision of Salesforce's CRM SAAS platform, including various products and services and support for the agreement term. The agreement is valid until June 2020 and may be terminated by the Company subject to prior written notice. The Company also has an option to renew the agreement for two additional periods of 5 years each under certain terms.

Two agreements with Vlocity UK Ltd., or Vlocity, as follows: (i) an agreement for the provision of Vlocity's telecom-CRM SAAS solution, based on Salesforce platform, including support for such services for the agreement term. This agreement is valid until November 2024 and thereafter will be automatically renewed for additional periods of 5 years each (unless the Company decide not to renew the agreement). (ii) an agreement for the development and customization for Salesforce's and Vlocity's CRM solution. This agreement will be valid until the project is completed, and may be terminated by the Company subject to prior written notice.

Note 31 - Commitments (cont'd)

G. In July 2018, the Company entered a collective employment agreement with its employees' representatives and the Histadrut (an Israeli union labor) for a three year period until the end of 2020 (the "2018 Agreement"), which is similar to the Company's previous collective employment agreement (which expired at the end of 2017) and includes certain nonmaterial additions.

In May 2019, the Company, the employees' representatives and the Histadrut, entered a new collective employment agreement (the "2019 Agreement"), amending the 2018 Agreement, under which: salary increase for 2019 will be annulled; the salary increase for 2020 will be postponed for at least 15 months and until a certain condition is met; the employees' welfare budget will be reduced; and the Company will grant entitled employees options and RSUs and RSUs to a non-profit organization for the employees. The 2019 Agreement further includes certain arrangements relating to the Company and employees' representatives relations and also includes the termination of the labor dispute announced at the Company in January 2019, following the Company's intention to execute a substantial reduction in manpower.

During the fourth quarter of 2019, the Company and the employee's representatives and the Histadrut reached to consents and in February 2020, the parties entered a new collective employment agreement (the "2020 Agreement"), amending the 2018 Agreement and the 2019 Agreement, under which 450 employees will voluntarily resign; the Company will grant entitled employees options and RSUs, subject to all approvals and procedures required by law in three grants, as follows: (1) On June 1, 2020; (2) if the Company's net income for the fourth quarter of 2020 as reflected in its 2020 annual financial report is positive; (3) if the Company's net income for 2021 as reflected in its 2021 annual financial report is positive. The second and third grants may be delayed if the relevant conditions precedent aren't met, but no later than the annual financial report for 2022, in which time, if the conditions precedent are not met, the relevant grants will be annulled. The options and RSUs granted to the employees will be vested in four equal installments on each of the first, second, third and fourth anniversary of the date of grant. The options' exercise price shall be in line with the requirements set in the Company's compensation policy. The options of the first installment may be exercised within 18 months from their vesting, and the options of the second, third and fourth installments may be exercised with 12 month from their vesting. The expense of each grant will be recorded over the vesting period of the grant. The Company's employees to nominate a board member to the Company's board of directors and the 2020 Agreement also includes the termination of the labor dispute announced in September 2019 at the Company following the Company's intention to execute a substantial reduction in manpower.

H. In July 2019, the Company completed an investment transaction in IBC, composed of several agreements, or the Transaction, which in addition to standard and customary conditions, include the following:

- **Purchaser Agreements** - The Company and the Israel Infrastructure Fund, or IIF, entered into partnership agreements for the purchase of 70% of IBC's share capital by a jointly and equally owned limited partnership, or the Purchaser. The Purchaser Agreements contain an undertaking for an additional investment of up to NIS 200 million by both the Company and IIF, pro rata to their holdings in the Purchaser, over a period of 3 years (the Company have already provided IBC with the full additional investment obligation) and certain arrangements regarding a party's failure to make its share of the committed investment and regarding dead lock situations.

Note 31 - Commitments (cont'd)

H. (cont'd)

- **Share Purchase Agreement, or SPA** - The Purchaser, IBC, the Israeli Electric Company, or IEC and the other shareholders and main creditors of IBC entered an agreement for the purchase of 70% of IBC's share capital, through investment of the Purchaser in IBC, for a total amount of approximately NIS 110 million (of which the Company paid half) (the "Consideration"), the majority of which was in the form of a shareholders' loan (the loans include an interest between 4% to 6% above the most senior debt). The other 30% of IBC's issued and outstanding share capital are owned by IEC. The Consideration was used to settle generally all of IBC's debts (other than a certain amount to IEC).

- **Shareholders Agreement** - The Purchaser and IEC (holding 70% and 30% of IBC's share capital, respectively) entered into a shareholders agreement. The agreement regulates the management of IBC, including certain arrangements regarding funding of IBC and dilution (and anti-dilution in certain circumstances) of non-participating shareholders.

- **IRU Agreement** – The Company and IBC entered into an agreement granting to the company an indefeasible right of Use, or IRU to a 10-15% percentage of IBC's fiber optics 'home pass' (i.e. fiber-optic actually reaching / connected to the building; current undertaking of 15% and may be decreased to 10% under certain conditions), as shall be deployed by IBC in the next 15 years (and may be extended to additional periods with no additional consideration other than annual maintenance payments). The IRU consideration is subject to actual IBC's 'home pass' deployment is expected to increase each quarter based on the actual addition of 'home passes' deployed during such quarter and shall be paid in 36 quarterly installations (9 years), in addition to annual maintenance payments. To ensure the payment in this agreement, the company provided a bank guarantee in amount of NIS 36 million.

- **IEC Services Agreement** - IBC and IEC entered into an agreement updating IBC's previous right of use and services agreement for IBC's fiber-optic network when deployed over IEC's infrastructure. The IEC Services Agreement includes improved pricing and arrangements for IBC's exclusive right to deploy its fiber-optics over the IEC's electricity network and other services provided by IEC to IBC in relation thereof.

In addition, in July 2019, the Company and IBC entered an agreement and completed the transaction for the sale of the company's independent fiber-optic infrastructure in residential areas, to IBC, for the sum of approximately NIS 181 million. The consideration for the sale was financed entirely through shareholders' loans, provided to IBC by IIF and the Company. Once the sale was completed, the IRU Agreement, including the Company's obligation to purchase percentage of IBC's fiber optics 'home pass' (as detailed above), applies to the infrastructure purchased from the company (the combined amount of fiber-optic deployed at street level, surpassed 300,000 potential customers, at the end of 2019).

Note 32 - Contingent Liabilities

In the ordinary course of business, the Group is involved in various lawsuits against it. The costs that may result from these lawsuits are only accrued for when it is more likely than not that a liability, resulting from past events, will be incurred and the amount of that liability can be quantified or estimated within a reasonable range. The amount of the provisions recorded is based on a case-by-case assessment of the risk level, while events that occur in the course of the litigation may require a reassessment of this risk.

The Group's assessment of risk is based both on the advice of its legal counsels and on the Group's estimate of the probable settlements amounts that are expected to be incurred, if such settlements will be agreed by both parties. The provision recorded in the consolidated financial statements in respect of all lawsuits against the Group amounted to NIS 58 million (see also Note 16, regarding Provisions).

Described hereunder are the outstanding lawsuits against the Group, classified into groups with similar characteristics. The amounts presented below are calculated based on the claims amounts as of the date of their submission to the Group.

A. Consumer claims

In the ordinary course of business, lawsuits have been filed against the Group by its customers. These are mostly purported class actions, particularly concerning allegations of illegal collection of funds, unlawful conduct or breach of license, or a breach of agreements with customers, causing monetary and non-monetary damage to them. As of December 31, 2019, the amounts claimed from the Group by its customers sum up to NIS 15.875 billion (including approved class actions as detailed below). In addition, there are other purported class actions against the Group, in which the amount claimed has not been quantified if the lawsuits are certified as class actions, and in respect of which the Group has exposure in addition to the above mentioned. In addition, there are other purported class action for approximately NIS 785 million, that has been filed against the Group and other defendants together without specifying the amount claimed from the Group, another purported class action against the Group and other defendants together, in which the amount claimed from the Group was estimated by the plaintiffs to be approximately NIS 3 million, and other purported class actions, that have been filed against the Group and other defendants together in which the amount claimed has not been quantified if the lawsuits are certified as class actions and in respect of which the Group has exposure in addition to the above mentioned.

Of all the consumer purported class actions, in four purported class actions with aggregate amounts claimed estimated by the plaintiffs of approximately NIS 153 million, and in a purported class action that has been filed against the Group without specifying the amount claimed from the Group, settlement agreements were filed with the court and the proceedings are still pending.

Of all the consumer purported class actions, there is a purported class action against to Group and other defendants for approximately NIS 400 million, and two purported class actions that has been filed against the Group in which the amount claimed has not been quantified, of which at this early stage it is not possible to assess the chances of success.

After the end of the reporting period, an appeal was filed challenging the dismissal of a purported class action against the Group for approximately NIS 150 million, two purported class actions has been filed against the Group in a total amount of NIS 47 million, a purported class action has been filled against the Group and other defendants together, in which the amount claimed has not been quantified, and other appeal was filled challenging the dismissal of a purported class action in which the amount has not been quantified. At this early stage, it is not possible to assess their chances of success.

After the end of the reporting period, a purported class actions against the Group in a total amount estimated by the plaintiffs to be approximately NIS 11 million, a purported class action against the Group and other defendants, in which the amount claimed has not been quantified were concluded, and a settlement agreement was approved by the court in a purported class action against the Group in a total amount of NIS 15 billion.

Note 32 - Contingent Liabilities (cont'd)

Described hereunder are the outstanding consumer class actions and purported class actions against the Group broken down by amount claimed if the lawsuit is certified as a class action, as of December 31, 2019:

Claim amount	Number of claims	Total claims amount (NIS millions)
Up to NIS 100 million	14	470
NIS 100-500 million	1	405
Above NIS 1 billion	1	15,000
Unquantified claims	14	-
Against the Group and other defendants together without specifying the amount claimed from the Group	4	785
Against the Group and other defendants together, in which the amount claimed from the Group has been quantified	1	3
Unquantified claims against the Group and other defendants	7	-

Described hereunder are purported class actions against the Group, in which the amount claimed was NIS 1 billion or more:

In March 2015, a purported class action in a total amount estimated by the plaintiffs to be approximately NIS 15 billion, if the lawsuit is certified as a class action, was filed against the Company, by plaintiffs alleging to be subscribers of the Company, in connection with allegations that the Company unlawfully violated the privacy of its subscribers. In February 2017, a settlement agreement was filed with the court and in March 2020, after the end of the reporting period, the settlement agreement was approved by the court. The settlement agreement doesn't have a material effect on the financial statements.

B. Employees, subcontractors, suppliers, authorities and others claims

In the ordinary course of business, lawsuits have been filed against the Group by employees, subcontractors, suppliers, authorities and others which deal mostly with claims for breach of provisions of the law governing termination of employment and obligatory payments to employees, claims for breach of agreements, copyright and patent infringement and compulsory payments to authorities.

As of December 31, 2019, the amounts that are claimed from the Group under these claims total approximately NIS 30 million.

C. Liens and guarantees

As part of issuance of the Series F and H through L debentures and the loan agreements which the Company entered into, the Company committed not to create liens on its assets, subject to certain exceptions.

The Group has given bank guarantees as follows:

a. To the Government of Israel (to guarantee performance of the Cellular License) - NIS 80 million.
b. To the Government of Israel (to guarantee performance of the Licenses of the Group) - NIS 20 million.
c. To suppliers, government institutions and others - NIS 113 million.

Note 33 - Regulation and Legislation

A. In October 2018, regulations setting procedures for the construction, changes and replacement of radio access devices exempt from building permits, were enacted. Although these regulations reflect previous judicial limitations placed upon the Company's ability to make changes and replace radio access devices prior to their enactment, they also introduce a new licensing procedure that may further reduce the Company's ability to construct new radio access devices based on such exemption.

B. A policy document regarding landline wholesale services published by the Ministry of Communications in 2012 provided for the creation of an effective wholesale telecommunications access market in Israel and the gradual annulment of the structural separation in the Bezeq and Hot groups and its replacement with an accounting separation and change of the supervision on Bezeq retail tariffs to maximum tariffs rather than the current setting of fixed tariffs, generally depending on the development of a wholesale market and the state of competition in the market, and with relation to television services, if there is a reasonable possibility of providing a basic package of television services through the internet by providers without a national landline infrastructure.

In 2015, the wholesale landline market was formally launched in Israel in regards to internet infrastructure services and use of certain physical infrastructure by operators who do not own such infrastructure.
Although the wholesale market was formally applicable to Hot's infrastructure as well, Hot's infrastructure has been effectively excluded from the wholesale market up until 2018. The Ministry of Communications resolved not to interfere with the tariffs Hot has set for its wholesale telephony service and in December 2019 published a public hearing proposing to set fix tariffs (rather than the current traffic volume dependent tariffs) for Hot's internet infrastructure wholesale services, which are lower than Hot's current retail tariffs

After Bezeq breached its obligation to offer wholesale telephony service the Ministry of Communications allowed Bezeq to postpone the provision of the service for a period of 14 months, from July 2017 until August 1, 2018. In July 2019, the MOC published a public hearing proposing to set maximum fix tariffs (rather than the current traffic volume dependent tariffs) for infrastructure internet service over Bezeq's fiber optic infrastructure, higher than those set for Bezeq's current maximum tariffs over its copper cables infrastructure.

Further, in January 2016, the Ministry of Communications announced its intention to annul Bezeq and Hot's structural separation as part of its plan to ensure massive investment in fiber optics infrastructure in Israel. In December 2016 the Ministry of Communications informed Bezeq that it intends to hold a public hearing regarding a possible annulment of the corporate separation and thereafter the structural separation in the Bezeq group. In February 2019, Bezeq filed a petition with the Supreme Court of Justice, against the MOC, requesting the immediate cancellation of the structural separation imposed on Bezeq. In January 2020 the MOC notified the court that recommendations by a team nominated with the task of reviewing the structural separation in Bezeq and Hot will be submitted in four months period and a resolution may be given by the MOC at a later date. In April 2019, the MOC resolved to further relax Hot's structural separation allowing marketing of Hot and its subsidiaries' services to medium – large business customers without any limitations.

An amendment to the Communications Law applies certain wholesale obligations on all landline operators, including the Company and requiring all landline operators to grant all other landline operators access to their passive infrastructure (except IBC's passive infrastructure over the Israeli Electric Company's infrastructure), the terms of which (with the exclusion of Bezeq and Hot whose terms are set by the regulator) will be negotiated by the parties.

In February 2020, the MOC announced the retrospect reduction of wholesale services tariffs previously set by the MOC for usage of Bezeq's current copper cable based infrastructure and an update mechanism for 2019-2020 tariffs. Such reduction shall result in the return of sums previously paid by us to Bezeq and set off of additional sums against future payments to Bezeq for such services, during 2020.

Note 33 - Regulation and Legislation (cont'd)

C. In July 2019, the Israeli Ministry of Communications published a frequencies tender including for 5G services. The tender is to include 30MHz in the 700MHz frequencies band, 60MHz in the 2600MHz frequencies band and 300 MHz in the 3500-3800 MHz frequencies band. The frequencies shall be allocated for a period of 10-15 years. The tender will be open for MNOs only, other than 100MHz in the 3500-3600 MHz frequencies band which will be open for any contender. New contenders may only provide specific 5G services. MNOs sharing a network shall provide a joint bid (subject to the tender committee's prior approval) The tender further sets maximum frequency allocation per network / new contender, coverage, timeline and quality requirements for winning certain frequencies. The tender also includes certain leniencies and performance based incentives.

D. In November 2019, a joint team of the Israeli Communications and Treasury Offices and the Competition Authority, tasked with examining the need for updating fiber-optic deployment and service obligations of landline operators who own their own infrastructure (and under current regulation are required to universally deploy each network they deploy) and the need for deployment incentives in areas where no deployment obligations be determined, after economic viability tests, published its recommendations for public hearing. These recommendations include the following:

- Under reasonable scenarios, no economic viability exists for one company's universal deployment.
- Bezeq will not be subject to universal deployment requirement in regards to deploying fiber-optics but would rather select the areas in which to deploy its fiber-optics and in those areas Bezeq will be obligated to provide service to all homes within 5 years.
- A trust established by the State of Israel for that purpose (the "Trust") will conduct tenders to subsidize deployment of fiber-optic by Bezeq's competitors in areas where Bezeq chooses not to deploy fiber-optic ("Non-Bezeq Areas"), based on economic viability and efficiency. The winner would be obligated to provide wholesale services to other competitors at wholesale rates. Bezeq may not participate in the tenders nor acquire wholesale service in those areas (though its subsidiaries may do so). The winner of the subsidy tender may use Bezeq's infrastructure in the Non-Bezeq Areas for rates significantly lower than the current wholesale rates. Only the winner will be entitled to the subsidy.
- Subsidy will be funded through additional 0.5% tax levied on all Israeli communications license holders revenues for the previous year (including Bezeq), whose annual revenues exceed NIS 10 million, as of 2022 and until all household in Israel are connected to fiber-optic. The funds will be managed by the Trust.
- Bezeq may not deploy fiber-optic in Non-Bezeq Areas for three years from the date of each respective subsidy tender for that area. Nonetheless, Bezeq may update its original deployment obligation by up to 10% and so long as such Non-Bezeq Area was not being chosen as an area to receive subsidy by the Fund.
- Bezeq's obligations regarding its already existing infrastructure shall remain unchanged.
- Adoption of the recommendations requires, among others, changes to applicable legislation and licenses.
- Hot Telecom L.P.'s universal deployment obligations are still under examination of the joined team.

Note 33 - Regulation and Legislation (cont'd)

E. The MOC has informed the Company that it has received an instruction from the International Telecommunications Union to commence a process to accord the frequencies used by Israeli cellular operators with European standards. As a result, the Company and another cellular operator that use some frequencies according to American standards, were required by the MOC to migrate to frequencies compatible with international standardization for our region. In March 2020 the MOC determined such replacement shall be effected as follows: phase 1 - our current 2x10 850MHZ frequencies will be reduced and replaced with other 2x5 MHz 850MHZ frequencies on June 1, 2020; phase 2 - at a later date to be determined and as soon as possible, the Company will be awarded 2x5 MHz in the 800 frequencies; phase 3 - at a later date to be determined, the aforesaid 850MHz and 800MHz frequencies will be replaced with other 2x10 MHz in the 800 frequencies; additional frequencies may be allocated to us for limited periods during the transition period. The MOC noted that the Company may use an interim leniency (currently until March 2021) to the Planning and Building Law, allowing, under certain conditions, replacement of cell sites without obtaining a building permit. The MOC will further consider allocating partial 800MHz or 900 MHz frequencies tender revenues, if such tenders are executed, to expedite such frequencies replacement.

Note 34 - Related Parties

A. Balance sheet

	December 31, 2018	December 31, 2019
	NIS millions	NIS millions
Current assets	3	**5**
Current liabilities	1	**2**
Long-term loans for equity accounted investees (including current maturity)*	-	**147**

* Debentures balance held by related parties, which includes debentures held for the benefit of the public, through, among others, provident funds, mutual funds and pension funds, as of December 31, 2019 and 2018, is NIS 10 million par value linked to the CPI and NIS 8 million par value linked to the CPI, respectively.

In addition, the Company provided shareholder loans indirectly provided to IBC in total amount of NIS 147 million. For additional details, see Note 8.

B. Transactions with related and interested parties executed in the ordinary course of business at regular commercial terms:

	Year ended December 31,		
	2017	2018	2019
	NIS millions	NIS millions	NIS millions
Income:			
Revenues	13	12	**30**
Expenses:			
Cost of revenues and other	16	13	**10**

Note 34 - Related Parties (cont'd)

In addition to the transactions below, the Company completed the transaction for the sale of the company's independent fiber-optic infrastructure in residential areas, to IBC, for the sum of approximately NIS 181 million. For additional details see Note 31 (H).

In the ordinary course of business, from time to time, the Group purchases, leases, sells and cooperates in the sale of goods and services or otherwise engages in transactions with entities that are members of the DIC/IDB group or other interested or related parties.

The Group has examined said transactions and believes them to be on commercial terms comparable to those that the Group could obtain from/ provide to unaffiliated parties.

C. Key management personnel compensation

In addition to their salaries, the Group also provides non-cash benefits to executive officers (such as a car, medical insurance, etc.).

The Group has undertaken to indemnify the Group's directors and officers, as well as certain other employees for certain events listed in the indemnifications letters given to them. The aggregate amount payable to all directors and officers and other employees who may have been or will be given such indemnification letters is limited to the amounts the Group receives from the Group's insurance policy plus 30% of the Group's shareholders' equity as of December 31, 2001 or NIS 486 million, adjusted for changes in the Israeli CPI.

Executive officers also participate in the Group's share option program (see Note 22, regarding Share-Based Payments).

Key management personnel compensation is comprised of:

	Year ended December 31,		
	2017	2018	2019
	NIS millions	NIS millions	NIS millions
Short-term employee benefits	6	4	**4**
Share-based payments	1	1	-
	7	5	**4**

In January 2020, after the end of the reporting period, the Company's Board of Directors decided to grant options to MR. Avi Gabai the CEO of the Company. For additional detail, see Note 22.

Note 35 - Operating Leases

Non-cancelable operating lease rentals are payable as follows:

	December 31, 2018
	NIS millions
Less than one year	283
Between one and five years	435
More than five years	23
	741

During the year ended December 31, 2018, NIS 284 million was recognized as expenses in respect of operating leases in the consolidated statements of income (2017 NIS 280 million).

Major operating lease and service agreements:

a. Office buildings and warehouses - there are lease agreements for periods of up to 14 years.
b. Switching stations- there are lease agreements for switching station locations for periods of up to 18 years.
c. Cell sites- there are lease agreements for cell sites for periods of up to 21 years.
d. Service centers, retail stores and stands - there are lease agreements for service and installation centers and stands for periods of up to 13 years.
e. Motor vehicles - lease for a period of 3 years.

Note 36 – Subsequent events

Binding MOU to purchase Golan telecom

In February 2020, the Company, Golan's shareholders and Golan entered a binding memorandum of understanding, or MOU, for the purchase of Golan's entire share capital, for the sum of NIS 590 million, to be paid in cash in two installments: the sum of NIS 413 million upon completion of the transaction and the sum of NIS 177 million within 3 years from completion thereof. The Company will issue and deposit 8.2 million shares of the Company with a trustee (the "Escrowed Shares"). The Escrowed Shares may be sold in order to finance the deferred payment including upon an acceleration event (as set out in the MOU). In addition, on the closing date, the Company shall pay Golan's shareholders: (a) an amount equal to the cash and cash equivalents of Golan Telecom as of the closing date minus any financial indebtedness; (b) NIS 7.58 million per month for the period between the closing date and December 31, 2020; and (c) return on investments made by Golan Telecom in the 5G shared network from the date the MOU was signed and until the transaction is completed.

The transaction includes standard and customary conditions and representations and is subject to the completion of due diligence by the Company without negative findings having an adverse material effect over the value of the Company in comparison to the information provided prior to signing of the MOU, receipt of regulatory approvals and material third parties' approval and absence of material adverse change to Golan's condition (as defined in the MOU). The parties shall negotiate a detailed agreement but are bound by the MOU whether such agreement is entered or not. In case the conditions for the completion of the transaction are not met until December 31,2020, the MOU or detailed agreement, as the case may be, shall expire.

The Company cannot guarantee that the conditions for the completion of the transaction shall be met, including receipt of the required approvals.

Note 36 – Subsequent events (cont'd)

Update on the Corona virus measures and possible implication

The Company update on the impact of the Corona virus and the related containment measures by the Israeli government on its operations and results of operations:

There has been substantial decrease in international travel due to the Corona virus, which has had an adverse effect on the Company's roaming services (inbound and outbound) and if continues for a long duration, will result in a material adverse effect on our roaming revenues and results of operations.

In addition, the Israeli government published various regulatory requirements for Corona virus containment in Israel, including, as of mid-March 2020, the prohibition on public gathering and any unnecessary outing from one's home, including the closure of malls and other non-essential leisure establishments and substantial reduction of presence in the workplace. Following such instructions, the Company closed its points of sale and walk in centers and substantially reduced its calling center personnel (excluding technical support) and other personnel not essential for the continued proper operation of its networks and provision of its services. Such measures, if continued for a long duration, will have a material adverse effect on the Company's sales of services and handsets and results of operations.

Further regulatory requirements for potential and established Corona virus patients to enter quarantine may result in material adverse effects to the Company's operations, including customer service, sales, installation of the Company's landline services, deployment, operation and maintenance of its networks, if multiple employees and outsource personnel shall be prohibited from attending their positions.

The effects of the Corona virus if continue for a long duration, may also result in shortage of equipment and suppliers failing to supply the Company with handsets, set-top boxes, network elements, spare parts or other equipment required for its networks operation and upgrade or sale and repair of handsets, all of which may have an adverse effect on the Company's results of operations.

As part of the global effects of the Corona virus on the capital markets, the Company debentures yield have increased substantially and general capital markets activities have significantly slowed or halted. If such effects continue and for the duration they so continue, it will adversely affect the Company's access to additional debt and/or capital.

The Company is taking measures in order to mitigate such adverse effects, by reducing its expenses and investments during the Corona virus pandemic, including by reducing its sales operations and by sending a large quantity of employees on unpaid leave.

The Corona virus situation continues to evolve and it is difficult to predict the duration it will affect the Company's operations and therefore the effect on its operations.

Credit for IBC

In March 2020, IBC entered an agreement with an Israeli financial institution, under which IBC shall be awarded a credit line of up to NIS 350 million, to be repaid until December 31, 2032, to further its business operation, including deployment of fiber-optic infrastructure in Israel. The agreement includes customary commercial terms and conditions. In addition, the partnership jointly held by the Company and Israel Infrastructure Fund undertook to provide IBC with an additional investment of NIS 50 million before 2021 year end.

Exhibit 2.1.1

DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT

As of December 31, 2019, Cellcom Israel Ltd. (the "Company" or "Cellcom") had the following series of securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker symbol	Name of each exchange on which registered
Ordinary Shares, par value NIS 0.01 each	CEL	New York Stock Exchange

Capitalized terms used but not defined herein have the meanings given to them in the Company's annual report on Form 20-F for the fiscal year ended December 31, 2019.

ORDINARY SHARES

The following is a summary of the material terms of the ordinary shares of nominal value of NIS 0.01, as set forth in our Articles of Association. This description is a summary and does not purport to be complete. You are encouraged to read our Articles of Association, which are filed as Exhibit [1.1] to the Group's Annual Report on Form 20-F for the fiscal year ended December 31, 2019, incorporated by reference into this document.

Trading in Israel

Our ordinary shares have traded on the Tel Aviv Stock Exchange, or the TASE, under the symbol "CEL" since July 1, 2007. Our ordinary shares do not trade on any other trading market in Israel.

Trading in the United States

Our ordinary shares have traded on the New York Stock Exchange, or NYSE, under the symbol CEL since February 7, 2007.

Our ordinary shares are listed on the NYSE under the symbol "CEL."

Transfer of Shares

Fully paid ordinary shares are issued in registered form and may be freely transferred unless the transfer is restricted or prohibited by our articles of association, applicable law, our licenses or the rules of a stock exchange on which the shares are traded. The ownership or voting of ordinary shares by non-residents of Israel is not restricted in any way by our articles of association or the laws of the State of Israel, except for ownership by nationals of some countries that are, or have been, in a state of war with Israel.

The restrictions included in our licenses regarding holding and transferring of our means of control are included in our articles of association. For more details relating to these restrictions, see "Item 4. Information on the Company—B. Business Overview—Government Regulations—Cellular Segment—Our Cellular License" and our principal license, a convenience translation of which has been filed with the SEC. See "Item 19—Exhibits". The holding and transfer restrictions under our licenses are posted on our website at http://investors.cellcom.co.il under "Investor Relations—Corporate Governance—Legal and Corporate."

Voting

Holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders at a shareholder meeting. Shareholders may vote at shareholder meetings either in person, by proxy or by written ballot. Shareholder voting rights may be affected by the grant of special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future. As required under our license, our articles of association provide that any holdings of our ordinary shares that contravene the holding or transfer restrictions contained in our license (see "Item 10.B—Transfer of Shares" above) will not be entitled to voting rights. In addition, our license requires that as a condition to voting at any meeting of shareholders, in person or by proxy, each shareholder must certify that its holdings of our shares do not contravene the restrictions contained in our license.

Election of Directors

Our ordinary shares do not have cumulative voting rights for the election of directors. Rather, under our articles of association our directors (other than external directors and directors appointed by Israeli Shareholders – see "Item 6.C – Directors and Senior Management—External Directors" and "Item 6.C – Directors and Senior Management—Israeli Appointed Directors" are elected at a shareholders meeting by a simple majority of our ordinary shares. Directors may also be appointed by our Board of Directors, in which case they shall serve until the next annual general meeting of shareholders.

Dividend and Liquidation Rights

Our board of directors may, subject to the Companies Law, our financing agreements, and our licenses, declare a dividend to be paid to the holders of ordinary shares on a pro rata basis. In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares on a pro rata basis. This right may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Shareholders Meetings

We are required to convene an annual general meeting of our shareholders once every calendar year within a period of not more than 15 months following the preceding annual general meeting. Our board of directors is required to convene a special general meeting of our shareholders at the request of two directors or one quarter of the members of our Board of Directors or at the request of one or more holders of 5% or more of our share capital and 1% of our voting power or the holder or holders of 5% or more of our voting power. All shareholders meetings require prior notice of at least 21 days, or up to 35 days if required by applicable law or regulation. We aim to provide at least 40 day advance written notice, in accordance with the NYSE's recommendations. The chairperson of our Board of Directors presides over our general meetings. Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which may be between four and 40 days prior to the date of the meeting.

Quorum

Our articles of association provide that the quorum required for any meeting of shareholders shall consist of at least two shareholders present, in person or by proxy or written ballot, who hold or represent between them at least one-third of the voting power of our issued share capital. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or, if not set forth in the notice to shareholders, to a time and place set by the chairperson of the meeting with the consent of the holders of a majority of the voting power represented at the meeting and voting on the question of adjournment. At the reconvened meeting, the required quorum consists of at least two shareholders present, in person or by proxy or written ballot, unless the meeting was called pursuant to a request by our shareholders in which case the quorum required is the number of shareholders required to call the meeting as described under "Item 10.B—Shareholder Meetings."

Resolutions

An ordinary resolution at a shareholders meeting requires approval by a simple majority of the voting rights represented at the meeting, in person, by proxy or written ballot, and voting on the resolution. Under the Companies Law, unless otherwise provided in the articles of association or applicable law, all resolutions of the shareholders require a simple majority. In accordance with our articles of association, a resolution for the voluntary winding up of the company requires the approval by holders of 75% of the voting rights represented at the meeting, in person or by proxy or written ballot, and voting on the resolution.

Modification of Class Rights

The rights attached to any class, such as voting, liquidation and dividend rights, may be amended by a vote of a majority of the issued shares of that class, or by adoption of a resolution by a majority of the shares of that class represented at a separate class meeting, or by a written consent of all holders of the issued shares of that class.

Mergers and Acquisitions under Israeli Law

The Companies Law requires that each company that is a party to a merger have the transaction approved by its board of directors and a vote of the majority of its shares at a shareholders meeting. Upon the request of a creditor of either party of the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger. In addition, a merger may not be completed unless at least (i) 50 days have passed from the time that the requisite proposal for the merger has been filed by each party with the Israeli Registrar of Companies and (ii) 30 days have passed since the merger was approved by the shareholders of each party.

The Companies Law also provides that an acquisition of shares of a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a 25% or greater shareholder of the company and there is no existing 25% or greater shareholder in the company. An acquisition of shares of a public company must also be made by means of a tender offer if as a result of the acquisition the purchaser would become a 45% or greater shareholder of the company and there is no existing 45% or greater shareholder in the company. These requirements do not apply if the (i) acquisition occurs in the context of a private placement by the company that received shareholder approval, (ii) the purchase of shares is from a 25% or greater shareholder of the company and results in the acquirer becoming a 25% shareholder of the company or more or (iii) the purchase of shares is from a 45% or greater shareholder of the company and results in the acquirer becoming a 45% shareholder of the company or more. The special tender offer must be extended to all shareholders. The special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the majority of the offerees who responded to the offer accepted the offer, excluding offerees who are controlling shareholders of the offeror, offerees who hold 25% or more of the voting rights in the company or who have a personal interest in accepting the tender offer, or anyone on their behalf or on behalf of the offeror including the relatives of or corporations controlled by these persons.

If, as a result of an acquisition of shares, the acquirer will hold more than 90% of a company's outstanding shares, the acquisition must be made by means of a tender offer for all of the outstanding shares. If less than 5% of the outstanding shares are not tendered in the tender offer, all the shares that the acquirer offered to purchase will be transferred to it. The law provides for appraisal rights if any shareholder files a request in court within six months following the consummation of a full tender offer, but the acquirer may stipulate that any shareholder tendering his shares will not be entitled to appraisal rights. If more than 5% of the outstanding shares are not tendered in the tender offer, then the acquirer may not acquire shares in the tender offer that will cause his shareholding to exceed 90% of the outstanding shares.

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders who are not exempt from Israeli income tax under Israeli law or an applicable tax treaty. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies by certain shareholders are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, tax then becomes payable even if no actual disposition of the shares has occurred. For information regarding Israeli tax on the sale of our shares, see "Item 10.E - Taxation—Israeli Tax Considerations—Capital Gains Tax on Sales of Our Ordinary Shares."

Anti-Takeover Measures under Israeli Law

The Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred or additional rights to voting, distributions or other matters and shares having preemptive rights. We do not have any authorized or issued shares other than ordinary shares. In the future, if we do create and issue a class of shares other than ordinary shares, such class of shares, depending on the specific rights that may be attached to them, may delay or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization of a new class of shares will require an amendment to our articles of association and to our memorandum, which requires the prior approval of our shareholders by a simple majority of the shares represented and voted upon at a shareholders meeting. Our articles of association provide that our Board of Directors may, at any time in its sole discretion, adopt protective measures to prevent or delay a coercive takeover of us, including, without limitation, the adoption of a shareholder rights plan.

Exhibit 4.13

TRANSLATION FROM HEBREW
THE BINDING VERSION IS THE HEBREW VERSION

State of Israel
Ministry of Communications

General License to Cellcom Israel Ltd. for the Provision of mobile radio telephone services by the cellular method (cellular)

Combined Version, as at March, 2020

General License for

Cellcom Israel Ltd.

Award of license

By the authority vested in me under the Telecommunications Law, 5742 – 1982 (hereinafter – the Law), the Wireless Telegraph Ordinance [New Version], 5732 – 1972 (hereinafter – the Ordinance), and my other powers pursuant to any law, I, the Minister of Communications, hereby grant a license to Cellcom Israel Ltd. (hereinafter – the Licensee) to establish, maintain and operate a mobile radio telephone system by the cellular method, and to provide thereby mobile radio telephone services to the Israeli public, as set forth in this License.

This License is granted for the period set forth in the license and is subject to its conditions as follows:

CHAPTER A: GENERAL

PART A: DEFINITIONS AND INTERPRETATION:

1. Definitions

1.1 In this License, the words and expressions below will have the meaning listed next to them, unless another meaning is evident from the written language or its context.

" Type Approval"	-	Approval given by the Minister pursuant to the Law and the Ordinance to a cellular end-equipment model.
"Means of Control"	-	In a corporation – any one of the following: (1) the right to vote at a general meeting of a company or in an entity corresponding thereto in another corporation; (2) the right to appoint a director or CEO; (3) the right to participate in the profits of the corporation; (4) the right to a share in the balance of the assets of the corporation after payment of its debts on liquidation.
"Telecommunications"	-	Broadcast, transfer or reception of marks, signals, written material, visual forms, sound or information, via wire, wireless, optical system or other electromagnetic systems;
"Franchisee" A16	-	As defined in Section 6(12)(1) of the Law;
"Cellular Radio Infrastructure License Holder"	-	whoever receives the license for establishment, existence and operation of a radio infrastructure for mobile telephony communication;
"Generation 2"	-	A network which allows mostly the provision of call and message services, using basic mobile telephony communications of GSM or CDMA and all of their updates, such as GPRS, EDGE, etc.;
"Generation 3"	-	A network, which in addition to Generation 2 services, allows for the provision of data services at an medium pace (a few dozen megabits per second) using basic mobile telephony communications of UMTS and CDMA2000 and all of their updates, such as HSPA, HSPA+, etc.;
"Generation 4"	-	A network, which in addition to Generation 3 services, allows for the transfer of date at a high pace (approximately 100 megabits per seconds) using basic mobile telephony communications in accordance with the 3GPP TS 36.104 last release standard, for supplying all of the License Owner's services under his license, such as LTE technology;
"Interested Party"	-	Anyone holding, directly or indirectly, 5% of a certain type of the Means of Control;
"Licensee"	-	Anyone to whom the Minster granted, pursuant to the Law, a general or special license; A16
"General Licensee" A16	-	Anyone who has received a general license for implementing the Telecommunications operations and providing Telecommunications services;
"**Roaming Licensee**" A60	-	The person who one Tender 12/2010 – Combined License for the Provision of Mobile Radio Telephone Services by the Cellular Method (Cellular) in Israel – Extension of Existing License and Grant of a New License.
"Broadcasting Licensee" A16	-	As defined in the Law;

"Accessibility Fees"	-	Payment for the use of another Telecommunications system, including for connection, transmission and collection;
"Technical Requirements and Service Quality"	-	Standards of availability and service quality, standards for Telecommunications facilities and instructions for installation, operation and maintenance, all according to the engineering plan as the Director will order from time to time relating to the services of the Licensee
"Contract"[A43]	-	Contract between the Licensee and a Subscriber, for the provision of all or any of the services of the Licensee;
the "Proposal"	-	The Licensee's Proposal in the Tender;
the "Bezeq Corp."	-	Bezeq Israel Telecommunication Corp. Ltd.;
"**Bill**" or "**Telephone Bill**"	-	A bill which the license owner submits to the subscriber for services it provided to him or for services provided to the subscriber by another license owner or by a service provider;
"**Bill Period**"	-	A cyclical time period, whose length is particular, at the end of which a bill for payment is submitted to the subscriber for the services of the license owner and for the services of the service provider, which were provided to the subscriber during said period.
the "Law"	-	The Communications Law (Telecommunications and Broadcasts), 5742 – 1982; [A16]
"**Goods**"	-	As defined in Section 3 of the Interpretation Law, 5741-1981;

[A16] Amendment No. 16
[A16] Amendment No. 16
[A16] Amendment No. 16
[A16] Amendment No. 16

[A60] Amendment No. 60
[A16] Amendment No. 16
[A43] Amendment No. 43 [Inception: This amendment shall come into force not later than March 15, 2007]

"Holding" A16	-	For the purpose of Means of Control – directly or indirectly, whether alone or in concert with others, including through another, including a trustee or agent, or through a right granted under an agreement, including an option for a Holding that does not derive from convertible securities, or in any other way;
"Transfer" A16	-	For the purpose of the Means of Control, whether directly or indirectly, whether for consideration or without consideration, whether in perpetuity or for a period, all at once or in parts;
"In Concert With Others" A16	-	Permanent collaboration and, with regard to an individual, permanent collaborators will be deemed – the individual, his Relative, and a corporation that one of them controls and, with regard to a corporation – the corporation, anyone controlling it and anyone who is controlled by one of them;
"Security Forces"	-	The Israel Defence Forces, the Israel Police, the General Security Service and the Mossad Institute for Intelligence and Special Operations;
"**Applicant**"	-	Someone who requests to enter into a contracting agreement or purchase agreement with the license owner;
"Index"	-	The Consumer Price Index published by the Central Bureau of Statistics from time to time, or any other index that may replace it;
"Cellular Radio Center"	-	A wireless facility functioning on the operating frequencies and used for creating a radio connection between cellular end-equipment units in the possession of the subscribers in its coverage area and the cellular switchboard;
"Interface"	-	The physical meeting between various functional Telecommunications units, including by optical or wireless means;A16
"Telecommunications Facility"	-	A facility or device intended mainly for telecommunication purposes, including end-equipment;A16
"Generation 4 Tender"	-	Tender No. 2014/021 – a combined license for the provision of mobile telephony communications by way of the cellular method in Israel: expansion of an existing license or granting a new license;
"Tender No. 1/01" A16	-	A tender published by the Ministry on 4 Nissan 5761 (March 28, 2001), including the clarifications given by the Ministry in the course of the Tender, as a result of which this License was amended;
the "Tender"	-	Tender No. 10/93 published by the Ministry on November 11, 1993, including clarifications given by the Ministry in the course of the Tender, as a result of which this License is granted;
the "Director"	-	The Director General of the Ministry of Communications or anyone authorized by him for the purposes of this License, in whole or in part;
"Subscriber" A43	-	Anyone who enters into an agreement with the Licensee for the purpose of receiving cellular services as an end user;
"Dormant subscriber"T48)	-	A subscriber in respect of which all of the conditions set out below are fulfilled: (a) He did not receive or use cellular services during a minimum of one year, starting from January 1, 2008; (b) He does not pay the Licensee any fixed payment; (c) He is not bound with the Licensee by any plan that includes a commitment period.
"Business subscriber"T47)	-	A subscriber who is any of the following: (a) A corporation, as defined in the Interpretation Law, 5741-1981; (b) Government offices and auxiliary government bodies; (c) A licensed dealer excluding an exempt dealer; (d) An entity established by or pursuant to a law.
"**Split Business Subscriber**"	-	A user of end equipment, whose telephone account charge is split between him and a business subscriber or that he is charged with the telephone bill in its entirety.

T48) Amendment No. 48 (Inception: This amendment will come into force on October 2, 2008).
T47) Amendment No. 47.

"Private Subscriber" T52	-	A subscriber who is not a Business Subscriber and who is not a Split Business Subscriber;
"**Post-Paid**"	-	Payment for services which was collected from the subscriber after the end of the Bill Period.
"**Pre-Paid**"	-	Payment for services which was collected from the subscriber before or upon the commencement of supply of the services.
"International Telecommunications System"	-	A system of Telecommunications facilities, connected or designated for connection to the Public Telecommunications Network through an International NEP, which is used or designated for use in the transfer of Telecommunications messages between an international switch situated in Israel and a Telecommunications Facility located abroad, including a satellite ground station and other Telecommunications facilities (hereinafter – the **System Components**) and including transmission facilities among the System Components; A16
"Mobile Radio Telephone System" (Cellular System)	-	A system of wireless facilities built by the cellular method and other installations, through which mobile radio telephone services are provided to the public, including a cellular coordinator, cellular radio centers and wireless or cable transmission arteries between cellular radio centers, a cellular radio center and a cellular coordinator, between Cellular coordinators, or between a cellular switchboard and a Public Telecommunications Network.

A16 Amendment No. 16
A16 Amendment No. 16

T52) Amendment No. 52.

"NDO (National Domestic Operator)" A16	-	A General Licensee for the provision of landline domestic Telecommunications services
"Cellular Operator"	-	A General Licensee for the provision of mobile radio telephone services A16
"**Mobile Telephony Services (MTS) Operator in Another Network**"	-	A license owner for the provision of MTS services, involving the use of the MTS system of an MTS operator, in whole or in part, and at the least the access network of the said MTS system.
"Another Cellular Operator"	-	A Cellular Operator that is not the Licensee.
"Switchboard"	-	A Telecommunications Facility in which are situated and operated switching and transmission means, enabling contact between various end-equipment units that are connected or linked thereto, and the transfer of Telecommunications messages between them, including control and monitoring facilities and other facilities that enable the provision of various services to Subscribers of the Licensee or to subscribers of another Licensee;
"The Ministry"	-	The Ministry of Communications
"Transit Switch"A16	-	A Telecommunications Facility in which are situated and operated the means of switching, routing and transmission enabling contact between various switchboards that are connected or linked thereto and the transfer of Telecommunications messages between them, including control and monitoring facilities;
"**Domestic Roaming**" A60	-	Expansion of the services of another cellular licensee (hereinafter – "**cellular licensee**") to the coverage areas of the Licensee by means of the Licensee's cellular system, as set forth in section 67E.
"Officer"A16	-	Anyone acting as a director, CEO, chief business officer, deputy CEO, someone who fills such a position in a company even if the title is different, as well as any other manager who is directly subordinate to the CEO of the company;
"**One-Time Transaction**"	-	A transaction that is not an ongoing transaction.
"**Ongoing Transaction**"	-	A contracting agreement for the purchase of continuous and ongoing services of the license owner, including any amendment of the agreement or addendum thereto that does not constitute a new transaction, all whether the contracting agreement is for a fixed period or a non-fixed period.
"Appendices" A16	-	The first addendum and the Appendices set forth in the second addendum to the License A16
"NEP (Network End-Point)"	-	An Interface to which is connected on one side a Public Telecommunications Network and on the other side, end-user equipment, a private network, a mobile telephone network or other public network, as applicable;
"International NEP"	-	A connections device to which are linked a Public Telecommunications Network on one side and an International Telecommunications System on the other;
"Telecommunications operation"	-	The operation, installation, construction or maintenance of a Telecommunications Facility, all for the purpose of Telecommunications;
the "Ordinance"	-	The Wireless Telegraph Ordinance [New Version]. 5732 – 1972;
"End-User Equipment"	-	Telecommunications equipment, which is connected or is designated for connection to a public Telecommunications network through an NEP or through a private network, including a telephone, modem, facsimile or private switchboard;

A16 Amendment No. 16
A16 Amendment No. 16

"Cellular End-User Equipment"	-	Portable or movable Telecommunications equipment, connected or designated for connection to a Cellular System by means of a cellular radio center.
"Interconnection" A16	-	Connection between a Public Telecommunications Network of one Licensee to a Public Telecommunications Network of another Licensee, physically or logically, that facilitates the transfer of Telecommunications messages between Subscribers of the Licensees or the provision of services by one Licensee to the subscribers of the other Licensee;
"Relative"	-	Spouse, parent, son, daughter, brother, sister or their spouses;
the "License"	-	This License, with all its Appendices and any other document or condition stipulated in the License that will constitute an integral part of the License or its conditions;
the "Network" A16	-	The Cellular System of the Licensee;
the "Minister"	-	The Minister of Communications, including anyone to whom he has delegated his authority with regard to this License, in whole or in part;
"Public Telecommunications Network"	-	A system of Telecommunications facilities, used or designated for the provision of Telecommunications services to the general public throughout Israel or at least in the area of service, including Coordinators or Transit Switches, transmission equipment and an access Network, including a Cellular System and an international Telecommunications system, except for a private network, End-Equipment and Cellular End-Equipment;
"Public Telecommunications Landline Network"	-	A domestic Public Telecommunications Network, except for a Cellular System and an international Telecommunications network;
"Access Network" A16	-	Components of a Public Telecommunications Network, which are used for connection between Coordinators and an NEP by means of a landline infrastructure, wireless infrastructure or a combination of the two;
"Bezeq Network"	-	The Public Telecommunications Network used by Bezeq for provision of its services under the general license granted to it and the other Telecommunications services provided under the Law, whether by Bezeq or by any other person;
"Use" A16	-	Access to a Telecommunications Facility of the Licensee, including to the public Telecommunications network or its Access Network, in whole or in part, and the possibility of using them for the purpose of conducting Telecommunications operations and providing Telecommunications services by means thereof, including the installation of a Telecommunications Facility of another Licensee in a Telecommunications Facility or courtyards of the Licensee
"Telecommunications Service"	-	The performance of Telecommunications operations for others;
"Basic Telephone Service"	-	Two-way switched or routed transfer, including via modem, of speech or of speech-like Telecommunications messages, for example, facsimile signals;
"Telephony Service" A16	-	Basic telephone service and services related to this service;

"International Telephone Service (ITMS)"	-	A telephone service by means of the international system of a Licensee for the provision of international services;
"International Roaming Service" A16 A66	-	A cellular service provided abroad and in the areas of civilian control of the Palestinian Council via the Cellular System of a foreign Cellular operator (hereinafter – Foreign Operator), whereby the Subscriber pays the Licensee for the service; and, similarly, a cellular service provided in Israel via the Cellular System of the Licensee, whereby the Licensee provides service to a Foreign Operator for the subscribers of that operator; in this regard, **the "Palestinian Council**" – as defined in the Law for Implementation of the Interim Agreement Regarding the West Bank and Gaza Strip (Jurisdictional Powers and Other Provisions) (Legislative Amendments), 5756 – 1998 [sic];
"Related Service"	-	A service set forth in the first addendum to the License, provided on the basis of the Basic Telephone Service and which, by its nature, can only be provided by the supplier of the basic service;
"Value Added Service" A16	-	A service provided on the basis of the Basic Telephone Service, which, by its nature, can be provided by another, including another Licensee that is not the supplier of the basic service; with regard to the services of the Licensee, a service as stated, which is set forth in the first addendum to the License;
"infrastructure Service"	-	An Interconnection, or possibility of Use given to another Licensee, to a Franchisee or to a broadcast Licensee;A16
"Domestic Telecommunications Landline Service" A16	-	Infrastructure, transmissions, communication of data and landline telephony;
"Licensee Services"	-	Cellular services, Telecommunications Services and other services which the Licensee is entitled to provide pursuant to this License, to its Subscribers, to other Licensees, to broadcast licensees, to Franchisees and to the Security Forces;A16
"Cellular Services"	-	Telecommunications services provided by means of the Cellular System;
"Control"	-	The ability to direct a corporation's activity, directly or indirectly, including ability deriving from the articles of incorporation, by virtue of an agreement, either written or oral, by virtue of a Holding in the Means of Control in another corporation - or from any other source, except for ability deriving solely from fulfilling the position of director or other position in the corporation;
"the Minister"	-	The Minister of Communications, including anyone to whom he has delegated his authority with regard to this License, in whole or in part;
"Engineering Plan"	-	An engineering plan submitted by the Licensee in the Tender, including any change introduced therein with the approval of the Director and attached to the license as Appendix B;
"Numbering Plan" A16	-	As defined in Section 5A(B) of the Law;
"Radio Infrastructure"	-	Radio centers by way of the cellular method, monitoring units thereof, if any, and transmission connecting them to the core of the public Bezeq network of the License Owner

A16 Amendment No. 16
A66 Amendment No. 66
A16 Amendment No. 16
A16 Amendment No. 16
A16 Amendment No. 16
A16 Amendment No. 16
A16 Amendment No. 16

1.2 Other words and expressions in the License, insofar as they are not defined in Clause 1.1, will have the meaning they have in the Law, in the Ordinance, in the regulations enacted thereunder, in the Interpretation Law, 5741 – 1981, or as set forth in the relevant places in the License, unless another meaning is implied by the written language or its context.

2. Clause headings

The headings of the clauses in this License are provided solely for the convenience of the reader, and should not be used for interpretation or explanation of the content of any of the conditions of the License.

3. Blue pencil principle

A cancellation or determination regarding the non-validity of a condition of this License or part of a condition will apply only with regard to that condition or part, as applicable, and will not serve, per se, to derogate from the binding validity of the License or any other condition therein.

PART B – LEGAL PROVISIONS AND ADMINISTRATIVE PROVISIONS

4. Upholding laws and provisions

4.1 In everything pertaining to the setup, existence, operation, and maintenance of the Cellular System and the provision of Cellular Services thereby, the Licensee will act in accordance with the provisions of any law and, without derogating from the aforesaid generality, will ensure compliance with the following:

(1) the provisions of the Telecommunication Law and the regulations promulgated thereunder;

(2) the provisions of the Wireless Telegraph Ordinance and the regulations promulgated thereunder;

(3) administrative provisions;

(4) international Telecommunications and radio treaties to which Israel is a party;

(5) any other law or treaty that will apply to Telecommunications and radio, even if they go into effect after the License is granted.

4.2 The Licensee will act pursuant to laws and provisions as stated in Clause 4.1 as these will be in force from time to time during the license period, including the remedies for the breach thereof, and they will be deemed an integral part of the License conditions.

5. Permit obligation pursuant to any other law

5.1 The granting of this License will not exempt the Licensee from the obligation to obtain, with regard to execution of the License, any license, permit, approval, or consent pursuant to any other law.

6. Contradiction in the License provisions

In the event of an apparent contradiction in the License provisions, the Minister will determine the interpretation of the provisions or how to settle the contradiction between them and after the Licensee has been given a fair opportunity to voice its claims [A2].

[A2] Amendment No. 2

CHAPTER B: THE LICENSE – SCOPE, VALIDITY AND CANCELLATION

PART A – SCOPE AND PERIOD OF THE LICENSE

7. Scope of the License

7.1 Pursuant to this License and subject to all the provisions and conditions hereof, the Licensee is entitled to set up, implement, maintain and operate a Cellular System and, through it, to provide cellular Services to the Israeli public; without derogating from the aforementioned generality, the Licensee is entitled to do the following:

(1) to set up, implement, maintain and operate cellular radio centers and to connect them to cellular switchboards, and to connect between cellular switchboards, by means of cable and wireless transmission channels;
(2) To connect the mobile phone system to another public communication network in Israel;
(3) To engage with the subscribers for the purpose of provision of mobile phone services;
(4) To supply mobile phone terminal equipment to subscribers;
(5) To provide its subscribers with mobile phone services as specified in the first addendum to the license;
(6) To provide its subscribers with services for which it has received approval in accordance with Section 67C of the license. A66

7.2 The Licensee will not be entitled to provide any cellular service or other Telecommunications Service that is not explicitly permitted within the context of this License.

8. Absence of exclusivity A16

8.1 The Licensee will not have any exclusivity in the provision of its services.

8.2 The Minister is entitled, at any time, to grant a license to additional operators for the provision of cellular Services..

8.3 Should the Minister publish a tender for the provision of cellular services, the Licensee will be entitled to submit its bid in the tender, however, the Minister will be entitled to determine as part of the conditions of such a tender that if the Licensee wins the tender, the receipt of a license will be contingent on the fact that the Licensee transfer its cellular System to another as instructed by the Minister and under conditions determined thereby, and it will cease to provide cellular Services by means thereof.

A66 Amendment No. 66
A16 Amendment No. 16

9. The License period

9.1 This License is valid for a period of 10 years, commencing on the date of the granting of the License (hereinafter – the License Period).

9.2 The License Period may be extended by additional six years in accordance with that stated in Clause 10 (hereinafter – the Additional Period).

9.3 This License may be renewed for one or more Additional Periods of six years, in accordance with that stated in Clause 11.

9.4 During the License Period and the Additional Period or on renewal of the License, the License will be subject to the authority of the Minister pursuant to Clauses 13 to 15 with regard to change, restriction, suspension or cancellation of the License.

9.5[A15] Notwithstanding the aforesaid [A16], in the context of expansion of the License, as a result of the Licensee winning Tender No. 1/01, this License will be valid for a period of twenty (20) years, commencing on 19 Shevat 5762 (February 1, 2002).

10. Extension of the License Period

10.1 The Minister is entitled, at the request of the Licensee, to extend the License Period for additional six years, if, after he has examined the following:

(A) The Licensee has complied with the provisions of the Law, the Ordinance, the regulations thereunder and the provisions of the License;
(B) The Licensee has continually acted to improve the scope, availability and quality of the cellular Services and to update the technology of the cellular System and its activities did not include an act or omission that would impair or restrict competition in the cellular sector;
(C) The Licensee is capable of continuing to provide cellular Services at a high level and that it is able to make the investments required for the technological updating of the cellular System and for improving the scope, availability and quality of the cellular Services.

10.2 The Licensee must submit its request for an extension of the License Period during the forty-five days prior to the period of eighteen months preceding the end of the License Period.

10.3 The Licensee must attach the following to its request:
(A) A report summarizing the annual statements that the Licensee has submitted pursuant to this License between the date of commencement of the License and the date of submission of its request;
(B) Comparison of the data in the report for each year with the data for the preceding year and explanations of unusual changes in the data;
(C) Review of the means, actions and investments taken or made by the Licensee to improve the quality, scope and availability of the Cellular Services and to develop and update the Cellular System technology.

10.4 The summary report pursuant to Clause 10.3 must contain up-to-date and precise details and be prepared in the form of an affidavit.

[A15] Amendment No. 15

10.5 For the purpose of examining the License Holder's request to extend the license period, and without derogating from the Minister's authority to demand information pursuant to any law, the Minister may demand that the License Holder appear before him and to present an engineering plan describing its features for the technological update of the cellular Services system during the course of the additional period.

10.6 if the Licensee is required to appear before the Minister, the chairman of the board of directors of the company holding the License or the CEO of the company or anyone authorized to do so in writing, will appear;

10.7 Should the License Holder fail to respond to such a demand as stated in Section 10.5 and 10.6, at least twice, the Minister may dismiss its request to extend the validity of the license.

10.8 The Minister will inform the Licensee of his decision regarding the request for extending the validity of the License no later than a year before the end of the License Period.

10.9 The Additional Period will be subject to the terms of this License, including any change therein.

10.10 The provisions of Clause 100 regarding confidentiality will apply, *mutatis mutandis*, to data furnished by the Licensee to the Minister or anyone acting on his behalf, pursuant to the provisions of Clause 10.

11. Renewal of the License

11.1 At the end of the License Period or the Additional Period, the Minister is entitled, at the request of the Licensee, to renew the License for one or more Additional Periods of six years, as will be determined.

11.2 The Licensee will submit its request for the renewal of the License during the forty-five days prior to the eighteen months preceding of the end of the License Period or the Additional Period.

11.3 The Minister will inform the Licensee in writing, within 30 days of the date of receiving its request for renewal of the License, whether he intends to take the measures and institute the proceedings required to renew the License, or a tender will be conducted for the services under this License.

12. Termination of the License Period

12.1 If the License Period pursuant to Clause 9.5[A16] or the Additional Period pursuant to Clause 10.1 or the License Period after its renewal pursuant to Clause 11.1 ends and the License is not extended or not renewed, the Minister is entitled to instruct the Licensee to continue to operate the Cellular System for a period to be determined (hereinafter - the Period for Terminating the Service) until a license is duly granted to another for the provision of services pursuant to this License (hereinafter – Alternate Licensee), and the procedures for transferring the system thereunder are completed, or until a license is duly granted to another for alternate services. In any case, the Period for Terminating the Service will not exceed two years from the date on which the License expires.

12.2 During the Period for Terminating the Service and no later than ten months from the date on which a license is granted to an Alternate Licensee, the Licensee and the Alternate Licensee will negotiate for the purpose of purchasing the Cellular system at its economic value and assigning the rights and obligations of Subscribers to the Alternate Licensee; if said Licensees do not reach an agreement within said ten months, the price will be determined by an arbitrator, whose decision will be final, to be appointed by the Chairman of the Institute of Certified Public Accountants.

PART B – CHANGE IN CONDITIONS AND CANCELLATION OF THE LICENSE

13. Change in the License conditions

13.1 The Minister is entitled to change, add to or subtract from the License conditions if he is convinced that one of the following exists:

(A) A change has occurred in the extent of the License applicant's suitability to perform the actions and services that are the subject of the License;
(B) Subject to that stated in Clause 8, a change is required in the License to ensure competition in the telecommunications area;
(C) A change is required in the License to ensure the level of services provided thereunder;
(D) Changes that have occurred in telecommunications technology require a change in the license;

13.2 The Minister is entitled to change, increase or reduce the rates for services, if he is convinced that a change has occurred in one or more of the components of the costs, which represent a basis for calculating the rates.

13.3 The Minister will act pursuant to his authority as stated in Clauses 13.1 and 13.2 after the Licensee has been given a reasonable opportunity to voice its claims.

14. Cancellation of the License

14.1 The Minister is entitled to cancel the License before the end of its period, if one or more of the causes set forth in Section 6 to the Law exist, or in one of the following cases:

(A) The Licensee did not disclose to the tenders committee information that must be disclosed or it furnished inaccurate information;
(B)[A2] If the Licensee refuses to furnish the Minister or anyone acting on his behalf with information in its possession that must be disclosed and which it was obligated to disclose by virtue of the provisions of this license or pursuant to law, or the Licensee furnished the Minister or someone acting on his behalf with false information;
(C) The Licensee did not comply with the provision of the Law, the Ordinance or the regulations thereunder;
(D) The Licensee committed a material breach of the License conditions and, without derogating from the generality of that stated, including the following:
  (1) The Licensee is demanding for its services payments that are higher than the maximum rates prescribed in this License or pursuant thereto, or pursuant to any law;
  (2) The Licensee is not complying with the coverage or quality requirements prescribed in this license;
  (3) The Licensee did not comply with the provisions of this license with regard to the operation of digital technology in the cellular System;
(E) The Licensee did not commence provision of the services pursuant to that set forth in the License or unlawfully discontinued, restricted or delayed one of the services;

[A2] Amendment No. 2

(F) One or more of the qualities that rendered the Licensee suitable to participate in the tender for cellular services, or to be a Licensee, has ceased to exist, including:

(1) The Licensee has ceased to be a company registered in Israel;
(2) Void;
(3) A majority of the directors in the Licensee company are not citizens and residents of Israel;
(4) The manager or a director of the Licensee company was convicted of an infamous crime and continues to serve in his position;
(5) The joint equity, including surpluses, of all of the shareholders in the Licensee company, together with the equity of the Licensee, has declined to under US $200 million; in this matter, a shareholder holding less than 10% of the right to the company's earnings will not be taken into account.
(6) Before 5 years have elapsed from the date of granting the License, the share of the cellular operator has fallen to less than 25% of the voting rights in the general meeting or of the right to appoint a director or CEO in the Licensee company;
(7) Subject to that stated in paragraph (8), the Licensee, or an officer in the Licensee company or anyone who holds more than 5% of the Means of Control in the Licensee company, holds, directly or indirectly, more than one per cent (5%) of the Means of Control in Bezeq[A2], Another cellular Operator, or one of them acts as an Officer in a competing corporation.
(8) If one of the following occurs in an Interested Party in the Licensee company, which is a mutual fund, insurance company, investment company or pension fund;

- it holds, directly or indirectly, more than 5% of any Means of Control in a competing corporation, without receiving a permit therefor from the Minister;

- it holds, directly or indirectly, more than 5% of any Means of Control in a competing company pursuant to a permit from the Minister and, additionally, it is a controlling shareholder and exercises actual Control in a competing corporation or it has a representative or appointee on its behalf among the Officers in the competing corporation, unless it is required to do so under law;

- it holds, directly or indirectly, more than 10% of any Means of Control in a competing corporation, even though it has received permission to hold up to 10% of said Means of Control;

(G) Void [A2]

(H) If an act or omission in the Licensee's operations impaired or restricted competition in the cellular sector;
(I) A receiver or temporary liquidator was appointed to the Licensee company and an order was given for its liquidation or it decided on voluntary liquidation;
(J) Void [A2)]
(K) The Licensee requested cancellation of the License;

[A16] Amendment No. 16
[A2] Amendment No. 2

14.1.1[A2] For the purposes of sub-clause 14.1(E [A2]), the restriction of service for technological reasons, effected after the Director was provided with prior written notification of the reasons and approved by the Director, will not be considered deemed an improper unlawful cessation, restriction or delay of service.

14.2 If the Minister is convinced that, in the circumstances, the cause of invalidity does not necessitate cancellation of the License, the Minister will grant the Licensee a fair opportunity to rectify the act or omission constituting a cause for cancellation.

14.3 The Minister will notify the Licensee in advance of his intention to cancel the license, will state in the notice the cause in question, and will allow the Licensee to voice its claims relating to the cause for cancellation, either in writing or orally, according to the circumstances, within the period set forth in the notice.

14.4 The Minister is entitled to summon the Licensee to appear before him and may demand that it respond to questions, present documents or furnish him with whatever information and documents are required for the purposes of clarifying the cause for cancellation.

14.5 If the Licensee is required or summoned as stated, it must respond to the requirement or summons on the date set forth therein.

14.6 If the Licensee fails to respond, at least twice, to the Minister's demand or summons within the period stipulated by the Minister in his demand or summons, the Minister is entitled to cancel the License in a notice that will be sent to the Licensee (hereinafter - Cancellation Notice).

14.7 In the Cancellation Notice, the Minister will determine the date on which the cancellation of the License will take effect and he is entitled to instruct the Licensee to continue the provision of services pursuant to this License until a license is granted to another or until the appointment of a trustee or until a receiver is duly appointed for the purpose of managing and operating the cellular System – as applicable.

14.8 The Licensee will continue to provide services until the end of the period stipulated by the Minister in his notice and will comply with the provisions of this License and any instruction given by the Minister in this matter.

15. Other remedies

In addition to his authority to cancel the License as stated in Clause 14, the Minister is entitled, if the causes outlined in Clause 14.1 occur, to restrict or suspend the License or to change its conditions or to foreclose on the guarantee given by the Licensee to secure fulfilment of the conditions of the License, in whole or in part; the procedures set forth for cancellation of the License will apply, *mutatis mutandis*, to the restriction or suspension of the License or forfeiture of the guarantee.

[A2] Amendment No. 2
[A2] Amendment No. 2
[A2] Section 3 in the original version of Amendment No. 2 contained a typographical error, in which 14.1(D) was written instead of 14.1(E).

CHAPTER C: OWNERSHIP, ASSETS AND MEANS OF CONTROL

PART A – RESTRICTIONS ON TRANSFER OF THE LICENSE AND ITS ASSETS

16. Void. A66

17. Ownership of the Cellular System

17.1 The Licensee will be the owner of the Cellular System.

17.2 Notwithstanding Clause 17.1, the License Holder may make use of:
(a) physical or wireless transmission lines of another license owner;
(b) the radio infrastructure, that is functioning and operating by way of a cellular radio infrastructure License Holder, in the framework of a usage agreement, as defined in Clause 19.3C, and after receiving the manager's agreement in advance and in writing, and in accordance with the terms determined by the Director.

18. Restrictions on transfer of the License assets

18.1 The Licensee may not sell, lease or pledge any of the assets used in performance of the License (hereinafter – the License Assets) with the Minister's prior consent and in accordance with the conditions determined by him.

18.2 Without derogating from the generality of that stated in Clauses 18.1, the Minister will give his consent for the granting of rights in the License Assets to a third party, if he is convinced to his satisfaction that the Licensee has promised that, in any event, the exercise of the rights by a third party will not cause any impairment in the provision of the services pursuant to this License, as long as the Licensee is obligated to provide these services pursuant to the provisions of this License.

18.3 A2 Notwithstanding that stated in Clause 18.1, the Licensee is entitled to encumber one of the License Assets in favour of a bank duly operating in Israel, for the purpose of receiving bank credit, provided that it has furnished notice of the encumbrance that it intends to create, whereby the encumbrance agreement includes a clause ensuring that that, in any event, the exercise of the rights by the banking corporation will not cause any impairment in the provision of the services pursuant to this license. For the purposes of this clause – "Banking Corporation" is as defined in the Banking Law (Licensing), 5741 – 1981, except for a "Foreign Corporation," as defined in the same law.

18.4 A2 The provisions of Clause 18.1 will not apply to the sale of equipment items during an upgrade, including the sale of equipment, as stated, on a "trade-in" basis.

18.4A For purposes of sale, lease, mortgage or transfer of the license assets to the cellular radio infrastructure license holder, whom the License Holder is his client, the provisions of this Clause shall not apply.

A66 Amendment No. 66
A16 Amendment No. 16
A2 Amendment No. 2
A2 Amendment No. 2

19. Engagement with another

19.1 If the Licensee wishes to provide one of the services pursuant to this license, in whole or in part, through another on its behalf, it must apply to the Director for his approval therefor; the Licensee must attach the Contract[A43)] to its application. The provisions of this clause will not apply for the purposes of the engagement between the Licensee and a marketer of Cellular End-Equipment or anyone acting on behalf of the Licensee for the purpose of marketing its services. [A2]

19.2 The Director is entitled to approve or reject the application, or to condition his approval on terms that must be fulfilled, including amendment of the agreement; the Director will consider, *inter alia*, to what extent the terms of the engagement with the other guarantee compliance with the conditions of this License and the obligations of the Licensee hereunder. The Director will not approve an engagement with another that contradicts the obligations of the Licensee pursuant to this License.

19.3 Nothing in the engagement with another will derogate from the obligations and of the Licensee and its responsibility for performing any of the services pursuant to this License, in whole or in part, pursuant to the provisions of this License, nor will it serve to derogate from the powers of the Minister, the Director or anyone acting on their behalf.

Part A1 – Mutual relations with a cellular radio infrastructure License Holder

19A **Definitions**

19.1A In this Section –

"Confidential Commercial Information" - data regarding the License Holder that is not public, and that relates to one of the following:

(1) Amount and volume of Bezeq messages transferred through the network, the kinds thereof and their destinations;
(2) Number of subscribers, their classification and characteristics;
(3) Network structure, its layout and the technology according to which it operates;
(4) Plans for the expansion of the network, changes therein and operation of new services therewith;
(5) Marketing or other technological plans or activities, the information regarding them was transferred to the License Holder by the mobile telephony communications license owner, or other business activity, the information regarding which was classified by the mobile telephony communications license owner as confidential commercial information;
(6) Any other information which cannot be legally easily discovered by others, whose confidentiality grants its owners a business advantage over its competitors.

"Passive Component" – the passive elements in the cellular radio center's website, including pole, structure, electricity and air conditioning;

"Active cooperation of an antenna" – passive cooperation and in addition, cooperation of the antenna or cable feed to the antenna;

"Active cooperation of a frequency" (MOCN[a]) – active cooperation of an antenna, including sharing of radio equipment and frequency that were allotted for use of the mobile telephony communications license owner;

---

[a] Multi Operator Core Network

"Passive cooperation" – Whole or partial cooperation of a Passive Component in a significant number of cellular radio center's websites between two or more of the mobile telephony communications license owners;

19B. **Cooperation with another mobile telephony communications license owner**

19.1B The License Owner may contract with another mobile telephony communications license owner (hereinafter in this section: "**Other License Owner**") for the purpose of cooperation ("**Cooperation Agreement**") in any one of the following options only:

(a) Passive Cooperation Agreement;

(b) Active Cooperation of an Antenna Agreement;

(c) Active Cooperation of a Frequency Agreement (MOCN);

19.2B Without derogation from the aforementioned in Clause 19.3B:

(a) The License Owner may contract with other telephony communications license owners in various cooperation agreements in each of the Generation 2, Generation 3 or Generation 4 networks. Despite the aforementioned:

(1) Active Cooperation of a Frequency (MOCN) shall not be approved between two operators.

(2) Active Cooperation of a Frequency (MOCN) in Generation 2 or 3 shall be approved only if both cooperating license owners were allotted Generation 4 frequencies and if the cooperating license owner who is not an operator has an Active Cooperation of a Frequency (MOCN) in Generation 4.

For the purpose of this sub-clause, **"Operator"** – a license owner who has completely laid out access network in Generation 3: Pelephone Communications Ltd., Cellcom Israel Ltd., Partner Communications Ltd.;

(b) Void.

19.3B If the License Owner and the Other Owner reach a cooperation agreement of the types specified in Clause 19.1B, the License Owner shall submit a written request to the Manager no later than thirty days from the date of signature of the Cooperation Agreement (hereinafter in this clause – the "**Request**"), and shall request his approval of the Cooperation Agreement, and the Request shall include, at least, all of the following:

(a) Details of the License Owner and the Other License Owner;

(b) Type of Cooperation Agreement as stated in Clause 19.1B;

(c) Executive summary of the main points of the Cooperation Agreement;

(d) A copy of the Agreement with all of its attachments and appendices, together with an affidavit of an officer of the License Owner that except for these documents, no agreement exists, in writing or orally, in connection with the Agreement;

(e) An opinion according to which the Agreement meets the most recent "Broadband Access Cooperation of the License Owner for the Provision of Mobile Telephony Communications" policy and the terms of Section A1. The opinion shall include an analysis of the influence of the Cooperation Agreement on the competition in the Bezeq and broadcasting area.

(f) The date scheduled for the commencement of the implementation of the Agreement and its expiration;

19.4B The manager may approve the Request, deny it or condition its approval, including amending the Agreement.

19.5B The License Owner may commence the implementation of the Cooperation Agreement only after the manager approved the Request of the License Owner and the Other License Owner in writing.

19C **Cooperation Agreement and Use Agreement**

19.1C If the License Owner files a request for an active cooperation of a frequency agreement (MOCN), the manager shall consider the request, taking into account, *inter alia*, the existing competition level of mobile telephony communication services and the potential to the harm in competition, the existing and expected frequency inventories and the efficiency of use of the frequencies, the survivability and the redundancy of the networks from a national standpoint and ensuring the Bezeq service level over time.

19.2C The active cooperation of a frequency agreement (MOCN) shall include the following terms:

(a) Cooperating license owners shall establish a joint corporation, and shall have equal control thereof. The joint corporation shall be required to obtain a special cellular radio infrastructure license;

(b) The following provisions in regards to the Passive Component and the radio centers included in the joint access network shall apply to each one of the cooperating license owners during the entire term of the Cooperation Agreement:

(1) in the cellular radio centers – all cooperating license owners shall hold equally;

(2) in the passive component – each of the cooperating license holders shall have the right to make effective use of all passive components in the access network.
In this regard – **"Right to make effective use"** – indefeasible right to use, during the relevant license period, the Passive Component, resulting from ownership or other source, which shall allow its owners to perform all actions connected to the establishment, existence and operation of cellular radio centers by way of or on the Passive Components.

(c) The cooperation agreement expiration mechanism, which ensures the ability of each of the cooperating license owners to continue providing mobile telephony communication services to its subscribers after said expiration, in accordance with the provisions of its license. The framework of said expiration mechanism shall include provisions which shall arrange for the continued existence of the right to make effective use of the Passive Components in case of termination of the Cooperation Agreement in accordance with the provisions of sub-clause (2) and the mutual duty to allow for passive cooperation even after the termination.

19.3C Without derogating from the aforementioned in Clause 19.2C, the License Owner, the Other License Owner and the special cellular radio infrastructure license owner shall contract in an agreement between them, which grants the special cellular radio infrastructure license owner an indefeasible right of use (IRU) in the joint access network components, which are not owned by the special cellular radio infrastructure license owner, which specifies the method of use that shall be made with the joint network (hereinafter: the "**Usage Agreement**").
In this regard, the indefeasible right of use shall be provided for a period not to exceed 10 years, and shall refer to the relevant access network components for a generation which was agreed upon in the Cooperation Agreement.

19.4C any change in the Usage Agreement or in the Cooperation Agreement shall be presented to the manager for approval no later than ten days from the date of signing the change; the License Owner shall forward to the manager, upon request, a copy of the Usage Agreement or any change therein.

19.5C The Cooperation Agreement or Usage Agreement (hereinafter in this Clause – the "**Agreement**") shall not limit, directly or indirectly, the License Owner and the Other License Owner from reaching an agreement with an additional license owner or a mobile telephony communications license owner on another network or from signing another agreement with them, or from causing discrimination in regards to the terms of use of the cellular radio infrastructure.

19.6C if the License Owner or the Other License Owner requested to make use of the radio infrastructure of the special cellular radio infrastructure license owner, it shall contact the license owners who are parties to the agreement in order to formulate a cooperation agreement, and shall act as stated in Clause 19B.

19.7C Nothing in the contracting with the special cellular radio infrastructure license owner may derogate from its duties as a license order and from its responsibilities to supply to its customers any service of the services under this license, in whole or in part, under the provisions of this license.

19.8C If the parties do not reach an agreement, each party may contact the Ministry in order to resolve the disputes between them in accordance with Section 5 of the Law.

19D. **Obligation for Structural Separation**

19.1D The License Owner shall maintain structural separation between it and the special cellular radio infrastructure license owner, as specified below:

(a) Complete separation between its management and the management of the special cellular radio infrastructure license owner; in this regard – "**Management**", with the exception of an officer who is not a Board member of the License Owner, who is also a Board member of the special cellular radio infrastructure license owner.
(b) Complete separation between its assets and the assets of the special cellular radio infrastructure license owner, with the exception of the radio infrastructure of the License Owner;
(c) The License Owner shall not employ the employees of the special cellular radio infrastructure license owner, and the special cellular radio infrastructure license owner shall not employ employees of the License Owner;
(d) The License Owner shall not employ anyone who was a Management employee of the special cellular radio infrastructure license owner for one year after the termination of his employment, without the approval of the manager;
(e) The License Owner shall neither receive nor transfer to the special cellular radio infrastructure license owner Confidential Commercial Information that is not required for the provision of the special cellular radio infrastructure license owner's services to the License Owner.

19.2D Regarding confidentiality of commercial information, the License Owner shall do as follows:
(a) The License Owner shall refrain from transferring Confidential Commercial Information to the special cellular radio infrastructure license owner, except for information required for the provision of the services of the special cellular radio infrastructure license owner to the License Owner;
(b) The License Owner shall refrain from transferring Confidential Commercial Information to the Other License Owner holding the same special cellular radio infrastructure license owner or receives services therefrom;
(c) The License Owner shall determine procedures and rules for maintaining Confidentiality of Commercial Information, and for the prevention of its transfer as stated in sub-clauses (a) and (b). The procedures shall determine, inter alia, limitations regarding the distribution of the Confidential Commercial Information to the License Owner and the special cellular radio infrastructure license owner, and the access to Confidential Commercial Information by employees who are not supposed to handle it in the framework of their positions.

19.3D If the Minister notices that there is a real concern to damage to competition in the Bezeq area or to the public's interest, he may instruct that the provisions of this chapter, in whole or in part, shall apply to an affiliated company to the License Owner that has a license under the Communications Law.

19.4D If the Minister notices that in a certain incident, circumstances existed which permitted it, and after he was convinced that there would be no damage to competition in the Bezeq area or to the broadcasts or to the public's benefit he may, according to a written request from the License Owner, permit by way of a written approval, reservations to the obligation for structural separation set forth in this section or according thereto, and he may determine conditions for it.

19E. Application of shared frequencies by means of the Joint Corporation and in accordance with the Cooperation Agreement":

(1) In this section:

"**Cooperation Agreement**" – A Cooperation Agreement for the Generation 4 Network and on between Cellcom Israel Ltd. (hereinafter: "**Cellcom**"), Electra Consumer Products (1970) Ltd. (hereinafter: "**Electra**") and Marathon 018 xPhone Ltd. (hereinafter: "**xPhone**") of February 22, 2017, which was authorized on March 21, 2017 (hereinafter: "**the Generation 4 Cooperation Agreement**"), and in addition a Cooperation and Usage Agreement of the Generation 3 Network between Cellcom and Electra of January 2, 2017, which was authorized on March 16, 2017 (hereinafter: "**the Generation 3 Cooperation Agreement**");

"**Joint Network**" – A joint access network by virtue of the Cooperation Agreement as it is defined herein in this Section;

"**The Generation 4 Network Joint Corporation**" – A Joint Corporation that was set up in accordance with the Generation 4 Cooperation Agreement;

"**Generation 3 Network Joint Corporation**" – A Joint Corporation that was set up in accordance with the Generation 3 Cooperation Agreement;

(2) Up to the date January 14, 2018 – the License Holder shall complete the establishment of the Generation 4 Network Joint Corporation and shall submit an Application for a Special License for the Generation 4 Network Joint Corporation, in accordance with the Telecommunications Regulations (Bezeq and Broadcasting) (Application Details for a Special License), 5764-2004.

Up to the date February 15, 2018 – the License Holder shall complete the establishment of the Generation 3 Network Joint Corporation and shall submit an Application for a Special License for the Generation 3 Network Joint Corporation, in accordance with the Telecommunications Regulations (Bezeq and Broadcasting) (Application Details for a Special License) 5764-2004. In addition, the License Holder shall fill the various positions in the Generation 4 Network Joint Corporation and in the Generation 3 Network Joint Corporation, as determined in Section 13 of the Generation 4 Cooperation Agreement and Section 23 of the Generation 3 Cooperation Agreement.

(3) The License Holder will connect and operate the joint network sites in accordance with that which is stated herein below:

(a) Up to the date March 31, 2018 – Full connection and operation of all of the Joint Network sites, for the License Holder and xPhone;

(b) Up to the date April 30, 2018 – The connection and operation of at least half (50%) of all the sites of the Joint Network for the License Holder and Golan Telecom Ltd.;

(c) Up to the date July 31, 2018 – The connection and operation of all the sites of the Joint Network for the License Holder and Golan Telecom Ltd.

(4)

(a) The License Holder may not deviate from the timetable specified in sub-sections (2) and (3) above, unless the Director has authorized this for him, and provided that the License Holder contacted the Director in writing for the purpose of obtaining his immediate authorization after he found that difficulties arose, which preclude him from meeting the said deadlines.

(b) The Director may authorize the License Holder's request to deviate from the timetable, in full or in part, and stipulate conditions for the authorization thereof, and this, solely if the Director found, to his satisfaction, that the License Holder did everything in a reasonable manner under the circumstances of the matter to meet the deadlines.

(5) Until the date of completion of the connection and operation of all the sites of the Joint Network as specified above, the License Holder shall transmit on the first day of every month the data specified herein below to the director of the Supervisory Administration in the Ministry:

(a) The total of all the traffic of the License Holder in all the technologies divided in accordance with: Generation 2, Generation 3, and Generation 4; the total traffic including the volumes of information traffic of all subscribers;

(b) The percentage of traffic of the License Holder in the Joint Network out of the total traffic of the License Holder as specified in sub-section (a);

(c) The percentage of traffic of the License Holder that was implemented by way of intra-country migration out of the total traffic of the License Holder as specified in sub-section (a);

(d) The number of radio sites of the License Holder that were connected and operated within the framework of the Joint Network.

A2 Amendment No. 2

Part B: Means of Control – Changes and Limitations

20. Void

21. Transfer of Means of Control

21.1 There will be no transfer, directly or indirectly, of ten percent or more of any means of control in the Licensee, whether all at once or in parts, unless this received the Minister's prior consent.

21.2 There will be no kind of transfer of any means of control in the Licensee, or a part of said means of control, so that as a result of the transfer, control in the Licensee is transferred from one person to another, unless this was given the Minister's prior consent.

21.3 There will be no acquisition of control, directly or indirectly, in the Licensee, and there will be no acquisition, directly or indirectly, by a person himself or together with his relative or with another person, who operate with him regularly of 10% or more of any means of control in the Licensee, whether all at once or in parts, without the prior consent of the Minister.

21.4 Subject to the foregoing in this section, there will be no transfer, directly or indirectly, of means of control, so that the share of a cellular system operator in the Licensee drops below 25% of the voting rights in the general meeting and of the right to appoint a director or general manager, except after 5 years have elapsed since the date of the granting of the license. If 5 years have elapsed since the date of the granting of the license, the cellular system operator's share can go below 25% to the point of selling all the means of control in its possession to another, all subject to the Minister's approval for the very reduction of the cellular system operator's share in the means of control in the Licensee and also regarding the purchaser.

21.5 Notwithstanding that stated in sections 21.1 and 21.3, if traded means of control in the Licensee, not entailing the transfer of control in the Licensee, have been transferred or acquired at a rate requiring approval under sections 21.1 or 21.3, without the Minister’s approval having been requested, the Licensee shall report this to the Minister, in writing, and shall submit to the Minister an application for approval of the transfer or the acquisition, all within 21 days from when the Licensee learned of this fact, provided the Minister gave his prior written approval to the holding per se of the issue or the sale of the securities to the public. In this regard, **“traded means of control”** – means of control, including deposit certificates, Global or American Depository Shares (GDRs or ADRs), or similar certificates, in respect of securities listed on the stock exchange in Israel and/or abroad, in a non-hostile country, or means of control offered to the public pursuant to a prospectus and held by the public, in Israel and/or abroad, in a non-hostile country.

21.6 Entry into an underwriting agreement in connection with an issue or sale of securities to the public, and listing on a stock exchange in Israel or abroad, in a non-hostile country, or the deposit of securities, including deposit certificates, Global or American Depository Shares (GDRs or ADRs), or similar certificates, in respect of securities, or the registration thereof with a nominee company and/or agent, shall not in themselves be deemed as the transfer of means of control in the Licensee.

21.7 (A) Irregular holdings shall be registered in the members register (shareholders register) at the Licensee, noting the fact of their irregularity, immediately when the Licensee learns of this fact, and a notice concerning the registration shall be delivered by the Licensee to the owner of the irregular holdings and to the Minister. In this regard, **“irregular holdings”** – the holding of traded means of control without the Minister’s agreement as required under section 21 or in contravention of the provisions of section 23, and the entire holdings of a holder of traded means of control who acted contrary to the provisions of section 24; the aforesaid for as long as the Minister’s agreement is required and was not given under section 21 of the license or circumstances exist involving the contravention of the provisions of sections 23 or 24 of the license.

(B) Irregular holdings registered as stated in section 21.7(A), shall not confer any rights on the holder, and shall be "dormant shares" as defined in section 308 of the Companies Law, 1999, except for purposes of receiving a dividend or other distribution to the shareholders (including the right to participate in an issue of rights which are calculated on the basis of holdings in means of control in the Licensee, except that holdings added as stated shall also be deemed as irregular holdings), therefore no act or contention of exercise of a right by virtue of irregular holdings shall be valid, except for purposes of receiving a dividend or other distribution as stated.

(C) Irregular holdings shall not confer voting rights in the general meeting. A shareholder participating in a vote in the shareholders meeting shall notify the Licensee prior to the vote, or where the vote is by means of a voting instrument – on the voting instrument, whether or not its holdings in the Licensee or its vote require approval under sections 21 or 23 of the License. If the shareholders did not give a notice as stated, it shall not vote and its vote shall not be counted.

(D) A director may not be appointed to the Licensee, elected or dismissed by virtue of irregular holdings. If a director was appointed, elected or dismissed as stated, such appointment, election or dismissal, as the case may be, shall not be valid.

(E) The provisions of sections 21.7 and 21.9 shall be included in the articles of the Licensee, mutatis mutandis.

21.8 For as long as the Licensee's articles prescribe as stated in section 21.7 and the Licensee acts in accordance with that stated in sections 21.5 and 21.7, for as long as the holdings of founding shareholders or their substitutes are not reduced to less than 50% of each of the means of control in the Licensee, and for as long as the Licensee's articles prescribe that a majority of the voting power in the shareholders general meeting may appoint all the directors in the Licensee, excluding outside directors in accordance with any relevant statutory requirement or stock exchange directive, irregular holdings shall not in themselves be cause for the cancellation of the license.

For purposes of this section, "**founding shareholders or their substitutes"** – Discount Investment Corporation Ltd., DEC Communications and Technology Ltd. and PEC Israel Economic Corporation, or any other body to which any of those enumerated above transferred, with the Minister's approval, means of control, provided the Minister confirmed in writing that the transferee body shall be deemed in this regard as the substitute of the founding shareholder beginning from the date to be determined by the Minister, and including anyone who is an "Israeli entity" as defined in clause 22.2A, who acquired a means of control from the Licensee and received the Minister's approval for being deemed a founding shareholder of its substitute starting from the date that was determined by the Minister. The grant of approval under this section shall not exempt the Licensee from the duty of receiving the Minister's approval for every transfer of means of control in the Licensee that requires approval under any other section of the license.

21.9 The provisions of sections 21.5 and 21.8 shall not apply to founding shareholders or their substitutes.

22. Encumbrance of Means of Control

A shareholder of the Licensee company or a shareholder of an interested party therein may not encumber his shares in such manner so that exercise of the encumbrance results in a change in ownership of 10% or more of any means of control in the Licensee, unless the encumbrance agreement contains a limitation by which the encumbrance may not be exercised without the prior consent of the Minister.

22A. Israeli Nationality and Holdings of Founding Shareholders or Their Substitutes

22A.1 The total holdings of "founding shareholders or their substitutes" as defined in section 21.8 (including anyone being an "Israeli entity" as defined in section 22.2A below, who acquired means of control from the Licensee and received the Minister's approval for being deemed a founding shareholder or a substitute thereof as from the date determined by the Minister), who are mutually bound by an agreement for the fulfillment of the provisions of section 22A of the license (in this section, all of the above will be deemed: "founding shareholders or their substitutes"), cumulatively, may not be less than 26% of each of the means of control in the Licensee.

22A.2 The total holdings of "Israeli Entities", one or more, who are listed with the founding shareholders or their alternates thereof, out of the total holdings of founding shareholders or their alternates thereof, as stated in section 22A.1 above, shall be at any time no less than five percent (5%) of the total issued share capital and of each of the means of control in the license holder[b]. For this purpose, the Licensee's issued share capital will be calculated less the number of "dormant shares" held by the Licensee.

In this section –

"Israeli entity" – With respect to an individual – anyone who is a citizen and resident of Israel; with respect to a corporation – the corporation was incorporated in Israel, and an individual who is a citizen and resident of Israel controls it, directly or indirectly, provided indirect control is solely through a corporation incorporated in Israel, one or more. However, for purposes of indirect holding, the Prime Minister and the Minister of Communications may approve holding through a corporation that was not incorporated in Israel, provided such corporation does not hold shares in the Licensee directly, where they are satisfied that this will not be detrimental to the purposes of this section. In this regard, **"Israeli citizen"** – as defined in the Citizenship Law 1952; **"resident"** – as defined in the Population Registry Law 1965; **"dormant share"** – as defined in section 308 of the Companies Law 1999.

22A.3 At least one tenth (10%) of the members of the Board of Directors of the license holder shall be appointed by the Israeli Entities, as aforesaid in section 22A.2. Notwithstanding the aforesaid, on this matter – if the Board of Directors of a license holder shall appoint up to 14 members – at least one director shall be appointed by the Israeli Entities, as aforesaid in section 22A.2; if the Board of Directors of the license holder shall appoint from 15 to 24 members – at least two directors shall be appointed by the Israeli Entities, as aforesaid in section 22.2A above, and so on.

22A.4 The Licensee's board of directors will appoint from among its members having a security classification and security clearance as will be determined by the General Security Service (hereinafter – **"classified directors"**), a committee called the "Committee for Security Matters."

At least four directors will serve on the Committee for Security Matters, among them at least one outside director. Matters pertaining to security will be considered, subject to that stated in clause 22A.5 below, solely in the framework of the Committee for Security Matters.

A resolution that was adopted or an action that was performed by the Committee for Security Matters, will be deemed the same as a resolution adopted or action performed by the Company's board of directors, and it will be considered by the board of directly only if this is required under section 22A.5 below and subject to that stated in section 22A.5 below. In this clause, "security matters" – as defined in the Telecommunications Order (Designation of an Essential Service Provided by Bezeq Israeli Telecommunications Company Ltd.) 1997.

22A.5 Security matters which the Licensee's board of directors or Audit Committee are required to consider according to the cogent provisions in the Companies Law 1999 or according to cogent provisions of any other law applying to the Licensee, will be considered, insofar as necessary, by the board of directors or by the Audit Committee, with the participation of classified directors only. Non-classified directors may not participate in such meetings of the board of directors or the Audit Committee and may not receive information or inspect documents pertaining to the security matters considered in the meeting. The quorum in every such meeting will consist of classified directors only.

---

[b] The commencement of section 2 shall be on 8 Av 5777 (July 31, 2017) (hereinafter – "**The Date of Commencement**"). During the period from the date of signature of the amendment of this license and until the Date of Commencement, in section 2.22A, in place of "shall be at any time no less than 20% of the total issued share capital and of each of the means of control in the license holder. On this matter the issued share capital of the license holder shall be calculated, with the deduction of the number of dormant shares held by the license holder" it shall be deemed as if it states "shall be at a rate of 0% subject to the fulfillment of all the conditions specified in Appendix XVII of the License.

The Licensee will specify in its articles that an officer who by virtue of his position and by virtue of the provisions of the law or the articles should have received information or participated in meetings on security matters, and is prevented from doing so by reason of the provision of clause 22A.5, will be exempt from liability for breach of the duty of care towards the Licensee, if the duty of care was breached due to non-participation in a meeting or non-receipt of information.

22A.6 The general meeting may not assume, delegate, transfer or exercise powers that are vested in another organ of the Company, in security matters.

22A.7 (A) The Minister will appoint an observer at meetings of the Company's board of directors and committees, having a security classification and security clearance as will be determined by the General Security Service.

(B) The observer will be a government employee qualifying as a director under Chapter C of the Government Companies Law 1975.

(C) In addition, and without derogating from any duty imposed on him by law, the observer will owe the Licensee a duty of confidentiality, except as required for the fulfillment of his function as an observer. The observer may not serve as an observer or in any other position on behalf of any other entity engaging in the provision of communication services and competing directly with the Licensee, and he will avoid any conflict of interest between his function as an observer and the Licensee, except a conflict of interest stemming from his being a government employee filling the function of an observer at the Licensee. The observer will commit towards the Licensee not to serve as an observer or officer and not to hold any position or be employed, directly or indirectly, at any entity competing directly with the Licensee or being in a conflict of interest with it, except for a conflict of interest stemming, as stated, from his being a government employee filling the function of an observer at the Licensee, throughout his tenure as observer at the Licensee and during eighteen (18) after the end of such tenure.

In any case of differences of opinion as to the observer being in a conflict of interest, the Attorney General or someone on his behalf will decide in the matter.

(D) An invitation to meetings of the board of directors and its committees, including the Committee for Security Matters, will be delivered to the observer as well, who may participate as an observer at any meeting as stated.

(E) The observer's right to receive information from the Licensee will be the same as a director's right. If the Licensee is of the opinion that certain information in the nature of sensitive business information is not required by the observer for the fulfillment of his function, the Licensee may withhold delivery of such information to the observer, notifying him in this regard. If the observer is of the opinion that he should receive that information, the matter will be referred to the decision of the head of the General Security Services.

(F) If the observer saw that the Licensee adopted or is about to adopt a resolution on security matters contrary to any provision of the license, contract to section 13 of the Law or contrary to section 11 of the General Security Services Law 2002, it will notify the Licensee without any delay, in writing, such notice to be delivered to the chairman of the board of directors and to the chairman of the Committee for Security Matters, and to set a proper time in the circumstances of the case for remedying the breach or modifying the resolution, should this be possible.

Part C: Cross-Ownership and Conflict of Interest

23. Prohibition on Cross-Ownership

23.1 The Licensee, an officer therein or whoever holds more than 5% of any means of control in the Licensee, will not hold, directly or indirectly, more than one percent (5%) of the means of control in Bezeq, A16) another cellular system operator. Regarding this matter, "holding" – includes the holding as an agent.

23.2 Notwithstanding that stated in Section 23.1, an interested party in the Licensee that is a mutual fund, insurance company, investment company or a pension fund, may hold up to 5% of the means of control in Bezeq, another cellular system operator A16), provided all the following are fulfilled:

(A) It is not a controlling shareholder and does not exert, directly or indirectly, any control in Bezeq or A16) another cellular system operator;

(B) It has no representative or person in charge on its behalf among Bezeq's or the other cellular system operator's officers, unless required to do so by law.

23.3 Pursuant to a written request, the Minister may allow an interested party in the Licensee, as stated in Section 23.2, to hold up to 10% of the means of control in Bezeq, A16) another cellular system operator, when the terms stated in Section 23.2(A) and (B) are fulfilled, if he saw, to his satisfaction, that such a holding will not harm competition.

24. Prohibition on a Conflict of Interest

24.1 The Licensee, an officer therein or an interested party in the Licensee company will not be a party to any agreement, arrangement or understanding with Bezeq, A16) another cellular system operator, meant or liable to reduce competition or harm it in all pertaining to cellular system services, cellphone network end-equipment and other services provided via the cellular system.

24.2 Without derogating from the aforementioned in Clause 24.1, the License Owner shall reach a cooperation agreement as stated in Clause 19.1B

Chapter D: Setup and Operation of Cellular system

Part A: Setting Up the System

25. Definition

In this part –

"Milestones" – Stages in the setup of the cellular system, according to the timetable detailed in the engineering plan – Addendum B to the license.

26. Setup according to Plans and Specifications

26.1 In all pertaining to the setup and operation of the cellular system (in this section – network), including the technical quality of its various components, as well as the network's structure and manner of setup, the Licensee will comply with the terms and provisions in the engineering plan.

26.2 The Licensee will follow all the specifications of the Ministry of Communications and the network-related standards prescribed by standardization organizations in Israel and around the world, as well as other international organizations, in the telecommunications and wireless field as well as in any other field pertaining to the setup and operation of the network.

26.3 The Licensee may discontinue the operation of a cellular system that has become technologically obsolete, after received the Director's approval in that regard and subject to conditions to be set in the License[A63].

26.A Approval of Operation

26.1A The License Owner shall contact the director in writing for the receipt of his approval to commence the provision of Generation 4 services (hereinafter – "**Approval of Operation**")

The License Owner may commence the provision of Generation 4 services only after receiving Approval of Operation from the director.

26B Obligation to Provide Generation 4 Service

26.1B If the License Owner has not begun providing Generation 4 Services within 12 months from the determining date, as stated in Clause 2.1(b)(2)(a) to Appendix E, the frequencies allotment that it provided for the provision of this service shall expire, and the license fees paid due to the award of the Generation 4 Tender shall not be returned.

The expiration of the frequencies allotment as stated shall be considered a change of the Cooperation Agreement or change of the Usage Agreement, as applicable.

27. Execution Stages and Timetable

27.1 The setup rate of the cellular system, the setup milestones, the commencement date for providing the service in the various regions in Israel, will be in accordance with the timetable set in the engineering plan – Addendum B to the license.

27.2 The Licensee may not deviate from the timetable unless authorized to do so by the Director, provided the Licensee applies in writing to the Director to receive his permission immediately after realizing that difficulties have arisen that prevent it from meeting the original timetable.

27.2.1 A delay in signing agreements with a third party or obtaining approval from the planning and construction authorities will be deemed a reasonable reason for obtaining the Director's permission for deviating from the timetable, only if the Director realizes to his satisfaction that the Licensee has done its reasonable utmost in the circumstances of the matter, to come to an agreement with a third party or to receive approval from the planning and construction authorities.

[A63] Amendment No. 63

27.3 The Director may approve the Licensee's request to deviate from the timetable, in whole or in part, and to stipulate conditions for its approval. The Director may also approve deviation regarding a specific milestone, provided the Licensee undertakes to catch up with the planned setup rate in the succeeding milestones.

28. Modification of Plans during Setup

28.1 The Licensee may not deviate from the engineering plan unless it has been authorized to do so by the Director under the provisions of this section. However, the placement of a Cellular Radio Center in a different site from that set in the engineering plan will not be deemed a deviation, if done within the search region. As regards this section, a "search region" denotes a territory defined in the engineering plan in which a Cellular Radio center is planned to be set up, at a specific site within the territory, and regarding which it has been stated in the engineering plan that it might be necessary to place the center in another site found in the territory.

28.2 If in the course of setting up the cellular system, the Licensee realizes that it has become necessary to deviate or depart from the engineering plan, the Licensee must apply in writing to the Director to obtain his approval for the plan. In its application, the Licensee must describe the essence and nature of the requested modification and the reasons therefor. The Licensee must attach the amended plan it proposes, to the application.

28.3 The Director may reject or approve the request, in whole or in part, and may also stipulate conditions for its approval, insofar as these are needed for the rigorous assurance of the network's quality and performance level. The Director will make a decision in the matter of the request and notify the Licensee of his decision, all within a reasonable amount of time.

29. Utilization and Construction of Infrastructures

29.1 For the purpose of setting up and operating the cellular network, the Licensee may, subject to any law, set up, maintain and operate cable or wireless transmission arteries, provided such transmission arteries will be used solely for the following:

(A) Connection between the Cellular Radio Centers forming part of the Licensee's cellular system;

(B) Connection between the Licensee's Cellular Radio Centers and its cellular exchanges;

(C) Connection between all the cellular exchanges;

(D) Connection between the Licensee's cellular exchanges and a public telecommunications system, or another cellular operator's cellular network[A16)], or other systems operating lawfully.

(E) Connection between the mobile telephony communications system component exclusively owned by the License Owner and the joint mobile telephony communications system component.

29.2 For the purpose of the connection described in Section 29.1, the Licensee may use also the cable or wireless transmission arteries of Bezeq or of another licensee or concessionaire lawfully authorized to provide aforesaid infrastructure services.

29.3 To remove any doubt, it is hereby clarified that use of the transmission arteries to be set up by the Licensee is solely for operating the cellular system as stated in Section 29.1, unless the Minister permitted the Licensee in the license to make other use thereof, in accordance with the terms he laid down.

30.A16) **Obligation of Interconnection**

30.1 The Licensee will act to effect interconnection of the network with every other public telecommunications network, operating in the territory subject to the law, jurisdiction and governance of the State of Israel (including settlements, military sites and military installations in Judah, Samaria and Gaza Strip), including with every public landline telecommunications network, international telecommunications network and cellular network of another cellular operator.

30.2 The interconnection between the network and another licensee's public telecommunications network will be effected in such manner as to enable the following:

(A) Relay of telecommunication messages between end-equipment connected to the network and end-equipment connected to the other public telecommunications network;

(B) Proper, regular provision of services by the Licensee to the other licensee's subscribers, and the provision of services by the other licensee to the Licensee's subscribers.

30.3 Interconnection may be effected either directly or indirectly, via a public telecommunications network of another general license holder, provided it enables that stated in Section 30.2.

30.4 As regards the interconnection between the network and public landline telecommunications network, the Licensee will act to set up interface points between the two networks, for each type of service (infrastructure, data transmission and communication, telephony), with at least three transition switches, unless the Director has decided otherwise at the written request of the Licensee. Setup of the interface points will be done under an agreement between the Licensee and the domestic operator licensee. Such an agreement will include, inter alia, the technical, operational and business details of the connection, the number of connections and their location.

30.5 As regards the interconnection between the network and an international telecommunications network, the Licensee will act in compliance with the provisions of Addendum J to the license.

30A.A16) **Rules Concerning the Implementation of Interconnection**

The Licensee will act to implement interconnection in accordance with all the following:

(A) The Licensee will verify that the network's technical and operational standards comply wit the requirements for linkup with the public telecommunications network of the domestic operators, the other cellphone operators, and the international operators (hereinafter – **other operator**), that the network's activities will mesh properly with the activities of the other operator's public telecommunications network, and that the interconnection will not adversely affect the proper functioning of these networks and the normal service to their subscribers;

(B) The Licensee will provide the interconnection service under equal conditions for every other operator and avoid any discrimination in actuating the interconnection, including with regard to the following:

(1) Supply of infrastructure facilities and network linkup services;
(2) Availability of linkup facilities;
(3) Linkup method, quality and survival;
(4) Alterations and adaptations in the switching in the facilities, in the protocols and at the network interface points;
(5) Payments for interconnection;
(6) Debiting and collection arrangements, and the transfer of information regarding subscribers;
(7) Commercial terms for effecting interconnection;
(8) Submission of information regarding the network and alteration therein relating to interconnection;

(C) The Licensee will place at the disposal of the other operator any essential information the other operator needs for providing its services via the Licensee's facilities. Said information will be given subject to any law concerning the protection of privacy or commercial confidentiality. In the event the parties fail to reach an agreement regarding the nature and scope of the essential information, the Minister will decide in the matter;

(D) The Licensee will give the other operator information regarding alterations planned in its network, which may affect the interconnection with the other operator's public telecommunications' network, or the interconnection between the public telecommunications networks of the other operators. The Licensee will provide the aforesaid information in such manner as to enable the other operator to prepare reasonably for the implementation of said alterations;

(E) As regards Subsections (C) and (D), the Licensee may stipulate the provision of information to the other operator on signing a reasonable privacy protection agreement, intended to safeguard the Licensee's rights under any law, including trade secrets, intellectual property rights and the like, pertaining to information regarding modification of the network meant to be given to the other operator;

(F) The terms in respect of interconnection between the network and the other operator's public telecommunications network will be formalized in an agreement between the Licensee and the other operator. If the parties fail to reach an agreement, the Minister will decide in the matter.

(G) (1) The Licensee will allow its subscribers to receive all the services offered to them by another operator, The Licensee may also allow another operator's subscribers to receive services from the Licensee, provided that said receipt of services is possible under any law.
(2) The Director may order the Licensee to allow the other operator's subscribers to receive services provided by the Licensee, provided that such receipt of services is possible technically and under any law.
(3) Notwithstanding that stated in Subsection (1), the Director may, at the written request of the Licensee, exempt the Licensee from the obligation of allowing its subscribers the possibility of receiving services from another operator, for technical, economic reasons or for other justified reasons.

(H) The Licensee will forward to the Director a signed copy of every agreement between it and the other operator concerning interconnection;

(I) The Licensee will forward to the Director on demand, any information given to the other operator under Subsections (C) and (D), as well as a copy of every confidentiality agreement under Subsection (E);

(J) The Licensee will act in compliance with additional provisions the Minister will prescribe.

30B.A16) **Payment for Traffic Completion and Interconnection**

In the event the Minister did not determine payment for interconnection or payment deriving from interconnection, the Licensee may demand in respect thereof reasonable and non-discriminatory payment.

30C.A16) **Prohibition on Delaying Interconnection**

The Minister will give the Licensee a reasonable opportunity to voice his position in all pertaining to the Minister's intention to order it regarding the manner of effecting interconnection and its scope, regarding the actions, services and arrangements incidental to effecting interconnection, and regarding payments in respect of interconnection. Once the Minister has instructed the Licensee on said matters, the Licensee will not delay in any way interconnection with the network, and will fulfill its obligations in accordance with the Minister's provisions, properly and in good faith, on the date set therefor and with full cooperation.

30D.A16) **Providing the Possibility of Utilization**

30.1D The Minister may order the Licensee to provide the possibility of utilizing its telecommunications facility, by virtue of his authority under Section 5 of the Law.

30.2D The Licensee will enable another licensee, by the Minister's order, to provide value added services via the Licensee's network. The Licensee will ensure reasonable and equal terms for any other licensee, in all pertaining to the provision of value added services by the latter to the Licensee's subscribers.

30.3D As regards providing the possibility of utilization, the provisions of Sections 30A to 30C will apply, mutatis mutandis.

30E.A16) **Infrastructure Services for an Interested Company**

30.1E The Licensee will not give preference, in providing infrastructure services, to a licensee that is an interested company over another licensee, whether in payment for the service, in service conditions, in service availability or in any other way.

30.2E (A) Pursuant to a written request from the Licensee, the Director may permit the Licensee limitations on the provisions of Section 30.1E, in all pertaining to another licensee or a broadcasting licensee that is an interested company, provided the following conditions are fulfilled:

(1) The other licensee or the concessionaire is not a material operator:
(2) The Director is of the opinion that giving such permission does not materially harm competition in the field of telecommunications.

(B) As regards the limitations stated in Subsection (A), these may allow the Licensee to offer an interested company the use of its telecommunications facilities under preferred conditions, and these may be limited in time or by another condition.

(C) When considering a permit under this section, the Director will take into account the existence of a valid agreement, which was signed prior to Amendment No. 16 to this license, between the Licensee and the interested company, concerning, inter alia, the restriction of the permit in time or by other conditions.

30.3E In this section – "**interested company**," "**subsidiary**," and "**material operator**" – as these terms are defined in the Telecommunications Regulations (Procedures and Conditions for Obtaining a General License for Providing Domestic Landline Telecommunications Services), 2000.

30F.A16) **Numbering Program**

30.1F The Licensee will act in accordance with the numbering program, and in compliance with the Director's provisions regarding the activation and implementation of the numbering program.

30.2F The Director ordered the activation of number portability, so that every subscriber of another cellular system licensee will be able to switch over to and be a subscriber of the Licensee or receive services from the Licensee without any change in his telephone number, and vice versa – the Licensee will incorporate into its public telecommunications network devices enabling the application of this property, on the date and using the method laid down in the Director's provision.

30G.A105) **Allocating Addresses in IPv6 Protocol**

30G.1 The License Holder will adjust the network and its components so that they completely support the IPv6 Protocol to allow the subscribers access to the internet service in IPv6 Protocol from any end equipment supporting the IPv6 Protocol, and will act to train the necessary manpower to support the IPv6 Protocol, and this within 12 months of the day the License Amendment is signed.

30G.2 The License Holder will allot IP addresses in the IPv6 Protocol to each new subscriber or existing subscriber requesting an address in the IPv6 Protocol and having the end equipment supporting the IPv6 Protocol.

30G.3 The License Holder will transfer existing and new subscribers having end equipment supporting the IPv6 Protocol to the IPv6 Protocol addresses of its initiative. Transferring the existing and new subscribers to the IPv6 Protocol addresses will be done pursuant to the following milestones:

a. Within 24 months of signing the License Amendment, the License Holder will transfer, of its initiative, 100% of its existing and new subscribers to the IPv6 Protocol[c].

30G.4 The License Holder will update the technology supervision field manager at the Ministry upon carrying out each one of the milestones in Section 30G.3 above.

30G.5 Any end equipment supplied by the License Holder will support the IPv6 Protocol.

30G.6 30G.6 Transferring from IPv4 to IPv6 can be carried out through the following methods:

a. Dual Stack
b. Tunneling
c. Translation
d. IPv6 Only

30G.7 All the storage servers to which the subscribers have access to and through which service is rendered to the subscribers by the License Holder, including but not limited to the storage servers to the content websites must support the IPv6 Protocol.

30G.8 The support for the IPv6 Protocol will be implemented in all the network components and the lineal and wireless systems of the License Holder relating to rendering browsing services and in all the various apps and services supplied by the License Holder and will include **at the very least** the following actions / components:

a. Basic actions and definitions of the IP tier

b. Access authorizations (RADIUS, AAA)

c. Addresses definition in accordance with the IPv6 Address architecture

d. IPSec

e. Information security tiers

f. All the IT systems at the License Holder relating to providing access services and apps over the internet.

g. All the systems, servers, routers, switches and the like on the core networks, aggregation and access relating to rendering access services and apps over the internet.

h. DNS, DHCP, API

i. Various routing Protocols

j. Links between various License Holders over the internet network

k. Links serving for international connection

l. Multicasting

m. Mobility (Mobile IP)

n. Network Protection (FW[d], APFW[e], IDS[f], IPS[g])

30G.9 The License Holder will update its subscribers of it supporting the IPv6 Protocol through all of the following ways: (a) By written explanation on the License Holder's website. (b) By direct mailing to subscribers to be attached to an invoice to be sent to the subscriber in the first month after supporting IPv6 Protocol begins.

---

[c] Except subscribes in possession of private end equipment that does not support the IPv6 Protocol and who decided not to replace it with equipment supporting the protocol, and this provided that the License Holder notifies them of the allotment of the IPv6 address, explained the meaning of the decision not to replace the equipment to them and had them sign a waiver of this allotment.

[d] Firewall

[e] Application Firewall

[f] Intrusion Detection System

[g] Intrusion Protection System

31. Reports on the Setup Works

31.1 The Licensee will submit to the Director, throughout the cellular system setup period, quarterly reports describing the setup works carried out during the period of each report, according to the milestones and timetables in the engineering plan. As regards this section, "the setup period" denotes 15 months from the date the license was granted or until the date of the completion of the network's setup in full deployment, according to the engineering plan, whichever the earlier. [A72]In the setup period, this report shall be integrated into the engineering system report, as stated in Section 104.1(e)

31.2 The reports will include a comparison of the plans' execution versus the plan for each report's period, as well as explanations for any deviation or alteration that occurred in the execution compared with the plan.

31.3 Each report will be submitted in triplicate in a format to be instructed by the Director, and will bear a date and be signed by the Licensee or whoever it empowered especially for this purpose.

31.4 The Director may demand that the Licensee prepare special reports, and also that it draw up a new or supplement a report submitted to him.

32. Handover of Information and Documents

The Licensee will furnish to the Director, on demand, any information or document regarding the execution of cellular system setup works, at the time, in the format, and in the manner instructed by the Director.

33. Supervision of Setup Works

33.1 The Director may supervise, by himself or through a designee, the Licensee's actions connected with the execution of the setup works. To this end, the Director may enter at any reasonable time, the Licensee's work sites, cellular system facilities and offices, for the purpose of making measurements, performing inspections and perusing any plan or document pertaining to the execution of the setup works.

33.2 The Licensee will cooperate with the Director in all pertaining to the supervision of the setup works, and without derogating from the generality of the foregoing, will enable him to enter the work site and its facilities, enable the perusal of any document, plan and specification, and provide him with any information he requests.

34. Correction of Deficiencies and Defects

34.1 The Director may notify the Licensee in writing about deficiencies, defects and deviations he found in the cellular system setup operations, based on reports submitted by the Licensee, documents and information it furnished him, or based on measurements and inspections he made.

34.2 In the event the Licensee receives a notice as stated in Section 34.1, it will notify the Director, within fourteen days of the date of receiving the notice, regarding its response to that stated therein and the measures it took or plans to take, in order to correct the deficiencies, defects or deviations.

35. Safety Precautions and Prevention of Hazards

35.1 The Licensee will execute the setup works, taking adequate safety precautions to prevent personal accidents and property damage, will prevent the causation of nuisances and hazards to the public in the work areas, and if required to do excavations at the spot, will do everything to prevent damages to underground systems, including telecommunications networks, and to this end will make sure to obtain every permit required by any law, including an excavation works permit under Section 53B of the Law.

A72 Amendment No. 72 (Inception: This amendment will come into force on the day of signing the Amendment)

35.2 Upon completion of the setup works, the Licensee will make sure to clean up the work sites and restore them to their previous condition.

36. Void.(A2)

37. Intersections with Electricity and Telecommunications Lines

In a place where there are electricity lines or electricity facilities prior to the installation of the cellular system, the Licensee is subject to the obligations imposed under the Telecommunications and Electricity Regulations (Convergence and Intersection between Telecommunications Lines and Electricity Lines), 1986.

38. Discovery of Antiquities and Site Preservation

38.1 Antiquities, as defined in the Antiquities Law, 1978, which are discovered at a setup work site, are state assets, and the Licensee will take the appropriate precautions to prevent damage thereto.

38.2 The Licensee will notify the director of the antiquities authority regarding the discovery of an antiquity within 15 days of the date of the antiquity's discovery and will follow the instructions of the authority's director in all pertaining to the manner of handling the antiquity.

38.3 In the course of the setup works, the Licensee will avoid, inasmuch as possible, damaging sites of historical or national value, tourist sites and landscape.

38.4 The Licensee will avoid, insofar as possible, damaging buildings and trees found in the places where setup works are being carried out.

39. Land-Related Powers

39.1 The Minister may, at the Licensee's request, grant it all or some of the powers prescribed in Chapter F of the Law, subject to that stated in Section 39.2.

39.2 The Licensee will specify in its request the sites at which it requires the aforesaid powers, the scope of the required powers and the reasons therefor, including the steps it took to find alternative sites, without having to use the power under Chapter F of the Law.

39.3 In the event the Minister is convinced of the need to grant the Licensee powers under Chapter F of the Law, the Minister will publish his decision in the *Reshumot* (Official Announcements and Advertisements Gazette).

Part B: Equipment Checks and Installation Certifications

40. Compliance Check

The Director may determine which items of equipment should not be installed in the Cellular System before undergoing a compliance check. "Compliance" as regards this section – as emerges from that stated in Section 41. If the Director has decided as aforesaid, the items will not be installed before undergoing a compliance check.

41. Responsibility for Compliance

It is the responsibility of the Licensee to see to it that the equipment installed in the Cellular System is, at least, technically compliant with the properties detailed in the manufacturer's specifications relating to the specific item of equipment, and attached to the engineering plan.

42. Performance Testing Program and Its Approval

42.1 The Licensee will furnish the Director, no later than 30 days before giving notice of the completion of installation under Section 43, with an up-to-date, detailed testing program for carrying out the performance check, relating to that part of the Cellular System it wishes to operate (hereinafter – detailed testing program).

42.2 The Licensee will present the detailed testing program to the Director. The Director may demand within 15 days of the aforesaid presentation that the Licensee make changes in the detailed testing program or complete it, if he deems it necessary for the full and accurate execution of the performance check, and the Licensee will carry out the checks according to the Director's request.

43. Notice of Setup Completion

Once the Licensee has completed setting up a Switchboard or Cellular Radio Center in some region, so that it is possible to start providing cellular services through it, the Licensee will notify the Director in writing thereof, in the format it was instructed by the Director, along with the results of the detailed check indicating successful installation and operation.

44. Terms of Fitness and Operation

44.1 Prior to operating the network, the Licensee must meet the requirements and conditions detailed below:

(A) **Entering into an Agreement with an Equipment Manufacturer**

The Licensee must have agreements in force for the entire operation period planned, with a Cellular System manufacturer, comprising the following:

(1) Know-how agreement;
(2) An agreement guaranteeing the supply of parts for the network's equipment for a period of at least 7 years;
(3) An agreement guaranteeing the supply of technical literature and full documentation of the network's equipment, including updates.

(B) **Lab and Testing Equipment**

The Licensee must operate a lab, or have a valid agreement with a competent lab. The lab should include professional testing equipment for performing the checks and making the repairs on the Cellular System equipment, including mobile testing equipment.

(C) **Parts**

The Licensee must maintain and run a spare parts warehouse for Cellular System equipment according to the recommendations of the equipment manufacturers.

(D) **Maintenance System**

The Licensee must maintain, on its own or through another, an efficient maintenance system, consisting of maintenance personnel, service vans and communication means, ensuring the proper, ongoing operation of the network and enabling the handling of any malfunction within the response time required under this license, and also enabling, in any case of a serious problem with the Cellular System causing radio interferences, large-scale disconnection of subscribers or posing a safety risk, repair of the malfunction within 4 hours.

(E) **Communication Means**

Means of communication, such as a walkie-talkie, telephone or cellphone, should be installed in the operation exchanges and centers, as well as in the service and maintenance centers.

44.2 The Licensee must present to the Director, seven days before setting the network in operation for the first time, certifications and documents regarding compliance with the requirements and conditions specified in Section 44.1. In the event the Director fails to respond within five days of the date of delivery of said documents, the Licensee may operate the Cellular System and connect subscribers thereto. If the Director orders the Licensee, based on the documents' findings, to alter or fix the network, the Licensee must make the required alteration or correction and present a certification of execution to the Director, and if the Director fails to respond within 3 days, the Licensee may operate the system.

Part C: Use of Frequencies

45. Allocation of Frequencies A16)

45.1 The Licensee may operate the Cellular Radio centers of the Cellular System, using the frequency bands allocated for its exclusive use, as detailed below:

(A) A35) 835 to 845 MHz and corresponding range 880 to 890 MHz;

(A1) A35) 1710 to 1712 MHz and corresponding range 1805 to 1807 MHz;

That stated in this subsection in no way derogates from the Director's authority to allocate an alternative frequency band with identical bandwidth for the Licensee's use, instead of the frequency band specified in this subsection.

(B) Starting from February 1, 2002 to January 1, 2004 the following bands will be allocated:
1710 to 1715.4 MHz and corresponding range 1805 to 1810.4 MHz;
1716.6 to 1721.2 MHz and corresponding range 1811.6 to 1816 MHz;
1962 to 1967 MHz and corresponding range 2152 to 2157 MHz;

(C) Starting from January 1, 2004 the following bands will be allocated:
1720 to 1730 MHz and corresponding range 1815 to 1825 MHz;
1960 to 1970 MHz and corresponding range 2150 to 2160 MHz;
as well as the frequency range 1905 to 1910 MHz.

(C1) A2A26) Starting from April 4, 2004 the following frequency bands will be allocated:
1715 to 1720 MHz and corresponding range 1810 to 1815 MHz.

(D) Notwithstanding the foregoing, in the event the Licensee asks to postpone the usage commencement date for the frequencies specified in subsections (B) and (C), or a part thereof, to a later date, the Director may suspend the allocation of frequencies to a date he decides on.

45.2 The Licensee may select a narrower frequency band than that stated above in the framework of the frequency bands specified in Section 45.1.

45.3 In the event of detection of electromagnetic interferences from other radiants that can harm the proper functioning of the Cellular System, the Director must, at the Licensee's request, take any reasonable action to find an appropriate solution or stop the aforesaid interferences.

46. Restriction on Use of Frequencies

46.1 The Licensee will make use of the frequencies allocated to it as stated in Section 45 only for providing the services under this license.

46.2 Without derogating from the aforementioned in Clauses 45 and 46.1, and in accordance with the terms of the allotment provided to the other mobile telephony communications license owner, the License Owner may make use of the frequencies allotted to the other mobile telephony communications license owner in addition to the aforementioned in Clause 45, provided that the frequencies serve as cellular radio centers of the License Owner through the cellular radio infrastructure license owner that provides it with its services.

47. Prevention of Interferences

47.1 The Licensee will set up the Cellular System and operate it in such manner so that no part of its parts will emit radiation prohibited under the provisions of the Pharmacists' Regulations (Radioactive Elements and Their Products), 1980, and do everything required, if required, to obtain a permit in accordance with the aforesaid regulations.

47.2 The Licensee will coordinate the use of the frequencies with the Director, who will base his directives, inter alia, on the program derived from the preparation for a national emergency crisis.

47.3 The Licensee will submit to the Director, or anyone appointed for this purpose on its behalf, a detailed, up-to-date plan for the operation of Cellular Radio Centersand for the expected use of the frequencies at least 60 days before the operation, and will report to the Director regarding the actual execution, within 7 days of the operation date.

47.4 The Licensee will set up and operate the Cellular System in such a manner as to prevent interferences with other Bezeq and wireless systems operating lawfully. Prior to the activation of any Cellular System, the Licensee will perform tests and measurements for the purpose of preventing electromagnetic interferences. If found that electromagnetic interferences can be expected or interferences have been detected during operation, the Licensee will act to find a solution that will prevent these interferences and also prevent their recurrence, and in the absence of a solution it will turn in writing to the Director or to anyone appointed for this purpose on its behalf, in order to find a reasonable solution in this regard. The Director may demand that each of the parties make changes in the operation of the equipment or in the use of the frequencies or that they stop broadcasting over certain frequencies, throughout the country or in a certain region.

47.5 The granting of this license, including the approval of the engineering plan, in no way provides protection against harmonies from other radiants operating lawfully, or other radiants operating outside state territory; however, the Director must make every reasonable effort to find an appropriate solution providing the necessary protection.

48. Preparing to ensure continuity of operations in emergencies

48.1 The License Holder will appoint a functionary (including a first deputy and a second deputy) who will be responsible in emergencies for maintaining contact with the Ministry.

48.2 The License Holder will be prepared to ensure continuity of operations in emergencies, as specified in Annex D – “Preparing to Ensure Continuity of Operations in Emergencies”.

Part D: Inspections and Maintenance[A43)]

49. Definitions

"**Periodical inspection**" – An inspection of the network or any part thereof performed according to the license's provisions, at fixed time intervals and at least once every half year;

"**Special inspection**" – An inspection of the network or any part thereof performed due to a maintenance action or repair, following electromagnetic interferences, a malfunction, clarification of a complaint, a technological modification, an alteration in the engineering plan or the like;

"**Regular inspection**" – An inspection of the network or any part thereof, done on a regular, ongoing basis.

50. Performance of Inspections

50.1 The Licensee will carry out periodical inspections on the Cellular System and will submit the results of the inspection, at the Director's request, within 30 days of the day of the request.

50.2 The Licensee will set up and operate a control system for continual monitoring of the performance and functionality of the network, and will perform, on an ongoing basis, regular inspections of the network or any part thereof, as necessary.

50.3 The Licensee will perform a regular inspection for quality of the service as detailed in Addendum E, including compliance with relevant ITU-T standards, and will submit the results of the inspection, at the Director's request, within 30 days of the day of the request.

50.4 The Director may instruct the Licensee to perform a special inspection; The Licensee will perform such inspection in the format and at the time specified by the Director and will submit its results to him.

50.5 The Director or anyone so authorized by him will be allowed to carry out inspections himself, where he deems this to be necessary; The Licensee will permit the Director or anyone so authorized by him access to the installations and the equipment, subject to prior coordination, and will place at his disposal testing equipment used by it or professional manpower employed by it.

51. Inspections, Malfunctions and Maintenance Log

51.1 The Licensee will manage an inspections, malfunctions and maintenance log (hereinafter – maintenance log), in which details of the malfunctions in and inspections of the network are recorded.

51.2 The Licensee will keep the maintenance log and the steps taken to fix them and enable the Director or a representative authorized by him to peruse it at any time, to examine it or copy it in any manner, and will submit it for inspection by the Director at his request.

52. Repair of Deficiencies and Defects

52.1 The Director may, after giving the Licensee sufficient opportunity in the circumstances of the case to present its case to him, notify the Licensee in writing of deficiencies and defects he found that are affecting the level of the service to Subscribers, the level of survivability and backup of the network or the safety level or interfering with other lawfully operating systems, based on a follow-up of the network's performance, including by means of Subscribers' complaints or inspections carried out by him or on the basis of inspection reports, documents and information provided to him by the Licensee.

52.2 The Director may instruct the Licensee regarding the times by which it must correct the deficiencies and defects.

52.3 In the event the Licensee received such a notice, it will notify the Director, within the time set for this purpose in the Director's notice, of the correction of the deficiencies and defects, at the level of detail requested by the Director.

53. **Void.**

54. **Void.**

Chapter E: Providing Cellular Services to Subscribers

Part A: Entering into an Agreement with Subscribers

55.[A43)] The Contract

55.1 The Licensee will prepare a wording for the contract that it intends to offer its subscribers, and will submit it for the Director's perusal at his request.

55.2 The terms of the contract shall not contradict, explicitly or implicitly, the provisions of any law or the provisions of the license: The aforesaid shall not prevent the stipulation of various provisions in the contract that benefit the subscriber compared to the provisions of the law or the license.

55.3 The contract will be in writing and laid out in a clear manner conducive to reading and comprehension and specifying prominently any term or limitation on the subscriber's right to cancel the contract or on the Licensee's liability toward the subscriber; Any stipulation in the contract shall be stated explicitly and not by way of reference.
For purposes of this section, "writing" – including an electronic document that can be saved and retrieved by the subscriber.

55.4 The contract will include, *inter alia*, in a clear manner, the following:

(a) The first part of the contracting agreement shall clearly and accurately specify the main points of the fees and services plan according to the contracting agreement (hereinafter – the "**Main Points of the Plan**"). Should the contracting agreement include one type of services, the license owner may specify the Main Points of the Plan over no more than two pages. Should the agreement include a number of service types (landline, mobile phone, international services, internet, etc.), subject to the aforementioned, the license owner may add one page for each type of additional service. The Main Points of the Plan document shall be printed, without handwritten amendments or addenda, with the exception of that stated in Section (1), and as specified below:

(1) Licensee's name or logo, details of the Licensee's representative who executed the contract, Date and method of contracting execution[h], subscriber's details including name, identity number, subscriber type, address, electronic mail, telephone number to which the contract relates, additional telephone number of the subscriber for sending notices from the license owner concerning the rate of utilization of the service package as stated in section 75D, a change in tariffs as stated in Section 78, and regarding the disconnection of a dormant subscriber, as stated in Section 72A and a description of the goods, if included in the contract. Licensee cannot complete the transaction so long as the additional telephone number is not mentioned within the framework of the engagement agreement; insofar as the engagement agreement is for one telephone number only, that is not added to an existing account containing one or more telephone numbers, and the Subscriber is not interested in stating an additional telephone number, the Licensee will state the Subscriber's telephone number in the engagement agreement as the additional telephone number Notwithstanding that stated at the beginning of section (a), the details mentioned in this subsection, other than the Licensee's name or logo, can be written in handwriting.

(2) The duration of the commitment period, if any, and its expiry date. For purposes of this subsection, "commitment" – as this term is defined in section 56.1A.

(3) All rates, according to which the license owner charges the subscriber for the services he requested to receive during the performance of the contract, including video call services and multimedia messages, and the rate of each fixed payment or one-time payment, including fixed payment of one-time payment which is not a Bezeq service, including connection fees, as defined in Section 74.1(a), smart card fees, as defined in Section 74.1(a1) and plan transfer fees.

---

[h] Transaction at a service station of the license owner or a transaction in peddling, as defined in the Consumer Protection Law, 5741-1981 or a transaction by way of a telephone call or a internet transaction.

If the license owner does not charge for connection fees or smart card fees or plan transfer fees, it shall be noted accordingly.

If the contracting agreement includes international services in the form of a package or plan of call minutes abroad, the license owner shall state its rates, the quota of the allotted minutes therein, the three-digit international access code which needs to be dialed, the countries included therein, the type of destinations in those countries (landline, mobile), and rate for deviating therefrom.

(3A) Insofar as the engagement agreement includes international services in the form of a package or overseas call minutes plan, the Licensee will act pursuant to one of the following options:

(1) It will state its tariffs, the minutes quota allotted therein, the international access code that must be dialed, the countries included in the package, type of destinations in those countries (landline, mobile) and tariffs for exceeding the package;

(2) It will state its tariffs, the minutes quota allotted therein, the international access code that must be dialed, the countries included in the package, type of destinations in those countries (landline, mobile) and a link or address of the landing page of the international operator's website whereby the overseas calls are made through its international telecommunications system, to be valid and updated at all times, stating the call tariffs to overseas destinations pursuant to destination type (landline, mobile) and pursuant to customer type (subscribe, occasional). The License will state the type of customer pursuant to which the tariffs will be charged for exceeding the package;

(3) It will state its tariffs, the minutes quota allotted therein, the international access code that must be dialed, the type of destinations in those countries (landline, mobile) and a link or address of the landing page of the Licensee's website to include only the destination countries and tariffs for exceeding the package.

(3B) With respect to a surfing package, as this term is defined in section 75D – the service unit rate outside the package will be presented in the same values as in the package.

(3C) The quota of the service units determined by the license owner for the service or the service package ("Units Quota"), and the maximum length of a call, if any.

(3D) If the license owner provides the subscriber with a service provided at a discount or for free for a fixed period ("Benefit"), and thereafter for full pay or the subscriber receives a credit for the end equipment which the subscriber provided to the license owner, the license owner shall specify the Main Points of the Plan as follows:

(1) The monthly amount of the benefit / credit;
(2) The duration for providing the benefit / credit;
(3) Type of term from which the benefit / credit period begins being counted;
(4) Service rate after the termination of providing the benefit.

The abovementioned shall apply also when the benefit is provided in the framework of a rate plan, and not only for a specific service included in the plan.

(3E) If the subscriber transfers from one rate plan to another, and the license owner provided the subscriber with the main points of the new plan, the Main Points of the Plan shall also include the date of entry into force of the new plan.

(3F) The manner in which the online service is provided after exhausting the entire volume of the browsing package – termination of service or slowing down of pace, without payment and without an additional charge, until the end of the bill term or the allotment of additional packages for pay, according to the choice of the subscriber at the time of performing the contract. Should the license owner choose to slow down the pace, it shall state in the Main Points of the plan what the maximum pace is for downloading.

(3G) The manner in which speech service and text messages are provided after exhausting the entire monthly Units Quota for these services – termination of service until the end of the bill period or the continued supply of the services and charging the subscriber according to rates set forth by the license owner in the framework of the plan.

(3H) The date until which the Subscriber may activate the smart card or the number of days from the day the engagement was executed during which the Subscriber may activate the smart card, insofar as this is relevant to the engagement agreement.

(4) Description of all goods purchased or leased during the performance of the contract and their overall price, and if agreed between the subscriber and the license owner as to the installment payment for the goods – the rate of each payment. If the goods were provided as a gift, it shall be explicitly stated.

(5) Information regarding the cancelation of any benefit as a result of transferring to another rate plan.

(6) The method of calculation of the amount the subscriber will be required to pay for a breach of the commitment, as this term is defined in section 56A.1.

(7) With respect to a business subscriber – information on rate increases during the commitment period, if this possibility exists under the terms of the contract, including the date and amount of such increase.

(8) Information on the balance of any payment for end-equipment that was purchased from the Licensee in a previous contract.

(9) The Licensee's undertaking to pay to a subscriber of another cellular licensee who has become a subscriber of the Licensee, the payment such subscriber will be required to make to the other cellular licensee for the breach of his commitment to that cellular licensee, and the manner of spreading such payment.
In this regard, "**commitment**" – as this term is defined in section 56A.1.

(10) The declaration of a subscriber, according to which he read the Main Points of the Agreement document, and he received it at the time of the execution of the agreement. The declaration shall state the details of the representatives on behalf of the license owner who executed the contract and the original signature of the subscriber shall appear at the end of the Main Points of the Plan.

(11) Respecting subsection (a)(1) to (10) – "Subscriber" is any person who entered into an agreement with the Licensee for receipt of cellular mobile radio telephone services for up to twenty five telephone numbers, excluding a Pre-Paid Subscriber.[A59]

(12) The Licensee will send a split business Subscriber the gist of the plan by SMS with a link attached.

(13) A license owner shall not include in the Main Points of the Plan information or additional details beyond those listed in this Section, unless they are data in NIS or NIS per consumption unit, which may directly affect the account limit of the subscriber.

(14) The rates of all services and payments, as specified in sub-section (3), (3b), (3c) (4) and (5) shall be presented in a chart with two columns – "Description and Rates".

[A59] Amendment No. 59

(15) The Licensee will attach to two telephone bills for each existing private Subscriber, following the 28th Sivan 5778 (June 11, 2018) a separate letter bearing the name of the Licensee or its logo, in which an explanation will be given regarding the nature of the additional telephone number; as detailed in Section 55.4(a)(1), and additionally the Subscriber will be requested to state on the form to be attached to said letter, also bearing the Licensee's name or logo, its details, the additional telephone number and the date and will sign it. The Licensee will state on the said form the address, facsimile number and email address to which the form is to be sent after it is completed.

The Licensee will allow, additionally, to choose the additional telephone number by calling the telephone service center. The Licensee will state this option in the aforementioned separate letter and will state the telephone number to call for the purpose of choosing the additional telephone number.

Upon the Subscriber choosing the additional number through the form or telephone conversation, as stated above, the Licensee will state in the following bill or in the bill thereafter the choice made and state the additional telephone number that was chosen within the framework of the messages to the Subscriber as detailed in Section 8(D) in Appendix E1.

Alternatively, the Licensee may state, in the separate letter, in addition thereto, that choosing the additional telephone number will be done through the landing page on the Licensee's website while reliably identifying the Subscriber, and this instead of using the form, as stated above, and will refer the Subscriber to such a page. After making the choice on the website, the Licensee will produce an automatic confirmation pertaining to the Subscriber's choice stating the additional telephone number that was chosen.

In this section, "**Existing Private Subscriber**" – a private Subscriber who engaged with the Licensee by the 28th Sivan 5778 (June 11, 2018).

(a1) [A58] (1) A separate, printed page, on which the subscriber will be required to mark his choice as to the accessibility of any telephone number to which the contract relates, to services as set out in Appendix E2 (hereinafter – **the Access to Services Form** or **the form**) and to sign at the bottom of the form[A59]; The form will be adjacent to the Main Points of the Plan.

(2) A new subscriber who did not mark his choice regarding a certain service, blocked or open, in the place intended therefor on the form, his receipt of that service shall be blocked. A new subscriber who did not sign at the bottom of the form shall be blocked of all services appearing on the form.
In this section, "New Subscriber" – a subscriber who contracted with the license owner after 15 Tevet, 5777 (May 11, 2017).

(3) A subscriber may request the Licensee at any time, orally in a human respond only or in writing, to change his accessibility to services specified in the form (hereinafter in this section – **the subscriber's request**). A first change will be made free of charge. The Licensee will implement the subscriber's request only after it has identified the subscriber. The license owner shall keep the application, as stated, and make it available for delivery or transfer to the manager, at his request, within five (5) business days from the application submission date.

The subscriber's request must be implemented within one working day[A59] from the date of the request.

(4) The Licensee will include in the next telephone bill after the date of the subscriber's request a notice concerning the implementation of the request and the date of implementation. The license owner shall keep the telephone bill, as stated, and make it available for delivery or transfer to the manager, at his request, within five (5) business days from the bill preparation date.

[A58] Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).
[A59] Amendment No. 59
[A59] Amendment No. 59

(5) The Licensee shall attach to the form two (2) immediate telephone statements sent after September 13, 2011 (14 Ellul, 5771) to a Subscriber who is not a new Subscriber[A59].

(5) (A) A Subscriber who is not a new Subscriber who failed to transfer to the Licensee his comments on the form by December 13, 2011 (17 Kislev, 5772) will be blocked from receiving the services set forth in section 3 of the form within seven (7) working days of the aforesaid date;

(B) Notwithstanding that stated, where a non-new subscriber has not used the services set out in Section 3 of the form starting November 1, 2011 (4 Heshvan 5772) and has not submitted to the Licensee a response to the form by December 1, 2011 (5 Kislev 5772), the Licensee may block his access to said services as of December 1, 2011 (5 Kislev 5772)[A64];

(C) A non-new subscriber who has submitted to the Licensee a response to the form, will have his access to services blocked or opened in accordance with his request in the form, within one workday of the request's receipt[A62];

(D) A Subscriber who transferred to the Licensee his comments on the form and failed to mark his Selection and signed alongside the service appearing on the form as stated in subsection (1) shall be blocked from receiving such service[A59].

(E) The license owner shall block the access to services provided according to Section 2(e) on the form for access to services from any existing subscriber who did not choose it explicitly by completing the form, in the "open" option for these services within seven (7) business days after 15 Tevet, 5777 (May 11, 2017).

(6A) The Licensee will notify the subscriber about the block in the next telephone bill after the block. The license owner shall keep the telephone bill, as stated, and make it available for delivery or transfer to the manager, at his request, within five (5) business days from the bill preparation date.

(6B) Should the subscriber state his choices on the form for access to services, the license owner shall act in accordance with the choices of the subscriber immediately after the form was delivered to it.

(6C) A subscriber shall be required to complete a new form for access to services for any transfer from one rate plan to another only if his existing form is not the format of the form presented in Appendix E'2

(7) The Licensee will publish the form on its website, within seven (7) work days from September 13, 2011 (14 Ellul, 5771)[A59].

(7a) Should the Manager instruct to amend the version of the form for access to services, the License Owner shall publish the updated form for access to services on its website within the time period set forth by the Manager from the date of signing the amendment to the license.

(8) Respecting subsection (a1)(1) to (6) – "Subscriber" - excluding a Pre-Paid Subscriber. Notwithstanding the above, the Licensee shall block services at the request of a Pre-Paid Subscriber, to the extent that it comes from a telephone number to which the request refers, or such Subscriber presented before it the end-equipment serving the telephone number forming the subject matter of the request, or in any other manner to the Licensee's satisfaction A59.

(9) Insofar as referring to a split business Subscriber, the Licensee will send it the services access form, as indicated by the business Subscriber, by an SMS with a link attached; the split business Subscriber may at any time change the services access form and remit it to the Licensee to be handled accordingly.

[A59] Amendment No. 59
[A64] Amendment No. 64
[A62] Amendment No. 62
[A59] Amendment No. 59
[A59] Amendment No. 59
[A59] Amendment No. 59

(a2) (1) A separate printed page upon which the Subscriber will be required to indicate its choices with regard to the manner it will receive the bill and with regard to publishing its telephone number/s charged in the account, internet and phone directory, as detailed in Appendix E 3 (Hereinafter – "**Questionnaire**"), to be completed as required and to sign the bottom of the questionnaire; the questionnaire will appear just after the access to services form.

(2) With regard to a split business Subscriber, the entity authorized to complete the questionnaire is only the business Subscriber. The Licensee will send the split business Subscriber the questionnaire as completed by the business Subscriber.

(3) A Licensee will attach the questionnaire to the two (2) frequent telephone bills to be sent after [two months after the day the license amendment comes into force regarding the questionnaire], to the Subscriber who is not a new Subscriber. The license will specify in each one of the two bills, as stated above, within the framework of messages to the Subscriber as detailed in Section 8(D) in Appendix E1, the nature of the questionnaire.

Alternatively, the Licensee may state in the notice, as stated above, additionally, that the questionnaire may be completed through the landing page on the Licensee's website while reliably identifying the Subscriber, and this instead of attaching it to the bill, as stated above, and will refer the Subscriber to such a page. After the choice is made on the website, the Licensee will produce an automatic confirmation pertaining to the Subscriber's choice.

In this Section "**New Subscriber**" – a Subscriber who engaged with the Licensee after the 28th of Sivan 5778 (June 11, 2018).

(4) A Subscriber will be required to complete a questionnaire upon transferring from one tariffs plan to another only if it completed a questionnaire within the framework of the plan from which the transfer was made.

(5) The Licensee will publish the questionnaire on its website within Seven (7) work days of the 28th Sivan 5778 (June 11, 2018).

(a3) (1) Solely with respect to a business subscriber, the engagement agreement will include a separate page, through which only the business subscriber may request that the License Holder block telephone number(s) (included in the engagement agreement) from number roaming as defined in the Law (hereinafter – "the Roaming Blocking Request") provided that the numbering plan with respect to the number roaming (hereinafter – "the Roaming Plan") permits them being blocked. The roaming blocking request will appear just after the questionnaire.

(2) Only a business subscriber may submit to the License Holder at any time a roaming blocking request, provided that the roaming plan permits such blocking, and this will be carried out by it immediately upon receiving the request, during the call service center's regular business hours, free of charge; the business subscriber may submit the roaming blocking request to block roaming of all the telephone numbers included in the engagement agreement or the telephone invoice without stating their numbers.

(3) The roaming blocking request will be addressed to the License holder in writing and will include the request date, the telephone number(s) to be blocked and the name of the business subscriber; the License holder will immediately carry out the blocking free of charge and will keep the request in its possession, as stated above, and make it available for delivery or forwarding to the Manager upon his demand, and this within Five (5) work days of the request being submitted.

(4) A business subscriber may contact the License Holder at any time with a request to cancel the roaming blocking and this will be carried out by it immediately upon receiving the request, during the call service center's regular hours of business, free of charge; such a request, will be addressed to the License Holder orally or in writing via electronic mail without the need to fill in a designated form of the License Holder, and will include the request date, the telephone number(s) to be released of the blocking and the name of the business subscriber; the business subscriber may request that the roaming blocking be removed and open all the telephone numbers to roaming included in the engagement agreement or the telephone invoice without stating the numbers.

(a4) Terms of the service to the subscriber, including quality measures for customer and subscriber service as detailed in section 2 in Addendum E;

(b) The disconnection from the Licensee services terms or absolute termination terms.

(c) Licensee's rates for the services for which the subscriber registered, as of the day of the agreement, including the date and terms for termination of the rates program;

(d) Limitation on the rate of arrears interest, linkage differences and collection expenses, as stated in section 80.3;

(e) Condition for changing the rate for the service for which the subscriber registered, as stated in section 78.1;

(f) The details set out in sections 61 and 61A regarding the public ombudsman and umpire.

(g) Condition specifying that in case of a contradiction between the provisions relating to the rates and to the basket of services detailed in the contract, and the provisions of the license in this regard, the provisions of the license shall prevail;

(h) Notice concerning the Director's authority to instruct the Licensee to modify the contract, and a clarification that the subscriber's engagement with the Licensee under the contract constitutes agreement to such modification.

55.5 [A58] Where a contract is executed in the presence of the Licensee's representative and the subscriber, the Licensee will act as follows:

(A) The license owner's representative shall perform a reliable identification of the applicant according to the procedure set forth by the license owner. The license owner shall keep a copy of the identification card of the applicant and a copy of the identification card of the payer of the bill, which was provided to the license owner's representative when the contract was executed.

(A1) Prior to executing the contract, the Licensee's representative will present to the person requesting to be a subscriber a printed copy of the contract, and will allow him to peruse the contract.

(b) When executing the contract, the applicant and the Licensee's representative must affix their original signature to the contract that was given to the applicant for perusal. Following such signature, the Licensee's representative will give the subscriber a copy of the contract bearing the original signatures of the Licensee's representative and the subscriber.

(c) After that stated in subsections (a) and (b) has been done, the Licensee's representative may require the subscriber to sign an identical contract to the one signed with original signatures, by electronic means.

(d) The Licensee must keep in its possession a signed copy of the contract and make it available for delivery or transfer to the Manager, at his request, within five (5) business days from the contracting date.

[A58] Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).

(e) Should the subscriber request to make a change in the terms of the contract, to receive an additional service, to expand a service, or to join a service package – he will be given, at the time of the request for the change, a printed notice bearing the Licensee's name or logo, noting the time of submitting the application, the details of the change that was made, its effective date and the full name of the Licensee's representative and the subscriber together with their original signatures. The provisions above will also apply to a service that is not a telecommunications service.
The license owner may not amend, as stated, without receiving the explicit consent of the subscriber as detailed above.
The license owner shall keep the signed notice, as stated, and make it available for delivery or transfer to the manager, at his request, within five (5) business days from the submission of the application.

55.6 Void.

55.7 A70 Notwithstanding the provisions of Section 55.5, the Licensee may have a subscriber sign an engagement agreement also through an Electronic Graphic Signature, in lieu of an original signature, and the provisions of appendix E shall apply in this regard in lieu of the provisions of Section 55.5.

For this purpose, "**Electronic Graphic Signature**" – A signature which is saved electronically as a graphic file."

55A. **Remote Sales Transaction**
A58

55.1a In a remote sales transaction, as defined in Section 14c to the Consumer Protection Law, 5741-1981, executed over the telephone, the license owner shall act as follows:

(a) The license owner shall record the telephone conversation that took place between the applicant and the license owner's representative;

(b) During the sales call and before the applicant consented to contract with the license owner, the representative of the license owner shall request the consent of the applicant to send by email or text message or facsimile, the Main Points of the Plan, the access to services form, the questionnaire and the roaming blocking request, insofar as relevant , and shall state to him that he will be requested to confirm in an explicit way, as detailed hereunder, that he accepts the terms of the contract agreement as a condition for its entering into force. If the applicant explicitly states that he is not interested in receiving said documents by one of the said three methods during the sales call, the license owner shall be exempt from sending them to the applicant during the sales call, and they shall be sent to him together with other instructions of the contract terms document on the date the transaction was executed. If the applicant requests to receive the said documents my one of the methods mentioned above, the representative of the license owner shall send them to him by way of the method he requested during the sales call.

(c) On the form for access to services sent by email or text message, every service shall be marked in a computerized manner as 'blocked" or as "open", as the applicant chose during said telephone call; the questionnaire that was sent, as stated above, will also be marked and completed as selected by the Applicant during the course of the said telephone conversation.

(d) In the email or text message, the applicant shall be requested to confirm the execution of the transaction and the markings and details as presented in the access to services form, the questionnaire and the roaming blocking request, insofar as relevant. The applicant shall explicitly confirm the terms of the transaction, without any conditions or reservations or modifications regarding the terms of the contract terms document by way of return email or return text message, which shall include his full name and identification number.

A58 Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).
A58 Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).
A69 Amendment No. 69

(d1) For the purpose of approving the transaction terms by the Applicant, the Licensee will include in the email message or Short Message Service (SMS) a link whereby once it is clicked upon it will lead to the landing page to include two tabs: "I accept" and "I do not accept"; following clicking on one of the two tabs, the Licensee will send the Applicant, immediately, an email message or Short Message Service (SMS), to address the Applicant's full name, and which will state the acceptance or non-acceptance of the transaction terms, as applicable, and the date (date and time) it was given ("**The Acceptance Notice**").

(e) If the applicant requested to receive the Main Points of the Plan, the access to services form, the questionnaire and the roaming blocking request, insofar as relevant by facsimile, the license owner's representative shall send said documents by facsimile, whose number shall be provided to the license owner's representative during the call.

The applicant shall explicitly confirm the terms of the transaction, without any handwriting conditions or reservations or modifications regarding the terms of said documents, in his handwriting on the markings and signatures on the Main Points of the Plan, on the access to services form, on the questionnaire and on the roaming blocking request, insofar as relevant , and shall send the said four documents by facsimile to the facsimile number which the license owner's representative provided to him during their conversation.

The license owner shall send the other instructions of the contract terms document by regular mail on the date the transaction was executed.

(f) The remotes sales transaction shall be completed and shall enter into force, and the license owner may charge the applicant in accordance with its terms only after the license owner receives the return notice of the applicant by email or text message, confirming the execution of the contract agreement or the said documents by facsimile, marked and signed as required.

(f1) Notwithstanding the above, insofar as a transaction with a new Subscriber is concerned, within the framework of which the Licensee sends the Applicant a smart card the Applicant must activate on the Licensee's website, the Licensee will send the Applicant, in the manner the Applicant so requested, the gist of the plan, the access to services form, the questionnaire and the roaming blocking request, insofar as relevant immediately after the conversation between them, without it having to confirm the transaction terms. The Licensee will state in the gist of the plan that the transaction will come into effect only after the smart card is activated.

(g) The license owner shall keep the following in his possession:

(1) The telephone conversation recording between the applicant and the license owner's representative;

(2) The email or text message which the license owner sent the applicant, including the Main Points of the Plan, the access to services form, the questionnaire and the roaming blocking request, insofar as relevant attached thereto;

(3) The confirming notice;

(4) If the transaction was executed by facsimile, it shall keep the Main Points of the Plan, bearing the handwritten signature of the applicant and the access to services form, the questionnaire and the roaming blocking request, insofar as relevant , bearing the handwritten markings, details filled and signature of the applicant;

(5) The other instructions of the contract terms document, updated to the date of the execution of the contract with the applicant.

(h) The license owner shall make the recording and the documents specified in Section (g) available for delivery or transfer to the manager, at his request, and within five (5) business days from the entry of the transaction into force.

(i) The rules specified in this section shall also apply in regards to a modification in the existing plan.

In regards to this section, "Modification" – receipt of an additional service, expansion of service, joining a service package.

The license owner may not modify, without receiving the explicit consent of the subscriber in a manner specified in Section 60.6(b). The aforementioned shall apply also on a service that is not a telecommunications service.

55.2a In a remote sales transaction, as defined in Section 14c of the Consumer Protection Law, 5741-1981, executed over the internet, the license owner shall act as follows:

(a) In the publication of the rate plan on its website, the license owner shall explicitly include all details specified in sub-section 55.4(a2) to 55.4(h), and the Main Points of the Plan , the access to services form, the questionnaire and the roaming blocking request, insofar as relevant .
(b) In the registration process for rate plan, as stated, the license owner shall include a presentation of the Main Points of the Plan to the applicant as well as a box which the applicant shall be required to mark prior to the completion of the registration, as stated, and its marking shall constitute a declaration that he had read the information included in the Main Points of the Plan. If the marking is not made, as stated. the registration will not be able to be completed.
(c) In the registration process for rate plan, as stated, the license owner shall include the online form for access to services, which the applicant shall be able to mark and to retrieve it at any time, and to modify its markings as he wishes.
(d) The license owner shall send a copy of the contract terms document to the subscriber who executed the "remote sales" transaction by internet immediately after the completion of the performance of the transaction. A copy of the contracting agreement executed between the subscriber and the license owner shall be sent to the subscriber by email, which shall include the contracting agreement as an attached file.
(e) The license owner shall keep the contacting terms document, as stated, and shall make it available for delivery or transfer to the manager, at his request, within five (5) business days from the date of completion of the transaction by the subscriber.
(f) The rules specified in this section shall also apply in regards to a modification in the existing plan or replacement of the existing plan with a new plan.
In regards to this section, "Modification" – receipt of an additional service, expansion of service, joining a service package.
The license owner may not modify, including replacing an existing plan with a new plan, without receiving the explicit consent of the subscriber in a manner specified in Section 60.6(b).

56. A43) Modification of Contract

56.1 The Director may instruct the Licensee to modify the contract, after giving the Licensee sufficient opportunity to present its case.

56.2 If the contract was amended pursuant to the Director’s instructions or pursuant to a decision of the Standard Contracts Court, in the event that the contract was submitted for its approval, the engagement between the Licensee and the subscriber will be in accordance with the amended contract, as from the date of the amendment.

56.3 The provisions of section 55 shall apply, *mutatis mutandis*, to an amendment of the wording of the contract by the Licensee.

56A.[T47)] **Period of Commitment under a Contract**

56A.1 Where the Licensee entered with a subscriber who is not a business subscriber into a contract that includes a commitment, the period of the commitment may not exceed eighteen (18) months.

In this regard, **"commitment,"** – the subscriber's commitment to comply with conditions relating to the scope of consumption of services, the amount of the payment or the payment terms, during a defined period, where noncompliance with such conditions during such period entails a payment, including the return of a benefit or an exit fee.

56A.2 Where the Licensee proposed to a subscriber who is not a business subscriber to enter into a contract that includes a commitment, the Licensee will present to such subscriber a proposal to enter into a contract that does not include a commitment, as a reasonable alternative to contracts that include a commitment. In this regard, a contract containing a "prepaid" plan will not be deemed a reasonable alternative to a plan that includes a commitment. The Licensee will publish on its website the contract that does not include a commitment, including the Plan Summary Page of such contract [A58].

56A.3 If the Director finds that the Licensee has violated Section 56A.2, he may direct the Licensee to modify conditions in a contract that does not include a commitment, without thereby derogating from any other power established in the License or in any law. In this regard, the Director will consider, *inter alia*, the number of subscribers of the Licensee who are signed on contracts that do not include a commitment.

57. [A43)] **Void.**

58. [A43)] **Void.**

59. Obligation of Connecting Applicants and Prohibition on Stipulation

59.1 If the Licensee has met the terms for operating a Cellular System as stated in Section 44.2, the Licensee will connect any applicant to the cellular network no later than the date set in the contract with the subscriber, unless the Director has authorized the Licensee not to connect the applicant, under circumstances he deems justified. [A2)]

59.2 The Licensee may not stipulate the connection of an applicant on unreasonable, discriminatory or unfair terms, and without derogating from the generality of the foregoing:

The Licensee may not require a subscriber to purchase end-user equipment from it or from its designee;

The Licensee may not require the subscriber to receive maintenance services from it for the end-user equipment in the subscriber's possession;

The Licensee may not stipulate or condition cellular services, service conditions or a rate on the purchase of cellular end-user equipment from it or from any other.

59.3 Void. [A1)]

T47) Amendment No. 47.
A58 Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).

Part B: Service Level for Subscribers

60.[A16] Obligation of Maintaining the Service

60.1 The Licensee will put at the disposal of its subscribers all the services detailed in the First Schedule, in accordance with the terms detailed in the schedule, and will maintain all its services all year round, around the clock, both in times of calm and in times of an emergency, subject to Section 48, in accordance with the technical requirements and service quality requirements, in a proper and regular fashion, and of a quality no lower than that indicated by the service quality indexes specified in the first schedule to the license and in Addendum E to the Second Schedule to the license. In the event of a contradiction between the First Schedule and Addendum E to the license's Second Schedule, the provisions of Addendum E to the Second Schedule will prevail.

60.2 Without derogating from that stated in Section 75.3, the Licensee will provide cellular services and a service package, as this term is defined in Section 73A, to every applicant, under equal and non-discriminatory terms and at a non-discriminatory rate.

60.3 If the Director has found that the service package is liable to harm competition or the consumers, he will notify the Licensee thereof, indicating the date by which the Licensee must stop offering its subscribers the service package.

60.4 If the Licensee provides any cellular service to any person or organization, for payment, the service must be available to any subscriber throughout the network coverage area, complying with the minimal requirements as regards service quality, without discrimination, within 24 months of the date of commencing provision of the service for payment.

60.5 The Director may, at the written request of the Licensee, allow the Licensee limitations on the provision of Section 60.4, after being convinced that there is a real difficulty in providing the service to anyone that requests it, and that the specific features of the service possess a unique and exceptional flavor justifying this.

60.6[A43]

(a) The license owner shall not supply or expand, with or without consideration, any of its services which the subscriber did not explicitly request to receive or expand, with the exception of a services provided free of charge to all subscribers, and shall not all the supply or expansion of services of a service provider that the subscriber did not explicit request the receipt or expansion thereof from the license owner.

In regards to this section, "Service Provider" – whomever provides a service by way of the network, and the payment for the service is made by the telephone bill.

(b) [A58] An explicit request may be made by one of the following ways:

(1) By a document signed by the subscriber and sent to the Licensee;
(2) By an email message sent by the subscriber to the Licensee;
(3) In a phone call between the subscriber and the Licensee's representative;
(4) By an SMS message sent from the subscriber to the Licensee;
(5) By ordering a service on the website of the Licensee or a service provider. Ordering of the service shall be done in accordance with the provisions of Appendix F to the License.[A61]
(6) A session with the representative of the license owner by way of the internet ("CHAT");
(7) A telephone conversation from a telephone number on the Licensee's network to IVR[11] (Interactive Voice Response) pursuant to the following options:

(a) At the beginning of the conversation the caller must state whether the requested service is for the telephone number from which the call was mad or for another telephone number of the caller on the Licensee's network, and if referring to a service for another telephone number, as stated above, the caller will punch in the other telephone number. Immediately after the conversation, an SMS will be sent form the Licensee's system to the telephone number from which the call was mad, with the service details or a Short Message Service (SMS) with a link to the product page, including the service details. Such a message will also include the telephone number to which the service will be provided, in the event the service is intended for a telephone number that is different to the telephone number for which the call was made. In a conversation whereby the service is intended for another telephone number, as stated above, an additional message will be sent from the Licensee's system to the other telephone number, during the course of the conversation, to include a random identification code that the caller must punch in to complete the submission of the request;.

[A58] Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).
[A61] Amendment No. 61

(b) At the beginning of the conversation the caller will be required to state whether the requested service is for the telephone number from which the call was made or for another telephone number of the caller on the Licensee's network, and if relating to a service for another telephone number, as stated above, the caller will punch in the other telephone number. The caller will be identified by punching in an identity number and the last four digits of the payment means, and the process can continue only after the data that is punched in is identical to the data as existing in the Licensee's system in relation to the telephone number for which the service is requested. At the end of the conversation a voice message will be played in which the name of the service, the price and the telephone number to which the service will be provided will be stated. The caller will be given an opportunity to choose to hear the said voice message again. The caller will be required to approve the request to receive the service by pressing on a certain key.

(c) The Licensee will keep documentation on the subscriber's explicit request. The documentation must be kept available by the License owner for presenting to the Director within five (5) work days from the day of the subscriber's explicit request.

In this regard – "**documentation**":
For purposes of subsection (b)(1) – a copy of the document;
For purposes of subsection (b)(2) – a printout of the email message;
For purposes of subsection (b)(3) – a recording of the phone call;
For purposes of subjection (b)(4) – a copy of the subscriber's telephone bill in which the details of the SMS and a printout of its content as received by the system of the license owner sent by the subscriber appear in the "itemized list of calls."
For purposes of subsection (b)(5) – a log printout from the Licensee's short message service center (SMSC[i]), detailing the fact of the sending of the two SMS messages from the Licensee to the subscriber during the service ordering process. If the service was ordered on the Licensee's website or on its cellular portal by means of a user code and password as stated in section 1.3 in Appendix F to the License – a log printout from the SMSC testifying to the execution of the service ordering process, and a log printout of the log-in of the user code and password by the subscriber[A61].
For purposes of subsection (b)(6) - printout of the internet chat;
For purposes of subsection (b)(7)((a)) – an itemization of the calls as detailed in Section 11 in Appendix E1 including the service request call, recording of the content of the conversation that is played to anyone requesting the service, documentation in the Licensee's system pertaining to the keys that were punched in by the Subscriber while playing back the wording of the conversation, the content of the message that was sent to the Subscriber regarding the details of the requested service and the content of the additional message that was sent to the Subscriber, insofar as the request was submitted from a telephone line other than the telephone line for which the service is requested.
For purposes of subsection (b)(7)((b)) – itemization of calls as detailed in Section 11 in Appendix E1 including the service request call, recording of the content of the conversation played to anyone requesting the service and documentation in the Licensee's system the keys punched in by the Subscriber while playing back the wording of the conversation.

A memorandum entered by the Licensee's representative in the Licensee's information systems does not constitute documentation.

---

[i] Short Message Service Center.
[A61] Amendment No. 61

60.7[A63] Without derogating from that stated in section 26.3, the Licensee may not discontinue the provision of cellular services through a system that has become technologically obsolete, until after that stated in Appendix K-1 is fulfilled.

60.7 [A58] The Licensee may not collect payment from a subscriber for a service or its increase, unless it has documentation on the subscriber's explicit request to receive the service or its increase.

60.8 [A58] A subscriber who was debited for a service or for its increase and notifies the Licensee that he did not request to receive or to increase the service, will be refunded the full amount collected from him as payment for the service or for the increase, where the Licensee has no documentation on the subscriber's explicit request to receive or to increase the service. The subscriber's contestations and the refund will be handled in accordance with the provisions on "excess charges" in section 83A of the License.

61.[A43)] Public Ombudsman

61.1 The ombudsman shall be directly subordinate to the CEO of the license owner or the Board of Directors, including one of the committees of the Board of Directors.

61.2 Subject to the provisions of Section 61a regarding "dispute resolution", the roles and authorities of the ombudsman are:

(a) To review complaints of subscribers and applicants regarding the services of the license owner;
(b) To review complaints of subscribers regarding bills which the license owner submitted to them and to make a decision in their regard;
(c) To review differences of opinion which arose between the license owner and a subscriber regarding the interpretation or performance of the contracting agreement and to make a decision in their regard;

61.3 The license owner shall place on its website in a prominent place and in a prominent manner a link named "ombudsman"[j]. Clicking on said link shall lead to a landing page in which the roles and authorities of the ombudsman shall be specified, as well as the four (4) options for sending a complaint thereto as follows:

(a) Regular mail;
(b) Email;
(c) Online form on the website of the license owner, to which various files can be attached;
(d) Facsimile.

61.4 The license owner shall specify in each bill it submits to the subscriber the roles and authorities of the ombudsman and the address, facsimile number and email, by which the subscriber way send a written complaint to it.

[A63] Amendment No. 63 - Mistake in the original language
[A58] Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).
[A58] Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).
[j] A link named "Contact Us" shall not be considered a replacement for said link.

61.5 The license owner shall notify in its website and on each bill its submits to the subscriber, in regards to each of the four (4) options specified above, the details which the subscriber is required to complete in the framework of the complaint he intends to send.

61.6 Once a complaint is sent to the ombudsman by email or by online form, an automatic conformation notice regarding its acceptance shall be sent to the subscriber immediately after the receipt of the complaint. The confirmation notice shall include the number which the license owner's system gave the complaint, the date of receipt of the complaint, the content of the complaint as sent by the subscriber and the time period no later thereof a written response to the complaint shall be provided.

61.7 The license owner shall keep a copy of the complaint and the written response sent to the subscriber, and shall make them available for delivery or transfer to the manager, at his request, within five (5) business days from the date of receipt of the complaint and from the date of delivery of the response.

61A. **Umpiring of Disputes**

61A.1 The contract will stipulate that any disagreements arising between the Licensee and a subscriber in connection with the interpretation or performance of the contract, shall be submitted for clarification to the Licensee's Public Ombudsman.

61A.2 The contract will specify that an application to the Public Ombudsman under section 61A.1 shall not:

(a) Prevent the subscriber *a priori* from bringing his case before a competent court;

(b) Derogate from the Licensee's authority to act in accordance with the provisions of section 72 regarding the termination of engagement or disconnection of a service owing to a breach of the contract.

62. **Obligation of Maintenance**

62.1 The Licensee is responsible for the maintenance of the Cellular System.

62.2 If a subscriber purchased cellular end-user equipment from the Licensee or from its designee, and the purchase agreement included maintenance services, the Licensee[A43)] will be responsible for the maintenance of said purchased end-user equipment, however the Licensee[A43)] will not be responsible for the maintenance of said purchased end-user equipment beyond the maintenance period undertaken by the manufacturer, unless agreed otherwise between it and the subscriber.[A2)]

If, in order to receive cellular services, the subscriber used cellular end-user equipment not purchased from the Licensee or from its designee, the Licensee is not obligated to look out for the maintenance of this end-user equipment, but may enter into an agreement with the subscriber for providing maintenance services also for said equipment.

63.[A56] **Telephonic Call Center**

63.1 The Licensee will operate a manned telephone call service to handle Subscribers' calls, all as detailed in Appendix E4.

63.2 The call center will be manned by skilled and professional personnel, having the appropriate competence for handling subscribers calls, and if a complaint has been received regarding a malfunction, said personnel will act immediately to localize the malfunction and start taking steps to correct it.

63.3 The Licensee will specify in the maintenance log the details of the malfunction, as stated in section 63.2, and the steps taken to correct it, all as stated in section 51.

[A56] Amendment No. 56

64. End-user equipment – Selling and Renting

The Licensee may sell or rent out to its subscribers cellular end-user equipment for the purpose of linkup to the Cellular System, provided it complies with the following:

(a) The Licensee has notified the subscriber that he may purchase cellular end-user equipment from any licensed marketer and that he does not have to buy the equipment from the Licensee in order to receive cellular services;

(b) The Licensee will not stipulate the provision of maintenance services for cellular end-user equipment on the very receipt of cellular services from the Licensee, and will notify the subscriber that he may receive maintenance service for end-user equipment, from any person, including the end-user equipment purchased or rented from the Licensee.

(c) During the sales call by telephone call for the purchase or lease of MTS end user equipment, without executing a transaction for the purchase of MTS services (hereinafter – "Purchase Agreement") with the applicant, and before the applicant expresses his consent to enter into a Purchase Agreement with the license owner, the license owner's representative shall request the approval of the applicant to send him by email or text message or facsimile, a printed Purchase Agreement, without handwritten modifications, with the logo of the license owner, specifying the description of the end user equipment and its overall price, and if it was agreed between the purchase and the license owner in regards to payment in installments for the end user equipment – the number of payments and the rate of each payment, including the date of the sales call and the details of the purchase and the license owner's representative, and shall inform him that he shall be required to confirm in writing that he accepts the terms of the Purchase Agreement as a condition of its entry into force. If the applicant explicitly states that he is not interested in received said document by one of the said three methods during the sales call, the license owner shall be exempt from sending them to the applicant during the sales call, and it shall be sent on the date the transaction was executed. If the applicant requests to receive the said documents my one of the methods mentioned above, the representative of the license owner shall send them to him by way of the method he requested.

The license owner shall keep a copy of the Purchase Agreement and make it available for delivery or transfer to the manager, at his request, and within five (5) business days from the date the transaction was executed.

The license owner shall also record the telephone conversation which took place with the applicant, and shall make the recording available for delivery or transfer to the manager, at his request, and within five (5) business days from the date the transaction was executed.

(d) In a notice that shall be sent to the applicant, he shall be requested to confirm the execution of the transaction. The applicant shall explicitly confirm the terms of the transaction without any handwriting conditions or reservations or modifications regarding the terms of the Purchasing Agreement by way of a return email or return text message or facsimile, which shall include his full name and his identification number.

The license owner shall keep a copy the purchaser's confirmation and make it available for delivery or transfer to the manager, at his request, and within five (5) business days from the date the transaction was executed.

(e) Immediately after the delivery of confirmation by the applicant, as stated, the license owner shall send him in the manner in which the Purchase Agreement was sent, a document by law[k].

(f) When executing a transaction in the presence of two parties for the purchase of MTS end user equipment, without executing a transaction for the purchase of MTS services, and before the applicant expresses his consent to execute a Purchase Agreement with the license owner, the license owner's representative shall forward to the applicant a printed copy of the Purchase Agreement prior to the purchase, and shall allow him to review it.

---

[k] Receipt

Upon the execution of the transaction, the applicant and the license owner's representative shall sign the Purchase Agreement, which was forwarded to the applicant for his review, with original signatures.

After signing, as stated, the license owner's representative shall deliver the Purchase Agreement to the applicant, on which the original signatures of the license owner's representative and the applicant appear, as well as the document stated in sub-section (e).

After performing the aforementioned in this sub-section, the license owner's representative may have the applicant sign an identical Purchase Agreement to the one signed with original signatures while using electronic means.

The license owner shall keep the Purchase Agreement and the document stated in sub-section (e), and shall make it available for delivery or transfer to the manager, at his request, and within five (5) business days from the date the transaction was executed.

The license owner's representative shall perform a reliable identification of the applicant according to the procedure set forth by the license owner. The license owner shall keep a copy of the identification card of the applicant and a copy of the identification card of the payer of the bill, which was provided to the license owner's representative when the contract was executed.

(g) If the subscriber and the license owner agreed on payment in installments for goods the subscriber purchased or leased from it, and the subscriber breached the contract agreement before all payments were made for the said goods, however the breach was remedied within forty five (45) days from the date the license owner informed the subscriber of the breach, the license owner may not charge the subscriber the remaining payments for the goods in one payment, and the payment in installments shall continue as agreed between the subscriber and the license owner from the start.

65. Public Emergency Services

65.1[A21)] The Licensee will enable, anytime and at no charge, for all its subscribers, free and rapid access to public emergency services such as: Magen David Adom, the Israel Police and the Fire Station.

65.2[A42)] Starting from April 5, 2007 (“the inception day”) the Licensee will enable the call centers of the public emergency systems[l] to identify the telephone number of a subscriber calling them[m], anytime and at no charge, including a subscriber with a confidential telephone number, a subscriber who blocked his number before the call and a subscriber calling from a private exchange.

The Licensee may do the aforesaid through a licensee that routes the call to the public emergency system.

Not later than two days before the inception day[A44)] the Licensee will notify all its subscribers, clearly, in writing, that starting from the inception day it will be possible for the call centers of the public emergency systems to identify the subscriber’s telephone number, and it will notify in writing any subscriber requesting a “confidential number” – that the number is not confidential with respect to calls to the call centers of the public emergency systems.

---

[l] Israel Police – 100, Magen David Adom – 101, Fire Station - 102

[m] Excluding a subscriber that his end user equipment permits dialing only to the call centers of the public emergency systems, such as a non SIM card cellphone in a GSM network

65A[A21] Blocking Service to a Nuisance Subscriber

65.1A Notwithstanding that stated in Section 65.1, the Licensee will block a nuisance subscriber's access to the public emergency service. If blockage of public emergency service alone is not technically possible, then the Licensee will block the nuisance subscriber's access to all the cellular services. As regards this section, a "**nuisance subscriber**" denotes a subscriber who has contacted a certain emergency center, for no justifiable reason, more than 10 times during one whole day, using the end-user equipment in his possession.

65.2A A notice regarding a nuisance subscriber will be submitted in writing to the Licensee by a senior employee in the public emergency service (hereinafter – the employee) and will be corroborated by an affidavit signed by the employee (hereinafter – the complaint). The complaint will include, inter alia, the name of the nuisance subscriber, his telephone number, insofar as these are known to the complainant, as well as a specification of the contact times of the nuisance subscriber, and the content of the call showing that the contact was made without any justifiable reason. If the complaint does not include the telephone number of the nuisance subscriber, the Licensee will act in a reasonable fashion, to identify the nuisance subscriber based on the data provided in the complaint.

65.3A The Licensee will block the nuisance subscriber's access to the emergency service as stated in Section 65.1A, after giving the nuisance subscriber advance warning. The notice will be given 3 workdays before the date of service blockage, in one of the following ways:

A. A phone call from a service center of the Licensee to the cellphone end-equipment of the subscriber;

B. An SMS message sent to the cellphone end-equipment of the subscriber;

C. Delivery of a registered letter to the subscriber, except for one who is a prepaid subscriber and his address is unknown.

65.4A Blockage of service to a nuisance subscriber who is a prepaid subscriber whose address is unknown will be done no later than one full day from the time of receiving a complaint or identification as stated in Section 65.2A.

65.5A Notwithstanding that stated in Section 65.1A, the Licensee will not block the public emergency service to a subscriber, if the circumstances of contacting, as these emerge from the explanation given by the subscriber to the Licensee, show that the contacting was justified and that he should not be deemed a nuisance subscriber. The Licensee will forward to the Director, within 10 workdays from the date of receiving the complaint or the identification as stated in Section 65.2A, the arguments for not blocking the nuisance subscriber.

65.6A In the event it blocked the nuisance subscriber's access to emergency calls, the Licensee may collect from the subscriber all his debts, and may also collect payment from him for removing the block.

65.7A The Licensee may remove the block once the nuisance subscriber has given it a written undertaking not to repeat his nuisance calls in the future.

65.8A The Licensee will keep records of how the nuisance subscriber was identified, how the notice was given to the nuisance subscriber, or, alternatively, in a case where a notice was not given the nuisance subscriber, the reasoning for not giving the notice. Likewise, a record will be kept concerning the removal of the block.

65.9A Void.

65.B "Personal Message" Service [A75]

65.1B The license holder will provide a personal message service (in this section: the "**Service**"), at any time and free of charge, to all of its subscribers, including to subscribers of another license holder, owners of end equipment which supports the Service (in this section: "**Subscribers**"), and in accordance with the "personal message" service file.

For purposes of this section:
"**Another License Holder**" – another Cellular license holder who receives service through national roaming or a cellular license holder on another network which receives service through a hosting agreement on the license holder's network;
"**Personal Message**" – A short instruction, notification and warning of the Defense Agencies, sent immediately, selectively and in a focused manner to subscribers with CMR end equipment which supports use of cell broadcast ("CB") technology.
"**Defense Agencies**" – Representatives of the Ministry of Defense and the Home Front Command which are responsible for the personal message system;
"**"Personal Message" Service File**" – A service file approved by the Director, including amendments that shall be made to the service file.

65.2B For the purpose of performance of the provisions of Section 65.1B, the license holder shall act as stated in the First Schedule and in the service file regarding this Service and as follows:

(a) Adaptation of the network and its components so as to support the provision of a personal message service, with the exception of the network components operating with iDEN or CDMA technology;

(b) Assistance and allocation of resources for the performance of work to connect the Defense Agencies' personal message system to the network;

(c) Operation and maintenance of the components of the Service on the network, according to written instructions that shall be presented to the Defense Agencies; without derogating from the aforesaid, the Defense Agencies may instruct the license holder to modify such instructions, but the same does not derogate from the license holder's responsibility for the repair and connection of the network;

(d) Performance of technical trials to examine the integration between the system and the network and carrying out drills of the operation of the network and the system, in accordance with the instructions of the Ministry and the Defense Agencies.

65.3B The license holder shall report to the Defense Agencies on any gap in the capability to provide the Service, and will act to restore capability as soon as possible, in accordance with written operation procedures that shall be formulated thereby and presented to the Defense Agencies.

Without derogating from the aforesaid, the Defense Agencies may instruct the license holders to modify the operation procedures, should it find them lacking, although such an instruction does not derogate from the license holder's responsibility as stated above.

65.4B The license holder shall notify the Defense Agencies in advance of any change in the network which may affect availability to provide the Service.

65.5B The license holder shall not make commercial use of the CB function without the Defense Agencies' knowledge, at least 30 days in advance before operation of the Service, and the Defense Agencies may notify it, in writing, within 15 days, of its objection to provision of the Service or conditions to provision of the Service as aforesaid, in which case, the license holder will not operate the Service, or may operate the same only according to the conditions determined by the Defense Agencies, as the case may be.

The aforesaid does not obviate the license holder's obligation to receive the Director's approval for the Service as aforesaid.

65.6B The license holder will assist in launching the Service to its subscribers in all of the following ways:

(a) By written information on the company's website;

(b) By direct marketing to subscribers through the monthly invoice upon the launch of the Service;

(c) By responding to subscribers' requests to select the definitions required in his cellular end equipment. With respect to cellular end equipment models which were not marketed by the license holder, the license holder will make a reasonable effort to provide a solution for such subscribers;

(d) The license holder will allow the Defense Agencies to make reasonable use of its existing distribution channels for the purpose of informing the subscribers of the Service.

66.A16) **Protecting Subscriber Privacy**

66.1 Without derogating from the provisions of the Law, The Wiretapping Law, 1979, The Privacy Protection Law, 1981, or any other law concerning the safeguarding of an individual's privacy, the Licensee may not wiretap the telephone or any other communication of the subscriber without the written permission of the subscriber, except for the purpose of controlling the quality and standard of the service or for preventing frauds.

66.2 Subject to that stated in Section 66A, the Licensee, its workers, agents and designees may not disclose lists or documents containing the name and address of a subscriber or any other information pertaining to him, including account details, phone call traffic, call durations and destinations, to any person whatsoever except to the subscriber or to anyone empowered by the subscriber for this purpose.

66.3 Notwithstanding that stated in Section 66.2, the Licensee may do the following:

(A) To give the subscriber's details to another licensee for the purpose of collecting monies owed him by the subscriber in respect of services it provided him through the network, provided that the information relayed is necessary fro collecting monies and preparing bills, and the other licensee has undertaken to safeguard the subscribers' privacy;

(B) To transfer a subscribers' details to another, insofar as the particulars are in its possession, by lawful authority.

66A.T3) **Special Services for the Security Forces**

(A) The Licensee will provide special services to the security forces as detailed in the classified security addendum attached to the license as Addendum I and in the classified security addendum attached to the license as Addendum L[A12)].

(A1)[A12)] The Licensee will enable the security forces, regarding which the Director informed in writing, to realize, subject to any law, their powers with respect to any telecommunications activity in the framework of the license, and will be responsible for the maintenance, proper functioning, and technological adaptation of the equipment and infrastructure required for realizing said execution capability, all in coordination with the security forces, as detailed in Addenda I and L. The security forces will bear the payment under the provisions of Section 13 of the Law.

(B) The Licensee will see to it that Addenda I and L are guarded [A12)] in accordance with the provisions of the procedure for safeguarding records to be laid down by the Licensee in conjunction with the security officer of the "General Security Service."

(C) The Licensee will be exempt from the duty of indemnification toward the State, by virtue of the provisions of Section 91.2 of the general license and/or by virtue of any law, in respect of the very execution of the special services for the security forces.

66B.A12) **Security Provisions**

(A) The Licensee will appoint a security supervisor in accordance with the provisions of the Security Arrangement in Public Bodies Law, 1998, and rigorously follow the security provisions detailed in the Addendum M to the license.

T3) Amendment No. 3

(B) The Licensee will establish appropriate provisions in the incorporation documents and in its regulations, and will act in such manner so that only a person who meets the conditions set out below will be appointed and serve in a position or function enumerated in Addendum M to the license:

(1) An Israeli citizen, as this term is defined in the Citizenship Law, 1952, and a resident of Israel;

(2) Was given security clearance by the General Security Service, by which there is no prevention to his serving as stated.

(C) The Licensee will act to safeguard the secrecy of the security forces' operations, and act according to the security directives of those same security forces, including in the matter of the appropriate security classification for officers and holders of important functions working for the Licensee, and compartmentalization of knowledge pertaining to activities involving the security forces.

(D) The Licensee will take the measures necessary to protect the network, its components and the databases used for providing services, and for operating and controlling the network in the face of activities carried out by unauthorized entities, according to the provisions detailed in Addendum M to the license.

67. Bills to Subscribers

67.1[A16)] A bill that the Licensee submits to the subscriber should be clear, succinct, readable and understandable. The bill should contain an accurate breakdown of the components of the payment required according to the types of payments and the rules specified in Chapter F.

67.2 Void [A58].

67.3 The Licensee may collect payments for his services from the subscriber through another, including through Bezeq.

67.4[A34)] (A) Without derogating from the rest of the license provisions pertaining to the manner of preparing the bill for the subscriber and to the manner of debiting, the Licensee will act in compliance with Israel Standard 5262, concerning debiting credibility and due disclosure in telephone bills (hereinafter – "the Standard").

(B) Void.

(C) Notwithstanding that stated in subsection (A) -

(1) Regarding the provision in Section 2.2.2 of the Standard, the rounding off method will apply as follows:

(a) An amount in the bill will be rounded off to the nearest amount ending in two digits after the decimal point of the shekel, with an amount ending in five tenths of an agora (three digits after the decimal point) to be rounded up.

(b) An amount to be paid for a single call will be rounded off to the nearest amount ending in two digits after the decimal point of the shekel, with an amount ending in five tenths of an agora (three digits after the decimal point) to be rounded up.

(2) Void.

(3) The price of a phone call (voice) that includes a changing rate, will be presented in the bill submitted to the subscriber as an average price per minute, computed by dividing the payment amount for that same call by the its total number of minutes.

[A58] Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).

In this paragraph, "changing rate" denotes a rate that varies in the course of the call according to various criteria, such as a rate that diminishes with increasing consumption, or a rate that varies due to a transition from a "peak period" to a "slack period" in the course of the call or vice versa.

(4) In addition to that stated in the provision of the last part of Section 2.2.4 of the Standard regarding service packages, the bill will contain a breakdown of the services included in the package, along with the overall rate paid for the package as a whole.

In this paragraph, "service package" denotes several services marketed to the subscriber as a single package, in return for an overall rate (and without a breakdown of the payment for each component separately).

(D) (1) Chapter B in the Standard concerning due disclosure in telephone bills will come into effect no later than Friday, October 14, 2005.

(2) Chapter C in the Standard regarding debiting credibility will come into effect no later than Sunday, January 14, 2006.

67.5 **T52** A bill submitted to a private subscriber shall also be drawn up according to the provisions of Appendix E 1 (hereinafter referred to in this section as the "**Private Subscriber Billing Format**").

67A.5 A58 A bill submitted to a business subscriber will include the same details as in subsections 9b(1) to 9b(4) in Appendix E1 to the License.

In this section, '**business subscriber**' – excluding the subscribers specified in subsections (b) and (d) of the definition of 'business subscriber' in section 1 of the License.

67.6 **T52**

A business subscriber may request that the licensee furnish him with a telephone bill in Private Subscriber Billing Format (hereinafter referred to in this section as a "**Request**"). Where a subscriber has requested as aforesaid, the licensee shall begin to send him the bill according to the aforesaid format by no later than the expiration of two billing periods after the date of the Request. The licensee shall publish once every six months a notice in the telephone bill submitted to the business subscriber according to which the business subscriber may demand that the licensee draw up the telephone bill submitted to him according to the Private Subscriber Billing Format. A business subscriber may also request from the Licensee a written explanation regarding the method of calculating a 'onetime debit.' The Licensee will submit to the business subscriber such written explanation regarding a 'onetime debit' within thirty (30) days from when the subscriber submitted a request in the matter to the customer service center or to the public ombudsman A58.

67.7 The subscriber shall receive a bill, at his choice, by one of the following methods:

(a) Regular mail;

(b) Email with an attached file;

(c) Text message with an attached link;

(d) The website of the license owner;

T52) Amendment No. 52.
A58 Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).
T52) Amendment No. 52.
A58 Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).

(e) Other electronic means at the choice of the license owner.

The license owner shall present the said five (5) methods for the choice of the subscriber in the framework of the questionnaire. If the subscriber does not choose one of the methods, the bill shall be sent to him by regular mail. The subscriber may, at any time, modify the method in which he shall receive the bill by oral or written request.
A split business Subscriber may change at any time, verbally or in writing, the business Subscriber's request as completed in the questionnaire.

The license owner shall document the request of the subscriber, as stated, and shall make this documentation available for delivery or transfer to the manager, at his request, and within five (5) business days from the date of submission of the request.

If the subscriber submits the request during the first half of the bill period, the license owner shall send him the bill following the date of the request in the manner the subscriber requested. Otherwise, the license owner shall send the bill to the subscriber after the following bill in the manner the subscriber requested.

The license owner may not request from the subscriber any payment for the issuance of the bill, including a "call details" from any date, which was sent to the subscriber at his request regularly or on a one-time basis, only in the event that the bill was received by the subscriber as specified in sub-section (a).

67.8 [A58] If the payment specified in the telephone bill is made by standing order or credit card, the payment will not be executed before the expiry of ten (10) days from the day on which the telephone bill was sent to the subscriber.

67.9 The license owner may act, in regards to sending the bill to a subscriber who receives the bill by regular mail, once a calendar year at most, as specified below:

(A) The license owner shall send each subscriber, as stated, a letter by regular mail as an appendix to the bill or message by email, in which he shall be required to choose, within thirty (30) days from the date of delivery of the letter or the message, the manner in which the bill shall be sent to him from the following methods:

(1) Regular mail;
(2) Email with an attached file;
(3) Text message with an attached link;
(4) The website of the license owner;
(5) Other electronic means at the choice of the license owner.

(B) The license owner shall allow each subscriber, as stated, to reply to the request addressed to him by regular mail, free of charge, and by email and facsimile.
(C) The license owner is obligated to use at least two electronic means from those specified in sub-section (a) above.
(D) The license owner shall make reference to the business subscriber and to the Split Business Subscriber in a framed message in bold and with a 16 font size at least, and if he does not choose the method in which to receive the bill, the bill shall be sent to him by the method set forth by the license owner, and without derogating from the provisions of section 13b(a) of the Consumer Protection Law, 5741-1981.
(E) The license owner shall state in the reference to the Private Subscriber in bold and with a 16 font size at least, that if he shall not choose a method to receive the bill, the bill shall be delivered to him by regular mail.
(F) The license owner may not deliver the bill by text message to end user equipment that is blocked from receiving text messages and to end user equipment that is not a smartphone.
(G) The license owner may not modify the method in which to deliver the bill to a Private Subscriber who did not respond to the reference which the license owner sent to him.
(H) If the method of delivery of the bill to the subscriber is modified, the license owner shall send notice to the subscriber before sending the first bill by the new method by way of a text message, informing him of the modification details. A subscriber who is blocked from receiving text messages shall receive said notice in the bill following the modification.

[A58] Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).

67A.[A16] Information Service for Clarifying Telephone Numbers[T39]

67.1A Without derogating from the provisions of Section 66, the Licensee will provide, by itself or through another on its behalf, an information service for clarifying the telephone number of anyone who is a subscriber of a NDO or of a Cellular System operator, excluding an ID-restricted subscriber (hereinafter – "information service"), as follows:

(A) For the general public and at no charge, via a website through which the service will be provided;
(B) For its subscribers, at a reasonable price, via a phone center, the access to which will be effected by means of a network access code set by the Director;
(C) The information service will be given through each of the aforesaid means based on the same information characteristics to be provided by the subscriber applying to receive the service.

67.2A Void.

67.3A In addition to that stated in Section 67.1A, the Licensee may offer, at a reasonable price, by itself or through another on its behalf, an information service, by any other means, including by means of a national access code or by means of an SMS.

67.4A In order to execute that stated in Subsections 67.1A and 67.3A:
(A) The Licensee may send a query on its behalf to any database of a NDO or cellular system operator (hereinafter – "another licensee"), or to receive information from the database of another licensee by any other method and with the consent of the other licensee, all subject to the duty of safeguarding the subscriber's privacy;

(B) In order for an information service to be provided by another licensee under its general license, the Licensee will enable any other licensee access to the Licensee's database;

(C) The Licensee will update the database on a regular basis, so that each name, address or telephone number of a subscriber that was added, altered or removed, will be updated in the database within one workday following execution of the update in the Licensee's system being used to provide telephony services.

As regards this section –
"Database" denotes a collection of data including the name, address and telephone number of any subscriber that is not ID-restricted, including a subscriber that is a business.

67.5A (A) The Licensee will request through a questionnaire the consent of each new subscriber for including his details in the database. If the subscriber gives his consent, the Licensee will act to include his details in the database.

(A1) The split business Subscriber may change, at any time, verbally or in writing, the business Subscriber's request as completed in the questionnaire.
(B) The Licensee will grant the first request of any subscriber who wishes to remain ID-restricted, free of charge.
In this subsection, a "new subscriber" denotes a subscriber who has signed a contract with the Licensee after the commencement date as stated in Section 67.7A.
(C) The Licensee will act within one work day to complete the Subscriber's request of the day it was received by it. The Licensee will document the manner it acted, as stated above, and will make this documentation available for delivery or transfer to the manager, and this within Five (5) work days of it receiving the request.

A39) Amendment No. 39

67.6A (A) The terms for providing an information service for clarifying telephone numbers, given under Section 67A, will be established by the Licensee, provided they are fair and non-discriminatory, including as regards the order of the data presented to the user of the service. The service will be given twenty four (24) hours a day, all year round, except for Yom Kippur. In this subsection, "order of the data presented" – Insofar as the answer to the service user's query comprises several different data, the requested data will be presented to the service user in random order.

(B) Void.

(C) An information service for clarifying telephone numbers as stated in Section 67.1A(B) and an information service using a phone center, the access to which is effected by means of a national access code as stated in Section 67.3A, will comply with the service indexes specified below:
(1) At any time, in the event of a heavy service call load[6], the number of inquirers receiving service should not be less than 90%;
(2) The average waiting period of a caller until the start of receiving service[7] should not exceed 30 seconds;
(3) The maximum waiting period for a caller until the start of receiving the service should not exceed 60 seconds.

67.7A Section 67A will go into effect on February 8, 2007, except for Subsection 67.1A(a), which will go into effect on March 15, 2007 ("the commencement date"), and except for Section 67.2A[A45)], which will go into effect at the time of signing this amendment.

67.8A The Licensee, by itself or through another, including together with another licensee, will advertise the information service for clarifying telephone numbers given free of charge by the Licensee ("Free Information Service"). The advertising should include at least the following:

(A) The Licensee's website;

(B) Each telephone bill of the subscriber.

(C) At least four (4) times during the first year following the commencement date, the Licensee will run large, prominent ads in at least the 3 largest Hebrew language newspapers, and in the largest newspaper in Arabic, in English and in Russian, as well as in the largest economic newspaper. These ads will include no other information. The first ad in all the aforesaid newspapers, except for the economic newspaper, will be on the first Friday after the commencement date or on the following one, and in the economic newspaper it will run on the first Tuesday after the commencement date or on the following one, regarding the free information services.

Without derogating from the foregoing, the Director may instruct the Licensee regarding the manner and format for advertising the information services.

67B.[A43)] **Void.**

---

6 Busy Hour Call Attempts

7 Start of receiving service – the beginning of the response by a center operator or of an IVR system, which ask the inquirer for the information needed to find the requested phone number and the like.

67C.A16) **Service Dossier**

67C.1 If the Licensee wishes to operate a service included in the list of services in the First Schedule and marked "future", it must notify the Director of this in writing not later than thirty (30) days before the date on which it plans to begin providing the service.

67C.2 If the Licensee wishes to operate a service not included in the list of services in the First Schedule which it intends to provide to any recipient of its services, it must notify the Director of this in writing not later than thirty (30) days before the intended date for commencement of provision of the new service.

67C.3 The Director will notify the Licensee within thirty (30) days of the date of receipt of the Licensee's notice as stated in sections 67C.1 and 67C.2, whether it is allowed to commence provision of the service or whether it must submit a service dossier for the Director's approval, as a condition for commencement of the service.

67C.4 The Licensee will submit a service dossier for the Director's approval, at his request; If the Licensee fails to submit a service dossier as instructed by the Director, or if the Director does not approve the service dossier, the Licensee shall not commence provision of the service.

67C.5 The Director will give a decision regarding the service dossier that was submitted to him within sixty (60) days from when the Licensee has submitted to the Director all the documents and information requested by him for the purpose of approving the service dossier. In special cases, the Director may extend the times set in this section, by a written, explanatory notice to be given to the Licensee.

67C.6 The Director may require the Licensee to submit for his approval a service dossier for an existing service regarding which no service dossier was previously required, and he may require the Licensee to submit for his approval a new service dossier for a service regarding which a service dossier was approved in the past.

67C.7 The service dossier will be submitted to the Director in the format and at the time specified by the Director and will include, *inter alia*, the following: the name of the service; a detailed description of the service and the manner in which it is provided; the service rate, and an engineering description, all as set out in the First Schedule; The Director may give instructions on additional matters which are to be included in the service dossier.

67C.8 If the service dossier is approved, the Licensee will provide the service according to the terms of the approved dossier, and the approved service dossier will be deemed an integral part of the license.

67C.9 The Licensee will advertise an approved service dossier, with details and in the manner specified by the Director, and the Director may advertise it himself, provided he does not do so until after the Licensee has begun providing the service. The advertising will not include information comprising a trade secret, which was identified as such by the Licensee and attached to the service dossier as a separate addendum marked as a trade secret.

67C.10 Any new service which the Licensee begins to provide pursuant to this section will be deemed a part of the First Schedule; The Director will update the First Schedule from time to time.

67C.11 The provisions of this section will apply, *mutatis mutandis*, to a trial using the Licensee's network.

67D.A24) **Erotic Service**

An erotic service provided through the network, will be provided in accordance with the provisions of Addendum O in the Second Schedule.

As regards this section –

"Erotic service" – as defined in Section 1 of Addendum O in the Second Schedule.

67D1 Premium Service A81

67.1D1 The license holder may provide premium services in one of the following two ways:

(1) A premium service, the payment for which is charged according to a premium tariff and is collected through the telephone bill, shall be provided according to the provisions of Annex P;

(2) A premium service, the payment for which is charged according to a regular tariff (in this subsection: the "**Service**"), will be provided as follows:

(a) As an inter-network service through a network access code;

(b) By dialing a landline number, access to which will be enabled for every subscriber of a general license holder's subscriber.

For purposes of this section:

"**Landline Number**" – A numbering format of geographic numbers and landline national numbers or a numbering format of an asterisk and four digits (*XXXX), as defined in the numbering plan.

"**Premium Service**" and "**Regular Tariff**" as defined in Annex P."

67E.T60) Domestic Roaming

67E.1 The Licensee provide by means of its network to a roaming licensee a domestic roaming service for the subscribers of the roaming to the network of the host operator, as set forth below.

67E.2 Licensee's preparations

The Licensee shall prepare for the implementation of domestic roaming in accordance with all of the following:

(a) The provisions of Appendix C, in the Second Schedule.

(b) The provisions of the Law and the License concerning provision of the possibility of utilization of its network, and specifically sections 30 to 30C of the License, *mutatis mutandis*.

67E.3 Operating arrangement

(a) If a roaming licensee notifies the Licensee, after notifying the Minister of its failure to reach agreement with any existing licensees on the conditions for the provision of roaming services as stated in section 5B(b)(1) of the Law, that it has chosen the Licensee for the receipt of domestic roaming services (in this subsection "**notice**"), the Licensee and the roaming operator shall forward to the Director the engineering and operating details agreed between them with respect to the implementation of domestic roaming ("**operating arrangement**"), within three months from the date of sending of the notice. In addition, said operators shall include engineering or operating details as required for maintaining domestic roaming, which were not included in the operating arrangement due to disagreements, should any arise.

A60) Amendment No. 60

A81 Amendment No. 81

(b) Matters in disagreement as stated in paragraph (a) above, should there be any, shall be decided by the Director. The Director's instructions in this regard shall form an integral part of the operating arrangement.

67E.4 Starting date for implementation of domestic roaming
A host licensee shall begin providing domestic roaming services in accordance with the operating arrangement no later than three months after the date on which the roaming licensee presented to the host licensee the Minister's approval as stated in section 5B(b)(2) of the Law.

67F. [A66] International roaming service through a network of a mobile phone operator in a neighboring country

67F.1 The license holder will act so as that in an area in which there is reception which allows an proper call to be made, both from the network and from a network of a mobile phone operator in a neighboring country, the subscriber will receive mobile phone service through the network. The license holder will perform the action itself, without the need for any action on the part of the subscriber.

67F.2 The license holder will block the possibility of a subscriber receiving international roaming service through a network of a mobile phone operator in a neighboring country (the "**Service**"), unless the subscriber shall have explicitly requested to receive the Service, and after it shall have been explained to him that in the framework of receipt of the Service, the terminal equipment in his possession may unintentionally roam near the border with a neighboring country, to a mobile phone network in a neighboring country, and he shall have been given information regarding the Service tariffs; if a subscriber requests to receive the Service as aforesaid:

(a) The license holder will explain to him how he is able to choose, manually, through the terminal equipment in his possession, the mobile phone network from which he shall receive the Service;

(b) The license holder will allow the subscriber to choose whether to block access to receipt of a data communications service through a mobile phone network of a neighboring country.

67F.3 In this section, "**Neighboring Country**" - Jordan and Egypt;

"**Proper Call**" - A call made according to the minimum reception definitions set forth in international standards according to which the network operates.

67G. [A67] Offensive content and sites

67G.1 The license holder will notify its subscribers of offensive sites and offensive content, as defined in Section 4.i of the law, as stated in Section 4.i(b)(1) of the law; such notice shall be given in the manner set forth in Section 4.i(c) of the law.

67G.2 The license holder will notify its subscribers of the existence of content on the internet which is inappropriate for children and youth (for example pornographic sites), and will include a specification of the ways in which the access of children and youth to such content may be blocked; such notice shall be given in all of the ways listed in Section 4.i(c) of the law.

67G.3 The license holder will offer its subscribers, in all of the ways listed in Section 4.i(c) of the law, an effective service to filter offensive sites and offensive content, for no charge additional to the payment it collects from him for the internet access service, all as stated in Section 4.i(d) of the law, provided that such service shall be based on an analysis of the information and not according to a "black list" of sites only.

A66 Amendment No. 66
A67 Amendment No. 67

76G.4

(a) Similarly, a License Holder will offer its subscribers upon them subscribing to the internet access service, and its subscribers who subscribed to the internet access service however have not yet joined the filtering service described in the previous section ("**the Filtering Service**"), the filtering service, once every Six (6) months, and this by sending text messages ("**the Notice**").

(b) The License Holder will send the notice both to a telephone number or numbers with respect to which the engagement was executed and to the subscriber's additional number, defined in the engagement agreement to receive various notices from the License Holder.

(c) The text of the Notice will be as follows:

"You are entitled to receive offensive content over the internet filtering service free of charge from the [the License Holder's marketing name as the customer is familiar with] Company. The service is recommended in particular for cellular devices of children and youth.

To subscribe to the serve reply with the mobile number for which the service is required. For each number the services is required send a separate notice.

For inquiries you may dial [here will be License Holder's call service telephone number]"

(d) The subscriber or whoever holds the end device can reply to the notice in the text message and confirm its wish to receive the filtering service. The subscriber can reply for all the telephone numbers for which the engagement was executed.

(e) In the case the subscriber is not registered to receive text message notices, then the notice will be sent via IVR to the subscriber pursuant to a similar format to the text message and will enable the subscriber to inform the Company of its wish to subscribe to the service.

(f) If the subscriber or holder of the end device replies that it is interested in the service, the License Holder will render the service to it as soon as possible and no later than one work day of the request. Upon connecting to the service the License Holder will send the subscriber and to the telephone number joining the service (if they are not the same) a text message and will advise it that it has been connected to the service. Similarly, the License Holder will note that only the subscriber can disconnect from the service at any time and will specify the ways to disconnect from the service.

(g) If the License Holder is unable to verify that the service was activated for a specific subscriber remotely, the License Holder will reasonably verify *vis-à-vis* the subscriber within one work day of the request that indeed the subscriber successfully connected to the service.

Part C: Termination Of Service Or Its Disconnection Or Termination Of The Contract

68. Definitions

In this part –

"**Cancelation of Service**" -	permanent disconnection of one of the services of the license owner for all subscribers"
"**Discontinuation of Service**" -	temporary termination of one of the services of the license owner or of all services of the license owner provided to the subscriber;
"**Disconnection of Service**" -	permanent disconnection of one of the services of the license owner provided to the subscriber;
"**Termination of Service**" -	Disconnection of all services of the license owner provided to the subscriber, and cancelation of the contracting agreement with him."

69. Prohibition on the Termination or Disconnection of Service

The Licensee may not terminate or disconnect cellular system services and other services, which the Licensee must provide under this license, unless that stated in this part is fulfilled, or that stated in Section 48.

69a. **Prohibition on Termination of Service**

The license owner is not allowed to terminate mobile telephone services or other services, that The license owner is obligated to provide under this License, unless the following in this part or in section 48 occurs.

69b. **Discontinuation of Service at the Request of the Subscriber**

69.1b A subscriber may request from the license owner to discontinue any one of the services of the license owner, once per year, for a period between not less than thirty (30) days and ninety (90) days.

69.2b A subscriber may submit a request to discontinue service by the following methods:

(a) In writing, including by regular mail, facsimile, email or online form on the website of the license owner, to which various files may be attached, and the license owner may permit the submission of requests by online chat.

(b) Orally, by calling the call center or at the service station of the license owner;

69.3b The license owner shall document the request of the subscriber and shall make this documentation available for delivery or transfer to the manager, at his request, and within five (5) business days from the date of submission of the request.

69.4b The license owner shall discontinue services, disconnect services or terminate services no later than the business day following the date in which the request was submitted; if the subscriber stated a future date from the discontinuation of service, disconnection of service or termination of contract, the license owner shall fulfill the request on the date stated by the subscriber.

69.5b The license owner shall document the date (date and time) in which the subscriber's request was made in its information systems.

69.6b Once service is discontinued for a subscriber, the license owner shall renew the provision of the service no later than the business day following the date in which the request was submitted unless the subscriber requested a later date for the renewal of the provision of the service.

69.7b if the subscriber requests to discontinue any of the services of the license owner, the license owner shall preserve the telephone number for the subscriber for the entire discontinuation period, and shall not transfer it to another.

69.8b The license owner may not charge the subscriber payment for the discontinuation of service, for its renewal, and may not charge the subscriber payment for the discontinuation period of all of its services.

69.9b Following the renewal of the provision of the service to the subscriber, the license owner shall charge the subscriber according to the rates of the plan and its terms, according to which the subscriber was charged prior to the discontinuation of the service unless the rates for the plan and its terms were modified during the discontinuation period for all of the subscribers of that plan.

69c. Disconnection of Service at the Request of the Subscriber

69.1c A subscriber may request the license owner to disconnect a service; the subscriber may make his request in writing or orally, as stated in Section 69.2b.

69.2c The provisions of Sections 69.3b until 69.5b above shall apply to the disconnection at the request of the subscriber, and the license owner may not charge the subscriber for the disconnection of the service.

69d. Termination of Contract at the Request of the Subscriber

69.1d A subscriber may notify the license owner of the termination of the contract between them; the subscriber may make his notice in writing or orally, as stated in Section 69.2b.

69.2d The provisions of Sections 69.3b until 69.5b above shall apply to the termination of the contract at the request of the subscriber.

69.3d The license owner shall send the subscriber notice regarding the termination of the contract within two business days from the date the subscriber requested the termination of the contract. The notice shall include, inter alia, the date on which the termination of the contract was made and the last date of delivery of the last final bill, referring to the last bill period of his subscription with the license owner ("Final Bill").

69.4d A subscriber who terminated his contract with the license owner shall receive a Final Bill as soon as possible, and no later than two months from the date of termination of the contract.

The Final Bill shall state the date on which the termination of the contract was made, and it shall be titled "Final Bill".

69.5d Nothing in the provisions of this section may derogate from the termination of the contract by way of the mobility of numbers in accordance with the numbering plan regarding mobility of numbers – combine version dated August 22, 2005, and its amendments.

69e. Preserving a Telephone Number upon the Termination of Contract

69.1e Once a contract is terminated between the license owner and a subscriber, whether initiated by the license owner or by the subscriber, the license owner shall preserve, free of charge and without conditions or restrictions, the telephone number for the subscriber, shall not transfer it to another and shall not return it to the number database intended for allotment for a period of fourteen (14) days from the date of termination of the contract.

69.2e If the subscriber requests to receive back his telephone number within the said time period, the license owner shall immediately fulfill the request of the subscriber, and may charge the subscriber for the time period between the termination and the renewal of that telephone number that was returned to him according to the rate plan which the subscriber had before the termination of the contract, and continue charging him according to said rate plan.

69f. Discontinuation of Service or its Disconnection or Termination of Contract – General Provisions

69.1f The license owner shall set forth in his website, in a prominent place and in a prominent manner, a link named "Discontinuation / Disconnection of Service"[n], clicking thereon shall refer to the three following options:

(a) Discontinuation of service;

---

[n] A link named "Contact Us" shall not be considered a replacement for said link.

(b) Disconnection of service;

(c) Termination of contract.

69.2f The license owner shall present the following details in each one of the three options:

(a) A short explanation regarding the option chosen;

(b) Methods of contact regarding the submission of a request in each of the said methods, including telephone number, address, facsimile number, email address, online form and internet chat, if the license owner chooses this methods, in which the subscriber may submit the request as stated;

(c) The details which the subscriber is required to state in the framework of his request, including the telephone number, subject of the request, the identification number of the subscriber, the last four (4) digits of the method of payment, email address, provided that the subscriber makes use of email to submit his request, and the date which the subscriber determined for the performance of his request;

(d) The date on which the request of the subscriber shall be fulfilled, the date on which the billing on the phone bill shall terminate and the date on which the Final Bill shall be sent to the subscriber in the event of termination of the contract.

69.3f The license owner shall publish in each telephone bill the telephone number, address, facsimile number and email address, by which the subscriber may submit said requests.

69.4f If the subscriber submitted his request by way of email, the license owner shall send a return email immediately upon the receipt of the request, confirming the receipt of the request. The email shall include the number determined for the request of the subscriber in the system of the license owner, the date of receipt of the request and the content of the request, as was sent by the subscriber.

69.5f If the subscriber submitted his request by way of an online form, the license owner shall present on the screen of the equipment through which the online form was sent (computer or appropriate MTS end user equipment), notice confirming the receipt of the request; the notice shall include the details specified in Section 69.4f.

69.6f If the request of the subscriber, which was submitted by way of an online form, included any detail of those specified in subsection 69.2(c) being incorrect, the license owner shall mark the incorrect detail on the online form and the subscriber shall be requested to re-deliver the request with the correct detail.

70. **Void**

71. **Void**.

71A.[T48)] Blocking of Cellular End-User Equipment

71A.1 The license owner shall maintain in its MTS system the identification number of the end user equipment (IMEI – International Mobile Equipment Identity) that the subscriber made use of, with the exception of the MTS end user equipment operating with IDEN technology (hereinafter in this Section – "**End User Equipment**").

(a) On the date of delivery of the cellular end-user equipment to the subscriber, on the date of contracting with the subscriber or on the date of renewal of the contract, including on the date of replacement, upgrading or repair of the cellular end-user equipment.

T48) Amendment No. 48 (inception: this amendment will come into force on October 2, 2008).

(b) In the case of cellular end-user equipment that was not provided to the subscriber by the Licensee, the Licensee will make reasonable efforts to bring to the subscriber's attention the possibility available to him of registering with the Licensee the identification number of such aforesaid cellular end-user equipment.

(c) At the subscriber's request from the Licensee; the subscriber's request may be via the telephone, after the Licensee has verified the reliability of the request.

71A.2 If the subscriber notified the license owner that his End User Equipment was stolen or lost, the license owner shall do as follows:

(a) During the call with the subscriber when his delivers his message, as stated, the license owner shall authenticate the identity of the subscriber.

(b) The license owner shall raise before the subscriber the option of submitting a complaint at the police station for theft or loss of the End User Equipment.

(c) The license owner shall request from the subscriber an alternate telephone number with which he can be contacted.

(d) The license owner shall immediately and free of charge "discontinue the service" for all services provided for use, including international services, by blocking the smartcard of the subscriber, with the exception of incoming calls if the subscriber requested not to block these calls, immediately upon receipt of the notice regarding the theft or loss of the End User Equipment, and shall inform the subscriber in this regard.

(e) Despite the aforementioned, the license owner shall "discontinue the service" free of charge for all MTS services provided to the subscriber, including incoming calls, after three (3) days from the date of receipt of the notice regarding theft or loss of the End User Equipment.

(f) If the subscriber notified of theft or loss of the End User Equipment while he is abroad and receiving international roaming services, the license owner shall immediately and free of charge "discontinue the service" for all MTS services provided to the subscriber by blocking the smartcard of the subscriber, including incoming calls, unless the subscriber requested not to block these calls.

(g) The license owner shall block the End User Equipment free of charge by blocking the identification number of said End User Equipment, as recently recorded on the MTS system of the license owner, immediately after twelve (12) hours had passed from the time of the subscriber's notice of the theft or loss of the End User Equipment. The license owner shall make it clear to the subscriber that upon receive of his notice of the theft or loss of the End User Equipment, blocking the End User Equipment by blocking his identification number shall be performed at that time.

(h) The license owner shall immediately and free of charge remove the blockage of the End User Equipment upon demand of an authorized factor. "**Authorized Factor**" for this Section is a police officer who obtained authority from a police officer with a Brigadier General ranking to contact the license owner and instruct it as to the removal of the blockage. The license owner shall make a special marking in its information system of the End User Equipment regarding which the "Authorized Factor" requested to remove the blockage, however it shall not provide any information regarding the removal of the blockage, as stated.

(i) The license owner shall re-block the End User Equipment after receiving the approval of the Authorized Factor.

(j) The license owner shall renew the supply of all services to the subscriber immediately upon delivery of a new smartcard to the subscriber.

(k) The license owner shall state on the telephone bill of the subscriber, following the date on which the subscriber's notice regarding the theft or loss of the End User Equipment was provided, or the telephone bill following that, the date and time of the subscriber's report, date and time of the discontinuation of the MTS services to said End User Equipment, as specified in Sections 71.2a(d) until 71.2a(f), and the date and time of performing the blockage of the End User Equipment, if the Equipment is not located. The Licensee may deliver the said information in a letter or email message or SMS instead of the telephone bill.

(l) The license owner shall preserve documentation of the telephone bill, which includes said notices or of the letter, and shall make the documentation available for delivery or transfer to the manager, at his request, within five (5) business days from the issuance of the bill.

(m) A license holder shall transfer daily to all the mobile phone operators, including the mobile phone operators in another network, and the licensed entity, a computerized file, which will include information with respect to all end equipment, the identification number of which has been blocked by it on the same day, all end equipment for which the blocked identification number was removed that day at the request of a subscriber, all end equipment for which the blocked identification number was removed that day at the request of a licensed entity, as well as all end equipment whose identification number was blocked anew with the authorization of the licensed entity, after the blocking was removed earlier at its request. The license holder shall send the aforesaid computerized file daily up to 11 p.m. with respect to all end equipment that has been blocked or that has had the blocking removed, as aforesaid, up until the time 11 p.m.

(n) The license holder shall update in his information system on a daily basis up to the hour of 12 a.m. (midnight) the list of end equipment, which was blocked by the license holder that day and, in addition, shall update by 12 a.m. (midnight) of the same day the list of end equipment that was blocked by other mobile phone operators on that day, and with regard to which a report was delivered thereto by means of the computerized files that were sent thereto by the other mobile phone operators. The list shall include the following details with respect to all end equipment:

(1) Identification No. (IMEI);

(2) Name of manufacturer;

(3) End equipment model;

(4) Time at which blocking was implemented;

(5) Name of license holder that ordered the blocking to be implemented;

(o) The license holder shall allow at any time the performance of a search on its Internet site in accordance with the Identification No. of the end equipment, whose Identification numbers were blocked due to a notice of theft or loss.

(p) The license holder shall retain in his possession an updated list with the details as specified in sub-section (n) of all end equipment that has been blocked, and shall deliver it or transfer it to the manager on demand. The said list must be identical for all mobile phone operators.

(q) The license holder shall publicize on its Internet website the following information:

(1) Recommendations with respect to actions that the subscriber must take in the event that his end equipment is stolen or lost, including:

((a)) determination of a password for the prevention of use of the End User Equipment by anyone who is not authorized;
((b)) installation of applications on End User Equipment if it is a smartphone, with which the location of the End User Equipment can be located and which allow remote blocking of access to information on it or erasing it;
((c)) backing up on a computer or by way of cloud services of necessary information, such as: pictures, movies, list of contacts and email messages.

(2) The actions which the subscriber must take once he becomes aware of the theft or loss of the End User Equipment.

71A.3 The Licensee will provide details of end-user equipment that was blocked by it to any other cellular licensee, not later than the workday after implementing that stated in Section 71A.2.

71A.4 (a)T50) The Licensee may not provide cellular services to end-user equipment that was blocked by it or by another cellular licensee.

(b)T50) Notwithstanding that stated in Section 71A.2 and Subsection (a), if it is found that blocking the identification number will cause the discontinuation of service to other end-user equipment having the same identification number, the Licensee may abstain from implementing the block as stated.

71A.5 The Licensee will remove the block on end-user equipment that was blocked by it, after receiving a request T50) from the subscriber. Removal of the block will be done not later than one workday after the Licensee has verified the reliability of the request, unless the subscriber has specified a later date in his request T50).

T50) Amendment No. 50.
T50) Amendment No. 50
T50) Amendment No. 50
T50) Amendment No. 50

71A.6 The Licensee will publish to all its subscribers its obligations with respect to the possibility of blocking cellular end-user equipment, the procedure for registration of the identification number of cellular end-user equipment with the Licensee and the ways of communicating with it for the purpose of implementing the block. The publication will be made in at least the following ways:

(a) In the contract;

(b) On the Licensee's website;

(c) In a separate information sheet to be enclosed with the bill submitted to the subscriber, by January 30, 2009[T50)].

71A.7[T50)] Void

72. Termination or Disconnection of Service Due to Breach of Agreement

72.1 The Licensee[A16)] may terminate or disconnect the service or the engagement to a subscriber if one of the following is fulfilled:

(A) The subscriber did not pay a payment he owes in respect of service he received, on the date set for its defrayal in his contract with the Licensee;

(B) The subscriber breached a condition in the contract between him and the Licensee, which was established as a material condition;

(C) The subscriber used unlawfully or allowed another to use as aforesaid the end-user equipment in his possession.

72.2 The service will not be terminated, the service will not be disconnected and no termination of the engagement action will be taken in regard to the Subscriber in the cases detailed in Section 72.1(a) and (b) until after the Licensee gave the Subscriber early written notice of at least 10 days before the termination or disconnection or termination of the engagement date; in the notice it will state that the Subscriber was given an opportunity, within the timeframe to be determined in the notice, to remedy the act or omission due to which the service will be terminated or the service will be disconnected or termination of the engagement action will be taken. The Licensee will document the notice given to the Subscriber, will save the documentation in its possession and will make it available for delivery or transfer to the manager, pursuant to its demand, and this within Five (5) work days of the day the service was terminated, or the service was disconnected or the termination of the engagement.

72.3[T2)] Notwithstanding that stated in Section 72.2, the Licensee may terminate or disconnect a service to a subscriber or tr terminate the engagement without prior notice, if one of the following is fulfilled:

(a) The subscriber did not pay, for the third time during the same year, the bill in respect of the payments he was charged for cellular services, on the date set therefor in the payment notice. In this paragraph, "year" – the period from January 1 to December 31;

(b) There is a reasonable suspicion of a fraudulent act being committed through the subscriber's end-user equipment or using the features of the end-user equipment;

T50) Amendment No. 50
T50) Amendment No. 50
T2) Amendment No. 2 (due to a clerical error in the amendment, appeared as Section 71.3 instead of 72.3).

72.4[T2] The Licensee may disconnect service to a subscriber if it has found that the end-user equipment in the subscriber's possession, through which the subscriber receives cellular services, causes interference with the provision of cellular services to other subscribers or interference with the cellular system activity, provided that the Licensee gave the subscriber notice in writing at least 21 days prior to the expected disconnection date. The notice will specify the reason for the expected disconnection and state that the subscriber is being given an opportunity, within an amount of time to be set in the notice, to repair the end-user equipment in such manner as to prevent said interference.

72.5 If the license owner terminated all of its services due to a breach of agreement by the subscriber, the monthly or other fixed periodic payment collection from the subscriber shall discontinue on the date of discontinuation of service, as stated, until the date of renewal of supply of all services; during the bill period in which the discontinuation of service was made, as stated, the license owner shall charge the subscriber a fixed payment as specified in Section 74.3(c) or according to that specified in Section 74.3(d), as applicable.

72A.[T48] **Discontinuation of Service to a Dormant Subscriber**

72A.1 The License Owner may disconnect service for a dormant subscriber If the Licensee wishes to discontinue service to a dormant subscriber, it must give the dormant subscriber prior notice of such intention, in the manner set out below (hereinafter in this section **"the notice"**). The time of discontinuation of the service may not be less than thirty (30) days after the date of sending of the notice.

72A.2 The Licensee will specify in the notice the telephone number in respect of which it intends to discontinue the service.

72A.3 The sending of a notice to a dormant subscriber will be done:

(a) With respect to a subscriber whose name and address are known to the Licensee, in each of the following ways:

(1) By a letter via regular post;

(2) By two SMS messages to be sent to the dormant subscriber at a difference of at least two weeks between the messages.

(b) With respect to a subscriber whose name and address are not known to the Licensee – by four SMS messages to be sent at a difference of at least one week between the messages.

(c) Notwithstanding that stated in Subsections (a)(2) and (b), if the subscriber's end-user equipment does not support the receipt of SMS messages, the Licensee will send the subscriber voice messages instead of SMS messages, insofar as the subscriber's end-user equipment supports the receipt of voice messages.

(d) The license owner shall preserve documentation regarding delivery of notice to a dormant subscriber as follows:

T2) Amendment No. 2 (due to a clerical error in the amendment, appeared as Section 71.4 instead of 72.4).
T48) Amendment No. 48 (inception: this amendment will come into force on October 2, 2008).

(1) A copy of the letter sent by regular mail;
(2) Printout from notebook server of message delivery, as specified in Section 60.6(c).

72A.4 The Licensee may not discontinue service to a dormant subscriber to whom a notice was sent, where the dormant subscriber has notified the Licensee that he does not wish the service to be discontinued. The subscriber may deliver such a message via the telephone or in writing, including by fax or by email.

Notwithstanding the aforesaid, the Licensee may discontinue service to a dormant subscriber who has notified it that he does not wish the service to be discontinued, after the subscriber was sent at least two notices, as stated in Section 72A.3 and 72A.5, and where in the second notice the Licensee has notified the subscriber that if within one year from the date of the second notice the subscriber does not make use of the cellular service, the subscription to the service will be discontinued, without delivery of further notice to the subscriber.

72A.5 The Licensee may not send the subscriber further notice concerning its wish to discontinue the service after one year has passed from the date on which the subscriber was sent the previous notice in that regard.

72A.6 The Licensee will keep the telephone number of a dormant subscriber to whom service was discontinued, during at least four months, without payment, from the date of discontinuation of the service, before the number is returned to the pool of telephone numbers of the Licensee itself or to another cellular licensee who originally allocated the number to the dormant subscriber. If during this period a written request is received from the subscriber to renew the service, the Licensee will renew the service upon the same terms as those that applied prior to the discontinuation of the service, free of charge.

72A.7 Where service was discontinued to a dormant prepaid subscriber who has a balance of the payment remaining to his credit, the Licensee will refund the appropriate balance within 30 days after receiving a written request from the subscriber who has proven that he is the owner of the line to which the service was discontinued, provided such request is received by the Licensee not later than six months after the date of discontinuation of the service.

72B. **A68** **Disconnection of service due to recovery of the network in a fault event**

72B.1 The license holder may temporarily disconnect or limit services that it is obligated to provide due to the need to allow speedy recovery of the networkin a material fault event.

For this purpose, "**Material Fault**" – a fault which causes disconnection of service for 10% of the subscribers, or for 100,000 subscribers at least, whichever is lower.

In this section, "**Subscriber**" – including a subscriber of a mobile phone license holder on another network and a subscriber of a roaming license holder using the network.

72B.2 The license holder will submit a detailed engineering procedure and process for recovery of the network in the event of a Material Fault (the "**Procedure**"), for the Director's approval, within 15 days from the date of signing of this Amendment.

A68 Amendment No. 68

72B.3 During a Material Fault, the license holder will act according to the Procedure that was submitted to the Director or which was approved by the Director, whichever is later.

72B.4 The Procedure will include, *inter alia*, initiated disconnection of service for subscribers who were not directly affected by the Material Fault, which shall begin two hours at most after the identification of a Material Fault, for the purpose of reduction of the load and controlled restoration of proper and regular service.

72B.5 Insofar as possible, the Procedure will allow preference to be given to the provision of proper and regular services to the armed forces, public emergency services and hospitals, as the Director shall determine."

73. Disconnection of Service Due to Maintenance Operations

73.1 The Licensee may temporarily disconnect or restrict services that it is obligated to provide (hereinafter – disconnection due to maintenance), if the need to carry out vital cellular system maintenance or setup operations necessitates this, provided the following are fulfilled:
(A) The duration of the disconnection due to maintenance does not exceed twelve (12) consecutive hours;
(B) The number of disconnections due to maintenance does not exceed two (2) during a single year;
(C) Void.[A2)]

73.2 The Director may ask the Licensee for a detailed explanation regarding the circumstances necessitating disconnection due to maintenance, and may ask the Licensee to postpone said disconnection if he came to the realization, after considering the Licensee's contentions, that a vital public interest necessitates such a postponement.

73.3 If due to the need to carry out vital maintenance or setup operations in the cellular system requires disconnection of service exceeding 12 hours, the Licensee will ask in advance for the Director's approval. The request will specify the maintenance operations required and the actions taken by the Licensee to speed up these operations and reduce, inasmuch as possible, the duration of the service disconnection.

73.4 Void. [A2)]

73.5 If disconnection or restriction of service is required urgently for the purpose of carrying out immediate, vital operations, the Licensee will notify the Director forthwith, including by phone, cable or fax, regarding the urgent disconnection or restriction. The Licensee will notify its subscribers about the aforesaid urgent disconnection or restriction, as early as possible, including via the public address system operating through the cellular system, insofar as this is possible, as well as through the public media.

73.6 Notwithstanding that stated in Sections 73.1 and 73.4, the Licensee does not have to notify the Director or the subscribers about disconnection due to maintenance, when the following are fulfilled:
(A) The duration of the disconnection due to maintenance does not exceed half an hour;
(B) Disconnection due to maintenance is being done between 24:00 Saturday night and 05:00 Sunday morning the following day.

Such a disconnection will not be counted in the number of disconnections as required under Section 73.1(B).

CHAPTER F – PAYMENT FOR SERVICES[A8)]

Part A – General

73A. Definitions

In this chapter –

"Licensee"	-	Anyone to whom the Minister has granted, in accordance with the Law, a general or special license;
"Airtime"	-	Duration of the time in which a subscriber receives cellular services, whether the connection is initiated by the subscriber or by someone else;
"Airtime unit"[A31A31)]	-	Time unit of 12 seconds at the most, but starting from Thursday, 1 January 2009, a time unit of 1 second.
"Package of services"	-	Several services sold to a subscriber as a package, for which a rate has been set as specified in section 75.2.
"Public telecommunications network"	-	Including an international telecommunications system.
"Payment for completion of a call"	-	Payment made by the initiator of a call which began on end-user equipment connected to one public telecommunications network and ended on another public telecommunications network, or on end-user equipment connected to such a public telecommunications network, for completing the call on the other public telecommunications network.

74. Payment Categories

74.1 [A57] The Licensee may collect from its subscribers payments for Cellular services, as follows:

(a) A onetime installation fee for connecting mobile or portable end-user equipment held by the subscriber to the Cellular system (hereinafter – connection fee);

(a1) Smartcard fee – one-time payment for a smartcard (SIM).

(b) A fixed monthly [A57] payment;

(c) Payment for airtime as specified in section 75A;

(d) Payment for completion of a call as specified in section 75A;

(e) Payment for basic telephone services, related services and value added services, detailed in the First Schedule to the License;

74.2 [A57] The Licensee may not collect from a subscriber:

(a) Payment for establishing a call;

[A57] Amendment No. 57 (Inception: This amendment will come into force on the day of signing the Amendment)
[A57] Amendment No. 57 (Inception: This amendment will come into force on the day of signing the Amendment)
[A57] Amendment No. 57 (Inception: This amendment will come into force on the day of signing the Amendment)

(b) **A** minimum price for a call.

74.3 The license owner shall collect payments from the subscriber according with the following:

(a) in a One-Time Transaction, the payment for the services that are supposed to be provided in the framework thereof shall be Pre-Paid; the license owner may collect the entire payment in a transaction of this kind retroactively.

(b) in an Ongoing Transaction, the payment for the services provided in the framework thereof shall be Post-Paid, however the license holder may collect in an Ongoing Transaction Pre-Paid at the request of the subscriber, provided that the payment is made in cash by way of vouchers that will be issued to the subscriber by the license owner.

(c) In a transaction as specified in sub-section (b), in the framework of which a monthly or other periodic payment was collected from the subscriber, as stated, for the Bill Period, during which the request of the subscriber to terminate the contract or discontinue all of its services, including during the performance of the mobility of the telephone number, the highest of the following:

(1) The ratio between the number of days from the date of commencement of the Bill Period until the date of termination of the contract or the discontinuation date, as stated, at the time set forth by the subscriber in his request, or until one business day at the latest after the date of submission of the request for termination of the contract or discontinuation of all services of the license owner, if the subscriber did not set a date for the termination of the contract or the discontinuation, as stated, and between the number of days included in the Bill Period;

(2) The higher ratio between the services including in the service package between the amount of service units consumed from the date of commencement of the Bill Period until the date of termination of the contract or the date of discontinuation, as stated, or until one business day at the latest after the date of submission of the request for termination of the contract or discontinuation of all services of the license owner, if the subscriber did not set a date for the termination of the contract or the discontinuation, as stated, and between the number of units allotted for the Bill Period.

(d) In a transaction as specified in sub-section (b), in the framework of which a monthly or other periodic payment was collected from the subscriber without a service package, the license owner shall charge the subscriber the fixed payment, as stated, for the Bill Period, during which the request of the subscriber to terminate the contract or discontinue its services, including during the performance of the mobility of the telephone number, as specified in Section 74.3(c)(1).

(e) In a transaction as specified in sub-section (b), in the framework of which a monthly or other periodic payment was collected from the subscriber, the license owner may not collect any payment from the subscriber for the time period before the performance of the activation of the smartcard.

(f) In a transaction as specified in sub-section (b), in the framework of which a monthly or other periodic payment was collected from the subscriber, following the transfer of a subscriber from one rate plan to another rate plan, the license owner shall charge the subscriber a fixed payment, as stated, for the period from the commencement of the Bill Period until the date of performance of the transaction, in accordance with the rate of the former rate plan, according to that specified in Section 74.3(c) or according to that specified in Section 74.3(d), as applicable, and for the period following the date of performance of the transaction until the date of completion of the Bill Period, based on the ratio between the number of days from the date following the date of performance of the transaction until the date of completion of the Bill Period and between the overall number of days in the Bill Period, according to the rate of the new rate plan.

The date the new tariffs plan will come into force will be no later than the day after the work day on which the transaction was executed.

(g) In a transaction detailed in sub-section (b), within the framework of which a fixed monthly payment or other fixed period was collected from the Subscriber, following the addition of a service to an existing line in respect of which the number of consumption units was not determined, the Licensee will charge the Subscriber the fixed payment, as stated above, pursuant to the ratio between the number of days from the date the service was added and until the end of the bill period. If the number of consumption units was determined for the service, the Licensee will notify the Subscriber that it will be provided to it in full and will be charged the fixed payment fully.

(h) In a transaction detailed in sub-section (b), within the framework of which a fixed monthly payment or other fixed period was collected from the Subscriber, following the addition of a line to an existing account in respect of which the number of consumption units was not determined, the Licensee will charge the Subscriber the fixed payment, as stated above, pursuant to the ratio between the number of days from the date the line was added and until the end of the bill period. If the number of consumption units was determined for the line, the Licensee will notify the Subscriber that it will be provided to it in full and will be charged the fixed payment fully.

(i) The Licensee will not permit activation of the smart card by the Subscriber after the date by which it should have activated it as stated above.

Part B – Setting and Publication of Rates

Part B1 – Package Services in Israel

75. Setting the Rates and Their Amount

75.1 The Licensee shall fix a rate for every service and package of services provided by it to its subscribers, and it may determine the manner of linkage of the rate to the index. The Licensee shall notify the Director of the amount of each rate, before the rate comes into effect.

75.2 The Licensee may designate packages of services according to types of services included in the package or time periods or by any other method. The Licensee may set a separate rate for each of the services included in the package or set a general rate for the package.

75.3 The Licensee shall offer each package of services at equal terms and at a uniform rate according to categories of subscribers; For purposes of this section, "category of subscribers" – [A16]a group of subscribers whose attributes provide reasonable justification for distinguishing it from another group.

75.4 The Licensee shall allow any subscriber, without discrimination, to switch from one package of services to another that is being offered by it at the time. The Licensee shall include such a provision in the contract with its subscribers. In the framework of this provision it may set payment terms, for implementing the switch.

75.5[T49] If the Licensee contracts with the subscriber in regard to a certain service or package of services, and the contract includes a commitment as defined in Section 56A.1 (**"commitment period"**), the following provisions will apply, with the exception of a business subscriber:

(a) The terms of the contract, excluding the contract rates, will be final, known and fixed in advance for the entire commitment period.

(b) The rate for each service will be fixed on the date of the contract and will be uniform and specified in shekels for the entire commitment period.

For purposes of this section, **"uniform"** – any rate before VAT which the subscriber is required to pay, as determined on the date of the contract, may not be increased during the commitment period.

Notwithstanding the aforesaid, the Licensee may provide its subscriber services at lower rates than those fixed in advance in the contract, during a limited time period, to all the subscribers or to a certain type of subscriber.

(c) The Licensee will include provisions as stated above in the contract with the subscriber.

75.6 The Licensee may not condition a contract with a subscriber or a subscriber's switch from one package of service to another on the purchase of value added services or end-user equipment from the Licensee.

75.7 Void.

75.8 (a) The Licensee may not collect from a subscriber payment for a call when the call was not initiated by the subscriber (hereinafter – uninitiated call).

[T49] Amendment No. 49 (Inception: This amendment will come into force on December 31, 2008).

(b) Notwithstanding that stated in subsection (a), the Licensee may collect from a subscriber payment for an uninitiated call in the following cases:

(1) Call transferred to the subscriber by means of a roaming service;

(2) Collect call to which the subscriber has given his agreement;

(3) A call created by dialing a special prefix for a toll-free service that was allocated to the subscriber under an agreement with him[A55];

(4) Void[A51]

(c) The licensee may collect from a subscriber initiating a call by dialing the following services or access codes, payment not exceeding the tariff collected by the licensee from a subscriber for a call whose destination is on a domestic operator network: [A51]

(1) Split charge call service[1];

(2) Short number service for businesses[2];

(d) For a call to an international destination, the Licensee may receive only the payment imposed on the international operator, as determined in the Interconnection Regulations." [A54]

75.9[A18)] Inception

Void [A55]

75.10 The payment for airtime will be determined in the manner set out below:

(a) The payment for airtime will be determined according to an airtime unit[A31)]; For the purpose of calculating the payment, a part of an airtime unit shall be deemed the same as a whole airtime unit.

(b) The payment for each airtime unit, at least during the first minute of contact, will be fixed.[A57]

(c) The duration of the call for payment purposes is from the moment the connection is established between the subscriber who initiated the connection (hereinafter – the calling subscriber) and the subscriber receiving the call, until the moment when the call is terminated, which is the moment when an instruction to terminate the connection is received from the calling subscriber or from the subscriber receiving the call; The duration of the connection setup time, until the moment the connection is established, and the duration of the disconnection time, from the moment the instruction to terminate the connection is received until it is actually implemented, is not included in the count of the duration of the call.

[A55] Amendment No. 55 (Inception: This amendment will come into force on the day the relevant amendments to the Payment Regulations and to the Interconnection Regulations come into force, or on March 28, 2010 – whichever the later)
[A51] Amendment No. 51 (Inception: This amendment will come into force on March 31, 2009)
[A51] Amendment No. 51 (Inception: This amendment will come into force on March 31, 2009)
[1] Pursuant to the "split charge call" service file (1-700 service).
[2] Pursuant to the Administration Direction on "Short Form Dial for Businesses - Star (*) Plus Four Digits" dated May 4, 2008
[A54] Amendment No. 54 (Inception: This amendment will come into force on the day the amendment to the Interconnection Regulations concerning a call from a cellular network to an international telecommunications network comes into force)
[Inception] The inception of section 75.9 is on December 15, 2002.
[A55] Amendment No. 55 (Inception: This amendment will come into force on the day the relevant amendments to the Payment Regulations and to the Interconnection Regulations come into force, or on March 28, 2010 – whichever the later)
[A57] Amendment No. 57 (Inception: This amendment will come into force on the day of signing the Amendment)

In this regard, subscriber receiving the call – including a voice mailbox.

"Voice mailbox" – an installation or device forming part of the cellular system, designed to enable the calling subscriber to leave a voice message for the called subscriber[A40)].

(d) [A40)] Regarding a call that is transferred to a voice mailbox, the Licensee shall play to the calling subscriber an introductory voice message, lasting at least 2 seconds (in this subsection – **"message"**), and will enable the calling subscriber, at his option, to disconnect the call without any debit, in the course of the message, or within a reasonable time being not less than one second after the end of the message (**"reasonable time"**). In such case, the moment of establishing the connection with the subscriber receiving the call, within the meaning of subsection (c) above, will be deemed to occur at the end of the reasonable time.

The wording of the message will be: "The call is being transferred to a voice mailbox," and it will be articulated clearly and at a reasonable speed. In this subsection, **"call transferred to a voice mailbox"** – excluding a call originating in an international telecommunications system.

75.11(a) **(A71)** In this section –

"**Limited Plan**" – A minute plan which is limited to a number of minutes according to the subscriber engagement plan.

"**Unlimited Plan**" – An unlimited minute plan, for which the subscriber pays.

"**Toll-Free Number**" – A telephone number, a call to which from any network has been determined to be free of charge for the caller;

"**Special Telephone Number at a Composite Rate**" – A national or network telephone number in an Irregular Number Pattern, the rate of a call to which is a Composite Rate;

"**Special Telephone Number at a Regular Rate**" – A national[15] or network[16] telephone number in an Irregular Number Pattern, the rate of a call to which does not exceed the Regular Rate;

"**Irregular Number Pattern**" – A number pattern which is not a regular number pattern;

"**Regular Number Pattern**" – A number pattern of geographical numbers and national numbers, as defined in the number plan[17];

"**Composite Rate**" – A rate comprising a Regular Rate plus a rate for a service that is provided by a Licensee or anyone on its behalf or a service provider;

"**Regular Rate**" – A rate per call minute to telephone numbers in a Regular Number Pattern, in accordance with the subscriber's tariff plan.

(b) The Licensee shall not charge a subscriber calling destinations with Toll-Free Numbers and will not count the calling minutes to such destinations in a Limited Plan.

(c) The Licensee may charge a subscriber calling destinations with Special Telephone Numbers at a Regular Rate, and shall count the calling minutes to the said destinations in a Limited Plan or in an Unlimited Plan. For the avoidance of doubt, the Licensee may not charge a subscriber calling destinations with Special Telephone Numbers at a Regular Rate any extra fee over the fixed payment that he pays for the minute plan, insofar as the subscriber shall not have exceeded the minute quota in the plan. If the subscriber exceeds the minute quota in the plan, the Licensee may charge him for calling the said destinations according to a rate no higher than the Regular Rate. In addition to the aforesaid, the Licensee may not make any distinction in the rate, according to which it charges the subscriber, between calling telephone numbers with a Regular Number Pattern and calling Special Telephone Numbers at a Regular Rate, including by determining separate call minute plans.

(d) If the charge for calls to destinations with Special Telephone Numbers is made according to a Composite Rate, the Licensee shall count the calling minutes to the said destinations in the framework of the Limited Plan or the Unlimited Plan for which the subscriber pays.

The Licensee may charge the subscriber for the services provided in the framework of calling telephone numbers which are charged according to a Composite Rate, whether the charge is made according to a call minute or the charge is fixed per call, in addition to the fixed payment for the minute plan.

A54 Amendment No. 71 (Inception: Sections 75.11(a)-(c) will take effect no later than September 3, 2013; Sections 75.11(d) will take effect no later than December 3, 2013).

15 A telephone number, access to which is possible from any network.

16 A telephone number, access to which is possible only from the license holder's network.

17 For example, numbers in the pattern 03-XXXXXXX, 05Y-XXXXXXX and 07Z-XXXXXXX.

2. Sections 75.11(a)-(c) will take effect no later than **Elul 28, 5773 (September 3, 2013)**.
Section 75.11(d) will take effect no later than **Kislev 30, 5774 (December 3, 2013)**.

75A. A25)**Completion of a Call in Another Public Telecommunications Network**

The payment for completion of a call to be collected by the Licensee shall not exceed the interconnection rate specified in the Telecommunications Regulations (Payments for Interconnection), 2000.

75B. A2A25)**Completion of an SMS on Another Public Telecommunications Network**

The Licensee may collect from a subscriber for the transfer of an SMS which is being transferred from end-user equipment that is connected to the network to end-user equipment that is connected to a cellular system of another cellular licensee, a payment not exceeding the payment which the Licensee collects from the subscriber for the transfer of an SMS which is transferred from end-user equipment that is connected to the network to end-user equipment that is connected to the network, plus a payment not exceeding the rate for the transfer of an SMS specified in the Communications Regulations (Telecommunications and Transmissions) (Payments for Interconnection), 2000.

For purposes of this section –

"SMS" – telecommunications messages comprised of writing, including signs or symbols, transferred from end-user equipment that is connected to the network, to end-user equipment that is connected to the network or to a cellular system of another cellular licensee.

75C. A27)**Temporary Order**

Notwithstanding that stated in section 75B, for the period beginning May 9, 2004 and ending February 9, 2005A29), the following provisions shall apply:

(a) The Licensee may collect from a subscriber for the transfer of an SMS which is destined for end-user equipment that is connected to a cellular system of another cellular licensee (hereinafter – "inter-network SMS") a payment not exceeding the payment which the Licensee collects from the subscriber for the transfer of an SMS which is transferred from end-user equipment that is connected to the network to end-user equipment that is connected to the network, plus a payment not exceeding the rate for the transfer of an SMS specified in the Communications Regulations (Telecommunications and Transmissions) (Payments for Interconnection), 2000, less a rate of 0.7%[8];

---

8 The 0.7% reduction is based on a report received from some cellular operators concerning the rate of inter-network SMS messages that did not reach their destination. Section 75C was enacted as an temporary order, with the cellular operators to make the necessary adjustments in the cellular systems and in the interconnection arrangements between them to enable full implementation of section 75B of their license. To remove doubt, it is clarified that this temporary order was enacted only for a limited time, owing to difficulties that were pointed out by the cellular operators concerning the possibility of receiving information about non-completion of an SMS on another cellular network; However, beyond this, nothing may be inferred from this temporary arrangement concerning permission to collect payment for an SMS that was not transferred to its destination, and said arrangement does not detract from the Ministry's basic position according to which, in general, no payment may be collected for a telecommunications service that was not realized.

(b) The Licensee may collect from a subscriber payment for an inter-network SMS as stated in subsection (a), even if its transfer to the called subscriber was not completed.

75D. A58 Notice Concerning Utilization of Service Package in Israel

75D.1 Void.

75D.2 Notices regarding Utilization of Service Package

(a) If the subscriber purchased a service or service package for which a quota of units was set, the license owner shall notify the subscriber by text message about the rate of utilization of the unit quota when the subscriber utilized 75% and 100% of the unit quota of the service package or any one of the services included therein. The text message shall be sent to the subscriber as close as possible to the date on which the subscriber reached each of said utilization levels. The text message shall be sent to the telephone number of the subscriber and to an additional telephone number, if the subscriber set one upon when contracting with the license owner. The text message shall be sent free of charge, and shall include the rate of utilization of the package or the service, the date on which the subscriber reached said utilization while detailing the date and time on which the utilization rate of determined, the rate of deviation from the service package or any of the services included therein, if the deviation is permitted, and the date of completion of the Bill Period. Said data shall be specified in accordance with the matter according to:

(1) Call minutes;

(2) Text messages;

(3) Surfing (on MB);

(4) Combined call minutes and text messages;

(5) Combing call minutes, text messages and surfing.

For this matter, "**Service Package**" – a number of services marketed to the subscriber as a package with a fixed monthly payment, including service of calls in Israel, call service abroad, text message service or internet surfing service, when the package was determined for an overall unit quota[18], or a certain unit quota was determined for each of the services included therein[19], or that the subscriber determined a usage limit for usage control.

A58 Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).

18 Thus, for example, a package including 100 units of call minutes, text messages and internet surfing (in MB) for 15 NIS, the subscriber shall receive a text message in accordance with consumption regarding all of the above services. Thus, for example, a text message shall be sent after 75 units were utilized, and an additional warning text message shall be sent after 100 units are utilized.

19 Thus, for example, a package including 100 call minutes, 100 text messages and 50MB of internet surfing for 20 NIS, the subscriber shall receive a text message, in accordance with the consumption regarding each of the above services. Thus, for example, a text message shall be sent after 75 call minutes were utilized, and an additional warning text message shall be sent after 100 call minutes are utilized.

(b) If the service pertains to call abroad, messages shall be sent to the subscriber, as stated, by the license owner, whose international system routes the calls abroad.

(c) If it is a telephone line that is blocked from receiving text messages, the subscriber shall receive voice messages instead of text messages. After hearing the message for the first time on the voice mail, the subscriber shall be given the option by way of pressing a certain key to hear it again, and the message shall be played to the subscriber again, if he so chooses.

(d) The license owner shall allow any subscriber who pays in advance (pre-paid), to receive updates from time to time, free of charge, as to the balance available to him and the date on which the validity of the budget available to him by way of dialing a designated telephone number, following which the subscriber shall receive said information by way of voice mail or by way of a text message.

75.3d Consumption of surfing service by a subscriber who purchased surfing service

(a) If the subscriber reaches utilization of 100% of the quota determined for surfing service, the license owner shall discontinue the surfing service or shall slow down the surfing rate. The license owner shall send the subscriber a text message, free of charge, in which notice regarding the discontinuation or slowing down of the service shall be made. If the license owner allows surfing at a lower speed, he may not charge the subscriber additional payment beyond the fixed monthly payment for the surfing service.

(b) The license owner may continue providing the subscriber with surfing services for an additional payment following utilization of 100% of the quota set forth for the surfing service determined, provided that the subscriber requested to do so explicitly, as specified in Section 60.6 during the Bill Period in which he utilized 100% of the quota determined for the surfing service; the license owner shall document the explicit request of the subscriber, as stated, and shall preserve the documentation in its possession, and shall make it available for delivery or transfer to the manager, at his request, within five (5) business days from the request submission date."

The subscriber may refuse, at the time of contracting with the license owner, to continue receiving surfing services for additional payment after utilizing 100% of the quota set from for surfing services before the completion of the Bill Period. This shall be noted in a prominent place in the framework of publication of the relevant plan on the website of the license owner, if they are published on the website, and by a representative of the license owner during the performance of the sales contract.

(c) If the subscriber purchased a package, which includes surfing, and which is comprised of a basic surfing package and of additional surfing packages for utilization after the complete utilization of the basic surfing package before the completion of the Bill Period, for each of which an amount of service units and price were determined, the subscriber including a Split Business Subscriber may entirely cancel, at any time, in writing or orally, the purchase of the additional surfing packages he purchased, and shall not be charged more for them as of the date of the request onwards.

This shall be published in a prominent manner in the framework of publishing the relevant plans on the internet of the license owner, provided they are published on the website, and by the representative of the license owner during the sales call.

Insofar as a Subscriber absolutely cancelled the additional browsing packages however began consuming an additional browsing package the charge for it will be made pursuant to the provisions in Section 74.3(c).

(d) If the subscriber purchases a package which includes a basic surfing package, the subscriber may request the license owner, at any time, whether in writing or orally, to block access to the surfing service and the license owner shall reply to his request.

75.4d Consumption of surfing service by a subscriber who did not purchase surfing service

(a) The license owner shall block from surfing a Private Subscriber who did not purchase a surfing package with a surfing volume set forth in the agreement between him and the license owner. The provisions in this sub-section will not apply to a M2M[2820] Subscriber and to a Pre-paid Subscriber.

(b) If the license owner blocked the surfing service, as stated in sub-section (a), the subscriber may contact the license owner by way of a telephone call with the service representative for re-connection of the surfing service, and this obligates the subscriber in accordance with the surfing volume he shall order or consume. The representative of the license owner shall state the surfing rate to 1MB to the subscriber. The subscriber's request and its documentation shall be done in accordance with Section 60.6.

PART B2 - International Roaming Service Package

75E. A73 Billing for International Roaming Service

Definitions

75E.1 In this section –

"**Arrangement**" – A package or plan which includes surfing or calls or text message;

"**Surfing Arrangement**" – a package or plan which includes surfing.

"**Call or Text Messages Arrangement**" – a package or plan which include calls or text messages.

"**Surfing Package Offer**" – An offer of three different packages or plans, insofar as exist at the Licensee, which include Surfing Service, which were offered to the Licensee's subscribers in the month prior to the date on which the package offer was sent to the subscriber.

"**Call or Text Messages Arrangement Offer**" – an offer of three different packages or plans, if available at the license owner, which include calls or text messages, offered to the subscribers of the license owner during the month prior to the date on which the arrangement offer was sent to the subscriber.

"**Package**" – A limited number of service units which may be used in a limited period of time, through an international roaming service Abroad, which is sold at a fixed and predetermined price, and is valid for certain Destinations;

"**Abroad**" or "**Destination**" – A country, including a ship at sea and an aircraft;

"**MB**" – One million bytes (MByte);

"**Blocked Subscriber**" – a subscriber who did not request by way of a form for "access to services" to have permanent access to surfing services.

"**Open Subscriber**" – a subscriber who requested by way of a form for "access to services" to be permanently accessible to surfing services

"**Surfing Service**" or "**Surfing**" – Cellular surfing service Abroad;

"**Plan**" – A tariff plan for a limited period of time or for a specific trip overseas**[a74]** for the consumption of services through an international roaming service Abroad (such as: call service, sending and receiving text messages and internet) for the Destinations included therein, with the payment for the services being made according to consumption; the rates of the services included in the plan are different to the rate for the same services for a subscriber who did not sign up for the plan; the plan may determine a fixed fee that does not depend on consumption.

"**Non-Reduced Rate**" – a rate for call minute to a text message and to 1 MB not within the framework of the arrangement.

"**Reduced Rate**" – a rate for call minute to a text message and to 1 MB within the framework of the arrangement.

Notices regarding utilization of international roaming services and non-reduced rates for calls and text messages

---

20 Machine to machine like home sirens, electric gates.

A58 Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).

A73 Amendment No. 73 (Inception: This amendment will come into force no later than February 17,2014)

A74 Amendment No. 74

75E.2 (a) An arrangement which the subscriber purchased shall enter into force on the date determined by the subscriber at the time of purchase.

(b) (1) The license owner shall send text messages to the subscriber who purchased the arrangement when the subscriber utilized 75% and 100% of each of the follows:

((a)) The number of service units or the fixed amount of money determined for payment for the usage of the services;

((b)) The period of validity of the arrangement.

(2) The text messages shall be sent free of charge, as close as possible to the date on which the subscriber reached the said utilization level; the text messages shall include notice to the subscriber according to which the said utilization levels were reached, the number of service units left, the number of days left until the end of the period of validity of the arrangement, the date of making the utilization calculation (date and hour) and the rate for the deviation from the arrangement, as far as the deviation is permitted.

(3) In this section, "Service Units" shall be according to these:
((a)) calls – call minutes;
((b)) text messages – the number of text messages sent;
((c)) surfing – surfing volumes by MB or GB.

(4) In packages which include combined call, text messages or surfing messages, the utilization rate of the package shall be calculated according to the said Service Units.

(5) The license owner shall send a text message free of charge to a subscriber who did not purchase a call or text message arrangement, or that said arrangement purchased did not include the destination to which he arrived, immediately upon his arrival to any destination, as stated, which shall state that making calls, receiving calls and sending text messages shall be subject to a fee according to the non-reduced rate. Furthermore, the text message shall include the offer of a call or text message arrangement.

(6) The license owner shall document the said text messages in this Section, as specified in Section 60.6(c), shall preserve the documentation, and shall make it available for delivery or transfer to the manager, at his request, within five (5) business days from the date it was sent.

(c) Notwithstanding the provisions of Section 75.2E(b)(1) -

(1) The license holder will be exempt from sending SMSs to a subscriber in respect of use of the package to which he subscribed, as stated in Section 75.2E(b)(1), provided that all of the following are fulfilled:

(2) The subscriber purchased the package before Adar B 29, 5774 (March 31, 2014);

(3) The subscriber explicitly agreed in writing to waive receipt of SMSs as stated in Section 75.2E(b)(1);

(4) The license holder proves, to the Director's satisfaction, that a technological restriction beyond its control is preventing it from receiving an indication in real time or close to real time with respect to the making of direct dial calls.

(3) With respect to a subscriber who makes use of Cellular end equipment which does not support an SMS service, including a tablet with a SIM card and a cellular modem, the license holder will demand of the subscriber, at the time of subscribing to the package, a means of communication as an alternative to SMS (such as Skype, Viber, Whatsapp applications, e-mail or voicemail) ("**Alternative Means**"); if the subscriber provides Alternative Means, the license holder will send to the subscriber the messages regarding use of the package as stated in Section 75.2E(b)(1) via the Alternative Means.

75E.3 **Blocking the Surfing Service to a Private Subscriber, a Split Business Subscriber by International Roaming Surfing to a Blocked Business Subscriber and a Subscriber without a Surfing Arrangement**

(a) If a Private Subscriber or a Split Business Subscriber who is charged for international roaming surfing service (hereinafter – "**Split Business Subscriber by Surfing Service in International Roaming**") or a blocked business subscriber package which includes surfing purchase a package which includes surfing, the license owner shall block the access to the surfing service after the complete utilization of the package or after the completion of the period of validity of the package, the earlier of the two, free of charge, and the subscriber shall not be required to make any payment for the surfing service beyond the payment known in advance for the package he purchased. The license owner shall send the subscriber a text message, free of charge, regarding the said blockage close to the time of the blockage. The text message shall include the surfing arrangement offer.

If a Private Subscriber or a Split Business Subscriber in an international roaming surfing service or a blocked package business subscriber, which includes surfing, comprised of a basic surfing package and of additional surfing packages for utilization after fully utilizing the basic surfing package, for each of which Service Unit amounts and price were determined or comprised of a basic surfing package, after the full utilization thereof, the subscriber is charged according to a reduced rate; the subscriber may entirely cancel at any time, in writing or orally, the purchase of additional surfing packages he purchased or the additional surfing according to a reduced rate he purchased, and the license owner shall stop supplying him the additional surfing packages or the additional surfing at the reduced rate, and shall not charge him for surfing as of the date of the request onwards.

The license owner shall document the explicit request of the subscriber, as stated, as specified in Section 60.6(c), shall preserve the documentation, and shall make it available for delivery or transfer to the manager, at his request, within five (5) business days from the date the request was submitted.

If a Private Subscriber or a Split Business Subscriber in an international roaming surfing service or a blocked package business subscriber may refuse, at the time of ordering the service from the license owner, to continue receiving the surfing service for an additional charge after utilization of 100% of the basic package determined for the surfing service, as specified in Section 75.2e(b)(1). This shall me stated in a prominent place in the framework of the publication of the relevant plans on the website of the license owner and by the representative of the license owner during the sale call.

(b) The license owner shall block, free of charge, the access to the surfing service of each subscriber immediately upon his arrival abroad, unless one of the following conditions exist in a subscriber:

(1) The subscriber has a surfing arrangement;

(2) The subscriber requested to be an open subscriber[21].

(c) If one of the conditions stated in sub-section (b) does not exist in a subscriber, and the license owner did not block the surfing service from the subscriber, the license owner shall not charge the subscriber for the surfing service.

(d) The license owner shall block, free of charge, access to surfing service, as stated in sub-section (b), and shall not charge a private subscriber or a split business subscriber for international roaming surfing service or a block business subscriber for surfing service, as stated in subsection (c) at any time the subscriber, as stated, who purchased a surfing arrangement, reached a destination that is not included in the surfing arrangement. The license owner shall re-offer the subscriber, as stated, the surfing service immediately and automatically, and without the need for the subscriber to perform any manual action at any time the subscriber is at a destination which is included in the surfing arrangement.

(e) The license owner shall send the subscriber, as stated, a text message, free of charge, regarding the blockage stated in subsection (b) and (d), close to the blockage date, and shall state therein the reason for the blockage and the methods of contacting it in order to unblock. The text message shall include an offer for a surfing arrangement.

(f) Ordering surfing service by a blocked business subscriber while he is abroad, after his access to surfing service was blocked, to allow him access to surfing service without purchasing a surfing arrangement, shall be performed by way of a telephone call with a representative of the license owner, who shall state to the subscriber the non-reduced surfing rate for 1 MB. The access to the surfing service shall open after the subscriber confirmed the non-reduced surfing rate stated to him. Section 60.6 shall apply to the documentation of the order, and the documentation shall also include the trustworthy identification details of the subscriber and his confirmation, as stated.

---

[21] An "open" situation on the form for access to services, without a surfing arrangement, is relevant to a business subscriber only; a private subscriber and a split business subscriber on international roaming surfing, without a surfing arrangement, shall be blocked from surfing as a default.

75E.4 Void.

75E.5 **Blocking surfing service from an open business subscriber**

(a) The license owner shall send an open business subscriber who did not purchase surfing service or that the surfing arrangement he purchased did not include the country to which he arrived, a text message free of charge immediately upon his arrival abroad, which shall include a warning regarding the possible consumption of surfing service subject to a fee, without the subscriber initiating a surfing action, and shall include surfing charges without the purchase of a surfing arrangement. Furthermore, the text message shall include a surfing arrangement offer.

The license owner shall document the sending of said text message to the business subscriber, as specified in Section 60.6(c), shall preserve the documentation and shall make it available for delivery or transfer to the manager, at his request, within five (5) business days from the date the text messages were sent.

(b) The license owner shall send the open business subscriber who purchased only a basic package, whose rate after its full utilization is a reduced or non-reduced rate, text messages free of charge, which included notice regarding the rate of utilization of the package, as stated in Section 75.2e(b), and the rate, as stated.

The license owner shall document the sending of said text messages to the subscriber and the sending of said text messages by the subscriber to it, if any, as specified in Section 60.6(c), shall preserve the documentation, and shall make it available for delivery or transfer to the manager, at his request, within five (5) business days from the date they were sent.

75E.6 The Licensee shall inform its subscribers, in the telephone bill following the date of signing of the license amendment, of their possibility to block Surfing Service by filling out the "Access to Services Form" which is posted on the licensee's website. The subscriber may send the said form to the licensee by regular mail, e-mail, facsimile or via an online form on the Licensee's website, insofar as the Licensee's website supports such possibility.

75E.7 The Licensee shall post on its website information regarding the possibility available to the subscriber of blocking access to Surfing Service also through the end equipment, insofar as such blocking does not also block the possibility of surfing in Israel.

75E.8 The Licensee shall post on its website information whereby there are services which consume data for a fee, also without any active action being taken by the subscriber, such as: automatic synchronization of e-mail and the update of various applications.

75E.9 Billing for international roaming services according to a rate per unit, shall be made in the telephone bill retroactively, after consumption of the services, and not in advance. Insofar as a subscriber purchases an Arrangement which includes a predetermined payment, the billing for such payment shall be made in the billing period during which the transaction took effect.

75E.10 Without derogating from the provisions of Section 55A, Section 60.6 shall apply to a transaction for the "remote sale" of services via an international roaming service.

75E.11 The Licensee shall send, free of charge, a text message to any subscriber who performed a "remote sale" transaction for the purchase of services via an international roaming service, which includes a summary of the transaction, as early as possible, and no later than the end of the day on which the "remote sale" transaction was performed. As long as the transaction for the purchase of calls or text messages does not include destinations abroad, it shall be noted in said text message that outgoing calls and sending text messages to destinations abroad shall be charged at the non-reduced rate.

The license owner shall document its sending said text message, as specified in Section 60.6(c), shall preserve the documentation, and shall make it available for delivery or transfer to the manager, at his request, within five (5) business days from the date of performance of the transaction

In addition, the Licensee shall state information regarding the said "remote sale" transaction in the telephone bill following the date of performance of the transaction, in accordance with the subscriber's billing period, including the telephone number in respect of which the transaction was performed, the date of performance of the transaction, the quantity and types of the services purchased via an international roaming service, the number of days allocated for use of the services, the date and time of commencement of provision of the services, the price of the services purchased, the price according to which consumption of services over and above the Package shall be charged, insofar as a Package is purchased, and the manner of rounding off of any quantity that shall be consumed (the "**Details of the Transaction**").

The license owner shall preserve a copy of the telephone bill in which the details of the transaction shall be specified, and shall make it available for delivery or transfer to the manager, at his request, within five (5) business days from the date the bill was made..

75E.12 In an engagement for the purchase of services via an international roaming service performed in the presence of a representative of the Licensee and the subscriber, printed confirmation shall be delivered to the subscriber upon performance of the transaction, including the Details of the Transaction. The license owner shall preserve a copy of the confirmation, as stated, and shall make it available for delivery or transfer to the manager, at his request, within five (5) business days from the date of execution of the transaction.

75E.13 The Licensee shall post on its website all of the marketed arrangements to private subscribers, as well as the rates of all of the international roaming services for a subscriber without an Arrangement, for all of the Destinations in respect of which the licensee has an international roaming agreement. The Licensee will not charge a subscriber for an international roaming service provided at a Destination that was not published thereby as aforesaid before the charge.

75E.14 The rate for Surfing Service shall be stated by the Licensee, wherever it is stated, in units of NIS per 1 MB.

75E.15 The internet rate per 1 MB for a subscriber who is not in a Surfing Arrangement will be lower than the price of the cheapest Package offered by the Licensee.

75E.16 The purchase of a Surfing Arrangement, in Israel or Abroad, does not change the default option stated in the updated services order form other than for the period of such Surfing Arrangement.

76. Publication of Rates

76.1 The Licensee shall provide to anyone so requesting, at the service offices and at the call centers, free of charge, full and detailed information concerning the up-to-date rates for all its services, including the payment for completion of a call; The Director may instruct the Licensee concerning the manner and format of publication of the rates.

76.2 The Licensee shall indicate in every account sent to a subscriber the package of services according to which the subscriber is being debited.

76.3 The Director may request to receive from the Licensee at any time details of the rates charged by it.

77. Void[A43)]

77A. Fraud Prevention

77A.1 The Licensee shall take suitable and reasonable steps to prevent fraud and shall maintain a control and follow-up system for verifying, to the extent possible, that the calls for which the subscriber is being debited were actually made from end-user equipment connected to the Licensee's cellular system in the subscriber's name.

77A.2 The Licensee shall disconnect the service to the subscriber's end-user equipment after receiving at the service offices the subscriber's notification that the end-user equipment was lost or stolen, or that there is a possibility that someone else is making calls through the end-user equipment without having received permission to do so; The subscriber may give such a notification by telephone or in writing, including by fax or email; Upon receipt of a telephone notification or immediately after receipt of a written notification, the Licensee shall verify its reliability and disconnect the service.

77A.3 The Licensee shall cooperate with other licensees in locating and preventing fraud.

Part C – Changes in the Rates

78. Change in the Rates

78.1 Subject to that stated in Section 75, the license owner may modify the rate or the number of service units allotted for the bill period (hereinafter: the "**Number of Units**") of each service or service package (hereinafter in this section – "**Service**"), which it determined, provided that:

(a) It sent the manager written notice between fourteen (14) days to twenty one (21) days prior to the date the modification entered into force, and which details the service, the rate or the new number of units and the date of their entry into force, as well as the rate or number of units prior to the modification.

The duty to send the manager notice regarding the modification shall not apply to a modification determined in advance in the contracting agreement at the time of the subscriber's joining the service or service package.

(b) It sent a written message in advance to every subscriber who joined the service and to the additional telephone number as specified in section 55.4(a)(1), in which the name of the service shall be stated, the rate or the new number of units and the date of their entry into force, as well as the rate or the number of units prior to the modification, between fourteen (14) days to twenty one (21) days prior to the date the modification entered into force. The notice to the additional telephone number will also include the telephone number of the Subscriber in which the change was made.

Despite the aforementioned, regarding the rate reduction, the license owner may send the notice to the subscriber up to one month after the reduction.

In reference to this section "**Modification**" – any modification in the rate that may cause an increase or reduction in payment before VAT, which the subscriber has to pay for the services of the license owner or any reduction in the allotted number of service units to the bill period without a rate modification.

(c) The notice as stated in subsection (b) shall be sent to the subscriber who has access to the receipt of text message services by way of a text message, and to a subscriber who is blocked from receiving text message services by way of voice mail. After hearing the message for the first time on the voice mail, the subscriber shall be given the option by way of pressing a certain key to hear it again, and the message shall be played to the subscriber again, if he so chooses.

(d) The license owner shall preserve the documentation regarding sending the notice as follows:

(1) Printout from notebook server of message delivery, as specified in Section 60.6(c);

(2) Recording of the voice message as specified in Section 106a.

The license owner shall make the documentation of the delivery of the message available for delivery or transfer to the manager, at his request, within five (5) business days from the date it was sent.

(e) The duty to send the subscriber notice regarding a modification shall apply also to a modification determined in advance in the contacting agreement at the time of joining the service or service package or the rate plan.

(f) The license owner shall state in the phone bill, that during the bill period for which the modification was made, in the framework of the "account detail", as specified in Section 9(a) of Appendix E1, the rate and the number of new units and the date of their entry into force, as well as the rate or number of units prior to the modification.

The license owner shall make a copy of the telephone bill available for delivery or transfer to the manager, at his request, within five (5) business days from the date of its issuance.

(g) Insofar as the Licensee provided to a private Subscriber a service that is not a voice service or Short Message Service (SMS)s or browsing, at a discount or for free for a limited period, including but not limited to a service that is not a telecommunication service, the Licensee will send the Subscriber and to the additional telephone number stated by the Subscriber, as detailed in Section 55.4(a)(1), accessible to Short Message Service (SMS)s services, a message pertaining to the change in the tariff, as detailed in Section 78.1(b), to which a univalent link will be attached to any service that will be valid for Seven (7) days of the Short Message Service (SMS) being sent, in which the Subscriber will be requested to login to the attached link and this in the event he is not interested in continuing to receive the service for a fee:
The said link will lead to a landing page through which the service will be cancelled, within the framework of cancelling the service the Subscriber will be identified using only his identification number; the Subscriber may cancel the service from each one of the two telephone numbers that the Short Message Service (SMS) was sent to; the Licensee will send to the Subscriber's telephone number through which the service was cancelled, a Short Message Service (SMS) confirming that the service was cancelled; whereupon the Subscriber cancelled the service through the aforementioned landing page, the Licensee is not entitled to continue or to start to charge the Subscriber for the said service at the end of the aforementioned period. Documentation pertaining to the Short Message Service (SMS) being sent by the Licensee to the Subscriber will be executed as detailed in Section 60.6(c) and the content of the Short Message Service (SMS) will also be documented.

The Licensee will make such documentation available to be delivered or transferred to the manager, pursuant to its demand, and this within Five (5) work days of the Short Message Service (SMS) being sent.

The Licensee will send a voicemail message to the telephone numbers that are not accessible to the Short Message Service (SMS) services as detailed in sub-section (c) and will document it as detailed in sub-section (d). A Subscriber may cancel the service, as stated above, also through additional methods, including but not limited to regular mail, email, internet chat and facsimile.

The Licensee will deliver to a business Subscriber and to a split business Subscriber a message pertaining to the change in tariff in the bill details of the bill preceding the date upon which the tariff will change or by a Short Message Service (SMS) with a link as detailed above or by an email message.

79. Start of an Increase or Reduction in a Rate

In case of an increase or reduction in any rate for cellular services according to the provisions of the license, such increase or reduction shall not apply to payments made for such a service prior to the starting date of the increase or the reduction; An increase or reduction shall apply only to cellular services provided to a subscriber after the date of the increase or reduction; This section shall not apply to a rate adjustment ordered by the Minister under section 83(A).

80. Arrears in Payment

80.1 The Licensee may debit a subscriber arrears interest, linkage differences and collection costs on payments for cellular services which were not paid by a subscriber on their stipulated payment date, in a payment notice sent to the subscriber, according to the contract between them[A33)] (hereinafter – the payment date).

80.2 Void[A43)]

80.3 The amount of the arrears interest shall not exceed the rate specified in the definition of "linkage differences and interest" in section 1 of the Adjudication of Interest and Linkage Law, 1961, plus linkage differences for the period between the stipulated payment date and the actual payment date of the specified amount.

80.4 [A33)]The Licensee may debit a subscriber collection costs on a payment for a service which it provided to the subscriber, which was not paid on the payment date (hereinafter – the amount of the debt), provided at least fourteen (14) days have elapsed from the payment date, excluding a case of nonpayment due to the bank's or the credit-card company's refusal to pay a debit for the collection of which the Licensee received an authorization; The amount of the collection costs to be collected by the Licensee shall be reasonable and in proportion to the amount of the debt and the actions which the Licensee must take in order to collect it.: In this regard, "collection costs" – including legal handling by the Licensee or someone acting on its behalf, of the collection of the amount of the debt before application is made to the courts.

Part D – Miscellaneous

81. Connection Fee

(a) The connection fee and the smartcard fee shall be uniform, independent of the type or model of the end user equipment, type of smartcard, the technological generation of the network to which the end user equipment of the subscriber shall be connected, etc.

(b) If the Licensee decides to collect a connection fee as defined in section 74(A), it may debit a subscriber a connection fee only for the connection of the subscriber for the first time to the cellular network and the provision of the cellular services, or for a connection after the termination of contraction.

(c) The license owner may not charge from the subscriber connection fee as long as the connection of the end user equipment has not been completed, including activation of the smartcard.

(d) The Licensee is not entitled to discriminate against a Subscriber upon collecting connection fees who did not purchase the end equipment from it.

81a. Smartcard Fees

(a) The smartcard fees shall be reasonable in relation to the cost of the smartcard for the license owner.

(b) The smartcard fees shall be uniform, independent of the type or model of the end user equipment, type of smartcard, the technological generation of the network to which the end user equipment of the subscriber shall be connected, etc.

(c) The smartcard fees shall not include the price of the end user equipment, and they shall be presented separately in the contracting agreement, in the telephone bill of the subscriber and in the publication of the rate plan on the website of the license owner, if such was published.

(d) If the license owner shall charge the subscriber with smartcard fees, it may charge the payment from him only as a one-time payment in the framework of the first telephone bill, following the date of delivery or sending of the smartcard, at the very latest. If the license owner did not do so, he may not charge for said payment thereafter, and it may not charge the subscriber said payment or any other payment if he does not return the smartcard following the termination of the contracting between them.

(e) The license owner may not charge from the subscriber smartcard fees for replacing the smartcard due to a malfunction discovered therein.

(f) The license owner may not discriminate a subscriber who did not purchase end user equipment from him in collecting smartcard fees

(g) If a subscriber has a smartcard, which was issued to him by the license owner, which was used by the subscriber in the past and was disconnected as a result of the termination of the contract, and the subscriber requests to activate it in order to return to being a subscriber of the license owner, the license owner shall do so, and may not charge the subscriber smartcard fees.

82. Collection of Connection Fee in Installments

The Licensee may collect the connection fee as stated in section 81 for connection to the cellular system in a number of installments, at the times agreed upon with the subscriber and in the amount specified in the contract.

83. Harm to Competition or to Consumers

(a) If the Minister finds that any of the Licensee's rates or any payment required to be made to or through the Licensee is contrary to the provisions of the License, the Minister shall notify the Licensee in that regard, indicating the correction that needs to be made and that if the Licensee fails to do so, the Minister will act pursuant to his power under sections 5 and 15 of the Law; The Licensee shall send the Minister a written notification setting out the corrected rate and shall act to refund the excess amount, if any, which a subscriber was debited according to the rate prior to its correction.

(b) If the Minister finds that any of the Licensee's rates or any payment required to be made to or through the Licensee is unreasonable or is liable to harm competition or the consumers, the Minister shall notify the Licensee in that regard, indicating the correction that needs to be made and that if the Licensee fails to do so, the Minister will act pursuant to his power under sections 5 and 15 of the Law; The Licensee shall send the Minister a written notification setting out the corrected rate

83A. [A58] **Excess Charges**

(a) The license owner may charge from a subscriber payments only in accordance with that specified in its contracting agreement with the subscriber, and in accordance with the provisions of Sections 74.3(c) – 74.3(f).

(b) If the subscriber filed a complaint with the license owner according to which the license owner charged an additional amount to the total he was entitled to collection in accordance with the contracting agreement (hereinafter – "**Overcharge**"), the license owner shall review the subscriber's complaint within ten (10) business days from the date of receipt of the complaint. In regards to this Section, "**Complaint**" – in writing or orally, including the reference of the subscriber to the license owner in order to verify the charge details; "**Date of Receipt of the Complaint**" – regarding a written complaint – the date of receipt of the complaint by the license owner, and regarding an oral complaint – the date on which the complaint was reported to the license owner.

The license owner shall document the content of the complaint in its information system immediately upon its filing, and the results of the review or its transfer to the manager, at its request, within five (5) business days from the completion of the review of the complaint..

(c) If the license owner discovered that he overcharged the subscriber, the license owner shall return to the subscriber the overcharge in one payment, without determining an condition thereto, and shall return the VAT for the said amount, together with "linkage differentials and interest" as defined in Section 1 of the Interest and Linkage Law, 1961, from the date of collection until the date of the actual return (hereinafter: the "**Return Amount**") and this as specified below:

[A58] Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).

(1) If the return amount is greater than fifty (50) NIS, the return amount shall be directly transferred to the method of payment (bank account or credit card) of the subscriber within four (4) business days after the completion of the period set forth in subsection (b). Despite the aforementioned, the license owner may return to the business subscriber the said return amount by way of a credit to the following telephone bill if the business subscriber agreed thereto.

(2) If the return amount is fifty (50) or less than that, the license owner shall return the amount by way of a credit to the telephone bill following the end of the period set forth in Section (b). If the return amount is greater than the amount to be paid in the next telephone bill, the balance shall be directly transferred to the method of payment of the subscriber within four (4) business days as of the date the telephone bill was sent to the subscriber; the offset from the telephone bill or the transfer of the return amount balance to the method of payment, shall be stated in the telephone bill pertaining to that matter;

(3) Despite the aforementioned in Clauses (1) and (2), return of the return amount to a pre-paid subscriber, shall be performed by way of increasing the balance available to the subscriber.

(d) The license owner shall provide the subscriber with a written reply regarding his complaint within twenty one (21) business days from the date of receipt of the complaint. The response to a complaint shall include the detained reasons for the denial of the complaint, and as long as the reasons refer to the terms of the contracting agreement and the Licensee rejected a challenge pertaining to being overcharged a sum in excess of NIS One Hundred (100), including VAT., its attachment to the response, referral to a section therein, according to which the charge on the telephone bill was made and the method of its calculation or mention of a return amount and the manner of which it was calculated.

(e) (1) The license owner shall document in its information system, any complaint of the subscriber regarding overcharge, which was submitted in writing or orally.

(2) The license owner shall preserve a copy of the reply, as stated in subsection (d); If the license owner sent the response via email or facsimile, the license owner may preserve a copy of the response and the copy of the confirmation of the delivery (hereinafter: "**Copy of the Response**".

(3) The license owner shall make the complaint and a copy of the response available for delivery or transfer to the manager, at his request, within five (5) business days from the date the response was sent to the subscriber.

CHAPTER G: PAYMENTS FROM THE LICENSEE, LIABILITY, INSURANCE AND GUARANTEE

Part A – Royalties and PaymentsA16)

84. Royalties

84.1 The Licensee shall pay royalties as prescribed in the Telecommunications Regulations (Royalties), 2001, or in any other regulations replacing them (hereinafter – **"the Royalties Regulations"**).

84.2 Void.

84.3 Void.

84.4 If it becomes apparent that the amount of the royalties to be paid by the Licensee, is greater than the amount paid by it for the given quarter, the Licensee shall pay royalties differences, in addition to interest and linkage differences, as prescribed in the Royalties Regulations.

84.5 If it becomes apparent that the amount of the royalties paid by the Licensee is greater than the amount it was required to pay for the given quarter , the Licensee shall be credited with the amount of the excess payment; The excess payments to which the Licensee is entitled shall be offset, pursuant to a written approval of the Director, from the next payment of royalties, and linkage differences and interest shall be calculated according to the last index published before the date of the offset; In this regard – interest and linkage differences, as prescribed in the Royalties Regulations.

85. Arrears in the Payment of Royalties

The Licensee shall pay linkage differences, arrears interest and collection costs, as set forth in the Royalties Regulations, on royalties that were not paid at the time stipulated therefor in the regulations.

86. Payment Method

Royalties as well as linkage differences, arrears interest and collection costs in respect thereof shall be paid to the Ministry of Communication's accountant by a bank transfer to the ministry's account.

87. Other Mandatory Payments

The royalties under this Part shall be in addition to any other fee, tax or mandatory payment which the Licensee is required to pay under any law.

Part B – Liability and Insurance

88. Definition of Scope of Insurance

In this Part, "use of the license" – setup, installation, maintenance, upkeep or operation of the cellular system, whether by the Licensee itself or through anyone acting on its behalf, including its employees, contractors, agents or representatives.

89. Licensee's Liability

89.1 The Licensee shall be liable at law for death, damage or loss to the body or property of any person, directly or indirectly resulting from or consequent on the use of the license.

89.2 When using the license, the Licensee shall take all reasonable precautions to prevent damage or loss to the body or property of any person, and where such damage or loss was caused due to the use of the license, the Licensee shall repair the damage at its expense and compensate the aggrieved party, all subject to any law, excluding a case in respect of which the Minister granted the Licensee immunity as specified in section 90.

To avoid doubt, this section shall not impose on the Licensee liability beyond the liability in torts established in the regular law of torts.

90. Immunity from Liability

90.1 The Minister may, at the Licensee's request, grant it all or any of the immunities enumerated in Chapter I of the Law, subject to that stated in section 90.3.

90.2 The Licensee shall set out in its request the immunities which it is requesting and the reasons therefor.

90.3 If the Minister is persuaded of the necessity of granting the Licensee the immunities under Chapter I of the Law, he shall publish his decision in a notice in *Reshumot*.

91. Making an Insurance Contract

91.1 The Licensee shall make, at its expense, an insurance contract with a licensed insurer according to the terms contained in section 92; The insurance contract shall be presented to the Director at the time of the grant of the license.

91.2 The Licensee shall indemnify the State in respect of any financial liability as stated in section 89.1, for which it may be held liable towards a third party due to the use of the license; Any indemnity under this section shall be insured by the Licensee for liability insurance.

91.3 The Licensee shall insure itself, including its employees and contractors, against any financial liability as stated in section 89.1, for which it may be held liable at law owing to damage caused to the body or property of a person from the use of the license, and against any loss or damage caused to all or a part of the cellular system from the use of the license, including against third party risks.

91.4 The Licensee shall submit to the Director an opinion of a lawyer specializing in insurance, confirming that the insurance policy covers everything required in sections 91.2 and 91.3; The Licensee shall attach to the opinion a copy of the insurance contract and its attachments; Said documents shall be submitted to the Director within 7 days of the signing of the insurance contract and shall be attached to this license as Addendum G.

92. Conditions in the Insurance Contract

92.1 The insurance contract shall specify the period of insurance and shall stipulate that at the end of the period of insurance the insurance shall be extended automatically.

92.2 The Licensee shall present to the Director, once a year, the insurer's confirmation that the insurance contract is valid, there are no arrears in the Licensee's payments of the premiums and there are no pending notices concerning the cancellation, suspension, limitation, amendment or termination of the insurance contract.

92.3 The insurance contract shall stipulate that in the event the insurer wishes to cancel the insurance contract, owing to nonpayment of the premium, it must give the Director prior notice in that regard not less than 90 days before the contract is actually due to be cancelled (hereinafter in this section – cancellation notice).

92.4 If a cancellation notice has been sent as stated in section 92.3, the Licensee shall act immediately to eliminate the cause of the cancellation, or shall act immediately to obtain an alternative insurance contract as stated in section 92.6, and it shall notify the Director of the actions it took for this purpose; Where the cause of cancellation was nonpayment of the premium by the Licensee, the Director may pay the premium in the Licensee's stead, and he may exercise the bank guarantee or any part thereof to cover amounts which he expended on payment of the premium or collect them in any other manner.

92.5 If the Licensee wishes to cancel the insurance contract, it must notify the Director in that regard at least 45 days before the contract is actually due to be cancelled.

92.6 If the Licensee has agreed to the cancellation of the insurance contract by the insurer or itself wishes to cancel the insurance contract, it shall make an insurance contract with another licensed insurer, in such manner that the new insurance contract will come into effect simultaneously with the lapse of the previous contract; The new insurance contract shall be submitted for approval to the Director, together with an opinion as stated in section 91.4, 45 days before its effective date, and it shall be subject to the provisions of the sections in this Part.

93. Remedy for Breach of Conditions with Respect to Insurance

If the Licensee did not make an insurance contract, or if it becomes apparent that the insurance contract which it made was cancelled or expired, the Director may effect insurance and pay the premium in the Licensee's stead, and it may exercise the bank guarantee to cover amounts expended by it on the insurance or collect them in any other manner; All the foregoing without derogating from the authority to cancel, restrict or suspend the license owing to the Licensee's failure to effect insurance according to the terms of this license.

Part C – Guarantee to Secure Fulfillment of the Terms of the License

94. The Guarantee and Its Purpose

94.1 The License Owner shall forward to the director an unconditional bank guarantee from an Israeli bank / autonomic insurance from an Israeli company (hereinafter – the "**Guarantee**") in favor of the State of Israel in NIS to ensure the fulfillment of the conditions of the License; the Guarantee amount, its phrasing and undertaking to extend the Guarantee shall be as stated in Appendix H to the Second Addition;

94.2 The guarantee shall serve as security for fulfillment of the terms of the license and for compensation and indemnification of the State for any damage, payment, loss, detriment or expense caused or liable to be caused to the State – whether directly or indirectly – due to nonfulfillment of all or any of the terms of the license, fully and on time, or due to the cancellation, restriction or suspension of the license.

95. Exercise of the Guarantee

95.1 Without derogating from the general purport of section 94.2, the Director may exercise the guarantee, in whole or in part, if damage is caused due to nonfulfillment of the terms of the license, including in each of the cases set out below:

(a) The State incurred a loss of income from royalties owing to a lack of revenues from subscribers' payments, including by reason of:

(1) Failure to operate the cellular services at a time stipulated therefore in the timetable determined by the Director, or as approved by the Director;

(2) Discontinuation, suspension or restriction of services;

(3) Restriction or suspension of the license;

(b) No insurance contract was made according to sections 91-92, the premium was not paid, or the insurance contract was cancelled or expired;

(c) The Licensee is debiting its subscribers for payments contrary to that stated in section 75;

(d) The Licensee is not complying with the coverage and service quality requirements as stated in Appendix B and Appendix E does not meet the requirements regarding the Passive Components and the cellular radio centers as stated in Clause 19.2C.;

(e) The Licensee does not convert the cellular system to a digital technology by the date specified in Appendix B.

(f) The Licensee consistently or willfully violates any of the provisions, terms or requirements of the license;

(g) A claim or demand was submitted against the State for payment of compensation and damages due to a violation of a condition in the license or faulty implementation of the license or due to the cancellation of the license, and where the State incurred expenses due to such claim or demand; The exercise of the guarantee for the purpose of covering the amount of a claim as stated, shall be done only after the judgment in that claim has become absolute;

(h) Royalties according to section 74 were not paid fully and on time;

(i) The State incurred costs or damage due to the cancellation of the license;

(j) The Licensee did not complete the guarantee fees as specified in sections 96.2 and 79.2.

(k) A16)The Licensee did not present the license fee on the required date, as stipulated in section 40.1 of the conditions of Tender No. 1/01.

(l) A16)A monetary sanction was imposed on the Licensee in accordance with the law, and the required amount was not paid on time, provided no amount above the amount of the sanction is collected.

95.2 The Director may exercise the guarantee as stated in this Part also by reason of an expected violation of the terms of the license or frustration of the terms of the license that justify, at his discretion, early exercise of the guarantee.

96. Manner of Exercise of the Guarantee

96.1 The Director may exercise the guarantee, in whole or in part, up to the amount specified therein, provided it warned the Licensee that if it does not correct the act or omission the subject of the warning within the period specified in the warning – the guarantee will be exercised, in whole or in part.

96.2 If the entire amount of the guarantee or a part thereof was exercised, the Licensee shall provide a new guarantee or complete the balance up to the original amount of the guarantee immediately upon the Director's demand; Failure to complete the amount of the guarantee as stated shall constitute a material breach of the terms of the license, and the Director may – without derogating from his authority to cancel, restrict or suspend the license – exercise any remaining balance of the guarantee.

96.3 The Licensee may appeal a decision of the Director to exercise the guarantee, in whole or in part, before the Minister within 15 days of being notified of the Director's decision.

97. Term of Validity of the Guarantee

97.1 The guarantee shall be valid throughout the term of validity of the license and for A16)two years after the end of the term of the license, or until the Licensee satisfies all its obligations under the license to the Director's satisfaction – according to the later of these two dates.

97.2 If the Director determines that the Licensee did not satisfy all its obligations under the license, within 60 days before the expiry of the term of the guarantee, he may require the Licensee to extend the term of the guarantee or to present a new guarantee, within the period specified by the Director; The new guarantee shall be valid up to the date specified by the Director or until the Licensee satisfies, to the Director's satisfaction, all its obligations under the licenses – according to the later of these two dates; If the Licensee fails to present a new guarantee as stated, the Director may exercise the guarantee.

97.3 Where the Director confirmed receipt of a guarantee the validity of which may be extended from time to time upon his demand, the Licensee shall extend the validity of the guarantee before the expected end of its term, for a year, unless the Director exempted it from this obligation; If the Director did not grant an exemption from the obligation to extend the validity of the guarantee, and the validity of the guarantee was not extended at the specified time, the Director may exercise the guarantee in its entirety without advance warning.

98. Preservation of Remedies

98.1 Exercise of the guarantee, in whole or in part, does not derogate from the authority to cancel, restrict or suspend the license.

98.2 The amount of the guarantee shall not serve to limit the scope of the Licensee's liability towards the State for payment of the full damages caused to it, where the Licensee is obligated to make such payment under the license or by law.

98.3 The exercise of the guarantee, in whole or in part, shall not derogate from the Director's right to demand from the Licensee in any other manner payment for damages which it is obligated to cover under this license or to exercise other reliefs that are available to him by law.

CHAPTER H – SUPERVISION

Part A: Supervision of Licensee's Activities

99. Supervisory Power

The Director or anyone authorized by him for this purpose may supervise the Licensee's activities with respect to the implementation of the license and compliance with the provisions of the Law, the Ordinance and the Regulations pursuant thereto.

100. Preservation of Confidentiality

The Director and anyone engaging on his behalf in supervising the Licensee shall not disclose any information or document coming into their possession by virtue of their function, to a person who is not authorized to receive such information or document, unless it was already published in public or disclosure is necessary for the performance of their function under this license or by law.

101. Entry to Premises and Inspection of Documents

For the purpose of exercising the supervision as stated in this Part, the Director may:

(a) Enter at any reasonable time any facility or office used by the Licensee to provide its services under this license.

(b) Carry out measurements and tests on the cellular system, and he may inspect any record, document, plan, account book, ledger or data base, whether regular or computerized, of the Licensee or of anyone employed by the Licensee in subjects over which the Director has supervisory power as stated; The Director may inspect them and copy them in any manner he deems fit.

102. Cooperation

The Licensee shall cooperate with the Director or with anyone authorized by him with respect to the exercise of supervision over its activities as stated, and without derogating from the general purport of the aforesaid, it shall allow them to carry out that stated in sections 100 and 101 and shall furnish to them, upon their demand, any information in its possession or control that is required by them for the exercise of the supervision.

Part B: Correcting Defects and Saving Documents and Recordings

103.[A107)] Void

104 [A43)] Types of Reports

104.1 Void;

104.2 Void:

104.3 Report on the use of frequencies according to Chapter D Part C;

104.4 Void

104.5 Void

104.2 The Licensee shall submit to the Director once a quarter, not later than a month after the end of the quarter, the following reports:

(a) Unaudited quarterly financial statement signed by an accountant;

(b) Unaudited quarterly income report signed by an accountant, giving details of income on which royalties are payable;

(c) Traffic report – in a format as directed by the Director.

104.3 The Licensee shall submit a report on any special occurrence, as set out in regulation 8 of the Control Regulations.

104.4 The Licensee shall submit to the Director the following report, at his request:

(a) Void[A72)];

(b) Malfunctions report – containing a brief description and discussion of the malfunctions that occurred in the network, the number of malfunctions and the cumulative duration of malfunctions of each type, an analysis of the malfunctions and the steps taken to repair them;

(c) Service quality report – Analysis of the Licensee's compliance with the requirements of sections 49 to 51 and Addendum E – Level of Services for Subscribers, during the period of the report;

(d) Complaints report – detailing the written service complaints that were submitted by subscribers, including the subject of the complaints, the dates on which they were received, the written response given, the manner in which they were dealt with and details of the Ombudsman;

(d1) The telephone call service centers reports as detailed in Sections 8(a) and 8(b) in Appendix E4;

(e) List of the Licensee's rates;

(f) Void[A72)];

(g) Encumbrances report – The Licensee must report to the Director immediately any case of imposition of an attachment or encumbrance on any of the Licensee's assets or any case of an encumbrance on means of control in the Licensee, any realization of such encumbrances or voidance of any right of the Licensee in an asset; The Licensee must also submit to the Director, at his request, a report detailing all such encumbrances.

(h) Report on number of subscribers, income and minutes broken down according to private and business subscribers, and within each category – broken down according to subscribers for programs priced according to an "inclusive standard rate" and subscribers for programs priced separately for payment in respect of "airtime" and interconnection, in a format as directed by the Director;

(i) Nuisance subscribers report as detailed in section 65A.9;

(j) Any other data required for performance of control on the Licensee's activities, and any information required by the Ministry for regulating the telecommunications sector.

104.5 The Director may add or remove periodical, annual or quarterly reports, and he may request the Licensee to submit special reports as directed by him.

105.[A43)] Notice Concerning a Defect

105.1 If the Manager discovered defects or impairments in the actions of the license owner, the manager shall notify it of such in writing (in this Section – "**Notice of the Manager**" or the "**Notice**").

105.2 The license owner shall provide his response to the manager in writing within the time period determined by the manager in the Notice. If the manager did not determine a time period for providing the license owner's response, the license owner shall provide his response to the manager no later than thirty (30) days from the date it received the Notice of the Manager. In its response, the license owner shall specify the means taken to amend the impairments and defects specified in the Notice and to prevent their reoccurrence.

106.[A43)] Void.

106a Preservation of documents and recordings

(a) The license owner shall preserve documents and recordings pertaining to the terms of the contract with the subscriber throughout the term of the contracting agreement and for one year after the termination of the contract.

(b) Void

CHAPTER I – MISCELLANEOUS

107. The License as an Exhaustive Document

107.1 The Licensee's rights, obligations and powers with respect to the setup, maintenance and operation of the cellular system and the provision of services by means thereof, originate in and derive exclusively from and according to this license.

107.2 Void.[A2)]

108. Keeping the License Document and Returning the License

108.1 The Licensee shall keep the license documents in its office and shall allow the public to inspect their true and up-to-date copies; In case the terms of the license are modified, the Licensee shall attach the modification wording to said license documents.

108.2 [A16)]If the license and its documents are made available for public inspection, the public shall not be allowed to inspect the following documents, which are included in the Second Schedule to the License:

(a) Appendix A – Void;
(b) Appendix B – [A72]the engineering plan attached to Appendix B;
(c) Appendix D - Preparing to Ensure Continuity of Operations in Emergencies
(d) Appendix G – Insurance contract;
(e) Appendix H – Bank guarantee;
(f) Appendix I – Special services for the security forces;
(g) Appendix L – Special services for the security forces – security addendum (confidential);
(h) Appendix M – Security directives;
(i) Appendix N – Letters of undertaking.

108.3 The license documents are the property of the State and are entrusted to the Licensee for the term of validity of the license; Upon the cancellation or expiry of the license, the Licensee shall return the license with all its documents to the Director.

108.4 [A16)]The Licensee shall allow the public to inspect the license documents via the Internet; The Licensee may do this also by way of referral to the website of the Ministry of Communications, as long as the Ministry publishes the license on its website.

108.5 [A16)]The Ministry may publish the license, excluding the appendices indicated in section 108.2, at the time and in the manner deemed fit by it.

109. Postponement of Deadline

109.1 A duty imposed on the Licensee in this license, for which a performance deadline has been set, must be performed by the Licensee within the deadline.

109.2 [A2)]The Director, at the Licensee's request, may postpone a deadline set as stated, if it deems it impossible to perform the duty within such deadline for reasons of force majeure.

110. Reserving of Liability

Any approval or supervisory authority granted under this license to the Minister or to the Director, including the exercise of such authority, shall not impose on them any liability which is imposed by this license on the Licensee, and shall not derogate or detract from or void or diminish the Licensee's liability as stated.

111. Notices

111.1 A notice concerning this license or its implementation shall be in writing and shall be delivered by hand or dispatched by registered post with confirmation of delivery; A notice sent by registered post as stated shall be presumed to have reached its destination by the end of 48 hours from the time of its delivery for dispatch.

111.2 Any notice of the Licensee to the Minister shall be delivered or sent through the Director.

111.3 The Licensee's address for receipt of notices under this section is: 10 Hagavish St., Poleg Industrial Area, Netanya 42140; The Licensee shall notify the Director immediately of any changes in this address.

112. Operations in the Judea and Samaria Civil Administration Area

112.1 The License Owner shall contact the communications staff officer in the Judea and Samaria Civil Administration Area for the allotment of frequencies, the expansion of its license in the Judea and Samaria areas, for the expansion of the mobile telephony system and for the provision of Generation 4 services in the area in which the authorities in the Bezeq area are of the Civil Administration.

112.2 The License Owner shall operation in the Judea and Samaria areas in accordance with the license and frequencies allotment from the communications staff officer of the Civil Administration; the frequencies allotment and the license in the Judea and Samaria area, including the layout, minimum requirements and service level to the subscriber shall be mostly based on the allotment terms in Israel and the provisions of this license, mutatis mutandis, as shall be determined by the Civil Administration manager and in accordance with the law and the Security Legislation applicable to the Judea and Samaria areas, including the need to receive an individual approval for the establishment of each communication facility.

First Schedule
List of Services and Measures for Quality of Service[A16)]

1. General

1.1. This Schedule includes the list of services the Licensee will provide, under the conditions set out in Section B of Chapter E – **"Level of Services for Subscribers".**

1.2. The services will be provided in each of the technologies operated by the Licensee, unless otherwise noted in the License or in the Schedule to the License.

1.3. Wherever the term: "**Support in Various Languages"** is used, this denotes support in at least these four languages: Hebrew, Arabic, English and Russian.

1.4. [A43)] The Licensee must include in the service dossier at least the following details:

a. **Name of the service:** Name of the service, including its trade name and a general description of the service.

b. **Detailed description of the service: A**mong other things –
Is it a new service / expansion of an existing service / combination of services / is there any need for a pretrial;
Manner of operating the service;
Date on which provision of the service is to commence;
Availability and measures for quality of service;
Support centers;
Price of the service;
Target audience of the service;
How to order the service;
Process of connecting to the service;
Implications or effects of this service on other services.

c. **Engineering description:**
Description and block diagram of the system;
End-user equipment – dedicated equipment for receiving the service.

d. **Miscellaneous:**
The need for numbering;
Required coordination with other licensees or entities.

2. List of Services[A65]

2.1. **Basic Telephone Services**

No.	Name of Service	Description of Service	Date of Provision	Service Quality Measures	Comments
1.	**Cellular calls**	Telephone calls to and from subscribers ofthe license holder to any telephone or other appropriate terminal equipment on another public communication network, in Israel or globally.	In place	Availability of the service 98%	
2.	**Emergency calls**	Free calls to the emergency services, to be determined by the Director (for example: Police, MDA, Fire Dept., others). The caller will be routed to the emergency center according to the service provider's definition in reference to the subscriber's location.	In place	Availability of the service 98%	According to the Director's instructions. The caller's telephone number may be identified by the public emergency services call center.

2.2. **Related Services**

No.	Name of Service	Description of Service	Date of Provision	Service Quality Measures	Comments
3.	**Callwaiting with option for temporary suspension**	Subscriber may receive an incoming call while on another call. The subscriber may suspend this service at will.	In place	Availability of the service 99.9%	
4.	**Call forwarding**	Forwarding incoming calls to another telephone number, at the subscriber's choice: Regularly, when the line is busy, when the call is notanswered or in cases of unavailability.	In place	Availability of the service 99.9%	

[A65] Amendment No. 65

5.	**Call transfer**	The subscriber may transfer a call to another telephone number or between 2terminal devices having the same number.	* 3/2007	Availability of the service 99.9%	In accordance with notice dated March 14, 2007
6.	**Hunting group**	Determination of a hunt number for the group of the subscriber's telephone numbers; dialing the hunt number will route the call to an available number in the group.	In the future	Availability of the service 99.9%	
7.	**Caller ID**	Caller's number is displayed on the subscriber's telephonedisplay.	In place		Dependent on the caller's terminal equipment
8.	**Calling ID restriction**	Allows the subscriber's telephone number to be blocked from display on the call recipient's display. The blocking may be permanent or one-time.	In place	Availability of the service 99.9%	
9.	**Caller name announce-ment**	Provides the possibility of identifying the caller by anaudiosignature.	In place	Availability of the service 99.9%	
10.	**Conference call**	Supports a call for several subscribers simultaneously.	In place	Availability of the service 98%	
11.	**Closed user group**	A group of telephone numbers only between which a call may be made.	In place	Availability of the service 98%	On GSM network only.
12.	**Voice mail**	Storage and the possibility of retrieval of voice messages of persons calling the subscriber in a personal box.	In place	Availability of the service 99%	
13.	**Advanced voice mail**	A voicemail system as specified in Paragraph 12 above, plus additional "smart" features includinga visual or voice announcement of incoming messages, the transfer of messages to other platforms and receipt of messages from such platforms.	In place	Availability of the service 98%	

14.	**Voice activated service**	Voice activation of telephone and basic services, related services and value-added services.	Partially in place, will be expanded in the future	70% probability of good identifi-cation in areas with asignal level higher than 85dbm	
15.	**Call tracking**	Allows the subscriber, during a call, to send the applicant an announcement for the purpose ofsubsequent identification of the source of the call.	In the future	Availability of the service 99.9%	Subject to any law
16.	**Virtual private network (VPN)**	Allows speed dialing according to a private numbering program.	In place	Availability of the service 99.9%	For types of subscribers according to relevant distinctions. Currently provided to the business sector.
17.	**Centrex**	Allows the maintenance of a private network while using the network's resources.	In the future		
18.	**Facsimile services**	Receipt, storage and retrieval of facsimile messages through the telephone.	In place	Availability of the service 99.9%	
19.	**Roaming**	Provision of mobile phone services when visiting Israel (for "roamers" from overseas). Forwarding calls to a subscriber who is overseas through a holder of a license to provide international communication services and allowing subscribers who are overseas to receive mobile phone services from operators overseas, including callscreening and call-back, and providing mobile phone services and related services to anyone visiting Israel (for roamers from overseas), all through roaming agreements with operators in other countries.	2002	Availability of the service 99.9%	The service was expanded in 2003 to also include data comm-unications services.

20.	**Toll free service**	The maker of the call is not charged. The subscriber called is charged in accordance with appropriate charge arrangements.	3/2010		According to service file(1800).
21.	**Talk Two**	One number for several SIM/terminal equipment units.	In place	Availability of the service 99%	
22.	**Two telephone numbers for one SIM card**	Definition of two telephone numbers for the same SIM card.	*7/2005	Availability of the service 99%	* According to notice dated June 7, 2005
23.	**Change of number announce-ment**	A person calling the subscriber will receive an announcement of the subscriber's new number and be given the possibility of routing to the new number at the applicant.	In place	Availability of the service 99.9%	On GSM network only.
24.	**Camp on busy line**	Automatic announcement and/or making of a call to a busy line once it becomes free.	*3/2004	Availability of the service 99.9%	* According to notice dated Feb. 5, 2004
25.	**Personal number service**	Allows the subscriber to determine that calls to one telephone number be routed to various destinations according to parameters to be determined by the subscriber.	In the future	Availability of the service 99.9%	
26.	**Collect call**	A call whose cost will be paid by the subscriber receiving the call, after authorization thereof.	In place	Availability of the service 99.9%	
27.	**Message distribution**	Distribution of messages to a list of recipients through various platforms.	In the future	Availability of the service 99.9%	
28.	**Over the air services (OTA)**	Remote update of data and applications on the SIM card/terminal equipment by the license holder. The applications will be run from the SIM card / terminal equipment by the subscriber, on the terminal equipment.	11/2011	Availability of the service 99%	

(1800) In accordance with service file "toll free service" ("1-800 service").

29.	**Account code billing**	Code billing for one telephone number in separate bills. The subscriber's instruction regarding the account to be charged will be given by entering a code at the beginning of or during the call.	In the future	Availability of the service 99%	
30.	**Star services**	Allows a call to be made by dialing a speed access code according to an internal numbering program of the applicant.	In place	Availability of the service 99.9%	
31.	**SMS – short messages services**	Transmission and receipt of text, graphics, voice and image messages to and from mobile phone terminal equipmentover the license holder's network, or from terminal equipment on other networks in Israel or overseas which have reached an agreement with the license holder. Transmission of such messagesfrom a personal computer. Forwarding of incoming messages to a facsimile machine. The license holder will support various languages.	In place	Availability of the service 99%	Dependent on the terminal equipment
32.	**Packet switching data com-munication**	Connection of the subscriber through the telephone or an independent modem to TCP/UDP/IP communications for packet switching.	In place	Availability of the service 98% on a best effort basis	Dependent on terminal equipment
33.	**Discon-nection of service**	Disconnection of service at the subscriber's request.	In place	To be performed no later than the business day after the date of the subscriber's request	
34.	**POC (push to talk over cellular)**	Making a call by pushing a button on the mobile terminal device. The call may be private (subscriber-to-subscriber) or for a group on a data communication network.	In place(commen-cement)	According to service file	Pursuant to temporary provision

Temporary Provision The Licensee will allow operation of Push to Talk Over Cellular services (hereinafter: the Service) to any subscriber who is a legal entity (individual or corporation), provided the number of users (number of cellular end user equipment units permitted use of this service, hereinafter – end user equipments) in the possession of such subscriber does not exceed 20 during the first year starting on the date service begins. Notwithstanding the aforesaid, should there be any considerable changes in the cellular sector influencing provision of such service, the Ministry will consider a shorter period.

Application This service will not begin before Sunday, the 29th day of Tamuz, 5764 (July 18, 2004)

* **availability of service is the percentage of time the service is available, not including availability of basic services.**

2.3. **Value Added Services**

No.	Name of Service	Description of Service	Date of Provision	Service Quality Measures	Comments
35.	**Directory assistance**	Allows receipt of information on telephone numbers and the automatic making of a call to the number in respect of which the information was received.	In place	Availability of the service 99.9%	Pursuant to the provisions of Section 67A of the license
36.	**Connectivity to information & enter-tainment services**	Allows the subscriber connectivity to push or pull information services, entertainment, applications and content, both interactive and non-interactive, through various means of access.	In place	Availability of the service 99.9%	Dependent on the terminal equipment. Subject to the Director's instructions.

37.	**Access to internet provider services**	Allows the subscriber access to an internet access provider.	In place		
38.	**Location based information & tracking**	Receiving and sending information dependent on the location of the telephone, subject to any law.	* 3/2007		* In accordance with notice dated March 14, 2007
39.	**M-commerce**	Connectivity through terminal equipment for the performance of transactions.	In place		Dependent on the terminal equipment. Subject to the Director's instructions.
40.	**Unified messaging**	Allows the subscriber to receive and send voice messages, speech, fax, SMS, e-mail, applications and multimedia files to and from a unified box, with the possibility of converting the information received from one format to another, and access to information from various means of access.	In the future	Availability of the service 99.9%	Dependent on the terminal equipment
41.	**Telemetry command and control**	Use of a telephone or cellular modem to receive announcements and to send commands pertaining to the operation of various devices (such as: alarm systems, inventory systems, traffic lights, controls etc.)	In place	Availability of the service 99%	
42.	**Sponsored call**	A call during which the subscriber is exposed to commercial advertising and information.	In the future		Subject to any law
43.	**Video conference**	Allows visual and audio communication between several users.	* 4/2004		Dependent on the terminal equipment. * In accordance with notice dated April 4, 2004

44.	**Instant messaging**	A messaging service between members of a "community", organization, group of friends, group of persons with a common interest. The subscriber announces his being online and his readiness to receive messages. The service notifies the subscriber of the group member who is located in geographic proximity to him.	In the future		
45.	**Surf & talk**	Allows the subscriber to receive notice of and answer a call waitingwhile surfing the internet.	In place	Availability of the service 99%	Dependent on the terminal equipment. On GSM network only
46.	**Personal information management**	Accessto and synchronization of a personal information database through the terminal equipment.	In place		Dependent on the terminal equipment.
47.	**Memo**	Sending of a voice message as a memo from the subscriber to any telephone on a public network.	* 1/2004		* In accordance with notice dated Jan. 8, 2004
48. A67	**Filtering of offensive content and sites on the internet**	Filtering of offensive content and sites while the subscriber is surfing the internet through his terminal equipment, in accordance with the provisions of Section 67G of the license.	4/12		The service is provided to subscribers who use the internet access service for no charge additional to the payment it collects from him for the internet access service.
49. A75	"**Personal Message**"	A short instruction, notification and warning of the Defense Agencies, sent immediately, selectively and in a focused manner to subscribers with cellular end equipment which supports use of cell broadcast ("CB") technology;	10/2014		Pursuant to the provisions of Section 65.B and the "personal message" service file

A67 Amendment no.67
A67 Amendment no.67

50. A81	Premium Service at Premium Tariff	A premium service provided through a designated code allocated for such purpose (1-900, 1-901, 1-902).	2/2015		The service will be provided according to the provisions of Annex P.
51 A81.	Premium Service at Regular Tariff	1) A premium service provided through: 2) A network access code – as an inter-network service; 3) Dialing a landline number – as a nationwide service.	2/2015		Landline number and regular tariff within the meaning thereof in Section 67D1 of the license.
	Safe network and blocking of malware	Protection against fishing threats, access to suspicious sites and prevention of malicious software activities / unwanted malware installed on the subscriber's end user equipment	Future		

The availability of the service is a percentage of the timeduring which the service is available, excluding the availability of the basic service.

A67 Amendment no.67
A67 Amendment no.67

Second Schedule – List of Appendices

Appendix A	Void;
Appendix B[A16]	Engineering Plan - not available to public;
Appendix C[A60]	Domestic Roaming;
Appendix D[A43]	
Appendix E[A16]	Level of Subscriber Services;
Appendix F[A8]	Ordering Of A Service On The Website Of The Licensee Or A Service Provider;
Appendix G	Insurance Contract - not available to public;
Appendix H[A16]	Bank Guarantee - not available to public;
Appendix I[t3t5]	Special Services for security forces - not available to public;
Appendix J[A6]	Access to International Communications Services;
Appendix K[A7]	Discontinuation of Services for cellular end user equipments of IS-54 type;
Appendix L[A12]	Special Services for security forces - not available to public;
Appendix M[A12]	Security Instructions - not available to public;
Appendix N[A16]	Letters of Undertaking - not available to public;
Appendix O[A24]	Erotic Services

A16 Amendment no.16
A60 Amendment no.60
A43 Amendment no.43
A16 Amendment no.16
A8 Amendment no.8
A16 Amendment no.16
A3 Amendment no.3
A5 Amendment no. 5
A6 Amendment no.6 replaced Amendment no.4
A7 Amendment no.7
A12 Amendment no.12
A12 Amendment no.12
A16 Amendment no.16
A24 Amendment no.24

Appendix C – DOMESTIC ROAMING

1. In this Appendix

"**Handover**[22]"	Continuity of a call during its transfer by means of cellular end equipment from the coverage area of a cellular radio center of one licensee to the coverage area of a cellular radio center of another licensee, in a continuous manner, without being disconnected or disrupted.
"**Call**"	Including SMS messages, data communication, cellular Internet surfing, use of applications and the like.
"**Roaming Licensee's Subscriber**"	Including a subscriber of a cellular licensee on another network, where such licensee utilizes a roaming licensee's network.
"**Lockdown**"	A state in which the end equipment of a roaming licensee's subscriber, who roamed to a host network, continues to receive service on the Licensee's network after the termination of the call, even if the roaming licensee has coverage in that area.
"**Specifications**"	The current 3GPP[23] recommendations regarding domestic roaming as in effect from time to time.

2. The Licensee shall provide by means of its network to a roaming licensee a domestic roaming service, as stated in section 67E, in accordance with the conditions set out below.
3. The Licensee shall provide a domestic roaming service, as stated, by one of the following two methods:
   (a) Call transfer – The Licensee shall enable the transfer of a call which is being conducted by means of a subscriber's end equipment from a roaming licensee's network to the Licensee's network, when the roaming operator's network has no coverage in that area. After the transfer, the call shall be conducted on the Licensee's network up to its termination.
   (b) Call setup – The Licensee shall enable the setup of a call on its network, by means of the end equipment of a roaming subscriber's licensee, if the roaming operator's network has no coverage in that area, or due to locking down of the end equipment of the roaming subscriber on the Licensee's network. Following its setup, the call shall be conducted on the Licensee's network up to its termination.
4. The Licensee shall determine the duration of the lockdown time in accordance with the requirement of the roaming licensee.

---

[22] Handover.
[23] 3rd Generation Project Partnership.

TRANSLATION FROM HEBREW
THE BINDING VERSION IS THE HEBREW VERSION

5. The Licensee shall guarantee reasonable and equal conditions for every roaming licensee, as regards the provisions of cellular services by it, including the following:

(1) **Prohibition on discrimination** – The scope, nature and quality of the services received by a roaming licensee's subscribers may not be inferior to those provided to the Licensee's subscribers. Insofar as the Licensee creates a distinction between categories of its subscribers, regarding the scope, quality or nature of its services, it shall allow the roaming licensee to maintain the same distinction for its subscribers.

(2) **Transfer** – The Licensee shall allow a roaming licensee's subscribers a one-way transfer, i.e. – from the roaming licensee's coverage area to the Licensee's coverage area, in a continuous manner, without disconnection or interruption of the call.

(3) **Advanced network** – The Licensee shall provide domestic roaming services to a roaming licensee by means of its most advanced network[24] and within the lowest frequency utilized by it[25]; only if it does not have such coverage shall it provide the roaming licensee with domestic roaming services by means of a higher frequency range or by means of an earlier generation network[26], all according to the same priority as its own subscribers.

(4) **Range of services** – The Licensee shall enable a roaming licensee to provide the entire range of services the roaming licensee wishes to provide to its subscribers, subject to the host licensee's technical possibilities and provided this does not burden it unreasonably.

6. The Licensee shall cooperate with the roaming licensee, including by -

(1) **Blocking sites** – The Licensee, at the roaming licensee's request from time to time, shall block the use by the roaming licensee's subscribers in specific coverage areas of sites of the Licensee in which the roaming licensee has coverage.

(2) **Dynamic update** – The Licensee shall update the roaming licensee on a regular basis regarding the data required for domestic roaming support, according to the roaming licensee's needs and in line with the expansion of its network, and regarding changes in the Licensee's network, including traffic data by sites, records of calls[27], billing data of the roaming licensee's subscribers, malfunctions, changes in systems, etc., and the Licensee shall also update its systems, as necessary, according to the network data of the roaming licensee.

(3) **Location data** – The Licensee shall provide to a roaming licensee, on a regular basis, real-time location data of the roaming licensee's subscribers who are within the Licensee's coverage area. Such location data shall not be less than those received for the Licensee's subscribers.

(4) **Visibility** - The Licensee shall operate, to the extent possible, in such a manner that a roaming licensee's subscribers do not notice that they are receiving service through the Licensee.

(5) **Switching** – The Licensee shall transfer all the outgoing and incoming calls through the roaming licensee's network, to enable the roaming licensee to provide to its subscribers all the services it wishes to provide to them, including signaling of failed calls.

(6) **Intelligent network** – The Licensee shall support, to the extent possible, intelligent network services provided by a roaming licensee.

(7) **Calls to emergency centers** – The call of a roaming licensee's subscriber to an emergency center set up on the Licensee's network shall be routed directly to the emergency center by the Licensee, unless the roaming licensee is able to route it to the appropriate emergency center according to the subscriber's geographical location.

(8) **Compliance with statutory provisions** – The Licensee shall cooperate with the roaming licensee for the purpose of complying with any statutory provision issued to any of them, where such cooperation is required by the existence per se of domestic roaming.

(9) **Handling malfunctions** – The Licensee shall repair malfunctions in its systems which impair or could impair the domestic roaming service level agreed upon between the Licensee and the roaming licensee[28] or determined by the Ministry.

(10) **Prevention of information transfer** – The Licensee shall keep fully confidential any information relating to a roaming licensee, and shall prevent the transfer of any information relating to the roaming licensee from its employees and representatives who handle the operation of the domestic roaming to any other personnel of the Licensee, and particularly the Licensee's marketing and sales personnel.

7. The Licensee shall operate, with respect to domestic roaming, in accordance with the Specifications. Where any matter is not regulating in the Specifications, the licensees concerned shall act according to the best engineering practice[29].

---

[24] UMTS / HSPA / HSPA+ and in the future LTE.

[25] For example, a licensee operating UMTS networks within frequency ranges of 850/900 MHz and 2100 MHz, shall provide to the roaming licensee's subscribers services by means of the network within the 850/900 range according to the same priority as its own subscribers.

[26] GSM / GPRS / EDGE.

[27] Call Details Record (CDR).

[28] Service Level Agreement (SLA).

[29] Best Engineering Practice.

TRANSLATION FROM HEBREW
THE BINDING VERSION IS THE HEBREW VERSION

Annex D – Preparing to Ensure Continuity of Operations in Emergencies

1. **Introduction**

1.1. The Israeli communications sector constitutes a vital national infrastructure both on a routine basis and in emergencies, and hence requires the License Holder to prepare to ensure **continuity of operations** in order to continue to provide its services also in emergencies.

1.2. The License Holder will implement a comprehensive work plan and will ensure its durability for functioning in emergencies, while ensuring continuity of operations to provide its services.

1.3. This annex constitutes a minimal action framework for the License Holder in order to maintain continuity of operations in emergencies, which includes a business continuity program (BCP) and a disaster recovery plan (DRP).

2. **Definitions**

"**Interim Site**"	-	A site containing sub-systems of the network for performance of connection and control of end sites;
"**Alternative Site**"	-	A site held in a state of preparedness and intended for use in an emergency, at which the activity to ensure continuity of operations will continue;
"**Core Site**"	-	A main site which contains central systems of the network including switch, databases, computer systems, storage and a control and management center;
"**End Site**"	-	A cellular radio center on a license holder's network;
"**Sharing Agreement**"	-	An active frequency sharing agreement, as defined in Section 19A of the license;
"**Recovery Target**"	-	A target determined by the License Holder for reinstating technological activity and support systems to a defined service level and within a defined time period;
"**Portable Site**"	-	A portable end site;
"**Continuity of Operations**"	-	Ensuring continuity of operations of the License Holder's services, which includes a disaster recovery plan and a business continuity program;
"**Plan**"	-	Plan to ensure continuity of operations;
"**Business Continuity Program**"	-	Plan of action carried out by the License Holder in emergencies to ensure continuity of operations of processes that are defined as critical and of the communication, computer and storage systems (BCP).

3. **Formulation of a plan to ensure Continuity of Operations**

3.1. The License Holder will formulate a plan to ensure Continuity of Operations which will assist it in emergencies to ensure its ability to operate continuously, to mitigate the harm to provision of its services and to recover its operations; the plan will include at least the following issues:

(a) Analysis of risks to which it is exposed in emergencies, including an analysis of results, repercussions and implications for the ongoing and proper work of the infrastructures and of its services;

(b) Determination of service targets and Recovery Targets for emergencies, in accordance with the analysis of the risks and their implications for Continuity of Operations and continued provision of its services;

(c) The guidelines specified below in this annex, including the various plans specified below in this annex, while addressing the roles and responsibilities of various functionaries in the management of the emergency situation and actual implementation of the plan;

(d) Assimilation of the plan among the managers, employees, suppliers and subcontractors.

4. **Liability of the board of directors and the management**

4.1. The License Holder's board will approve the plan, while addressing the risks to Continuity of Operations and control thereof, as part of the comprehensive work framework for risk management, and shall instruct the License Holder's management to carry out the same.

4.2. The board of directors will discuss the Continuity of Operations issues upon significant technological changes and after a communication failure event, a significant failure in critical IT systems such as the billing system or the customer relationship management (CRM) system, provided that the Continuity of Operations issues are discussed at least once a year.

4.3. The License Holder shall appoint a Continuity of Operations manager and shall define his responsibilities and powers, which shall include ensuring implementation of the plan and adjustment thereof to technological changes, the existence of an assimilation plan, practice drills and lesson drawing as well as mapping and monitoring existing deficiencies and reporting thereon to the management.

4.4. The plan will be periodically audited by the internal auditor or a senior officer of the License Holder.

4.5. The board of directors and the management will define periodic monitoring discussions, documentation and reporting format, within the company.

5. **Management of an emergency situation**

5.1. The License Holder shall appoint a senior executive to declare the transition from routine work to emergency work in a transition from routine to emergency procedure.

5.2. The License Holder shall operate a situation room in emergencies, which includes all of the resources required to manage the situation, including alternative means of communication which do not rely on the License Holder's network (the "**Main Situation Room**").

5.3. The License Holder will set up an alternative situation room at another site, at a distance of at least thirty (30) km from the Main Situation Room; the aforesaid notwithstanding, at the License Holder's written request, the Director may approve having an alternative situation room at a shorter distance.

5.4. The situation room will be used by the officers of the License Holder to manage the situation and to operate the plan of action for Continuity of Operations.

5.5. The License Holder will appoint a team to manage the emergency situation, to comprise, *inter alia*, the officers, key decision makers and technology professionals (communications and IT).

6. **Manpower, economic immobilization and emergency economy**

6.1. The License Holder will act vis-à-vis the Ministry of Economy for its recognition as an essential enterprise pursuant to the Emergency Work Service Law, 5727-1967.

6.2. The License Holder will prepare manpower for every operating sector thereof which will allow it Continuity of Operations; the License Holder will validate the manning lists once a year.

6.3. The License Holder will ensure regular working conditions and *inter alia*, on the following matters:

(a) Food, water, sleeping equipment for all of the manned sites;

(b) Equipment, protection, food and water for the field teams (field technician/field maintenance);

(c) Protected spaces/rooms (floor shelters/apartment shelters) and safe work areas.

6.4. The License Holder will maintain one armored vehicle which will allow the activity of a field team. A license holder which operates more than 1,000 sites will maintain an additional armored vehicle; such vehicles shall be owned by the License Holder or supplied through a supplier.

6.5. The License Holder will arrange for a transportation system for its employees to travel to and from its sites according to the manpower standard it has determined for each of its operating sectors as stated in Section 6.2.

7. **Continuity, backup and survivability of the network and the infrastructure**

7.1. The License Holder's network will comprise at least two Core Sites at a geographic distance of at least thirty (30) km; the aforesaid notwithstanding, at the License Holder's written request, the Director may approve having Core Sites at a shorter distance.

7.2. The core systems on the network will operate on BCP architecture, insofar as the technology is available from the equipment manufacturer.

7.3. The core of the network will be planned to have no single point of failure, a malfunction in which causes the malfunction of the entire network.

7.4. The License Holder will operate a manned management and control center 24/7, 365 days a year, for the monitoring, control and operation of all of the network's components.

7.5. The License Holder will set up an alternative management and control center at another geographic site at a distance of at least thirty (30) km; the aforesaid notwithstanding, at the License Holder's written request, the Director may approve having an alternative management and control center at a shorter distance.

7.6. The alternative management and control center shall include all of the management and control systems required for Continuity of Operations of the License Holder's services independently, and will be available for immediate action.

7.7. The License Holder will formulate a technological and engineering backup plan for the Core Sites which will enable Continuity of Operations in the event of a Core Site failure.

7.8. The License Holder will formulate a technological and engineering backup plan for the Interim Sites which will enable Continuity of Operations in the event of an Interim Site failure.

7.9. The License Holder will formulate a contingency plan (without actual rollout of additional infrastructures) which will be operated at failure events to link End Sites in accordance with criteria to be determined by the License Holder.

7.10. In the event of a failure at the Core Site or an Interim Site, the backup plans will allow additional reception of at least fifty percent (50%) of the disconnected End Sites.

7.11. The License Holder will formulate a plan for regular backup of data and information systems on a routine basis and in emergencies at another geographic site, at a distance of at least thirty (30) km; the aforesaid notwithstanding, at the License Holder's written request, the Director may approve an Alternative Site at a shorter distance.

7.12. The License Holder will maintain backed up transmission infrastructures to link the Core and Interim Sites.

7.13. The License Holder will maintain four (4) Portable Sites which will substitute damaged End Sites, to expand coverage or increase capacity; such resources shall be owned by the License Holder. The aforesaid notwithstanding, in the event that the License Holder entered into a Sharing Agreement with another license holder, the License Holder may maintain the aforesaid together with the other license holder.

7.14. The License Holder will have the independent capacity to roll out and operate the Portable Sites, supply energy and transmission and connect them to the network within twelve (12) hours.

7.15. The License Holder will maintain reserve technical equipment for the entire technological system which will allow current continuous maintenance for at least three weeks, without the need to bring alternative equipment from overseas; such equipment shall be owned by the License Holder.

8. **Transmission infrastructures**

8.1. The License Holder will formulate a technological and engineering backup plan for the infrastructure and the transmission routes for Continuity of Operations of the transmission services, through landline or wireless transmission.

8.2. The License Holder will formulate a technological and engineering backup plan for the transmission infrastructure connecting the network to the core facilities of another general license holder and any license holder through which it provides the internet access service.

9. **Energy and electricity infrastructures**

9.1. The License Holder will prepare for energy and electricity backup, as specified below, for which purpose it may use a supplier:

(a) Core Sites – alternative supply of electricity through batteries, generators, diesel oil containers and supply of diesel oil for continuous operation of at least forty-eight (48) hours;

(b) Interim Sites – alternative supply of electricity through batteries, generators, diesel oil containers and supply of diesel oil for continuous operation as specified below:

(1) An Interim Site which connects more than thirty-two (32) End Sites – for twenty-four (24) hours;

(2) An Interim Site which connects up to thirty-two (32) End Sites – for twelve (12) hours.

9.2. The License Holder will prepare for energy and electricity backup at the End Sites for an alternative supply of electricity through batteries for two hours for each End Site whose activity is required to meet the coverage level set forth in the provisions of the license; such batteries shall be owned by the License Holder.

9.3. The License Holder will maintain at least six (6) generators for continuous operation of End Sites in the event of a power outage; such generators shall be owned by the License Holder. The aforesaid notwithstanding, in the event that the License Holder entered into a Sharing Agreement with another license holder, the License Holder may maintain the aforesaid together with the other license holder.

9.4. The License Holder shall enter into an agreement with a subcontractor for the repair and transportation of generators in emergencies.

9.5. The License Holder shall enter into an agreement with a supplier for the supply of diesel oil for fuelling in emergencies.

10. **Data and system protection**

10.1. The License Holder shall formulate a data and system protection plan which shall include protection procedures and responses to data protection events.

10.2. The data and system protection plan will be determined in accordance with the instructions of the Ministry and the security forces.

10.3. The License Holder will determine the work procedures and rules for remote access upon a data systems event as part of the plan to ensure Continuity of Operations.

11. **Suppliers and subcontractors**

11.1. The License Holder shall ensure that the engagement agreements with the suppliers and the subcontractors regulate the duty of the supplier and the subcontractor to provide the services required by the License Holder to ensure Continuity of Operations in emergencies.

11.2. The agreements shall include a plan to ensure Continuity of Operations at the supplier and the subcontractor, including manpower and the resources required to provide the service.

11.3. The agreements shall include the participation of the supplier and the subcontractor in drills.

12. **Reinstatement of service in emergencies**

12.1. In the event of a significant service interruption in an emergency, the License Holder will reinstate the service according to the reinstatement of service procedure; insofar as possible, the procedure will give priority to the reinstatement of service to vital bodies, including security forces and emergency services, hospitals, emergency centers and government ministries.

12.2. The procedure will be formulated such that reinstatement of the communication services will be according to the order specified below:

(a) Dialing and maintaining a voice call between subscribers of the License Holder and between its subscribers and the subscribers of another license holder;

(b) National and personal messaging (cell broadcast);

(c) Surfing services;

(d) Sending SMSs between subscribers of the License Holder and between its subscribers and the subscribers of another license holder;

(e) The other services.

13. **Restoration of the service**

13.1. The License Holder will formulate a plan for restoration of its services which includes the following stages:

(a) **Immediate restoration** – preplanned restoration; such restoration will be carried out within a very short time and almost automatically;

(b) **Interim restoration** – utilization of existing surplus capacity, including available alternative machines; such restoration will be carried out within several days;

(c) **Long-term restoration** – installation of new systems; such restoration will be carried out within weeks or months and is contingent on available equipment at the supplier and installation and construction capabilities.

13.2. According to the restoration plan, the service level of the various services provided by the License Holder will be determined.

14. **Assimilation and practice**

14.1. The License Holder will implement the plan to ensure Continuity of Operations among its employees by instructing and training them.

14.2. The License Holder will formulate a periodic practice drill plan which includes all of the scenarios and the critical processes included in the plan to ensure Continuity of Operations.

14.3. The License Holder will carry out, within the company, a practical and comprehensive drill, once a year, with the participation of an internal control team which shall examine the License Holder's emergency preparedness; the License Holder will notify the Ministry of the date of holding of the drill at least thirty (30) days in advance thereof and will allow the Ministry's representatives to attend the same.

14.4. The conclusions of the drill will be provided to the License Holder's management to study and examine required updates to the plan to ensure Continuity of Operations; the conclusions of the drill will be provided in writing to the Director within thirty (30) days after the holding of the drill.

15. **Procedures**

15.1. The License Holder will formulate designated procedures for various emergency scenarios in the framework of the plan, as specified below:

(a) Procedure for handling malfunctions and irregular events in emergencies and recovery therefrom;

(b) Procedure for skipping and transition to an alternative management and control center;

(c) Procedures for backup and survivability of Core and Interim Sites;

(d) Operation of portable resources procedure;

(e) Procedure for reporting to the Ministry in emergencies;

(f) Procedure for operation of the customer service system in emergencies;

(g) Procedure for protection and response against data protection events;

(h) Reinstatement of service in emergencies procedure;

(i) Transition from routine to emergency procedure.

15.2. The procedures will be approved by relevant officers at the company and will be updated once a year.

16. **Miscellaneous**

16.1. This annex will take effect no later than Tuesday, Elul 17, 5775 (September 1, 2015), with the exception of Sections 7 and 9, which will take effect no later than Tuesday, Adar A 21, 5776 (March 1, 2016).

Appendix E

Appendix E – Minimum Requirements and Level of Subscriber Services[A16)]

1. System Performance

1.1 Definitions:

"Population" - the entire population in the area, according to the publications of the Central Bureau of Statistics

"Layout Ratio" - the ratio between the household rates in the peripheral settlements and the household rate in central settlements;

"Central Settlement" - A settlement defined by the Central Bureau of Statistics as a settlement of a "intermediate" level (clusters 5,6), at a "central" level (cluster 7) and at a "very central" level (clusters 8, 9, 10);

"Peripheral Settlement" - A settlement defined by the Central Bureau of Statistics as a settlement at a "very peripheral" level (clusters 1, 2, 3) and a "peripheral" level (cluster 4);

"Street" - the area (length x width) of any street whose number is up to 4 digits inclusive, and the national and local railroad route in the area of the State of Israel, during the license period; when the width of the street or the national and local railroad route shall include the actual width of the street/route + 5 meters from each side of the street/route;

"Coverage Level" - Broadcast and reception of electromagnetic signals which allow for the proper existence of any service to the mobile telephony communications end equipment, rising to a height of one and a half meters (1.5) above the surface;

In this regard, proper existence of the service shall be considered the service provided in the Coverage Area, while meeting the minimum requirements in regards to the service level, as specified in this Clause;

"Area" - the overall area regarding which the Law, jurisdiction and Administration of the State of Israel apply.

"Blocked Calls" - calls and data communication or links that cannot be established or messages that cannot be transferred immediately upon an order to establish contact due to unavailability of the network resources or resources for linkage between the network and other networks;

"Dropped Calls" - calls and data communications or links that were terminated not by the initiation of the subscriber who initiated the call / link or the call recipient.

1.2 Milestones for the establishment of the network:

(a) The network and its services shall meet the performances, features and indicators defined in the engineering plan – Appendix B, including an engineering plan attached to the Generation 4 Tender;

(b) The milestones for the establishment of the network and provision of service:

(1) canceled;

Appendix E

(2) network using Generation 4 technology:

2. ((a)) Stages and dates

Stage A at the end of 18 months from the determining date;
Stage B at the end of 36 months from the determining date;
Stage C at the end of 48 months from the determining date;
Stage D at the end of 24 months from the date of the manager's announcement;

"Determining Date" - date of amendment of the license

"**Date of Manager's Announcement**"- the date on which the manager shall provide the License Owner notice in writing regarding the performance of Stage D. The notice shall be provided after the end of 60 months from the determining date.

((b)) The License Owner shall operate to establish the Generation 4 network as follows:

((1)) shall submit a layout plan in a format set forth in the provisions of this Appendix no later than sixty (60) days after the Determining Date; the layout plan shall constitute part of the engineering plan.

((2)) the layout plan shall include the following data:

(((a))) all of the settlements in Israel shall be detailed therein, in accordance with the Central Bureau of Statistics, divided into two groups – Central Settlements and Peripheral Settlements; the number of households in each settlement shall be stated next to the name of each settlement, and the total number households in central settlements and in peripheral settlements shall be stated; the planned date for the completion of the layout plan for each settlement shall be stated next to each settlement;

(((b))) all of the Streets shall be detailed therein; next to each Street the number of the Street shall be stated and across from each Street, the planned date for the completion of the layout plan for that Street shall be stated.

((3)) The License Owner may update the layout plan and change the order of the settlements or Streets in which the network layout is planned by providing notice to the manager up to 60 days before the date the layout is planned, provided that the updated layout plan meets the provisions set forth in this Appendix.

((4)) The network layout pace shall be as follows:

(((a))) at the end of one year from the Determining Date, the License Owner shall layout the network so that at the end of said period, there will be access to the network at a certain rate of households, according to the determination of the License Owner, provided that no later than 12 months from the Determining Date, the License Owner shall commence providing the service;

(((b))) As of the beginning of the second year from the Determining Date, the License Owner shall layout the network at the Layout Ratio that is no less than one (1), and according to the following:

At the end of Stage A – coverage of 30% minimum requirements of the network coverage obligation, as stated in Clause 1.3(b)(1);
At the end of Stage A – coverage of 65% minimum requirements of the network coverage obligation, as stated in Clause 1.3(b)(1);
At the end of Stage A – coverage of 100% minimum requirements of the network coverage obligation, as stated in Clause 1.3(b)(1);

At the end of Stage A – coverage of 100% minimum requirements of the network coverage obligation, as stated in Clause 1.3(b)(1);

1.3 Minimum Requirements of the Obligation Network Coverage:

(a) In a 3rd generation technological network:

(1) The network's performance and services will be provided by meeting the coverage level and shall be no less than the following minimal requirements:

Service area: the area in which 99% of the population live, and no less than 92% of the area.

(b) In 4th generation technological network:

(1) in stages A through C, the network performances and services shall be supplied while meeting the coverage level, and shall be no less than the following minimum requirements:

((a)) **Service area:** an area in which 97% of the Population resides, and not less than 75% of the area;

Appendix E

((b)) **Settlement:** each settlement separately, the coverage level shall be at least 90% of the settlement area.

((c)) **Street / Route:**

((1)) 90% of the area of a single digit, double digit and triple digit street, national and local railroad route, including stations, road structures and operational areas and tunnels in each street or national and local railroad route;

((2)) 75% of the area of a four digit street and national railroad route for cargo trains.

(2) in stage D, the network performance and services shall be supplied while meeting the coverage level, and shall be no less than the following minimum requirements:

((a)) **Service area:** an area in which 99% of the Population resides, and not less than 95% of the area;

((b)) **Settlement:** each settlement separately, the coverage level shall be at least 95% of the settlement area.

((c)) **Street / Route:**

((1)) 95% of the area of a single digit, double digit and triple digit street, national and local railroad route, including stations, road structures and operational areas and tunnels in each street or national and local railroad route;

((2)) 85% of the area of a four digit street and national railroad route for cargo trains.

3. (c) canceled.

1.4 Service Quality:

(a) Blocked Calls and Dropped Calls:

(1) a percentage of Blocked Calls at peak times shall not exceed two percent (2%) and the percentage of Dropped Calls at peak times shall not exceed two percent (2%).

(2) up to ten percent (10%) of all sectors shall allow for deviation beyond two percent (2%).

(3) Amount of Blocked and Dropped Calls shall be measured in the following manner:

((a)) the measurement shall refer to a one-hour time frame;

((b)) the peak time tow which the measurement shall refer shall be the busiest time of the system, during the week, which is not a Hol Hamoed or holiday eve;

((c)) the measurement and the calculation of the percentage of Blocked or Dropped Calls shall be performed by the License Owner of each sector and the system in general. The data shall be presented in a graphical manner and shall be forwarded to the Ministry in the framework of the engineering system report.

(b)

(1) Reference signal reception level for 3rd generation Services shall be determined according to the most up-to-date ETSI/3GPP standards for 3rd Generation technology, allowing telephony services for outdoor coverage, according to the limiting channel from the increasing and decreasing channel;

The license holder shall perform prediction once per year for each sector and each cell. The data will be presented and delivered to the Ministry in the form of a national coverage map as well as in the format defined for the engineering sector report.

Appendix E

(2) The reception of a reference signal for Generation 4 services to networks on a broadband of 15/20 megahertz of signals received from descending/upward channel, according to the limiting of the two, under the ETSI[25] standard, according to a bandwidth of 5 megahertz, shall be:

Generation 4 network		**Reception Range**
	Descending Channel	Upward Channel
1800 frequencies		-101.5 (Site in open area)
Megahertz		-93.5 (site in constructed area)

For indoor coverage – relief of 20db.

The examination shall be performed once per year by the License Owner for each sector and each cell. The data shall be presented and delivered to the Ministry by way of a national coverage map in the framework defined in the engineering system report.

(c) Service provision pace:
(1) Canceled;
(2) In regards to the proper existence of data communications in Generation 4, the record data pace per sector in the descending channel / upward channel:

Table 1	**Record data pace (Mbps) in a network of 20 megahertz bandwidth**
Data Upload	At least 100
Data Download	At least 50

Table 2	**Record data pace (Mbps) in a network of 15 megahertz bandwidth**
Data Upload	At least 80
Data Download	At least 40

The License Owner shall measure once per quarter the provision of record service pace and shall present the data and the method of examination in the framework of the engineering system report.

2. Customer and Subscriber Services Quality Measures

2.1 Void

2.2 Void

---

[25] http://www.etsi.org/deliver/etsi_ts/136100_136199/136104/10.01.00_60/ts_136104v100100p.pdf
Tables 7.2.1-3, 7.2.1-2, 7.2.1-1
http://www.etsi.org/deliver/etsi_ts/136500_136599/13652101/11.02.00_60/ts_13652101v110200p.pdf
Table 7.3.3-1

Appendix E

2.3 Bills to Subscribers

(A) Bills to subscribers will set out the relevant details for such bill, out of the following:

(1) monthly charge (fixed charge)
(2) duration of calls or air time (minutes, seconds)
(3) volume of data use (MB,kB) – if the service provided is charge by volume of data transmitted.
(4) Other charges (such as for receipt of data, SMS transmission, mobile electronic commerce).
(5) Combination of the above charge methods.

(B) Structure of the Bill

Bills will be sent in a fixed form, as follows:

(1) Following payment; the bill will serve as a receipt, including:
the amount for payment not including VAT, rate of VAT and total for payment including VAT. In this section, the identifying particulars of the Licensee will be specified, and the identifying particulars of the subscriber.

(1) The Licensee may include information regarding deals and personal notices to the subscriber.

(C) Production and delivery of bills

(1) The Licensee will produce monthly bills for its subscribers or at any other time with subscriber's consent.

(2) A subscriber who wishes to terminate its contraction with the Licensee shall receive a final bill on the nearest possible date, and no later than two months after the termination date. [A61]Where the subscriber and the Licensee agreed on payment in installments for end-equipment purchased by the subscriber from the Licensee, and the subscriber's contract with the Licensee is cancelled before the subscriber has paid all the installments on the Goods which he purchased or rented from the Licensee, the Licensee will send the subscriber a final invoice for the Licensee's services, and thereafter the Licensee will be entitled to send the subscriber invoices only in respect of the debit for the Goods. [A58]

[A61] Amendment No. 61
[A58] Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).

Appendix E

A final invoice will be titled 'Final Invoice'.

(3) Void [T52]

(4) Following the collection of the payment amount as specified in the Final Bill, the license owner may not collect from the subscriber, by way of the payment method provided by him, any payment that is not for Goods, without the explicit consent in writing and in advance of the subscriber. The license owner shall preserve a copy of the consent of the subscriber, as stated, and shall make it available for delivery or transfer to the manager, at his request, within five (5) business days from the date provided to the license owner.

2.4 [A43] **Measures for Handling Public's Applications**

(A) Level of handling a written complaint – The response times for complaints will be up to 14 workdays; the response for 5% of complaints will be within a month.

(B) Measures for quality of service of the service centers –

- 90% of applications will be handled directly by the service representatives, up to completion.
- Not more than 10% of applications, some due to escalation of complaints, will be referred to more senior levels.

(C) Applications clarified by the senior level – In any case where the Public Ombudsman's reply to a complaint does not satisfy the applicant, the application will be passed on to the managerial level, which will examine the it again and reply directly to the applicant. In any event, the applicant will receive a response within 30 days from the day of his application.

(D) The Licensee will not make any use of a telephone number in the RMT dialing region to receive complaints for the Ombudsman via facsimile.

2.5 [A70] **Manner of Use of an Electronic Graphic Signature**

(a) **Identification of subscriber** – the Licensee shall identify the subscriber before modifying an engagement agreement or having him sign a new engagement agreement, through a photo-bearing I.D. or a power of attorney together with an I.D. of the attorney.

(b) **Use of a digital screen** – the Licensee shall allocate for the subscriber's sole use, throughout performance of the transaction until completion thereof, a digital screen, and shall allow the subscriber reasonable time to inspect the entire agreement and to understand the content thereof before being required to sign the same.

(c) **Signature by the subscriber** – the "access to services form" and the documents relevant to the agreement shall be marked and signed only by the subscriber.

(d) **Fixed signature** – each signature will be separately locked and fixed in place, with the unique characteristics thereof, such that it will be possible to prove that this signature is not the result of the "copying and pasting" of another signature of the subscriber signed elsewhere in the engagement agreement or in other documents. Further to the aforesaid, each signature shall have an information layer in addition to the signature – which shall document the exact time of the signing thereof (precise date and time accurate to within a second).

[T52] Amendment No. 52.

Appendix E

(e) **"Locking" of an agreement** – Upon completion of the execution of the entire agreement, the agreement document shall be "locked", such that it will be possible to identify any modification of the agreement after the date of signing. The "locking" of the agreement by a secured electronic signature or an approved electronic signature ("Electronic Signature") of the Licensee, within the meaning thereof in the Electronic Signature Law, 5761-2001, immediately after the execution thereof by the subscriber, shall be deemed as reasonable means of locking the agreement and protecting it against changes.

(f) **Document Retention** – the Licensee will retain documentation of any and all of the agreement documents in accordance with the requirements of Section 113.1 of its license, and shall regularly take measures to prevent the undocumented addition or omission of documents to the electronic archive system. A Licensee will take the necessary measures and processes in order to ensure that the content of the agreement is retained without modification from the date of the drafting thereof and throughout the retention period, considering technological changes or changes in the encryption methods used to retain documents. A Licensee may prove to the Ministry at any time that it took such measures and processes.

(g) **Receipt of a copy of the engagement agreement** –

(1) The subscriber may choose between two options for the receipt of documents at the time of consummation of the transaction (by checking one of two boxes):

((a)) Box one – to receive only the "plan summary";

((b)) Box two – to receive the full signed agreement.

(2) The subscriber shall confirm his choice by his signature. The space for the signature shall be adjacent to the said two boxes.

(3) A subscriber who requests to receive only the "plan summary " will need to state his e-mail address or his fax number, to one of which the full signed agreement shall be sent (including plan summary).

(4) The e-mail address or the fax number to which the full agreement shall be sent will be typed in by the sales representative (on his own keyboard).

(5) The address or fax number shall appear beneath and adjacent to the said boxes.

(6) The subscriber shall confirm by an additional signature that this is the e-mail address or fax number, to one of which the agreement shall be sent.

(7) As a consequence of the aforesaid: any subscriber who does not have an e-mail address or a fax shall receive the full agreement at the time of consummation of the transaction.

(h) **Identification of the representative** – any agreement shall include unequivocal identification of the representative who had the subscriber sign (full name and signature).

(i) The license owner shall preserve a copy of the contracting agreement and shall make it available for delivery or transfer to the manager, at his request, within five (5) business days from the date of contracting.

(j) If the subscriber requests to make a change to the terms and conditions of the engagement agreement, including a request to receive an additional service, to cancel a service, or to join a service plan – printed notice bearing the name or logo of the Licensee shall be delivered to the subscriber upon the request for the change, stating the details of the change made, the date of its taking effect and the full name of the Licensee's representative and the subscriber and their original signatures. The license owner shall preserve a copy of the contracting agreement and shall make it available for delivery or transfer to the manager, at his request, within five (5) business days from the date of contracting.

(k) **Cold Calling** – the rules specified above shall also apply to cold calling.

(l) Purchasing/ renting end RMT equipment without purchasing RMT services – the rules detailed above will also apply to a transaction of this type except the provisions in sub-section (g). The purchase agreement and the tax invoice will be delivered to the Applicant at the time the transaction is executed.

Appendix E1

Appendix E1 T52 **- Fair Disclosure in Telephone Bills**

General

1. The telephone bill (hereinafter referred to in this Appendix as the "**Bill**") to be presented by the licensee to a subscriber shall be clear, legible and comprehensible; the Bill shall include accurate details about the components of the charge demanded in NIS, as set forth in this Appendix.

1a. The telephone Bill shall include the payments for all services and all goods presented in the Main Points of the Plan.

2. The Bill shall include the following parts:

A. "Billing Summary";

B. "Billing Details" including:

1) Details of fixed charges, variable charges, one-time charges, credits and reimbursements, within the meaning in section 8 E of this Appendix;

2) Information on usage patterns;

C. "Call Details".

3. The Bill shall be constructed using a bottom-up method, with its bottom level being Part C - "Call Details", above it Part B - "Billing Details" and at the top level Part A - "Billing Summary".

4. The Company name and logo shall be displayed on each page of the Bill, including on the "Call Details".

5. The licensee shall issue a "Billing Summary", "Billing Details" and "Call Details" for each telephone number separately. The licensee may issue to a subscriber holding several telephone lines one "Billing Summary" to refer to all the telephone numbers in the possession of the subscriber, provided that the "Billing Summary" sets forth each of the telephone numbers to which the Bill relates (see examples 1 and 2). "Call Details" and "Billing Details" shall be issued by the licensee for each telephone number separately. Notwithstanding the above, a subscriber in possession of several telephone numbers may demand from the licensee to receive a separate "Billing Summary" for each telephone number in his possession. In this regard, a PRI line shall be deemed one telephone number.

T53) Amendment No. 52.

Appendix E1

6. Amounts in the Bill shall be rounded off and shall be set forth according to the provisions of section 2.2.2 of Israeli Standard 5262 - "Honesty in Billing and Fair Disclosure in Telephone Bills" (hereinafter referred to in this Appendix as the "**Standard**") and the provisions of the General License on this matter. It should be clarified that in respect of the manner of calculating the billing amount, in contrast to the manner of presenting the "Call Details", and the "Billing Details", as determined in the provisions, the licensee must calculate this pursuant to the tariff provided in the Regulations, with no rounding off.

7. The Ministry of Communications' website in the section on "General Licenses" has examples of telephone bills drawn up pursuant to the detailed provisions of this Appendix (hereinafter referred to in this Appendix as the "**Examples**"). The Examples are based on telecommunications agreements and tariff plans marketed in 2008 by the general licensees. The examples are for the sake of illustrating the mode of implementation of the provisions only. In the case of any inconsistency between the provisions and the Examples, the binding version is that in the provisions.

Part A - "Billing Summary"

8. The following details shall be presented in the "Billing Summary":

A. Subscriber Details -

1) First name;

2) Surname;

3) Address and email address;

4) Customer number;

5) Telephone number and/or PRI line number by means of which the services on account of which the Bill is presented to the subscriber were provided;

B. Licensee Details -

1) Company name;

2) Company management address;

3) Customer service telephone and facsimile numbers;

4) Company website address.

Appendix E1

(c) Dates –

(1) Date of preparing the bill;

(2) Manner of delivery of the bill;

(3) Term of the bill;

(4) Last date for payment of the bill – regarding the bill paid not by way of automatic debit from the bank account or credit card;

(5) The date on which the method of payment shall be charged – in regards to the bill paid by way of automatic debit from the bank account or credit card.

D. Notices to Subscriber

(1) Notice regarding the option to submit a complaint to the Ombudsman at the License Owner, and regarding the authorities and methods of reference thereto as specified in Sections 61.3 and 61.4.

(2) Address, telephone number, facsimile number and email address by which the subscriber may submit a request to the license owner for termination of service, disconnection of service, termination of contract or to deliver to it a notice of cancelation, as it means in Section 13d of the Consumer Protection Law, 1981.

(3) Information on offers and personal notices to the subscriber, at the decision of the licensee.

E. Billing charge inclusive of VAT, as set forth below:

1) Fixed charges - charges applying to the subscriber not dependent on the scope of usage;

2) Variable charges - charges applying to the subscriber dependent on the scope of usage;

3) One-time charges, such as charges for "Exit Fee", linkage and interest differentials charge for a monetary debt, charge for collection expenses, etc. (hereinafter referred to in this Appendix as "**One-Time Charges**");

4) benefits /credits, such as a benefit of providing service at a discount or free of charge for a fixed period or a benefit of providing a discount for the entire rate plan for a fixed period, **benefits /** credit for a subsidy on terminal equipment, etc. (hereinafter referred to in this Appendix as "**Credits**");

5) Financial reimbursements for overcharges and interest and linkage differentials for overcharges (hereinafter referred to in this Appendix as "**Reimbursements**").

6) Purchase of goods.

Appendix E1

F. Total payment amount will be presented as set forth below:

1) Total payment amount exclusive of VAT; the amount shall be calculated according to the charges summary presented in the "Subtotals Summary" and the "Billing Summary";

2) VAT amount;

3) Total payment amount, plus VAT.

F. All charges appearing in the "Billing Summary" shall be presented as a decimal number in New Israeli Shekels to a degree of accuracy of two digits after the decimal point.

Part B - "Billing Details"

9. Part 1 of the "Billing Details" will include information on fixed charges, variable charges, One-Time Charges, Credits and Reimbursements, as set forth below:

A. "Billing Details" will include general information on the tariffs plan according to the terms of which the subscriber is charged, including the date of entry of the rate plan into force, details of its main tariffs, inclusive of VAT. If the payment or rate level for the services purchased by the subscribers are supposed to be modified or that the provision of benefits which the subscriber received are supposed to end, the license owner shall stated the new payment or rate levels for said services or the said benefit level, which include VAT, or the new usage unit amounts as well as the date of entry of the modifications into force.

B. If the subscriber's agreement includes a commitment period the licensee must note on every bill in the "Billing Details" the following details:

1) The duration of the commitment period and its date of expiration; the provisions of this subsection shall not apply in respect of a transaction where there is no obligation to give a collection notice as stated in section 13A(d)(2)(b) of the Consumer Protection Law, 5741-1981.

2) The payment the subscriber will be asked to pay if he requests to terminate his agreement with the licensee prior to the expiration of the commitment period to the company or the tariff plan ("**Exit Fee**") in the course of the billing period following the present billing period (hereinafter referred to in this Appendix as the "**Subsequent Billing Period**"). In the event that the amount of the Exit Fee changes throughout the Subsequent Billing Period, the time point of reference for determining the amount of the Exit Fee shall be the middle of the Subsequent Billing Period (see Example 1).

3) Void.

4) The licensee will present to the subscriber written details in respect of the mode of calculation of the Exit Fee within 14 days of the date the subscriber submitted a request to the licensee's customer service center or the ombudsman.

C. "Billing Details shall be presented by means of a table composed of columns and rows, as set forth in the Examples.

D. Each service provided to the subscriber in the course of the Billing Period shall be presented in the "Billing Details" in a separate row, with the following details:

1) Name of service; the name of the service shall identify as clearly and as accurately as possible, the service provided to the subscriber; respecting a service provided to the subscriber not by means of the licensee, the licensee shall present the details of the service provider, including its name and a telephone number by means of which it can be contacted;

2) Quantity for a service unit; quantity measured in time will be presented in the form of mm:ss (minutes: seconds). Quantity measured by data volume will be presented as a decimal number in MB to a degree of accuracy of at least 3 digits after the decimal point. The quantity of internet pages viewed or text messages will be presented as a natural number.

3) Tariff for a service unit; the tariff will be presented as a decimal number in New Israeli Shekels, to a degree of accuracy of at least 3 digits after the decimal point. The tariff is composed of several payment components, such as one tariff for the licensee's services and a second tariff for reciprocal link or for international phone service, will also be presented as one inclusive tariff (see Examples 1 and 2). Calls in respect of which the tariff varies in the course of performance, such as a transition from off-peak to peak rates and from peak to off-peak rates, a change in tariff in the course of a conversation, including a conversation started within the scope of a "pay as you go" plan and exceeding the minutes in the course of performance, will be presented collectively within the "Calls at Variable Tariff in the Course of a Call" service; the tariff will be presented under the column "Average Tariff" and will be calculated by dividing the charge amount in the "Subtotal Row", within the meaning in section 11I of the Appendix by the quantity (see Example 5 - Version A).

Rate of a calendar time unit[11]; - the rate shall be represented as a decimal number in NIS with a level of accuracy of 2 digits after the decimal point.

To the extent that a call in the "Calls at Variable Tariff in the Course of a Call" is presented as set forth in the concluding part of section 11L below, the "Average Tariff" will not be required to be presented and the tariff will be presented according to each segment separately (see Example 5 - Version B).

4) The debit amount; the debit amount shall be calculated according to the multiplication of the rate amount and shall be presented as a decimal point with a level of accuracy of 2 digits after the decimal point.

5) In the event that there is also a fixed charge for each individual call, the number of calls made and the fixed tariff per call shall also be presented in the same row and the charge amount shall be calculated by multiplying the number of calls by the fixed charge tariff per call plus the quantity multiplied by the tariff (see Example 4).

E. The "Fixed Charges", "Variable charges" "One-Time charges", "Credits", "Reimbursements" and "Linkage differences and interest" as specified in sections 60.8 and 83A [A58], shall each be presented in the "Billing Details" in a separate group (see Examples 3 and 5).

F. The licensee shall notify the subscriber in the Bill of his option to request written details in respect of the mode of calculation of [A58] the "One-Time Charge"; the licensee will furnish the subscriber with such written details within 30 days of the date of submission of a request by the subscriber on the matter to the licensee's customer service center or the ombudsman (see Examples 3 and 5).

G. Charges may also be noted in the "Billing Details" for sale of terminal equipment and charges for services which are not telecommunication services.

H. The "Billing Details" shall include subtotals of charge amounts inclusive of VAT, for fixed charges, variable charges, One-Time Charges, Credits and Reimbursements ("**Subtotal Row**"). The debit amount for any **Subtotal Row** shall by transferred from the "account detail" to "account summary".

I. The final debit amount shall be presented when it includes VAT.

J. Void.

---

[11] One month, two months, etc.

[A58] Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).

[A58] Amendment No. 58 (inception: this amendment will come into force on March 13, 2011).

Appendix E1

K. All charge amounts appearing in the "Billing Details" will be presented as a decimal number in New Israeli Shekels to a degree of accuracy of two digits after the decimal point.

(l) The license owner may not present in the account details rates and debit amounts without VAT

10. In Part 2 of the "Billing Details" the licensee shall present in graph form or in any other manner in respect of each telephone number to which the telephone bill relates information about usage patterns, as set forth below:

A. The rate of utilization of each package of services included in the tariffs plan to which he is a subscriber, including packages of services granted to a subscriber within the scope of the fixed charge including international roaming packages;

B. Details of charges according to categories of services;

C. Distribution of call minutes and text messages according to categories of licensees on whose network the call was completed (internal network, external network according to category of licensee - mobile radio-telephone, internal domestic fixed line telephony).

Part C - "Call Details"

11. The details set forth below shall be presented in the "Call Details":

A. "Call Details" shall include information about all the services provided to the subscriber in the period to which the Bill relates.

B. Each "category of service" shall be set forth in a separate group under the heading of the service name, with each item in the "category of service" being presented in a separate row, pursuant to the provisions of subsection 11E. Respecting PTT services, no details are required for each call separately.

C. Presentation of data in relation to each "category of service" appearing in the "Call Details" will be carried out in ascending chronological order.

D. "Call Details" will be presented in table format pursuant to the details in the Examples.

E. In respect of each item appearing in the "Call Details", at least the following data shall be noted:

1) Date of performance;

2) Time (hh:mm:ss);

3) Call destination (if any);

4) Quantity for a service unit;

5) Tariff inclusive of VAT, to a decimal number in New Israeli Shekels to a degree of accuracy of at least 3 digits after the decimal point.

6) Charge amount inclusive of VAT, to a decimal number in New Israeli Shekels to a degree of accuracy of at least 2 digits after the decimal point.

(E1) Despite the aforementioned in subsection (e), the License Owner may not present the surfing details performed daily, but rather the overall amount of the surfing volume consumed daily. The license owner shall preserve documentation of the surfing details performed daily and shall forward them to the subscriber at his request.

F. The tariff presented shall be the tariff according to which the subscriber is charged, *viz.*, for example, after a discount, if any, the cheaper tariff offered to the subscriber within the scope of any offer, etc.

(F1) The license owner may not present the rates and debit amounts without VAT.

G. The quantity, tariff and charge amount will be presented in adjacent columns if possible, so that the quantity multiplied by the tariff will give the charge amount. If there is also a fixed charge per call the quantity of calls made and the fixed charge per call shall be presented and the charge amount will be calculated by the quantity of calls multiplied by the fixed charge tariff per call plus the quantity multiplied by the tariff (see Example 4).

H. Quantity measured by time will be presented in the form of mm:ss (minutes: seconds); quantity measured by data volume will be presented as a digital number in MB when the data volume allotted to the subscriber for the bill period is up to 1 GB, and in GB when the data volume allotted to the subscriber for the bill period is greater than 1 GB, to a degree of accuracy of at least 3 digits after the decimal point; the quantity of internet pages viewed or text messages will be presented as a natural number.

I. Any “Category of Service” appearing in the “Call Details” will include a summary row in which will be set forth only the total quantity for which the subscriber is charged (hereinafter referred to in this Appendix as the “**Subtotal Row**”). The total amount in the subtotal row shall be transferred from "call detail" to "account detail

J. Void.

Appendix E1

K. The presentation of each Subtotal Row shall be made in a prominent manner.

L. A call whose tariff is variable in the course of performance thereof, such as a transition from off-peak to peak rate or from peak to off-peak rate, a change in tariff in the course of the conversation, including a conversation starting within the scope of a "pay as you go" program and exceeding the minutes in the course of performance thereof, will be presented within the scope of "Calls at Variable Tariff in the Course of a Call"; the tariff will be presented under the column "Average Tariff" and will be calculated by dividing the charge amount into the quantity (see Example 5 - Version A). A call whose tariff is variable in the course of performance thereof may also be presented in another form in which the charge tariff, the quantity and the charge amount, as well as the total charge of the call will be presented in respect of each segment of such call (see Example 5 - Version B).

M. The licensee may provide a subscriber making an express request, with Call Details in chronological order in which the calls were provided with no separation between categories of services, provided that it notifies the subscriber within the scope of the "Call Details" that he may receive "Call Details" also pursuant to the format determined in section 11(b).

TRANSLATION FROM HEBREW
THE BINDING VERSION IS THE HEBREW VERSION

Appendix E2

A73**Annex E2 – Access to Services Form**

Form for Access to Services through the Cellular Device that are Billed in the Telephone Bill

Name of the license holder
Methods for submission of the form:
Address
E-mail address
Facsimile no.
Date: _____

I, whose details are stated below, request access to the services specified below, for the telephone number stated in this form, as follows:

The Subscriber's Details

The subscriber's name / the company's name: _____ I.D./P.C. _____ Address: _____ Telephone number: _____

Check according to your choice and sign. Please be advised that partial checking and signing means that the possibility of receiving the service will be blocked.

No.	Type of Service			Blocked	Open	
1.	**Cellular internet surfing service abroad <u>without</u> a surfing package / plan abroad** (a) This section is intended for <u>business subscribers only.</u> (b) The subscriber funding the surfing abroad <u>at his own expense</u> shall be blocked from surfing abroad and shall not be charge for it if he does not have a surfing package / plan abroad; (c) Blockage does not prevent surfing by Wi-Fi; Marking "open" in this section does not include opening the services in Jordan and in Egypt.			☐	☐	
2.	**One-time content and/or information service**	**a.**	**One-time receipt or downloading of content via the internet, viewing and/or listening thereto** (such as: one-time downloading or viewing of a video, listening to a song, downloading a ringtone, downloading a video, downloading a game).	☐	☐	
		b.	**One-time sending of a special rate text message to vote in a program broadcast on television** (such as: one-time voting in a reality show).	☐	☐	
		c.	**One-time giving of a donation by sending a text message** (such as: a one-time donation to an association).			
		d.	**Receipt of useful information on a one-time basis** (such as: information regarding transportation lines, professionals, financial information, notice regarding the receipt of certified mail, and all on a one-time basis)	☐	☐	
		e.	**Receipt of content on a one-time basis** (such as: quiz, lottery, survey, poll, astrological forecast, receipt of a link for downloading a video, and all on a one-time basis)	☐	☐	
3.	**Continuous content and/or information service – subscription**	**a.**	**Receipt or downloading of content via the internet, viewing and/or listening thereto other than on a one-time basis** (such as: a subscription to download or view videos, a subscription to a music service, a subscription to download ringtones, a subscription to download videos and a subscription to download games).	☐	☐	

		b.	**Receipt of content and/or information other than on a one-time basis** (such as: a subscription to receive news updates, a subscription to receive sports results, a subscription to receive trivia questions and a subscription to receive diet recipes).	☐	☐	

In an engagement in the presence of a representative of the licensee – I represent that this form has been marked and signed by
Name of the licensee's representative: _____ Signature of the licensee's representative: _____ The subscriber's signature: _____

TRANSLATION FROM HEBREW
THE BINDING VERSION IS THE HEBREW VERSION

APPENDIX E3
METHOD TO RECEIVE BILL AND PUBLISHING TELEPHONE NUMBER(S) CHARGED IN THE BILL, DIRECTORY INQUIRIES ("144") AND ON THE INTERNET QUESTIONNAIRE

Method To Receive Bill And Publishing Telephone Number(S) Charged In The Bill, Directory Inquiries ("144") And On The Internet Questionnaire
Licensee's Name
Ways to send the Questionnaire:
Address
Email Address
Facsimile No.
Date: _____
I, whose details are denoted below, request to receive the bill and to publish my telephone number/s, charged in the bill, in the directory inquiries ("144") and on the internet, as follows:
Subscriber's Details
The Subscriber's name/ Company name: _____ I.D. No. / Private Company No. _____ Address: _____
Mark x pursuant to your choice, complete as required and sign.

1.	**Method to Receive the Bill** ☐ Regular mail ☐ Email with file attached ☐ SMS with link – telephone number: _____ ☐ On the Licensee's website ☐ Other digital means of the Licensee's choice
2.	**Publishing Telephone Number/S Charged In Bill, Directory Inquiries ("144") And On The Internet** ☐ All the telephone numbers – private numbers ☐ All the telephone numbers – published ☐ Some of the telephone numbers – private numbers and the rest – published The telephone numbers that are private/ published (mark your choice) are: _____, _____, _____, _____, _____, _____, And the rest are private numbers/ published (mark your choice).

In an engagement in the presence of a the Licensee's representative – I declare that this form was marked and signed by
Licensee's Representative's Name:_____ Licensee's Representative's Signature: _____ Subscriber's Signature: _____

Appendix E4 – Telephone Call Service Centers

1. Manning a Call Service Center

(a) A call service center to handle Subscribers calls regarding any issue in receiving RMT services, theft or loss of RMT end equipment, and regarding international roaming service, will be manned twenty four (24) hours a day, every day of the year; the Licensee is entitled not to operate the call service center as stated above on the Day of Atonement (Yom Kippur).

(b) A call service center to receive call regarding the Licensee's services, which are not calls relating to issues stated in sub-section (a), will be manned as follows:

(1) Ten (10) hours at least, starting from 08:00 AM, on weekdays, eve of Holocaust Day, Holocaust Day and even of Israeli Memorial Day;

(2) Five (5) hours at least, starting from 08:00 AM on Fridays, New Year's Eve, Eve of Atonement Day, Eve of Succoth, Hol Hamoed Succoth, Last day of Succoth, Even of Passover, Hol Hamoed Passover, Eve of seventh day of Passover, Memorial Day and Eve of Shavuot.

(c) The Licensee is entitled not to operate the call service center, as stated in sub-section (b), on Saturday and these Israeli holidays: two days of New Years, Day of Atonement, First and Eight day of Succoth, First and Seventh day of Passover and Shavuot, and on Independence Day and Knesset Elections Day and on the General Elections for the Local Authorities Day.

2. Publishing Information Relating To The Call Service Centers Activity

(a) The Licensee will publish the information relating to all of its call service centers activity in a prominent and clear manner in each one of these:

(1) The engagement agreement between the Licensee and the Subscriber;

(2) The Licensee's website;

(3) Any bill issued by the Licensee;

(4) A document that is sent on its behalf to the Subscriber regarding customer service.

(b) The information to be published by the Licensee as stated above in sub-section (a) will include these:

(1) The centers days of activity;

(2) The centers hours of operation;

(3) The centers telephone numbers

3. Access To The Call Service Center

(a) Access to any call service center will be through a "toll free" number (1-800 number); the Licensee will enable access to all call service centers as stated above, from any inter-state network.

(b) The Licensee may allow access to any call service center through additional inland telephone numbers. [1]

(c) If the Licensee provides international roaming services, it will enable any Subscriber overseas to call without a charge the call service center, as detailed in Sub-Section 1(a), provided that the call was made through a telephone number on the Licensee's network.

4. Routing A Call From The Call Service Center

(a) Upon creating interactive communication between the caller and the interactive call router system installed at the call service center ("**IVR System**"), the Licensee will enable the caller to choose the language he is interested in receiving a response, insofar as the Licensee provides a service in more than one language, the name of the requested service and the caller will be required to identify himself. The playback order in the IVR system of the options to choose the name of the service and the identification request will be of the Licensee's discretion.

(b) The Licensee will stipulate a response in each call, of any type, upon identifying oneself in the IVR system by punching in a telephone number or identity card number only; the Licensee may allow the caller to route the call in the IVR system and to receive a response to each call, of any type also without punching in the telephone number or identity number, as stated above.

(c) After completing the process detailed in sub-section (a) the Licensee will play the following options to the caller, as follows:

(1) "For a human response regarding repair of a fault press 1";

(2) "For a human response regarding a bill inquiry, press 2";

(3) For a human response regarding ending the engagement, press 3";

(d) The order the three foregoing options are played will be of the Licensee's discretion. The Licensee may substitute the use of the term "repair of a fault" with the term "technical support".

(e) After the caller chooses option "1" or "2" or "3", as stated above, the caller will not be routed to additional options and will wait to receive a human response of the caller's choice.

(f) The issues to be played on the IVR system after the aforesaid three options will be of the Licensee's discretion.

[1] Such as a network number, star numbers for businesses.

5. Quality Of Service At The Call Service Center

(a) In this appendix –

"**Holding Time**" – the time that goes by as of creating interactive communication between the caller and the interactive call router system until human response;

"**Human Response**" – a response given by a skilled and professional team having suitable qualifications to handle calls.

(b) The rate of calls in which:

(1) The caller received a response after holding for a human response for more than Six (6) minutes;

(2) The caller hung up without receiving a human response after holding for a response for more than Six (6) minutes;

(3) The caller transferred to the voicemail service, as detailed in Section 1 to the Consumer Protection Regulations (Providing a Telephone Service), 5772 2012, after holding for a human response for more than Six (6) minutes,

Will in each one of the three scenarios detailed in this sub-section be 15% at most in two consecutive weeks, for each one of the three types of calls detailed in Section 4(c) above, of the total number of calls of each one of the three types of calls stated above in those two weeks.

The average holding time in those two weeks in each one of the three call types detailed in Section 4(c) that the Holding Time of them exceeded six (6) minutes, will not exceed eight (8) minutes[2].

(c) Void

(c1) The average waiting time in those two weeks for each one of the three call types detailed in Section 4(c) that were answered, will not exceed four and a half (4.5) minutes).

(d) The Licensee will allot to each call, of any type, an identifier number or it will be recognized by the first name of the Licensee representative who held the conversation and the name of his team to be remitted to the caller immediately after ending the call or at the end of the call, as applicable, in one of the following ways:

(1) By email;

(2) By SMS;

(3) By push call – for Subscribers who do not receive SMS;

(4) Verbally by the Licensee representative.

(e) If the caller chooses in the IVR system the option of ending the engagement, the Licensee representative who answered the call may not transfer it to another representative or other entity to handle the caller's request to end the engagement.

[2] Example for sub-sections (b) – (c): In a given two weeks there were 1,000 calls to which a human response was given regarding an “account inquiry”. 900 of them were answered within 6 minutes waiting for a human response, the other 100 were answered after 6 minutes waiting for a human response, and the average waiting time for a human response for such 1000 calls was 7 minutes.
During these two weeks the License Holder complied with the license provisions regarding the waiting time for a human response in relation to “account inquiries” of up to 6 minutes (the percentage of calls answered after 6 minutes waiting for a human response – 10% (less than 15%)).
During these two weeks the License Holder did not comply with the license provisions regarding the waiting time for a human response in relation to “account inquiries” with respect to the average waiting time for a human response (the average waiting time for a human response for all 1000 calls – 7 minutes (above the average required of up to 4.5 minutes)).
Additional example: in a given two weeks there were 1,000 calls in which the caller hung up without receiving a human response regarding "ending the engagement". 750 of them were hung up by the caller after less than 6 minutes holding for a human response, the others 250 were hung up by the caller after more than 6 minutes holding for a human response. In these two weeks the Licensee did not comply with the license provisions regarding the holding times for a human response regarding "ending the

engagement" (the rate of calls that were hung up by the caller after holding for a human response for more than 6 minutes – 25% (more than 15%)).

(f) If the caller chooses in the IVR system the bill inquiry option, the Licensee representative who answered the call may not transfer it to another representative or other entity to handle the caller's request to end the engagement.

(g) The Licensee will not be required to withstand the holding times stated above on one of these days or events (Hereinafter – "**Special Event**"):

(1) A fault with the communication network or fault with leading international applications [3] causing impaired service for a considerable portion of the Subscribers;

(2) Significant power outage;

(3) Weather hazards causing pile ups of main transportation routes;

(4) Mass terrorist attack or disaster;

(5) Any other event of the manager's discretion.

(h) void.

(i) Insofar as a special event occurred of the type of fault with its communication network that caused damage to service for a considerable part of its subscribers, the Licensee will inform the caller immediately upon making contact with the IVR system, by a voice message, of the nature of the special event and its location, causing longer holding times.

(j) The routing menu of the IVR system will be comprised with regard to each call type only from the routing options therein, without playing any advertisements or offers to subscribe to plans or campaigns of the various types or any other information not related directly to such a routing menu within the framework thereof.

(j1) Notwithstanding the provisions in sub-section (j) the License Holder may play, through the IVR system options it can be contacted via various digital means[31].

(k) At any time, in the event of busy hour call attempts, the number of callers whose calls will be holding to receive a response will not be less than 90%.

(l) The Licensee may not hang up of its initiative, including but not limited to automated hanging up by the IVR system, any call that is answered by the IVR system or is in the holding line to receive a response.

(m) In the event the holding time for a call, of any type, is expected to exceed Three (3) minutes, the Licensee will inform the caller in a recorded message, no later than Two (2) minutes of holding, that the holding time is expected to exceed Three (3) minutes and that he has the option of transferring to voicemail or waiting to receive a human response; if the caller chose to hold for a human response, the Licensee will notify the caller in a recorded message of his place in line and the estimated holding time, and will notify the caller that he has the option of transferring to the message service at any time.

[31] Such as internet chat.
[3] Facebook, WhatsApp and the like.

6. Recording And Documenting

(a) The Licensee will record every call that is made regarding issues relating to bill inquiries, and ending the engagement commencing from the time the response is received and until the end of the call.

(b) The Licensee's representative will document in the Licensee's information systems the content of each call, of any type, whether prompted by it or not. Such documentation will also include the call's caller ID, the date of the call and the full name of the Licensee's representative taking the call.

(c) The Licensee will keep the recorded call as detailed in sub-section (a) and the documentation of the content of the call as stated in sub-section (b) for the period of time detailed in Section 106A(a), so they are available for delivery or transfer to the manager, upon his demand, and this within Five (5) work days of the call being made.

7. Documenting Call Data

(a) The Licensee will save documentation of each call that received a human response, for each one of the three types of calls detailed in Section 4(c) above, to including the following fields:

(1) The date of the call;

(2) The source of the call;

(3) The holding start time (HH:MM:SS);

(4) The time response received (HH:MM:SS);

(5) The holding time until response was received (MM:SS).

(b) The Licensee will save the documentation of each call that the call hung up without receiving a human response, for each one of the three types of calls detailed in Section 4(c) above, to including the following fields:

(1) The date of the call;

(2) The source of the call;

(3) The holding start time (HH:MM:SS);

(4) The time call was hung up (HH:MM:SS);

(5) The holding time until call was hung up (MM:SS).

(c) The Licensee will save documentation of each call in which the call was transferred to the message service, for each one of the three types of calls detailed in Section 4(c) above, to including the following fields:

(1) The date of the call;

(2) The source of the call;

(3) The holding start time (HH:MM:SS);

(4) The time call was transferred to the message service (HH:MM:SS);

(5) The holding time until the call was transferred to the message service (MM:SS).

(d) The Licensee will save the documentation pursuant to sub-sections (a) through (c) for at least one year after the calls were made.

8. Canceled

APPENDIX F – ORDERING OF A SERVICE ON THE WEBSITE OF THE LICENSEE OR A SERVICE PROVIDER[A61]

1. Ordering a Service from the Licensee

1.1 Ordering a Service from the Licensee

The ordering of a service on the Licensee's website or on its cellular portal (both hereinafter – the "**Site**") shall be done according to one of the alternatives detailed in sections 1.2 or 1.3.

1.2 Random Code

(a) The subscriber shall enter on the Site, in the place designated for that purpose, his subscriber number[32].

(b) If the subscriber is blocked for the service, the Licensee shall send the subscriber an SMS notifying him that he is blocked for the type of service that was ordered, and that he can apply to the Licensee to remove the block for that type of service.

(c) If the subscriber is not blocked for the service, the Licensee shall send the subscriber an SMS including the following:

(1) The name of the service including its classification as "one-time" or as "continuing."

(2) The price of the service. The price shall be displayed in a detailed manner, including details concerning a "one-time" payment, a "fixed" payment for a specific period, including specification of the period, and the unit price according to which the payment for the service is measured.

(3) A random code of five (5) digits (hereinafter – the "**Sent Code**").

(d) The subscriber shall enter on the Site, in the place designated for that purpose, the Sent Code.

(e) The Licensee shall compare the Sent Code and the code entered by the subscriber as stated in subsection (d) (hereinafter – the "**Entered Code**").

(f) If the Entered Code is identical to the Sent Code, the Licensee shall send the subscriber an SMS notifying him that his registration for the service was approved, and in the case of a continuing service – information concerning the manner in which it is possible to cancel the registration for the service.

(g) If the Entered Code is not identical to the Sent Code, the Licensee shall send the subscriber an SMS notifying him that his registration for the service failed due to such non-identity.

---

[32] Mobile Subscriber Number (MSN).

Appendix F

1.3 **User Code and Password**

(a) The Licensee shall display on the Site, next to the place designated for ordering the service, prominently and in a clear and legible manner, the following details:

(1) The name of the service including its classification as "one-time" or as "continuing." In the case of a continuing service – information concerning the manner in which it is possible to cancel the registration for the service.

(2) The price of the service. The price shall be displayed in a detailed manner, including details concerning a "one-time" payment, a "fixed" payment for a specific period, including specification of the period, and the unit price according to which the payment for the service is measured.

(b) The subscriber shall enter on the Site the user code and the password set or approved for him by the Licensee (hereinafter – the "**Identity Code**").

(c) If the subscriber is blocked for the service, the Licensee shall display to the subscriber a message addressed exclusively to him on the Site, notifying him that he is blocked for the type of service that was ordered, and that he can apply to the Licensee to remove the block for that type of service.

(d) The Licensee shall compare the Identity Code and the user code and password set by it for the subscriber and saved in its system (hereinafter – the "**Saved Code**").

(e) If the Identity Code is identical to the Saved Code, the Licensee shall provide the service to the Licensee.

(g) If the Identity Code is not identical to the Saved Code, the Licensee shall send the subscriber a message addressed exclusively to him through the Site, notifying him that his registration for the service failed due to such non-identity.

2. **Ordering a Service from a Service Provider**

2.1 Order of service from the website of the service supplier shall take place as specified below:

(a) Contracting with a service provider as defined in Section 60.6 for the receipt of its services, shall take place only by way of the website of the service provider (hereinafter – the "**Supplier's Website**")[12].

(b) The first detail which the subscriber shall be required to type on the Supplier's Website, in the intended place for it shall be – the method of payment customary to him for payment for services provided by the license owner or on its behalf – (Pre-paid) or (Post-paid);

[12] It is forbidden to contract with a service provider in response to an offer set to end user equipment, or by way of notice sent from end user equipment.

Appendix F

(c) A subscriber, who pays his telephone bills post-paid shall be required to type the following on the Supplier's Website:

(1) "Cancelled";

(2) The subscriber's identification number;

(3) The subscriber's telephone number, which shall be charged for the consumption of the service;

(4) The last four digits of the payment method (the number of the credit card of the number of the bank account).

(d) A subscriber, for whom the pre-paid method of payment is implemented, shall type the following on the Supplier's Website:

(1) The telephone number from which the service consumption can be debited from the outstanding balance;

(2) In the event that the charging was made by way of a dialing card – the last four (4) digits of the dialing card number; in the event the charging was made by way of a credit card – the last four (4) digits of the credit card number.

(3)In the event the phone was charged in cash – the box indicating the charging method, as stated above will be marked.

(e) The service provider shall forward to the license owner a notice, which includes that detailed in subsection (c) or (d), as applicable, as well as the following:

(1) The name of the service, including the classification of the service as a "one-time" payment service or as a "continuous" payment service;

(2) Service rates.

(f) Immediately after the details above are forwarded to the license owner by the service provider, the license owner shall perform a conformity examination between the said details and the details appearing in its information system. The registration process for service may be continued only after the license owner informs the service provider that the conformity examination was found to be entirely identical to the details examined.

(g) If the subscriber is blocked from receiving the service or that all details are not entirely identical, as stated, the license owner shall notify the service provider that the subscriber is blocked from receiving the type of service requested or that his registration for services failed, as applicable, and shall notify the subscriber by way of a text message, free of charge, that he is blocked from receiving the type of service requested by him, or that his registration for service failed, as applicable, and that he may contact the license owner for the removal of the blockage from said type of service.

Appendix F

(h) If the subscriber is not blocked for the receipt of service and all details are entirely identical, as stated, the license owner shall send the subscriber a text message, free of charge, which shall include only the following:

(1) The name of the service, including the classification of the service as a "one-time" payment service or as a "continuous" payment service;

(2) Service rates;

(3) A random code of at least five (5) digits.

(i) The subscriber shall type the code on the Supplier's Website in the intended place for it.

(j) The service provider shall forward to the license owner the code which the subscriber type, as stated in subsection (i).

(k) The license owner shall make a comparison between the code sent to the subscriber and the code typed by the subscriber on the Supplier's Website.

(l) If the code the subscriber types is identical to the code sent to him, the license owner shall send the subscriber a text message, free of charge, notifying him that his registration for the service was approved, and if the service is on "continuous" payment, the information regarding the method by which the registration for the service may be canceled. Furthermore, the license owner shall notify the service provider that it approved the registration for the service.

(m) If the code typed by the subscriber is not identical to the code sent to him, the license owner shall send a text message to the subscriber, free of charge, notifying him that his registration for the service failed due to lack of conformity, as stated. Furthermore, the license owner shall notify the service provider that the registration for service failed.

(n) The service provided as a "one-time" payment shall be provided to the subscriber only once, and the charge for it shall be on a one-time basis. If the subscriber wishes to receive the service on a one-time service additional times, he shall be required to register for the service time and time again.

Appendix H – Bank Guarantee and Letter of Undertaking

The License Owner shall provide the manager with an unconditional guarantee in favor of the State of Israel. The guarantee shall be in the amount of eighty million (80,000,000) NIS. This guarantee shall be in place of any previous guarantee which the License Owner provided to the manager under the provisions of its license. If the License Owner met the provisions of Appendix E, the guarantee amount shall be reduced to forty million (40,000,000) NIS.

Version of Bank Guarantee / autonomic insurance and version of undertaking to extend the guarantee

To:
The State of Israel – Ministry of Communications
23 Jaffa Street, Jerusalem

RE: **Bank Guarantee / Autonomic Insurance No. ----------**

1. According to the request of *[name of License Owner]* (hereinafter – the "**License Owner**"), we hereby guarantee towards you the payment of any amount, at your request, up to a total amount of *[the guarantee amount]* at the actual payment date (hereinafter – guarantee amount), in connection with the general license for the provision of mobile telephony communications, which was granted to the License Owner.

2. We undertake to pay you at your initial written request, any amount stated in the demand up to the guarantee amount within ten days from the date of receipt of your request.

(Optional paragraph: a payment demand must be delivered to the bank branch stated in this Bank Letter, during working hours in which the branch is opened. A demand by facsimile, telex, electronic mail or telegram shall not be considered as a sufficient demand for the purpose of this guarantee).

3. Our undertaking under this Guarantee is unconditional, and you do not have to specify, base or prove your demand or to initially request payment from the License Owner.

4. This guarantee shall be valid until *[seven years from the date of receipt of the license]*; the License Owner shall bear any expense entailed in the realization or extension of this guarantee.

Sincerely,

_____ Bank

TRANSLATION FROM HEBREW
THE BINDING VERSION IS THE HEBREW VERSION

To
The State of Israel – Ministry of Communications
23 Jaffa Street, Jerusalem

RE: **Undertaking to Extend the Bank Guarantee / Autonomic Insurance No. ----------**

Further to the bank guarantee / autonomic insurance no. _____, which was provided to you in accordance with the provisions of the general license for the provision of mobile telephony communications (hereinafter: the "**Guarantee**"), we *[name of License Owner]* (hereinafter – the "**License Owner**") undertake that no later than sixty days before the end of the guarantee term, it shall be extended for a period of another five years, and each time for an additional period in a manner in which the guarantee shall be valid until *[two years from the end of the validity of the license granted to us]*; however, if at said period we did not pay off, to your satisfaction, all of our charges, the guarantee shall be extended, each time for a period of an additional year, according to your written request.

Sincerely,

[the License Owner]

24 of Av, 5775
August 9, 2015

/Signature
Shlomo Filber
The General Manager

Second Schedule—Appendix H –2

TRANSLATION FROM HEBREW
THE BINDING VERSION IS THE HEBREW VERSION

To
The State of Israel – Ministry of Communications
23 Jaffa Street, Jerusalem

RE: **Undertaking to Extend the Bank Guarantee / Autonomic Insurance No. ----------**

Further to the bank guarantee / autonomic insurance no. _____, which was provided to you in accordance with the provisions of the general license for the provision of mobile telephony communications (hereinafter: the "**Guarantee**"), we *[name of License Owner]* (hereinafter – the "**License Owner**") undertake that no later than sixty days before the end of the guarantee term, it shall be extended for a period of another five years, and each time for an additional period in a manner in which the guarantee shall be valid until *[two years from the end of the validity of the license granted to us]*; however, if at said period we did not pay off, to your satisfaction, all of our charges, the guarantee shall be extended, each time for a period of an additional year, according to your written request.

Sincerely,

[the License Owner]

24 of Av, 5775
August 9, 2015

/Signature
Shlomo Filber
The General Manager

Appendix J –Accessibility to International Telecommunications Services A6)

1. Definitions

1.1 In this document, the following words and terms will have the definitions noted at their sides, unless otherwise deriving from the language or context:

Bezeq International -	The Bezeq International Company Ltd. ;
Barak -	Barak I.T.C. (1995) Company for International Telecommunications Services;
Chance caller -	A Licensee subscriber, calling abroad using an international operator, using a three digit dialing code, as set out in section 2;
Subscriber number (or telephone number) -	A group of numbers in a certain order, including area code, the dialing of which should create a telecommunication's connection between the reading subscriber's end user equipment and the reader subscriber's end user equipment; a reader subscriber number may be a subscriber number of a number to a call answering center of a subscriber or a number to a call answering center of a licensee[2]
International operator -	Anyone providing international telecommunications services to the public in Israel under a general license from the Director;
Chosen operator -	An international operator chosen by appointment, under the provisions of section 4[3]
Access code -	A group of numbers in a certain order, the dialing of which allows access to a certain telecommunications service of a certain operator; dialing additional codes, as needed, and the subscriber number, should create a telecommunication connection to the subscriber's end user equipment[4] ; if the access code is a manned call center, the service is given via the operator.
Short dialing code -	"00" " and "188" access code, designated to receive international telecommunications services, by direct dialing, or via an operator, as explained in section 2;
Golden Lines -	The Golden Lines International Communications Services Company;
Subscriber ascription	The technically defining action an internal operator performs in his switch so that his subscriber's calls, performed through a shortened dialing code, are channeled into the chosen operator's switch;
Outgoing ITMS calls -	Transferring a verbal message or facsimile message via an international telecommunications service, initiated by a Licensee subscriber;
Ingoing ITMS calls -	Transferring a verbal message or facsimile message via an international telecommunications service, initiated by an international caller;
International Telecommunications Services -	Telecommunications services given to the public in Israel, under license from the Director, via an international operator's international telecommunication services;
ITMS service	International telecommunications message service, that is, two-directional simultaneous transfer of talk and simultaneous transfer of facsimile messages, in an international telecommunications system.

[2] The phone number is determined by the licensee, according to rules and directives prescribed by the Director.

[3] A chosen operator may be Bezeq International, Barak or Golden Lines.

[4] for example: dialing an access code for international services, and after a country code, area code in that country and telephone number of the designated subscriber abroad

1.2 Words and expressions in this document not defined above shall have the meaning as defined in the Law, regulations enacted by virtue thereof, in the Interpretation Law, 5741 – 1981, or as set out in the appropriate places in the Licensee's general license and in the International Operators' licenses, unless otherwise deriving from the language or context.

2. Allocation of Access Code

2.1 A Licensee will channel subscriber dialing, to the international operators' switches, for access to international telecommunications' services, using the following codes:

(A) **double-digit access code** – the '00' access code, which will serve as short access code for international telecommunications services provided by a chosen operator; the Licensee will channel a subscriber dialing the prefix '00' to the chosen operator;

(B) **triple-digit access code** – an access code of '01X' type, which will serve as an access code for international telecommunications services provided to a chance user; the Licensee will channel any subscriber dialing the prefix '01X' code to the international operator according to the X digit; the X digit is the international operator's code, according to the following:

1. '2' – code for Golden Lines' services;
2. '3' – code for Barak services;
3. '4' – code for Bezeq International services;

(C) **'188' access code** – that will serve as a number for operator services ; any subscriber dialing '188' will be channeled by the Licensee to the chosen operator's operator services;

(D) **four-digit access code** – numbers of the '18XY' type, that will serve as an access code for various international telecommunications services of any and all international operators; any subscriber dialing '18XY' will be channeled by the Licensee to the international operator according to the X digit; the X digit is the code of the international operator under section 2.1(B); the Y digit is any number from 1 to 9 and the 0 digit; the use of the Y digit will be determined by the Director, under advisement with the international operators, in order to ensure uniformity and fair competition; each international operator will be allocated ten (10) such four digit numbers/ these numbers will be accessible for both the chosen operator's subscribers and for chance callers.

2.2 If the Licensee allows its subscriber the use of another short dial code (such as +), instead of the "00" dial code (hereinafter: a special code), all the provisions and rules applicable to the short "00" dial code will apply to the special code as well.

2.3 Dial by pre-paid program for unidentified subscribers who are not blocked for outgoing ITMS calls will be possible only using three-digit access codes of the 01X type, and four-digit access codes of the 18XY type; upon dialing a short access code or a special access code, a voice announcement will be heard referring the customer to dial via said access codes available to him.

2A. A23 Subscriber Access to Outgoing ITMS Calls :

2A.1 The Licensee will allow subscribers to act as follows, with regard to outgoing ITMS calls:

(E) as an ascribed subscriber.
(F) As blocked
(G) As a chance caller only.

3. Blocking Outgoing International Calls and Removal of the Blocking

3.1 The Licensee will block outgoing ITMS calls, and may also block collect incoming ITMS calls for any subscriber requesting to block access to international services or subscribers for whom the international service for outgoing ITMS calls has been stopped or cut off, in accordance with the conditions of the License; the licensee may not block incoming ITMS calls except collect calls.

3.2 If a block for outgoing ITMS calls has been implemented at a subscriber's request, the Licensee will remove the block as follows: A23

(A) If the subscriber has asked to join, he will indicate his choice international operator who shall serve as his "chosen operator", by his signature on the appropriate form; notice given by means of facsimile will be deemed notice in writing given to by the subscriber in this matter.

(B) If the subscriber has asked to be a chance caller, he will notify the Licensee of such; if the notice is verbal, the Licensee will verify the requesting party's identity.

3.3 The Licensee will perform the block for ITMS or removal thereof, performed in accordance with the subscriber's request, according to the following:

(A) 70% - Within one working day of receipt of notice; requests received after 1500 hours will be deemed having been received on the following work day;

(B) 20% - within two working days of receipt of notice;

(C) the rest – within 5 working days.

3.4 The Licensee will ensure that a subscriber who has blocked his outgoing ITMS calls cannot make outgoing calls using '00' dialing code, '01X' dialing code, '188' or '18XY' dialing codes, or using any other code that may come in place thereof [A23] .

3.5 The Licensee may collect reasonable payment for performance of a block for outgoing ITMS calls or for removal of the block.

3.6 Notwithstanding that stated in section 3., the Licensee will allow all its subscribers to block outgoing ITMS calls before initiation of services for such subscriber, free of charge.

3.7 The Licensee will verify that all subscribers whose access to outgoing ITMS calls has been blocked receive appropriate voice message when dialing access codes or telephone numbers for international services.

3.8 If a subscriber who has chosen a chosen operator asks to block outgoing ITMS calls, the Licensee shall notify such to the chosen operator, within seven (7) working days of the date of performance of the block.

4. <u>Choosing a Chosen Operator</u>

4.1 A Licensee's subscriber may notify the international operator in writing, on a signed form approved by the Director, regarding his choice of a chosen operator through whom such wishes to receive international telecommunications services using '00' or '188' access codes; the form will including the particulars of the subscriber – first name, last name or name of corporation, ID number of ID number of the corporation, address and telephone numbers the subscriber asks to define the international operator as the chosen operator for, and the date and time when instruction regarding the appointment was given. The form will explain that any phone number may have one chosen operator only, and such will fulfill the requirements prescribed in this matter in the international operator's license[7] (hereinafter: the ascription form).

4.2 Subscribers may change the chosen operator at any time by written notice on the ascription form; for initial ascription made at the subscriber's request, the subscriber will not be asked to pay anything, however the subscriber may be charged a reasonable fee for any change in the ascription.

4.3 The chosen operator will send the Licensee notice regarding the subscriber's having chosen him as the chosen operator (hereinafter: ascription notice); ascription notice will include the subscriber's particulars - first name and last name, address and telephone numbers the subscriber asked to define the international operator as the chosen operator for, and the date and time of the ascription form on which the subscriber signed; the chosen operator will give ascription notice to the Licensee in accordance with the ascription forms signed by him; ascription notice will be given via magnetic media files, or in any other manner agreed upon between the Licensee and the international operators. If two or more ascription notices are given to the Licensee, relating to the same telephone number, the sc will act in accordance with the ascription notice with the later date and hour.

[7] Attention is called to section 52.3 of the Bezeq license, and section 56.4 to the Golden Lines and Barak license.

4.4 If a person has asked to become a new Licensee subscriber, he must make note, in the request to the international operator of his choice to engage with as a chosen operator; the Licensee will allow any new subscriber to choose a chosen operator for himself or to block the outgoing ITMS calls, or will allow the subscriber to receive ITMS services as a chance caller only; ascription services to a chosen operator or connection as a chance caller, and blocking outgoing ITMS calls will be given to new subscribers, at the time of initial registration, free of charge [A23] .

4.5 In order to choose a chosen operator, and without derogating from the aforesaid, the Licensee will act as follows:

(A) the Licensee will allow all subscribers having a subscriber line number to choose one chosen operator will be for certain subscriber lines, and another for other subscriber lines;

(B) Void[A2A23] .

(C) the Licensee will perform ascription of a subscriber within one working day of receipt of ascription notice form the chosen operator [A2A23].

(D) The Licensee will report to the international operator regarding completion of said subscriber ascription as stated in sub-clause (C) above, including change of ascription at the time and under such plan as agreed upon between the Licensee and the international operator; the report will include particulars of the subscriber – first name, last name or name of corporation, address and telephone numbers the subscriber asked to ascribe to the international operator.

(E) [A20] The Licensee will send a daily modification file of subscriber ascription to all international operators (hereinafter: the modification file), containing the particulars of the subscribers who ascribed to the international operator or who unsubscribed on that day. The modification file will be handed over at the time and under such procedure as shall be agreed upon between the Licensee and the international operator. The file will include the particulars of the subscriber, including at least the first name, last name or name of corporation, ID number of ID number of the corporation, address and telephone numbers the subscriber asks to define the international operator as the chosen operator for. [effect]

(F) The Licensee may request that the Director allow in certain cases, all the prescription of rules and limitations on the matter of subscriber ascription, the Licensee will set out the technical or operational reasons on which such request is based; if the Director consents to the Licensee's said request, at his professional discretion, the Director will prescribe the time frame for the applicability of said rules and limitation;

[effect] This amendment will go into effect by no later than Thursday, the 29th of Nissan, 5763 (May 1, 2003)

(G) void.

4.6 The Licensee will channel any subscriber dialing using the '00' prefix or any other special prefix for access to international telecommunications services, or channeling a call to a Licensee's subscriber located abroad using an international operator (follow-me subscriber service) to the chosen operator.

5. Void [A23]

6. Block for short dialing code

6.1 Subject to the provisions of this appendix, the Licensee will perform a block for short dialing code for any subscriber so requesting[A23] .

6.2 The Licensee will perform the block for short dialing code as follows: the Licensee will channel the subscriber's calls using the double-digit '00' prefix and the '188' prefix to an announcer playing a recorded announcement stating the following in Hebrew, English, Arabic and Russian: "This service is blocked, for further details please dial ___ (a telephone number of the announcer under the provisions of section 6.7)[A23] .

6.3 Void [A23]

6.4 Void [A23]

6.5 Void [A23]

6.6 Void [A23]

6.7 The Licensee will operate the voice announcement 24 hours a day, including Saturdays and holidays, using such method and wording allowing a subscriber to receive an explanation regarding the ascription and overseas dialing, in Hebrew, English, Arabic and Russian; the explanation will include the following matters:

(A) Performance of ascription – the ascription process and where to call in order to request the ascription form;

(B) How one may make an international call when the subscription is blocked for short dialing codes;

(C) The option of blocking overseas dialing and the option of removing such block;

(D) Where one may call in order to find out about additional matters – telephone numbers of international operators.

7. Interconnection

7.1 The Licensee will connect its system to all international telecommunications system, directly or indirectly, according to the terms of its license, in a manner allowing provision of international telecommunications services to all subscribers through the international telecommunications services of all international operators, including outgoing and incoming ITMS calls, direct dialing, dialing through an operator ('188' service, as stated in section 2.2(A)), "Direct Israel" services, collect service (from abroad to Israel, from Israel abroad), international 1-800 service (incoming and outgoing), calling card services, from any destination abroad and to any destination abroad.

7.2 The technical, operational and commercial arrangements between the Licensee and any international operator will allow the provision of the following to all subscribers:

(A) Quality service, including service quality control and means for investigating and dealing with subscriber's complaints regarding quality of service;

(B) Accurate and precise billing of subscriber, including control over the billing and means for investigating and dealing with subscriber's complaints regarding incorrect billing and tools and means of identification and prevention of fraud and deception;

(C) Consumer response to subscriber's queries and questions, including tools and means of providing an itemized bill for subscribers, and for investigating subscriber's queries in all matters related to receipt of international services.

7.3 In order to implement the provisions of this appendix, the Licensee will act, inter alia, as follows:

(A) Allow any subscriber who has not blocked outgoing international ITMS calls to make international calls at any time via his chosen international operator or as a chance caller, using dialing methods set out in section 2;

(B) Allow all subscribers to change their chosen operators; this service will be given in return for a reasonable charge,

(C) Take reasonable measures to prevent subscriber ascription to a chosen operator without his knowledge or against the subscriber's wishes ("slamming"); these measures will include identification of the subscriber and verification of the subscriber's right to receive service;

(D) Give all subscribers, free of charge, service allowing them to identify the name of their chosen operators;

(E) The Licensee will offer non-discriminatory conditions to all international operators, including in all matters regarding the commercial conditions, billing and collections arrangements, availability of connection installations and quality of service; without derogating from the generality of the aforesaid, the Licensee will provide service for all international operators under equal conditions including in the matter of interconnection, provision of infrastructure installations and connection services to the network, performance of changes in switching, in installations, protocols and network interface;

(F) The conditions for interconnection between the Licensee's system and the international operator's international telecommunications system will be reasonable and non-discriminatory; if the parties have not reached any agreement, the Minister will determine matters between them;

(G) A copy of any agreement between the Licensee and international operator in the matter of interconnection will be delivered to the Director;

(H) Any international operator requesting the particulars of a subscriber refusing to make payments to the Licensee designated for the international operator for services used via the international operator's international telecommunications system will be given over, whether such subscriber was an ascription subscriber or a chance caller; these particulars will include the first name, last name or name of corporation, ID number of ID number of the corporation, address and telephone number.

(I) A22 Allow international operators to collect payment directly for services from subscribers ascribed to such international operator, and who have chosen to receive billing and collections services directly; the Licensee will have any vital information required by the international operator at his disposal allowing the international operator to provide billing and collection services for such aforesaid ascribed subscribers;

(J) A22 Provide services under equal and non-discriminatory conditions and for such charge not discriminating against an ascribed subscriber who has chosen to receive billing and collection services from the international operator.

7.4 The international operators will bear the costs of implementation of the interconnection including the process of survey and blocking short dialing codes, and, if so required, for a subscriber's initial ascription to a chosen operator; the rate of payments, as stated, will be determined under negotiation between the Licensee and the international operator; the Licensee's shared expenses that cannot be ascribed to a particular international operator will be divided equally between all international operators; if the parties have not come to an arrangement, the Minister will prescribe instructions in these matters, after giving the parties a fair opportunity to argue their claims before him.

First Schedule – Void A23

Second Schedule – Void A23

Appendix K – Discontinuation of Service to Cellular End-User Equipment of the IS-54 type[t7]

Definitions **1.** In this appendix -

"Old technology phone" – A cellular phone operating on IS-54 format;

"New technology phone" - A cellular phone operating on IS-136 format;

"Upgradeable telephone" - An old technology phone that may be upgraded to a new technology phone;

"Date of cessation of service" - The date on which the Licensee ceases to provide cellular services to an old technology phone owner.

"Eligible customer" - The Licensee's subscriber or customer who has lawfully purchased an old technology telephone and has not exchanged or upgraded it to a new technology phone;

"Telephone Number" - The number of the cellular telephone given to a subscriber or customer who lawfully purchased an old technology phone and connected to the Licensee's network;

"Upgrade" - Exchanging the software version of the telephone upgrades the telephone, wherein it becomes a new technology phone.

Discontinuation of service 2. Notwithstanding the aforesaid in section C of chapter E of the General License, the Licensee may discontinue provision of cellular services to eligible customers, provided all the following provisions apply:

Publication 3. (A) The Licensee will publish an appropriate notice under these provisions in three of the largest newspapers in Israel, one of which is published in Arabic, on the closest Friday to the date 30 days before the date of cessation of service.
(B) The Licensee will publish an appropriate notice under these provisions in three of the largest newspapers in Israel, one of which is published in Arabic, on the closest Friday to the date 30 days earlier than the end of six months from the date of cessation of service.

Exchange of telephone 4. The Licensee will exchange an old technology telephone including all accessories thereto, including a hands-off device, for a new technology telephone, including all accessories thereto, for any eligible customer, on the basis of accessory for accessory, including the installation thereof, provided the new technology telephone is of no lesser features than the new technology telephone's features, free of any direct or indirect charge to the customer.

[t7] Amendment 7

Appendix K

Upgrade 5. The Licensee will upgrade an eligible customer's upgradeable telephone, free of any direct or indirect charge to the customer.

Telephone number 6. The Licensee will keep the telephone number allocated to any eligible customer before the date of cessation of service for a period of six months from the date of cessation of service; after this period the Licensee may exchange the telephone number of an eligible customer who did not exchange the old technology telephone to a new technology telephone or did not upgrade an upgradeable phone during that period.

Notice of Application 7. The Licensee shall inform the Director in advance and in writing of the day of Discontinuation of Service and of the days of Publication as detailed in sub-sections 3(A) and (B) above and shall furnish the Director with copies of the notices as published.

Period 8. The Licensee will fulfill the provisions of sections 4 and 5 above starting on the date of publication prescribed in sub-section 3(A) above for a period of 7 years from the date of cessation of service.

Conditions of service 9. The provisions of sections 4, 5 and 6 will be deemed a condition of service, as defined in section 37B.(A)(1) of the Telecommunications Law.

Appendix K-1

[A63]Appendix K-1 – Discontinuation of Service for Cellular End Equipment in a Cellular System Using the IS-136 (TDMA) technology.

1. Definitions

In this appendix –

"**Day of Service Discontinuation**"	December 31, 2011 or an earlier date, if no initiated calls are made in the system operating by the IS-136 (TDMA) technology (hereinafter – the "**old system**") by entitled subscribers during at least 14 consecutive days.
"**Entitled Subscriber**"	A subscriber, excluding a dormant subscriber to which the service was discontinued, who prior to the day of service discontinuation held obsolete equipment and has still not replaced or upgraded it to new equipment.
"**Phone Number**"	The phone number given to an entitled subscriber holding obsolete equipment.
"**New Equipment"**	Cellular end equipment, including a battery and charger, reconditioned or new according to the Licensee's choice, operating at a minimum on a system using the GSM technology, of Nokia 6070 model or another model with features not inferior to those of the said model.
"**Obsolete Equipment**"	Cellular end equipment operating on the obsolete system and its accessories, including end equipment which is out of order or missing.

2. The Licensee shall discontinue the provision of cellular service to a subscriber holding obsolete equipment, starting from the service discontinuation day.

3. **Publication of Service Discontinuation**

3.1 The Licensee shall publish, in at least three major dailies in Israel one of which is published in Arabic, on the closest Friday to the date 30 days before the service discontinuation, an appropriate notice notifying the public of the discontinuation of activity of the system using the IS-136 (TDMA) technology and the services provided to its subscribers through that system, in accordance with the provisions of this appendix (hereinafter – the "**first notice**"). In addition, it shall send a written notice similar to the first notice to each entitled subscriber whose address is registered with the Licensee. The Licensee shall submit the contents of the first notice to the Director for approval prior to its publication.

3.2 The Licensee shall publish, in three major newspapers in Israel, one of which is published in Arabic, on the closest Friday to the date 30 days earlier than the end of six months from the date of service discontinuation, an additional notice, in accordance with the provisions of this appendix (hereinafter: the "**second notice**"). Notwithstanding the foregoing, the Licensee is entitled not to publish a second notice as stated, if no entitled subscriber exists on that date.

3.3 The Licensee shall send an entitled subscriber a voice message and an SMS concerning the discontinuation of the service, by one week before the day of service discontinuation.

3.4 The Licensee shall publish a notice similar to the first notice also on its website, starting from the date of publication of the first notice until 30 days after the publication of the second notice.

A63 Amendment no. 63

Appendix K-1

4. **End Equipment Replacement Process**

4.1 The Licensee shall do the following, without any direct or indirect consideration:

a. It shall replace for each entitled subscriber the obsolete equipment with new equipment.

b. For an entitled subscriber with a speaker, it shall replace the speaker with a reconditioned or new speaker compatible with the new equipment. In this regard, replacement – including installation of the speaker.

c. It shall grant a warranty for the new equipment and for the speaker, as the case may be, for a period of no less than two years from the day of publication of the first notice.

(All that stated in section 4.1 above – "**upgrade**".)

4.2 The upgrade process shall be carried out at any of the Licensee's service and sales center, during two years from the day of publication of the first notice.

4.3 An entitled subscriber who is a "prepaid" subscriber with an unutilized payment balance, and who is not interested in upgrading the obsolete equipment held by him, shall receive from the Licensee the balance of the payment. Such a subscriber shall be entitled to a refund of the unutilized balance, after showing the obsolete equipment, from the day of service discontinuation until the end of the validity of such balance.

5. **Phone Number**

5.1 The Licensee shall keep the phone number of an entitled subscriber that was allocated to him before the day of service discontinuation, during one year from the day of service discontinuation, before it is returned to the pool of phone numbers of the Licensee, unless the entitled subscriber notifies the Licensee of his wish to keep the number that was allocated to him for an additional year.

6. **Notice of Inception**

6.1 Without derogating from that stated in section 3.1, the Licensee shall give the Director prior written notice regarding the day of service discontinuation and the publications days as stated, and shall furnish to the Director photocopies of all the notices, as stated in section 3.

Appendix O – Erotic Services[A36 effect]

1. Definitions

1.1 In this appendix –

Licensee - One who has been given a general license by the Minister for provision of NDO or cellular services;

Telephone bill - A bill given to the subscriber by the Licensee for services provided;

Writing - Including via facsimile or electronic mail;

Service number - A number of digits allocated to an erotic services provider by the Licensee, given by dialing a telephone number, subject to the provisions of the numbering program and administrative provisions in this matter, the dialing of which, following a dialed prefix, allows the subscriber access to the service;

Services provider - One who provides erotic services via the network, and payment for the service is made through the telephone bill; in the matter of erotic services provided through dialing a telephone number, access to the services is achieved through a service number;

Erotic promo Broadcast or presentation of an audio or visual message with sexual content, including a recorded message, given via a telecommunications facility, directly or indirectly, and such message is intended to provide information on a service following or to encourage the use thereof, provided the broadcast of the message or presentation are made without additional charge beyond the charge for a telephone call collected via the telephone bill;

In this matter, "indirectly" – including by way of creating a connection from the subscriber's end user equipment as a condition of providing the erotic promo.

Area code A national area code in such model as prescribed by the Ministry for erotic services;

The network - The Licensee's public telecommunications network.

A36 Amendment no. 36
effect This amendment will go into effect on the 1st of Nissan, 5766(March 30, 2006)
A76 Amendment No. 76

Erotic services - Audio broadcast or presentation of an audio or visual message with sexual content, including recorded messages, given via a telecommunications facility, directly or indirectly, including services for dating, chats, or sending messages between chance callers, designated or serving, even in part, for sexual purposes, which are any of the following:

(1) A service provided through the dialing of a telephone number given by a service provider;
(2) An access service to a closed data base of contents including multimedia files, held by the Licensee or by another provider of the service with the Licensee's consent (hereinafter: the "**cellular portal"**).

In this matter, "indirectly" – including by way of creating a connection from the subscriber's end user equipment as a condition of providing the service or for charging for it;

Payment regulations - The Communications Law (Telecommunications and Broadcasts) (Payment for Telecommunications' Services), 5765 – 2005;

Special payment - A price fixed as stated in section 6, which the subscriber is required to pay for erotic services in addition to the regular payment;

Payment Per time - A special payment, the rate of which is determined by the amount of time the subscriber used the erotic service;

Regular payment - One of the following:

(A) For a call within the network – a payment that does not exceed the fixed charge according to the rate agreement between the subscriber and the Licensee regarding a call to another subscriber in the same network;
(B) For a call from one cellular network to another cellular network or to a NDONDO network – payment as set out in sub-section (A) plus a payment that does not exceed NIS 0.50 per minute (including VAT);
(C) For a call from the Bezeq company network to a cellular network – a charge that does not exceed that prescribed by the letter D in table A in the First Schedule of the Payment Regulations, plus NIS 0.50 per minute (including VAT);
(D) For a call from a NDONDO network, except the Bezeq company network, to a cellular network – a charge that does not exceed the fixed charge according to the rate agreement between NDO subscribers and NDO, with respect to another subscriber number within the same network, plus NIS 0.50 per minute.
(E) For erotic services given via the cellular portal – a charge that does not exceed the fixed charge according to the rate agreement between the subscriber and the Licensee with regard to access service to the cellular portal.

2. Access through Dialing

2.1 Subject to the provisions of section 4, access to erotic services given through dial-up will be made available to subscribers via an area code and service number.

3 Allocation of Service Number

3.1 In the matter of erotic services provided by dial-up, the Licensee may allocate a service number to a service provider; in such case, the Licensee will allow the service provider to provide services to both the Licensee's subscribers as well as subscriber to other licensees.

A76 Amendment No. 76

4 Blocking Access

4.1 A. A38 A Licensee will block access to erotic services from all end-user equipments connected to the network; without derogating from the aforesaid, for the purpose of blocking access to erotic services given though the cellular portal, the Licensee may make use of a means of blocking, including content filtering programs, provided they efficiently block access to said service.

B. A38 Should the Ministry of Communications notify the Licensee that an erotic promo is being given through the Licensee's telephone line or network, without access through a service number, the Licensee will cut off said line, or block the line from receiving incoming calls;

4.2 A subscriber 18 years of age or more may request the Licensee remove a block imposed as described in section 4.1A[A38] from his end user equipment.

4.3 A request for such removal of a block will be made in writing, or verbally, provided the Licensee has prescribed a procedure allowing accurate identification of the requesting subscriber.

4.4 If a subscriber has so requested a block removed, the Licensee will remove the block within a reasonable time, in a manner allowing the subscriber access to erotic services via the end user equipment in his possession.

4.5 If a block has been removed for erotic services as stated, and the subscriber requests that his end user equipment again be blocked for such services, the Licensee shall perform the block at the soonest possible opportunity, and by no later than 2 work days from the date of receipt of the subscriber's request.

4.6 The first removal of a block against erotic services, made at the subscriber's request as stated in sections 4.2 and 4.3 will be made free of charge; the Licensee may charge the subscriber a reasonable fee for any additional blocking access to erotic services or for additional removal of such block, made at the subscriber's request.

4.7 The license owner shall document the request of the subscriber for the removal of the blockage of erotic services. The documentation shall be available at the license owner for delivery or transfer, as applicable, to the manager, within five (5) business days from the date the subscriber submitted his request.

4 Early Registration

5.1 Notwithstanding that stated in section 4 above, the Licensee may establish a duty of early subscriber registration for receipt of a password, a submission of which will be a precondition for receipt of erotic services. The provisions of this section do not derogate from the provisions of sections 4.2 and 4.3 above.

5 Special Payment

6.1 If special payment is prescribed for erotic services, the rate shall be fixed by the Licensee or in agreement between the Licensee and the services provider.

A76 Amendment No. 76

7 Charging the Subscriber

7.1 If special payment is prescribed for erotic services, the Licensee's phone bill will show the payment for the service separately from charges for the Licensee's other services, unless the subscriber has requested otherwise.

7.2 The Licensee shall provide the subscriber, upon demand and within ten (10) working days, details of the special payment for erotic services as follows:

(A) The service number the service allocated;

(B) The date and time service was provided;

(C) Billing time units – when charging per time – the number of time units charged or the total amount of the special payment; in the case of a charge according to traffic volume (such as MB, KB), the number of volume units transferred;

(D) The sum charged for the service.

The Licensee may collect a reasonable fee for specification of the special payment.

8 Mandatory Tender

8.1 If a special payment has been fixed for erotic services provided through the network, the Licensee, either himself or via the services provider, will play a recorded message at the beginning of the call, containing the following details:

A. The essence of the service;

B. Rate of special payment for the service, according to payment per time or per traffic volume, as the case may be;

C. The option to discontinue the service, without charge, before the signal is heard, as stated in section 8.4.

8.2 The recorded message will be played in the language in which the erotic service is provided, in comprehensible language, at a reasonable pace and without recording defects.

8.3 At the start of erotic services provided in a language not Hebrew, a message will be played announcing the language in which the service is provided, and after, the recorded message will be played, as stated in sections 8.1 and 8.2, in the language in which the service is provided.

8.4 Upon completion of the recorded message, as stated in section 8.1, the caller will have a 5 second interval, at the end of which a signal indicating the start of the erotic services; if the caller disconnected the call before the signal was heard, he will not be charged the special payment. Alternatively, the caller will be asked to press a certain key on his end user equipment in order to confirm that he desires to accept the service, and will be charged the special payment only from the moment he so acts.

8.5 If a special payment is fixed for erotic services provided by access to the cellular portal, the Licensee will notify subscribers regarding the price of the service in an obvious and clear manner, providing the subscriber the option to disconnect from the service without being charged the special payment.

9 Licensee –Services Provider Relations

9.1 The Licensee may allow a services provider to perform telecommunications operations via its installations in order to provide erotic services; the services provider will be exempt from the duty of obtaining a license for telecommunications services, under the provisions of section 3(5) of the Law.

9.2 The Licensee will include the provisions of this appendix, mutatis mutandis, in the agreement between the Licensee and the services provider, in such manner that the services provider will be obligated to fulfill said provisions.

9.3 The Licensee will provide the Director with any agreement between such and a services provider, upon demand.

10 Interconnection

10.1 The conditions for interconnection between the network and the Licensee's public telecommunications network, in all matters relating to provision of billing and collection services by one Licensee to another licensee, for purposes of provision of erotic services given via the network to another licensee's subscriber, will be formalized in an agreement between the Licensee and the other licensee; if the parties cannot reach an agreement, the Minister will decide on the matter.

10.2 The Licensee will, upon demand, provide the Director with a signed copy of all agreement it has with other licensees in the matter of said interconnection.

11 General

11.1 The Licensee will be responsible to handle all erotic services customer complaints, in all matters relating to subscriber access to the service, and problems of billing and collection in connection with the service, and will establish a mechanism for dealing with customer queries for such purpose; the services provider will be responsible to deal with subscriber complaints in regard to service content. If the Licensee himself provides the erotic services, the Licensee will be responsible to handle erotic services customer complaints regarding the service content as well.

11.2 The Licensee may not disconnect, stop or harm the basic telephone services of a subscriber who has used erotic services and refuses to pay for such, however, the Licensee may disconnect such subscriber from continued use of the erotic services.

11.3 The Licensee may not provide a subscriber's particulars to another services provider or to others, without the subscriber's written consent , and only after verification of the authenticity of such consent.

11.4 A Licensee shall, within three (3) working days, provide any subscriber so requesting the following particulars regarding the services provider, without charge:

A. The name and address of the provider;

B. The telephone number at which such provider may be reached.

11.5 The provisions of this appendix will apply, mutatis mutandis, to provision of erotic services provided as a network service to the Licensee's subscribers only.

11.6 The Licensee may himself provide erotic services, and the provisions of this appendix will apply thereto, mutatis mutandis.

A76 Amendment No. 76

Annex P – Premium Service Provided at a Premium Tariff [A76]

1. **Definitions**

1.1 In this Annex:

"**License Holder**" - An entity which received a general license by virtue of the law;

"**Host License Holder**" - A License Holder through whose Network the Service Provider provides its services;

"**Source License Holder**" - A landline or mobile domestic License Holder, whose Subscriber wishes to purchase a Premium Service;

"**Service Order**" - Any action initiated by the Subscriber for the purpose of receiving a Premium Service, including calling a Dialing Code, entering the Subscriber's telephone number, entering a password and entering a code;

"**Telephone Bill**" - A bill submitted by a License Holder to a Subscriber for services provided to him;

"**Writing**" - Including via facsimile or e-mail;

"**International Operator**" - An entity which received a general license to provide international telecommunications services;

"**Subscriber**" - A subscriber of the Source License Holder;

"**Service Number**" - A 10-digit telephone number determined according to the provisions of the numbering plan and the instructions of the Directorate in this regard, which includes a designated Dialing Code plus several digits, which the Host License Holder allocates to a Service Provider, and the dialing of which allows a Subscriber access to a Premium Service;

"**Service Provider**" - An entity which provides Premium Service through a License Holder's telecommunications Network, the payment for which is made through the Telephone Bill;

"**Dialing Code**" - A national dialing code, in a format determined by the Ministry for the purpose of accessing a Premium Service;

"**Network**" - A system of telecommunications facilities through which a License Holder provides its services;

"**Premium Service**" - Voice message announcement or visual message presentation service, including a recorded message, which is provided through a telecommunications device, directly or indirectly, *inter alia* for one of the following purposes: the provision of information and content, entertainment, advice, dating service, chat, entering a competition, a lottery, a game or a vote or service provided over the internet, and with the exception of an erotic service; for this purpose, "indirectly" – including by way of making contact from the Subscriber's end equipment or entering the Subscriber's telephone number, including on the internet, as a condition to provision of or charging for the service;

[A76] Amendment No. 76

"**Premium Tariff**" - The tariff for payment for a Premium Service is in accordance with the requirement of the Host License Holder; this tariff shall include a tariff for completing the call on the Host License Holder's public telecommunications Network, which is determined pursuant to the Communications Regulations (Telecommunications and Broadcasting) (Payments for Interconnect), 5760-2000, and with respect to a service that is provided by an International Operator as a Host License Holder, the tariff shall include the payment to be retained by the International Operator;

"**Regular Tariff**" - The tariff collected from the Subscriber by the Source License Holder, in accordance with the tariff plan set forth in the engagement agreement between it and the Subscriber[33].

1.2 Words and expressions in this annex that have not been defined in this section will bear the same meaning as in the law, in the regulations promulgated thereunder, in the Interpretation Law, 5741-1981, in Section 1 of the license or as specified elsewhere in this annex, unless another meaning is implied by the context.

2. **Access to Service and the Duty of Universality**

2.1 A Source License Holder will allow every Subscriber access to any Premium Service provided on all of the Networks of the license holders.

2.2 A Host License Holder will allow all callers of all license holders access to the Premium Services provided through its Network.

2.3 A Host License Holder and a Source License Holder will allow provision of Premium Services only through the Dialing Code and Service Number.

2.4 Referral to the Dialing Code will be made only in order to receive a Premium Service; referral to such Dialing Codes for other purposes, including charging and collection arrangements, customer service or administration, is absolutely prohibited.

2.5 The license holder will block access to a telephone number, including an international number, without the Dialing Codes for a Premium Service, insofar as it is informed by the Ministry or otherwise learns that a Premium Service is provided through this telephone number.

---

33 In the event that the Subscriber has a limited monthly minutes package, the License Holder shall deduct the payment according to the duration of the call from the monthly minute quota; in the event that the Subscriber has an unlimited plan, he will not be charged any additional payment for dialing a Service Number; in the event that the Subscriber has a tariff plan other than in the framework of a package, his Regular Tariff will be identical to the tariff for an inter-network calling minute.
A76 Amendment No. 76

3. **Duty of a recorded announcement and notification to the Subscriber**

3.1 Immediately after consummation of the engagement, and before providing a Premium Service, the Host License Holder will play a recorded message to the caller, in the language in which the service is provided, using clear and universally understandable words, and without interference on the recording. The recorded message will include the following details, according to the following order:

(a) The nature of the service;

(b) The Premium Tariff, in addition to the Subscriber's Regular Tariff;

(c) The maximum tariff that may be collected for the service;

(d) The maximum duration determined for the purpose of receipt of a Premium Service, if determined;

(e) The possibility available to the caller to disconnect the call before commencement of provision of the service, without being charged, until the end of the sounding
of the signal as specified in Section 3.2.

3.2 Upon completion of the sounding of the recorded announcement as stated in Section 3.1, and before commencement of provision of the service, the Host License Holder will sound a special signal to the caller, following which he shall be afforded at least 5 seconds to disconnect the call, without being charged the Premium Tariff. The license holder may afford the Subscriber the possibility of confirming receipt of the service by pressing a certain key on the end equipment in his possession to start the provision of the services before expiration of the said time.

3.3 If access to a Premium Service is blocked as stated in Section 7.1, the Source License Holder shall play a recorded message to the Subscriber whereby such service cannot be received, due to blocking of the access to the Dialing Code. The license holder may specify, in the recorded message, the ways of removing the blocking.

4. **Purchase of a Service**

4.1 Upon completion of the process stated in Section 3.2, the caller will be afforded the possibility of purchasing the Premium Service.

4.2 The service purchase will be made for each service separately, and according to the Dialing Code, and the purchase of a certain service shall not be deemed as the purchase of an additional service, whether the same service or another service.

5. **Price of the Service**

5.1 For all of the Dialing Codes specified below, the service tariff for the Subscriber will be the Premium Tariff for the service plus the Regular Tariff.

5.2 For a service provided with the Dialing Code 1-900, a maximum sum of NIS 0.5 per calling minute may be charged, and no more than NIS 30 for the entire call.

5.3 For a service provided with the Dialing Code 1-901, a maximum sum of NIS 50 may be charged, regardless of whether the Premium Tariff for the service was collected on a one-time basis or the tariff was determined according to the duration of the service, or a combination of the two.

5.4 For a service provided with the Dialing Code 1-902, a maximum sum of NIS 100 may be charged, regardless of whether the Premium Tariff for the service was determined on a one-time basis or the tariff was determined according to the duration of the service, or a combination of the two.

5.5 Subject to the provisions of Sections 5.2-5.4, the binding Premium Tariff is the tariff provided to the Subscriber in the recorded announcement, prior to provision of the service, in accordance with Section 3.1.

5.6 The prices stated in this section include V.A.T.

6. **Collection and charging arrangements**

6.1 A Source License Holder will not collect from a Subscriber payment for a Premium Service, which was provided contrary to the provisions of this annex.

6.2 The Source License Holder will collect from the Subscriber payment for the Premium Service according to the charge records that the Host License Holder forwarded thereto, in addition to the Regular Tariff.

6.3 The Host License Holder will forward to the Source License Holder, at least once a day, charge records in respect of a Premium Service (the "Premium Records File") which was provided to the Subscriber, as delivered to the Subscriber in an announcement according to Section 3.1.

6.4 The Source License Holder will remit to the Host License Holder payments that it collected from its Subscribers in respect of Premium Services, according to the Premium Tariff, and will not be required to do so in respect of payments, as aforesaid, that it was unsuccessful in collecting from its Subscribers.

6.5 If a Subscriber disconnects the call before provision of the service has begun, the Source License Holder may collect from him a Regular Tariff, and will not remit to the Host License Holder an interconnect tariff, as set forth in the Communications Regulations (Telecommunications and Broadcasting) (Payments for Interconnect), 5760-2000 (the "**Interconnect Regulations**").

7. **Discontinuation of a Premium Service**

7.1 A Host License Holder may disconnect the caller from a Premium Service upon the payment for the call reaching the maximum payment as stated in Section 5.

7.2 A Source License Holder shall block the Premium Service for prepaid Subscribers upon exhaustion of the balance available to the Subscriber, or at the very latest, upon receipt of the "Premium Records File".

7.3 The provisions of Section 7.2 shall apply also to a credit-restricted postpaid Subscriber who has reached the credit limit agreed with him.

8. **Blocking Access to Service**

8.1 The license holder will allow every Subscriber, existing or new, to choose whether the access from his telephone line to Premium Services with Dialing Codes 1-900 and 1-901 will be open or blocked. The Subscriber's decision will be made by checking the "blocked" or "open" box on the access to services form (the "**Form**").

8.2 The license holder will prepare the access to services form or amend the access to services form defined in its license (the "**Access to Services Form**") so as to include the provisions of the access to premium services form in Section 12.

A76 Amendment No. 76

8.3 The license holder will post the Access to Services Form on its website.

8.4 A new Subscriber's choice will be made by checking a box on the form which constitutes part of the "engagement agreement", when made in a transaction in the presence of the Subscriber and a representative of the license holder, in the framework of the "engagement terms and conditions document", when the engagement is made in a remote sale transaction via a telephone call, or as marked by the Subscriber on an online form, when the engagement is made via the internet.

8.5 The license holder will notify an existing Subscriber, in the Telephone Bill, of the option of downloading the form from its website, and marking his choice regarding access to Premium Services with Dialing Codes 1-900 and 1-901. If an existing Subscriber filled out a form in the past and is now only filling out his choice regarding access to Premium Services, his previous choices regarding access to services shall remain in place, unless the Subscriber explicitly requests to modify them.

8.6 If an existing Subscriber does not explicitly mark, within two months from this annex taking effect, his choice regarding access to Premium Services which are provided with Dialing Codes 1-900 and 1-901, the default option will be as follows:

a. With respect to code 1-900 – open;
b. With respect to code 1-901 – blocked.

8.7 The blocking of access to Premium Services with Dialing Code 1-901 according to the default option as stated in Section 8.4, will be performed by the license holder within seven (7) working days from two months after this annex takes effect. A Subscriber's first-time blocking of access to codes 1-900 and 1-901, whether according to the Subscriber's choice or as a default option, will be performed free of charge.

8.8 The license holder will block the access of all of its Subscribers to the services provided with the Dialing Code 1-902 as a default option, free of charge, within one working day, from the date of this annex taking effect. A Subscriber's request to remove the blocking will be made in writing, or orally, provided that the license holder performs a reliable identification of the Subscriber submitting the request, according to the procedure determined thereby.

8.9 If a Subscriber requests removal of a blocking, the license holder shall remove the blocking within a reasonable time.

8.10 The license holder shall document the Subscriber's request to remove the blocking of Premium Services. The documentation will be available at the license holder for delivery or transfer, as the case may be, to the Director within five (5) working days from the date on which the Subscriber submitted his request.

9. **Provision of the service in Israel through an International Operator**

9.1 An International Operator may be a Host License Holder, and allow provision of a Premium Service through its Network, without being required to route the call overseas.

10. **Miscellaneous provisions**

10.1 A Host License Holder may permit a Service Provider to perform telecommunications actions through the facilities of the License Holder for the purpose of provision of the service; the Service Provider is exempt from the duty to obtain a general permit or license for the purpose of performance of telecommunications actions, pursuant to the provisions of Section 3(5) of the law.

A76 Amendment No. 76

10.2 If a Subscriber does not pay a Telephone Bill which includes a charge in respect of Premium Services, the License Holder will forward to the Host License Holder the following details of the Subscriber: his full name, I.D. number and contact details.

10.3 In a Telephone Bill which includes charges in respect of Premium Services, the License Holder will specify in respect of each Service Provider, charges in respect of whose services are included in the bill, the following details:

a. Name and address of the Host License Holder;
b. Company number or licensed dealer number of the Host License Holder;
c. Details for contacting the Host License Holder, including a telephone number.

10.4 A Host License Holder may not use means of payment details, provided thereto by the caller for the purpose of payment for other services, in order to collect a premium payment.

11. **Temporary provision**

11.1 (a) A Host License Holder will play an announcement to the caller whereby the Premium Service is provided only through use of the Dialing Codes 1-900, 1-901 and 1-902 in the following cases:

(1) By calling Premium Services, access to which was enabled until the provisions of this annex took effect, by dialing an international number;
(2) By calling Premium Services, access to which was enabled until the provisions of this annex took effect, by dialing a network access code, as defined in the numbering plan in Israel.

(b) The announcement will be made in the language in which the Premium Service is given.
(c) The Host License Holder will play the announcement for six months from the date on which the provisions of this annex take effect.
(d) The source operator may charge the Subscriber the Regular Tariff in respect of the announcement.

A76 Amendment No. 76

Exhibit 4.16

TRANSLATION FROM HEBREW

THE BINDING VERSION IS THE HEBREW VERSION

Memorandum of Understanding

That was signed in Tel Aviv on the 18th of February 2020

By and between: **Cellcom Israel Ltd**. (hereinafter: the "**Purchaser**" or "**Cellcom**")

10 Hagavish St. Netanya of the first part,

And: 1. Electra Consumer Products (1970) Ltd. (hereinafter: "**Electra**")

1 Hasapir St. Rishon Lezion

2. Gil Sharon (ID no. [redacted]) (hereinafter- "**Gil Sharon**", and jointly with Electra – the "**Sellers**")

[redacted] of the second part,

And: Golan Telecom Ltd. (hereinafter: "**Golan Telecom**" or the "**Company**")

98 Yigal Alon St. Tel Aviv of the third part,

Whereas the Purchaser is interested in purchasing and the Sellers are interested in selling all of the issued share capital of the Company and all of the rights by virtue of the options that were granted to the Company's employees (which shall be fully vested at the closing of the transaction) and the shareholders loans that were provided to the Company;

And whereas the parties wish to put in writing the principles and terms by which and subject to their fulfillment, the transaction will be performed (as defined hereafter);

It was declared and agreed as follows:

1. The Transaction

1.1. The purchase by Cellcom of all the issued share capital of Golan Telecom (100%) (fully diluted) and all the rights by virtue of the options granted to the Company's employees and the Sellers' rights to the repayment of the balance of the shareholders' loan that they provided to the Company (the "**Transaction**") for the sum of 590 (five hundred and ninety) million NIS with the additional following sums: (a) the free cash flow (as set forth hereafter); (b) the Company's cash and cash equivalents at the closing date of the transaction (as set forth hereafter); and (c) repayment of investments (as set forth hereafter) after deducting all the costs that will be incurred as a result of providing the shareholders' loans to the Company as set forth in section 5.5 hereafter (which if existing, will be deducted only from the Guaranteed Payment as defined hereafter) (all together, hereinafter- the "**Consideration**").

TRANSLATION FROM HEBREW

THE BINDING VERSION IS THE HEBREW VERSION

The Consideration will be paid to the Sellers and to the Trustee according to section 102 of the Income Tax Ordinance [New Version] who was appointed in connection with the remuneration plan for the Company's employees ("**Trustee 102**") for Gil Sharon and for the other Company employees who are option holders (as set forth in section 1.1.5 hereafter) as follows:

1.1.1. The sum of 590 (five hundred and ninety) million NIS.

1.1.1.1. 413 (four hundred and thirteen) million NIS in cash, to be paid at the closing date of the transaction;

1.1.1.2. 177 (one hundred seventy seven) million NIS from Electra's share in the consideration, and it will bear fixed annual Shekel interest at the rate of 3% (the payment including the interest: the "**Guaranteed Payment**") – to be paid in cash up to 3 (three) years after the closing date of the transaction.

1.1.1.3. In order to secure the Purchaser's obligations to pay the Guaranteed Payment: the Purchaser will deposit at the closing of the transaction with a Trustee that will be agreed upon by Electra and the Purchaser (hereinafter – the "**Trustee**"); 8,200,000 (eight million and two hundred thousand) marketable shares of the Purchaser (hereinafter the "**Collateral**"). If the date of the Guaranteed Payment has arrived the Purchaser will pay to Electra the entire Guaranteed Payment in cash and the Trustee will release the Collateral to the Purchaser. If the Purchaser did not pay the entire Guaranteed Payment on time or the Guaranteed Payment was declared immediately payable, whichever is earlier of the two, the Trustee will act according to law to realize the Collateral and to transfer the realization consideration, up to the sum of the Guaranteed Payment, to Electra and this is without derogating from Electra's right to the balance of the Guaranteed Payment, to the extent existing after the realization as mentioned. It is agreed that Electra will be entitled to accelerate the repayment of the debt and to declare it immediately payable before the Guaranteed Payment date (1) if one of the series of bonds of the Purchaser will be declared immediately payable and (2) if the net debt ratio to the Ebitda of the Purchaser exceeds 4.5 for 4 consecutive quarters or it exceeds 5 for one quarter. In the Detailed Agreement the covenants set forth in sub- section (2) will be set forth according to their language as this appears in the deeds of trust. At the request of Electra, the parties will examine the possibility of registering the Guaranteed Payment in the Tact Institutional and they will cooperate in connection with this. To the extent the Guaranteed Payment will be registered in the Tact Institutional as mentioned, sub- section (2) above will not apply.

1.1.1.4. Electra will be entitled to assign all or part of its rights in connection with the consideration as mentioned in sections 1.1.1.2 and 1.1.1.3 above subject to receipt of the Purchaser's prior written consent, which will not be refused except for reasonable reasons.

1.1.2. The sum of 7.58 million NIS multiplied by the number of months (and fractures of months, as applicable) between the transaction closing date and December 31, 2020 (the "**Free Cash Flow**") – shall be paid in cash at the transaction closing date.

1.1.3. The total amount of the Company's cash and cash equivalents (including deposits in banks and investments in securities) and after deducting financial debts (as defined hereafter) at the closing date of the transaction - shall be paid in cash at the closing date of the transaction.

1.1.4. The amount of the investment invested by the Company in the generation 5 shared network only from the date signing this Memorandum of Understanding to the transaction closing date, as presented to the Purchaser in the tax invoices of the various suppliers (the "**Repayment of the Investment**") - shall be paid in cash on the closing date of the transaction.

1.1.5. Right before the closing date of the transaction, the Sellers will forward to the Purchaser a distribution table of the consideration, which will set forth the portion from the consideration that will be paid to each of the Sellers and to Trustee 102 for Gil Sharon (for some of his shares held by the Trustee) and for the other employees of the Company that hold options for the Company's shares, as well as details regarding the account numbers of each of the said entities for the purpose of making the payment attributed to them according to the table as mentioned. The amount of consideration that will be paid in favor of the option holders will be equal to the difference between the exercise price per share stipulated in the warrants issued to the option holders and the total consideration per share as mentioned in this agreement. For the avoidance of doubt, immediately after the closing of the transaction, all of the Company's issued share capital will be wholly and exclusively owned by Cellcom and no person shall have any right which can be exercisable or convertible into the Company's capital.

1.2. <u>The Object of the Sale:</u>

1.2.1. (a)100% of the issued share capital of the Company (fully diluted); (b) all the rights to the Company's shares by virtue of the options granted to the employees (when they are fully vested); and (c) the Sellers' rights to the repayment of the balance of the shareholders' loans that they provided to the Company; when they are free and clear from any pledge, debt, lien or third party right.

1.2.2. The Company is sold when it has zero loans from banking corporations or loans taken from financial institutions (hereinafter "Financial Debt") at the closing date of the transaction.

1.2.3. For the sake of avoiding doubt it is clarified that the balance of the loan that the Purchaser gave to Golan Telecom on April 6, 2017 (in the framework of the Partnership Agreement between the parties) including the interest that accrued for it and all the debt balances that were written in the financial statements of Golan Telecom towards the Purchaser following the partnership agreement as mentioned (as they are, including averaging for IRU passive), will not be considered as a financial debt of Golan Telecom.

1.2.4. Subject to receiving the consent to the transaction according to any agreement to which the Company is party and which is material to its business, as the Sellers shall note to the Purchaser and which according to its terms requires consent to transfer the shares being purchased, to the Purchaser ("**Material Third Party**"), the transaction will not cause or confer to any third party the right of cancellation or a material change in the terms of a material contract, license or any other arrangement that Golan Telecom is party to (except with the Purchaser) and it will not result in the cancellation or in an adverse material change in the Company's rights in any material asset or right that are available to Golan Telecom.

1.2.5. The due diligence examinations did not produce any negative finding which materially adversely impacts the value of the Company compared to the information in relation to the operating results for 2019, which was delivered to the clean team before signing the Memorandum of Understanding.

2. Representations

2.1. The Sellers represent that they hold all the issued share capital of the Company.

2.2. The Sellers represent that the Company's shares will be sold when they are free and clear from any pledge, debt, lien or third party right. Without derogating from the aforesaid, the parties are aware of the fact that some of Gil Sharon's shares are held by Trustee 102.

2.3. The Sellers and Golan Telecom represent that the financial statements of the Company for 2019 were prepared according to the IFRS rules, were prepared in accordance with the same principles according to which the financial statements of the Company were prepared for 2018 and they correctly reflect the Company's status in accordance with these rules at the time they were prepared.

2.4. The Sellers and Golan Telecom represent that as of the date of signing the Memorandum of Understanding the Company has acted in every material sense in accordance with the applicable law and it is not in material breach of any material agreement which it is party to and there are no material claims and/or demands and/or lawsuits of a third party (including a regulatory authority) regarding the Company's compliance with the provisions of the law and/or the provisions of any material agreement that the Company is party to, except as set forth in Appendix A.

2.5. Each party represents that, subject to the terms for closing the transaction set forth in section 4, as of the date of signing this Memorandum of Understanding, there is nothing preventing it from entering into this Memorandum of Understanding or into a Detailed Agreement for the acquisition of the Company by the Purchaser.

2.6. Each party represents that he has received all the approvals from his authorized organs which are required in order for it to enter into this Memorandum of Understanding and the execution of the transaction and that the signatories on its behalf who have signed this Memorandum of Understanding are authorized to bind it for all intents and purposes.

2.7. The Purchaser declares that, at the closing date of the transaction and at the date of payment of the Guaranteed Payment, it will have the financial means necessary to execute the transaction according to its terms.

For the avoidance of doubt, Golan Telecom's representations do not derogate from the Sellers' liability, and after the closing of the transaction the Sellers alone will be liable regarding the Company's statements as mentioned, all subject to the terms of the Detailed Agreement.

3. Due Diligence Examinations and Negotiations towards a Detailed Agreement

The parties hereby agree and undertake that upon signing of this Memorandum of Understanding they will work quickly and diligently so that the purchaser shall perform due diligence to the Company, which will be completed within 30 days of the signing of this Memorandum of Understanding, which is essentially an accounting, (focusing on the revenue side) taxation and legal examination, and they will conduct negotiations towards the signing of a Detailed Agreement in respect to the transaction in accordance with the terms of this Memorandum of Understanding (the "**Detailed Agreement**") in good faith, quickly and diligently. The parties undertake to provide all the necessary resources for this purpose. It is clarified that since the Purchaser and the Company are competitors, the due diligence examinations will be performed by the clean team (as defined in the Confidentiality Agreement between the Purchaser and Golan Telecom dated December 18, 2019) (the "**Confidentiality Agreement**") and subject to its provisions only.

TRANSLATION FROM HEBREW

THE BINDING VERSION IS THE HEBREW VERSION

4. Detailed Agreement

The parties agree that the Detailed Agreement will include statements and representations (for the sake of avoiding doubt, in addition to the representations set forth in section 2 above), and customary terms in a transaction such as this, including:

4.1. The representations of the parties to the transaction, as set forth in section 2 above, which are correct as of the date of signing the Detailed Agreement; and correct as of the closing date of the transaction. For the avoidance of doubt, it is clarified that representations included in sections 2.3 - 2.4 will be correct at the time they were made.

4.2. Obtaining regulatory approvals for the transaction, including the approval of the Ministry of Communications, approval of the Commission of Competition without burdensome conditions, and the approval of a material third party (as this term is defined in section 1.2.4), which cannot be replaced without a cost to the Company that is not negligible, if existing. A burdensome condition for the purpose of this section means a change the impact of which on the merged Company's value is not negligible. The parties agree in advance that if the Commissioner of Competition does not approve the transaction, an appeal will be submitted of this decision.

4.3. The absence of adverse material changes in the Company's status from what was reflected in the audited financial statements of the Company for 2019. Without derogating from the generality of the above, the parties agree that an adverse change of [redacted] as well as changes (even if they exceed the above-mentioned percentage) due to factors external to the Company affecting additional companies in the telecommunications industry proportionally will not be considered a material change for the purposes of the transaction.

4.4. Working capital - the Company meets the payment terms to its suppliers and no material change was made by it of its own initiative in the payment terms of its suppliers and its customers after the signing of this Memorandum of Understanding.

4.5. Notwithstanding the aforesaid, the parties agree that the amendment to the payment terms as mentioned in section 5 of the addendum to the partnership agreement to 150 days instead of 180 days is canceled. However, if the transaction is canceled, the said section 5 shall remain to be in force.

5. No Shop and Interim Period

5.1. The parties hereby undertake not to negotiate (including terminating negotiations with third parties, if existing), not to take any step to receive any offer from a third party and they will not offer any offer to a third party, they will not enter into any transaction regarding the acquisition of Golan Telecom shares, all or in part, the acquisition of Golan Telecom's activities, its assets, or any other format of a transaction, and no action or step will be taken that can prevent or harm the transaction and/or the entering into the Detailed Agreement (including any action of the Purchaser to purchase a competitor of the seller or to merge with a competitor in the industry), and/or to change the transaction in any manner, and this is starting from the signing of this Memorandum of Understanding until the cancellation of the transaction, if canceled.

5.2. From the date of signing the Memorandum of Understanding and until the closing of the transaction (the "**Interim Period**"), the Sellers and Golan Telecom undertake that the Company will continue to operate in its normal course of business. Without derogating from the generality of the aforesaid, it is hereby agreed that in the interim period, the Company will be prohibited to undertake to grant an extraordinary bonus after the closing of the transaction or to perform a distribution to its existing shareholders after the closing of the transaction or to change in an extraordinary manner the remuneration of the Company's employees, its directors, to enter into or cancel contractual engagements in material agreements and/or to change the terms of existing material agreements, to purchase/ sell activities or subsidiaries.

5.3. The parties undertake to do their utmost to sign a Detailed Agreement within 30 days of the signing of the Memorandum of Association.

5.4. As of the signing of this Memorandum of Understanding, the Parties shall act with determination and decisiveness to obtain all the approvals required for the closing of the transaction as soon as possible, including submitting within 15 days from the date of signing this Memorandum of Understanding (a) merger notices to the Economic Competition Authority and (b) an application to the Ministry of Communications to approve the transaction. It is clarified that the refusal of the Economic Competition Authority and/or the Ministry of Communications to handle such applications if submitted before the signing of a Detailed Agreement will not constitute a breach of the parties' obligations or of this Memorandum of Understanding.

5.5. Notwithstanding the provisions in the loan agreement between the Purchaser and the Company of January 2, 2017 (hereinafter - the "**Loan Agreement**"), the Company may distribute a dividend to its shareholders without the need to repay the loan as stated in section 18 in the Amending Appendix to the Partnership and Use Agreement of March 2, 2017 (hereinafter – "**Addendum to the Partnership Agreement**"), and this is subject to (a) any amount that will be distributed as mentioned; after deducting tax and the amounts transferred to Trustee 102, will be invested in the Company by way of a shareholders' loan; and (b) to the extent that the transaction will not be completed, the repayment of these shareholders' loans shall be deemed to be a dividend payment for the purposes of section 18 of the Addendum to the Partnership Agreement.

5.6. The Purchaser is aware that according to the Collective Agreement with some of the employees of a subsidiary of the Company, they may take steps that may harm industrial peace during the transaction which is the subject of this Memorandum of Understanding.

6. General

6.1. Even if the parties do not reach a Detailed Agreement, this Memorandum of Understanding will remain valid and it will bind the parties for all intents and purposes. For the sake of avoiding doubt, if the Detailed Agreement is not signed, the existing provisions in this section 4 above will be deemed as binding the parties by virtue of this Memorandum of Understanding and the closing date of the transaction shall apply within 7 (seven) days after the terms set forth in section 4 above have been fulfilled, according to the last one of them, to the extent they are fulfilled by the final date, as defined hereafter.

If the said terms have not been fulfilled by December 31, 2020 (the "**Final Date**"), this Memorandum of Understanding will terminate (or the Detailed Agreement, as applicable), including the parties' obligations and rights under it, and this is except for sections 6.2, 6.3 and 6.4 whose provisions will continue to apply even after the Final Date. The aforesaid does not derogate from the rights and remedies of a party to this Memorandum of Understanding, arising from a breach of a party's obligations in this Memorandum of Understanding, as a result of which the conditions for closing the transaction set forth in section 4 above were not fulfilled, or a Detailed Agreement was not signed.

6.2. The provisions of the Confidentiality Agreement will apply even to this Memorandum of Understanding, to the negotiations for entering into a Detailed Agreement and to everything connected to entering into the transaction and its performance. The Sellers hereby adopt the provisions of the Confidentiality Agreement and they shall be deemed a party to the Confidentiality Agreement. Subject to the provisions of any law, the parties will coordinate between them the immediate report regarding the signing of the Memorandum of Understanding and any additional report in respect to the progress of the transaction.

6.3. The provisions of the Israeli law will govern this document and the competent court in Tel Aviv – Jaffa will have exclusive jurisdiction in respect to any matter arising and/or connected to it.

6.4. This Memorandum of Understanding will not be considered as a contract that was made in favor of a party that is not party to it (hereinafter – "**Third Party**") as mentioned in section 34 of the Contracts Law (General Part), 5733- 1973, and it does not confer to any third party a demand right and/or lawsuit by its virtue or by virtue of any of its sections or is provisions against any of its parties.

6.5. Sums that a party to this Memorandum of Understanding owes to the other by virtue of this Memorandum of Understanding or by virtue of the Detailed Agreement, cannot be offset against other sums that that same party owes him by virtue of this Memorandum of Understanding or by virtue of the Detailed Agreement.

6.6. Each of the Sellers and the Purchaser will pay his expenses and taxes (without derogating from the obligation to deduct withholding tax) in connection with the transaction (including VAT, if applicable, which will be added to any amount set forth above). For the sake of avoiding doubt, it is clarified that the aforesaid does not derogate from the provisions of section 1.1.

And in witness whereof the parties have signed:

Stamp and signatures	(-)
Electra Consumer Products (1970) Ltd.	Gil Sharon
Signatures	Stamp and signatures
Cellcom Israel Ltd.	Golan Telecom Ltd.

Exhibit 8.1

Subsidiaries of the Registrant

As of December 31, 2019	Country	Percentage of voting share capital held	Principal activity
Cellcom Fixed Line Communications Limited Partnership	Israel	100% (directly and indirectly - through Cellcom Israel Ltd. wholly owned subsidiary)	Communications
Dynamica Communications Chain Stores Ltd.	Israel	100%	Communications

Exhibit 12.1

I, Avi Gabbay, Chief Executive Officer of the Company, certify that:

1. I have reviewed this annual report on Form 20-F of Cellcom Israel Ltd;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 23, 2020

/s/ Avi Gabbay
Avi Gabbay
Chief Executive Officer

Exhibit 12.2

I, Shlomi Fruhling, Chief Financial Officer of the Company, certify that:

1. I have reviewed this annual report on Form 20-F of Cellcom Israel Ltd;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 23, 2020

/s/ Shlomi Fruhling
Shlomi Fruhling
Chief Financial Officer

Exhibit 13.1

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Cellcom Israel Ltd. for the year ended December 31, 2019 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Avi Gabbay, the Chief Executive Officer and Shlomi Fruhling, the Chief Financial Officer of Cellcom Israel Ltd., each certifies that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Cellcom Israel Ltd.

Date: March 23, 2020

/s/ Avi Gabbay
Name: Avi Gabbay
Chief Executive Officer

/s/ Shlomi Fruhling
Name: Shlomi Fruhling
Chief Financial Officer

Exhibit 15.1

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

Consent of Independent Registered Public Accounting Firm

The Board of Directors Cellcom Israel Ltd:

We consent to the incorporation by reference in the registration statements (No. 333-141639, No. 333-184955, No. 333-206338 and No. 333-231633) on Form S-8 of Cellcom Israel Ltd. ("the Company") of our report dated March 18, 2019, with respect to the consolidated statements of financial position of the Company as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, including the related notes (collectively, the "2018 consolidated financial statements"), and of our report dated March 25, 2018, with respect to the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year ended December 31, 2017, including the related notes (collectively, the "2017 consolidated financial statements"), which reports appear in the December 31, 2019 annual report on Form 20-F of the Company.

Our report dated March 18, 2019, refers to a change in the manner in which the Company accounts for financial instruments.

Our report dated March 25, 2018, refers to a change in method of accounting for revenue recognition.

Somekh Chaikin

Certified Public Accountants (Israel)
Member Firm of KPMG International

Tel Aviv, Israel

March 23, 2020

Somekh Chaikin, an Israeli partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Exhibit 15.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-141639, No. 333-184955, No. 333-206338 and No. 333-231633) of Cellcom Israel Ltd. of our report dated March 23, 2020 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting and of our report dated March 18, 2019 relating to the consolidated financial statements, which appear in this Form 20-F.

Tel-Aviv, Israel
March 23, 2020

/s/ Kesselman & Kesselman
Kesselman & Kesselman
Certified Public Accountants (lsr.)
A member firm of PricewaterhouseCoopers
International Limited

Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 6812508, Israel,
P.O Box 50oo5 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.com/il
Kesselman & Kesselman is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity