

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
ANNUAL REPORT
FILED PURSUANT TO SECTION 12, 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934



As filed with the Securities and Exchange Commission on March 26, 2020

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 1-14968

PARTNER COMMUNICATIONS COMPANY LTD.

(Exact Name of Registrant as Specified in its Charter)

ISRAEL

(Jurisdiction of Incorporation or Organization)

8 AMAL STREET
AFEQ INDUSTRIAL PARK
ROSH-HA'AYIN 48103
ISRAEL

(Address of Principal Executive Offices)

Hadar Vismunski-Weinberg
ExecutiveOffices@partner.co.il

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one ordinary share, nominal value NIS 0.01 per share	The NASDAQ Global Select Market
Ordinary Shares, nominal value NIS 0.01 per share*	The NASDAQ Global Select Market

* Not for trading, but only in connection with the registration of American Depositary Shares representing such ordinary shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities Registered Pursuant to Section 12(g) of the Act:

NONE

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

NONE

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:

ORDINARY SHARES OF NIS 0.01 EACH 162,915,990

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 1934.

YES ☐ NO ☒

Indicate by check mark whether the Registrant (1) has 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

YES ☒ NO ☐

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

Large Accelerated Filer ☐

Accelerated Filer ☒

Non-Accelerated Filer ☐

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 has elected to follow:

ITEM 17 ☐ ITEM 18 ☐

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

YES ☐ NO ☒

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HOT Telecommunication Systems Ltd. and its controlling shareholder, Altice Europe N.V., have proposed to acquire 100% of the issued share capital of the Company.

See "Item 3D.2f HOT Telecommunications and its controlling shareholder, Altice Europe N.V., have offered to acquire 100% of our shares, but there can be no assurance as to the final terms of such transaction or that the proposed transaction will be consummated. As a result, the market price of our shares and ADRs may fluctuate, and our business, revenues and results of operations may be materially harmed."

INTRODUCTION

As used herein, references to "we," "our," "us," the "Group," "Partner" or the "Company" are references to Partner Communications LP, Partner Business Communications Solutions LP, Get Cell Communication Products LP (formerly Partner Communication Products 2016 LP), 012 Smile Telecom Ltd. ("012 Smile"), (ii) 012 Smile's wholly-owned subsidiary, 012 Telecom Ltd., (iii) PHI (as defined below), and (iv) Iconz Holdings Ltd., except as the context otherwise requires. Partner Future Communications 2000 Ltd. serves as the general partner and the Company serves as the limited partner of each of the limited partnerships.

Pursuant to a 15-year Network Sharing Agreement that the Company entered into with HOT Mobile Ltd. ("HOT Mobile") in November 2013, the parties created a 50-50 limited partnership, P.H.I. Networks (2015) Limited Partnership ("PHI"). Starting January 1, 2019, we began to account for PHI as a joint operation. See "Item 4B.8 OUR NETWORK ", "Item 5A.1d Network Sharing Agreement with HOT Mobile" and note 9 to our financial statements.

In the context of cellular services, references to "our network" refer to Partner's cellular telecommunications network which includes our core network, as well as the shared radio access network with HOT Mobile which is operated by PHI and any other Company infrastructure which enables our cellular service.

In addition, references to our "financial statements" are to our consolidated financial statements, unless the context requires otherwise.

The Company currently provides telecommunications services in the following two segments: (1) cellular telecommunications services ("Cellular Services") and (2) fixed-line communication services ("Fixed-Line Services"), which include: (a) Internet services including access to the internet through both fiber optics and wholesale broadband access; internet services provider ("ISP") services; internet Value Added Services ("VAS") such as cyber protection, anti-virus and anti-spam filtering; and fixed-line voice communication services provided through Voice Over Broadband ("VOB"); (b) Business solutions including Session Initiation Protocol ("SIP") voice trunks and Network Termination Point Services ("NTP") – under which the Group supplies, installs, operates and maintains endpoint network equipment and solutions, including providing and installing equipment and cabling, within a subscriber's place of business or premises, hosting services, transmission services, Primary Rate Interface ("PRI") and other fixed-line communications solution services; (c) International Long Distance services ("ILD"): outgoing and incoming international telephony, hubbing, roaming and signaling and calling card services; and, as from 2017, (d) Television services over the Internet ("TV"). Sales of equipment include sales and leasing of telecommunications, audio-visual, and internet-related devices including cellular handsets, phones, tablets, laptops, modems, data cards, domestic routers, servers and related peripherals, equipment and integration projects. Unless the context indicates otherwise, expressions such as "our business," "Partner's business" and "the Company's business" or "industry" refer to both Cellular and Fixed-Line Services.

In this document, references to "\$," "US\$," "US dollars," "USD" and "dollars" are to United States dollars, and references to "NIS" and "shekels" are to New Israeli Shekels. We maintain our financial books and records in shekels. This Annual Report contains translations of NIS amounts into US dollars at specified rates solely for the convenience of the reader. No representation is made that the amounts referred to in this Annual Report as convenience translations could have been or could be converted from NIS into US dollars at these rates, at any particular rate or at all. The translations of NIS amounts into US dollars appearing throughout this Annual Report have been made at the exchange rate on December 31, 2019, of NIS 3.456 = US\$1.00 as published by the Bank of Israel, unless otherwise specified. See "Item 3A. Key Information – Selected Financial Data – Exchange Rate Data".

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Our financial statements included in this Annual Report are prepared in accordance with International Financial Reporting Standards (“IFRS”) published by the International Accounting Standards Board (“IASB”). See “Item 18. Financial Statements” and “Item 5A. Operating and Financial Review and Prospects – Operating Results”.

FORWARD-LOOKING STATEMENTS

This Annual Report includes forward-looking statements within the meaning of Section 27A of the US Securities Act of 1933, as amended, Section 21E of the US Securities Exchange Act of 1934, as amended, and the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. Words such as “believe,” “anticipate,” “expect,” “intend,” “seek,” “will,” “plan,” “could,” “may,” “project,” “goal,” “target” and similar expressions often identify forward-looking statements but are not the only way we identify these statements. All statements other than statements of historical fact included in this Annual Report, including the statements in the sections of this Annual Report entitled “Item 3D. Key Information – Risk Factors,” “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects” and elsewhere in this Annual Report regarding our future performance, revenues or margins, market share or reduction of expenses, regulatory developments, and any statements regarding other future events or our future prospects, are forward-looking statements.

We have based these forward-looking statements on our current knowledge and our present beliefs and expectations regarding possible future events. These forward-looking statements are subject to risks, uncertainties and assumptions about Partner, consumer habits and preferences in cellular and fixed-line telephone usage, trends in the Israeli telecommunications industry in general, the impact of current global economic conditions and possible regulatory and legal developments. For a description of some of the risks see “Item 3D Risk Factors,” “Item 4 Information On The Company”, “Item 5 Operating And Financial Review And Prospects,” “Item 8A.1 Legal And Administrative Proceedings” and “Item 11 Quantitative And Qualitative Disclosures About Market Risk”. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report might not occur, and actual results may differ materially from the results anticipated. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**3A. Selected Financial Data**

Our consolidated financial statements for the years ended December 31, 2015, 2016, 2017, 2018 and 2019, have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The tables below at and for the years ended December 31, 2015, 2016, 2017, 2018 and 2019, set forth selected consolidated financial data under IFRS. The selected financial information is derived from our consolidated financial statements, which have been audited by Kesselman & Kesselman, our independent registered public accounting firm in Israel and a member of PricewaterhouseCoopers International Limited. The audited consolidated financial statements at December 31, 2018 and 2019 and for the years ended December 31, 2017, 2018 and 2019, appear at the end of this report.

	Year ended December 31,					
	2015	2016	2017**	2018**	2019***	2019***
	New Israeli Shekels in millions (except per share data)					US\$ in millions(1)
Consolidated Statement of Income Data						
Revenues, net	4,111	3,544	3,268	3,259	3,234	936
Cost of revenues	3,472	2,924	2,627	2,700	2,707	783
Gross profit	639	620	641	559	527	153
Selling and marketing expenses	417	426	269	293	301	87
General and administrative expenses	160	181	144	148	149	43
Credit losses	63	82	52	30	18	5
Income with respect to Settlement agreement with Orange	61	217	108			
Other income, net	47	45	31	28	28	8
Operating profit	107	193	315	116	87	26
Finance income	13	13	4	2	7	2
Finance expenses	156	118	184	55	75	22
Finance costs, net	143	105	180	53	68	20
Profit (loss) before income tax	(36)	88	135	63	19	6
Income tax expenses	4	36	21	7	*	*
Profit (loss) for the year	(40)	52	114	56	19	6
Earnings (loss) per ordinary share and per ADS						
Basic:	(0.26)	0.33	0.70	0.34	0.12	0.04
Diluted:	(0.26)	0.33	0.69	0.34	0.12	0.04
Weighted average number of shares outstanding (in thousands)						
Basic:	156,081	156,268	162,733	165,979	162,831	162,831
Diluted (for calculation above):	156,081	158,096	164,537	166,962	163,608	163,608

(*) Representing an amount of less than 1 million.

(**) The results at and for the years ended December 31, 2017 and 2018, include the impact of the adoption of IFRS 15 with effect as of January 1, 2017. See "Item 5A.1h IFRS 15 Revenue from Contracts with Customers."

(***) The results at and for the year ended December 31, 2019 include the impact of the adoption of IFRS 15 with effect as of January 1, 2017; see "Item 5A.1h IFRS 15 Revenue from Contracts with Customers.", and also include the impact of the adoption of IFRS 16 with effect as of January 1, 2019; see "Item 5A.1i IFRS 16 Leases-Adoption of a new accounting standard".

	Year ended December 31,					
	2015	2016	2017*	2018*	2019**	2019**
	New Israeli Shekels in millions (except per share data)					US\$ in millions (1)
Other Financial Data						
Capital expenditures (2)	271	202	417	499	578	167
Adjusted EBITDA (3)	876	834	917	722	853	247
Statement of Cash Flow Data						
Net cash provided by operating activities	922	945	973	625	837	241
Net cash used in investing activities	(356)	(639)	(72)	(351)	(1,181)	(341)
Net cash used in financing activities	(303)	(516)	(750)	(725)	227	67
Balance Sheet Data (at year end)						
Current assets	2,185	2,339	2,009	1,254	1,664	481
Non current assets	3,341	2,858	2,709	2,722	3,351	970
Lease - right of use (**)					582	168
Property and equipment	1,414	1,207	1,180	1,211	1,430	414
License and other intangible assets	956	793	697	617	538	156
Goodwill	407	407	407	407	407	118
Deferred income tax asset	49	41	55	38	41	12
Total assets	5,526	5,197	4,718	3,976	5,015	1,451
Current liabilities (4)	1,765	1,607	1,811	1,150	1,489	430
Long-term liabilities (4)	2,741	2,479	1,473	1,420	2,109	611
Total liabilities	4,506	4,086	3,284	2,570	3,598	1,041
Shareholders' equity	1,020	1,111	1,434	1,406	1,417	410
Total liabilities and shareholders' equity	5,526	5,197	4,718	3,976	5,015	1,451

(*) The results at and for the years ended December 31, 2017 and 2018, include the impact of the adoption of IFRS 15 with effect as of January 1, 2017. See "Item 5A.1h IFRS 15 Revenue from Contracts with Customers".

(**) The results at and for the year ended December 31, 2019 include the impact of the adoption of IFRS 15 with effect as of January 1, 2017; see "Item 5A.1h IFRS 15 Revenue from Contracts with Customers.", and also include the impact of the adoption of IFRS 16 with effect as of January 1, 2019; see "Item 5A.1i IFRS 16 Leases-Adoption of a new accounting standard".

- (1) The NIS figures at December 31, 2019, and for the 12-month period then ended have been translated throughout this Annual Report into dollars using the representative exchange rate of the dollar at December 31, 2019 (USD 1 = NIS 3.456). The translation was made solely for convenience, is supplementary information, and is distinguished from the financial statements. The translated dollar figures should not be construed as a representation that the Israeli currency amounts actually represent, or could be converted into, dollars. See also "Item 3A. Key Information – Selected Financial Data – Exchange Rate Data".
- (2) Capital Expenditures represent additions to property and equipment (see note 10 to our consolidated financial statements) and intangible assets (see note 11 to our consolidated financial statements).
- (3) Adjusted EBITDA as reviewed by the Chief Operating Decision Maker (CODM) represents Earnings Before Interest (finance costs, net), Taxes, Depreciation and Amortization (including amortization of intangible assets, deferred expenses-right of use and impairment charges) and Other expenses (mainly amortization of share based compensation). Adjusted EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies. Adjusted EBITDA may not be indicative of the Group's historic operating results nor is it meant to be predictive of potential future results. The usage of the term "Adjusted EBITDA" is to highlight the fact that the Amortization includes amortization of deferred expenses – right of use and amortization of employee share based compensation and impairment charges.
- (4) See Note 15 to the consolidated financial statements for information regarding long-term liabilities and current maturities of long-term borrowings and notes payable.

The tables below at and for the years ended December 31, 2015, 2016, 2017, 2018 and 2019, set forth a reconciliation between Profit (Loss) and Adjusted EBITDA.

	Year ended December 31,					
	2015	2016	2017**	2018**	2019***	2019***
						US\$ in
						millions (1)
New Israeli Shekels in millions						
Reconciliation Between Profit (Loss) and Adjusted EBITDA						
Profit (Loss)	(40)	52	114	56	19	6
Depreciation and amortization expenses	753	595	580	592	751	217
Finance costs, net	143	105	180	53	68	20
Income tax expenses	4	36	21	7	*	*
Other (****)	16	46	22	14	15	4
Adjusted EBITDA (2)	876	834	917	722	853	247

(*) Representing an amount of less than 1 million.

(**) The results at and for the years ended December 31, 2017 and 2018, include the impact of the adoption of IFRS 15 with effect as of January 1, 2017. See "5A.1h Item 5A.1h IFRS 15 Revenue from Contracts with Customers".

(***) The results at and for the year ended December 31, 2019 include the impact of the adoption of IFRS 15 with effect as of January 1, 2017; see "Item 5A.1h IFRS 15 Revenue from Contracts with Customers.", and also include the impact of the adoption of IFRS 16 with effect as of January 1, 2019; see "Item 5A.1i IFRS 16 Leases-Adoption of a new accounting standard".

(****) Mainly amortization of employee share based compensation.

- (1) The translations of NIS amounts into US dollars appearing throughout this Annual Report have been made at the exchange rate on December 31, 2019, of NIS 3.456 = US\$1.00 as published by the Bank of Israel, unless otherwise specified. See "Item 3A. Key Information – Selected Financial Data – Exchange Rate Data".

- (2) Adjusted EBITDA as reviewed by the CODM represents Earnings Before Interest (finance costs, net), Taxes, Depreciation and Amortization (including amortization of intangible assets, deferred expenses-right of use and impairment charges) and Other expenses (mainly amortization of share based compensation). Adjusted EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies. Adjusted EBITDA may not be indicative of the Group's historic operating results nor is it meant to be predictive of potential future results. The usage of the term "Adjusted EBITDA" is to highlight the fact that the Amortization includes amortization of deferred expenses – right of use and amortization of employee share based compensation and impairment charges.

	At December 31,		
	2017	2018	2019
Cellular Industry Data			
Estimated population of Israel (in millions) (1)	8.6	9.0	9.1
Estimated Israeli cellular telephone subscribers (in millions) (2)	10.4	10.6	10.6
Estimated Israeli cellular telephone penetration (3)	120%	118%	116%

	Year ended December 31,				
	2015	2016	2017	2018	2019
Company's Data					
Cellular subscribers (000's)					
(at period end) (4) (5)	2,718	2,686	2,662	2,646	2,657
Pre-paid cellular subscribers (000's)					
(at period end) (4)	562	445	354	285	291
Post-paid cellular subscribers (000's)					
(at period end) (4)	2,156	2,241	2,308	2,361	2,366
Share of total Israeli cellular subscribers					
(at period end) (5)	27%	26%	25%	25%	25%
Average monthly revenue per cellular subscriber including roaming ("ARPU") (NIS) (6)	69	65	62	58	57
Churn rate for cellular subscribers (7)	46%	40%	38%	35%	31%
Number of TV subscribers (000's)					
(at period end) (8)			43	122	188
Estimated cellular coverage of Israeli population (at period end) (9)	99%	99%	99%	99%	99%
Number of employees (full time equivalent) (at period end) (10)	2,882	2,686	2,797	2,782	2,834

- (1) The population estimates are as published by the Central Bureau of Statistics in Israel as of December 31, 2019.
- (2) We have estimated the total number of Israeli cellular telephone subscribers based on Partner subscriber data as well as information contained in published reports and public statements issued by operators and data regarding the number of subscribers porting between operators.
- (3) Total number of estimated Israeli cellular telephone subscribers expressed as a percentage of the estimated population of Israel. The total number of estimated cellular telephone subscribers includes dormant subscribers as well as other subscribers who are not included in the Israeli population figures, such as Palestinians, visitors, and foreign workers, as well as SIM cards used in modems, datacards and other cellular devices.

- (4) In accordance with general practice in the cellular telephone industry, we use the term “subscriber”, unless the context otherwise requires, to indicate a subscription that provides access to the PSTN using cellular technology, rather than either a bill-paying customer who may have a number of subscriptions, or a cellular device user who may share the device with a number of other users. Subscribers include customers of both post-paid and pre-paid services under the Partner and 012 Mobile brands, and also include subscribers to dedicated data packages for use with data cards or USB modems. A pre-paid subscriber is recognized as such only following the actual use of his pre-paid SIM card and only once they have generated revenues in the amount of at least one shekel (excluding VAT).
- In view of the expected growing impact of M2M (machine to machine) activity on our business, as from Q4 2018, M2M subscriptions are included in the post-paid subscriber base on a standardized basis, according to which the number of M2M subscriptions included is calculated by dividing total revenues from M2M subscriptions by the average revenue from a dedicated data package subscriber for the relevant period. This change had the effect of increasing the post-paid subscriber base at December 31, 2018, by approximately 34,000 subscribers.
- References to the number of subscribers are stated net of subscribers who leave or are disconnected from the network, or who have not generated revenue for the Company for a period of over six consecutive months ending at a reporting date.
- (5) Total number of Partner subscribers expressed as a percentage of the estimated total number of Israeli cellular subscribers.
- (6) We have calculated our average monthly revenue per cellular subscriber by (i) dividing, for each month in the relevant year, the total cellular segment service revenues during the month by the average number of our cellular subscribers during that month, and (ii) dividing the sum of all such results by the number of months in the relevant period. The impact on ARPU for 2018 of the inclusion of M2M subscriptions in the subscriber base starting in Q4 2018 was negligible (see Note 4 above.)
- (7) We define the “churn rate” as the total number of cellular subscribers (excluding M2M subscriptions) who disconnect from our network, either involuntarily or voluntarily, in a given period expressed as a percentage of the average of the number of our subscribers at the beginning and end of such period. Our churn rate includes subscribers who have not generated revenue for us for a period of the last six consecutive months ending at a reporting date. This includes cellular subscribers who have generated minute revenues only from incoming calls directed to their voice mail. Involuntary churn includes disconnections due to non-payment of bills or suspected fraudulent use, and voluntary churn includes disconnections due to subscribers terminating their use of our services.
- (8) TV subscribers – active subscriptions to Partner TV, each of which may have a number of users over a number of different platforms. TV subscribers include subscriptions within time-limited trial periods without charge to the customer. Partner TV was launched in 2017.
- (9) We measure cellular coverage using computerized models of our network, radio propagation characteristics and topographic information to predict signal levels at two meters above ground level in areas where we operate a network site. According to these coverage results, we estimate the population serviced by our network and divide this by the estimated total population of Israel. Population estimates are published by the Central Bureau of Statistics in Israel.
- (10) A full-time employee is contracted to work a standard 182 hours per month. Part-time employees are converted to full-time equivalents by dividing their contracted hours per month by the full-time standard. The result is added to the number of full-time employees to determine the number of employees on a full-time equivalent basis. Starting in 2019, the number of full-time employees also includes the number of full-time employees of PHI on a proportional basis of Partner’s share in the subsidiary (50%).

Exchange Rate Data

On December 31, 2019, the exchange rate was NIS 3.456 per US\$1.00 as published by the Bank of Israel. Changes in the exchange rate between the shekel and the US dollar could materially affect our financial results.

3B. Capitalization and Indebtedness

Not applicable.

3C. Reasons for the Offer and Use of Proceeds

Not applicable.

3D. Risk Factors

You should carefully consider the risks described below and the other information in this Annual Report. Depending on the extent to which any of the following risks materializes, our business, financial condition, cash flow or results of operations could suffer, and the market price of our shares may be negatively affected. The risks below are not the only ones we face, and other risks currently not affecting our business or industry, or which are currently deemed insignificant, may arise.

3D.1 RISKS RELATING TO THE REGULATION OF OUR INDUSTRY

We operate in a highly regulated telecommunications market in which the regulator imposes substantial limitations on our flexibility in managing our business and continues to seek to increase industry competition. At the same time, the regulator limits our ability to compete by, among other measures, giving preference to new competitors, and limits our ability to expand our business and develop our network. Such measures may continue to increase our costs, decrease our revenues and adversely affect our business and results of operations.

3D.1a If the structural separation provisions which apply to Bezeq are not enforced or are removed before we have established ourselves in the fixed-line and TV markets, this would adversely affect our business and results of operations.

Bezeq-The Israel Telecommunication Corp., Ltd. ("Bezeq") owns and operates the largest fixed-line infrastructure in Israel, and is also one of the largest providers of mobile telephone, internet connection, and other telecommunications services, such as television. Bezeq's license provides that it maintain structural separation between itself and its subsidiaries (Pelephone, DBS broadcasting and Bezeq International). This requires, inter alia, that Bezeq keep its management, assets and employees fully segregated from those of its subsidiaries.

In order to provide an incentive for Bezeq to implement the wholesale market, the policy of the Ministry of Communications ("MoC") regarding this sector provided that if Bezeq voluntarily implements a wholesale market, then the MoC may consider certain leniencies or abolishing the structural separation between Bezeq and each of its subsidiaries (according to terms set out in the policy document). See "Item 4B.12e - iv The Ministry of Communications policy regarding the fixed-line telecommunications sector". Since Bezeq did not voluntarily implement a wholesale market (and in our opinion remains in breach of many of its obligations under MoC policy to this day), we believe that the incentive the MoC envisioned in order to promote such action is no longer relevant.

According to its public disclosure in February 2018, Bezeq sent the MoC a letter demanding that it cancel the structural separation between Bezeq and each of its subsidiaries immediately. According to further public disclosure filed by Bezeq during November 2018 on this subject, the MoC replied to Bezeq that it is considering all options regarding the structural separation of the Bezeq and HOT Telecom LP ("HOT Telecom") groups. In February 2019, Bezeq filed a petition to the High Court of Justice against the MoC for immediate cancellation of the structural separation within the Bezeq Group. In February 2019, Bezeq reported that it intends to apply for MoC approval for a structural change which would transfer all activities and assets of all of its subsidiary companies to a single, separate, entity (limited partnership) (hereinafter "Subsidiary Companies Merger"). In January 2020, the MoC rejected Bezeq's application for the Subsidiary Companies Merger. In February 2020, during the discussion of Bezeq's petition for immediate cancellation of the structural separation, the MoC announced that the recommendations of the relevant government team tasked with considering all options on this matter will be filed within four months.

If the MoC removes the structural separation provisions applicable to Bezeq before we have firmly established ourselves in the fixed-line telecommunications services market (in both fixed-line telephony, passive infrastructures and broadband) and the multi-channel TV market, Bezeq may be able to offer bundled services more effectively than we, and thereby gain a competitive advantage which could adversely affect our results of operations.

The current structural separation provisions also require Bezeq to equally market all ISPs (internet service providers) when selling service bundles which include its infrastructure services and ISP services. Bezeq has failed to provide the relevant ISPs with the customer information required to continue service provision once Bezeq stops billing for the ISPs (after the first year of the bundle). If the MoC fails to enforce its decisions on this matter, this may adversely affect our results of operations.

3D.1b If the Ministry of Communications fails to enforce its fixed-line wholesale market reforms on Bezeq and HOT Telecom, lower the wholesale price for use of their fixed-line networks, or prevent Bezeq or HOT Telecom from lowering their retail prices for fixed-line services (thereby reducing our potential margin in this segment), our business and results of operations may be materially adversely affected.

In the past, the MoC has failed to enforce its fixed-line wholesale market reforms ("Wholesale Market Reform") on Bezeq and HOT Telecom, the two largest wireline infrastructure operators in Israel. If the MoC fails to enforce the most important components of its wholesale market reform, or if it rolls back (partially or in-whole), or fails to enforce, its decisions regarding wholesale access to HOT Telecom's network, or adopts other regulation unfavorable to companies, such as Partner, which must rely on the two wholesale suppliers for access to their fixed line networks, such actions may negatively affect our business and results of operations.

The tariffs for the Bit Stream Access (BSA) services on Bezeq and HOT Telecom's existing networks are set by the MoC. If the MoC fails to update and lower these tariffs in accordance with relevant developments, this may adversely affect our business and results of operations. See "Item 4B.12e Regulatory Developments-Hearings and Examinations".

In addition, the infrastructure owners (Bezeq and HOT Telecom) may lower their infrastructure retail prices thereby narrowing the margin between their retail prices and the wholesale price which we are required to pay them to use their fixed-line infrastructure. This may erode our margin to the point of eradicating the economic feasibility of continuing such operations. If the MoC fails to prevent such conduct by the infrastructure owners, this may adversely affect our business and results of operations. In anticipation of Bezeq's activation of its FTTP (Fiber optic to The Premises) network, the MoC intends to set fixed wholesale prices for the BSA service that will be provided using this new network (unlike the current BSA tariff that has a variable component which depends on peak traffic capacity used). See "Item 4B.12e - iii Hearings and Examinations". If the MoC fails to set such a fixed price, or if such price is set too high, this may adversely affect our business and results of operations.

For further information regarding this risk, see "Item 4B.12e - iv The Ministry of Communications policy regarding the fixed-line telecommunications sector".

3D.1c The MoC might require us to terminate the use of certain spectrum ranges which have been allocated to us, limit our use of such spectrum, fail to respond to our demands for the allocation of additional spectrum, or conduct the tender for additional frequencies in an unsuitable format. Such eventualities may adversely affect our business and results of operations.

The MoC might prevent us from using some of our existing spectrum, may limit our ability to use such spectrum (whether by demanding we share such use with others or placing other limits on such use) or may fail to respond to our demands for the allocation of additional spectrum or for the refarming of our existing spectrum (the conversion of existing frequencies to a different technology). Such actions may interfere with our ability to effectively manage our licensed spectrum, reduce our ability to adequately provide services to our subscribers and place us at a competitive disadvantage. These possible eventualities may adversely affect our business and results of operations.

See also "Item 3D.1d The conditions and method chosen to conduct the frequencies tender published by the MoC may prevent us from participating in the tender, lead to significant inflation in the final payments for the frequencies, and affect the quantity and quality of the frequencies that we are awarded. Such eventualities may affect our ability to compete and adversely affect our business and results of operations."

3D.1d The conditions and method chosen to conduct the frequencies tender published by the MoC may prevent us from participating in the tender, lead to significant inflation in the final payments for the frequencies, and affect the quantity and quality of the frequencies that we are awarded. Such eventualities may affect our ability to compete and adversely affect our business and results of operations.

On July 15, 2019, the MoC published a tender for the award of frequencies, including frequencies intended for 5G services (the "Tender").

The Tender includes 2x30 MHz in the 700 MHz Band, 2x60 MHz in the 2,600MHz band and 300 MHz in the 3,500-3,800 MHz band. The frequencies in the 700 MHz band will be awarded for a period of 15 years and the rest of the frequencies offered in the Tender will be awarded for a period of 10 years.

The Tender committee has chosen to conduct the tender using the Combinatorial Clock Auction (CCA) method. After reviewing the proposed method and based on expert advice, we believe that this method may lead to strategic bidding practices by some contenders which may lead to significant inflation in the final payments for the frequencies.

Mobile network operators ("MNOs") sharing a network are required to bid jointly in this Tender via a joint bid agreement which is to be pre-approved by the Tender committee. On February 17, 2020, we filed together with HOT Mobile a joint bid agreement, that governs the process regarding the submission of the future joint bid. On February 27th, the parties were notified that they are required to file an amended agreement regarding certain matters, by April 22nd.

The Tender includes limits on the amount of frequencies that a single network can be awarded in each band. We believe these limits have been set too high, thereby increasing the risk of excessive demand for the frequencies and inflating the final payments for such frequencies. Furthermore, since the Tender mechanism does not include a specific band allocation within each of the frequency ranges, even if we are awarded a specific band, we cannot guarantee full utilization of such band allocation if such an allocation is of an inferior quality. Such an outcome could have a material adverse effect on our operations, profitability and capital expenses, and would harm our ability to migrate to next generation technologies, which would place us at a disadvantage compared to our competitors.

According to the terms of the Tender, only existing MNOs will be allowed to compete for most of the frequencies tendered. Other contenders may compete with the existing MNOs for only 100 MHz in the 3,500-3,600 MHz band. Entry of new facilities-based operators into the cellular market may adversely affect our results of operations.

The Tender includes deployment-based incentives and recommendations for reductions in spectral fees which also depend on the speed of deployment and adoption of new technologies. However, the deployment and operation of new antennas require various consents and permits from all relevant authorities. If we encounter difficulties in obtaining such consents or permits, this may prevent us from meeting the deployment requirements set out in the Tender thereby reducing our chances of obtaining the substantial incentives included in the Tender.

Since we cannot anticipate the minimum bids to be set by the Tender committee, nor what the results of the Tender will be, we cannot fully evaluate the implications of the Tender on our results of operations.

3D.1e The deployment of our fiber-optic based infrastructure is dependent on effective enforcement by the Ministry of Communications of its reform enabling us to use a competitor's cable ducts and other passive infrastructure elements.

The deployment of a fiber-optic based infrastructure is part of our overall strategy to become a comprehensive telecommunications group.

Currently, the majority of our deployment is performed based on the MoC's reform which enables us to use Bezeq's existing cable ducts in order to deploy our fiber optic cables, see "Item 4B.12e - iv- The Ministry of Communications policy regarding the fixed-line telecommunications sector".

Bezeq has not abided by some of its main obligations under the relevant MoC reform. For example, Bezeq has attempted to charge us fees for actions which the relevant MoC decision expressly states are to be performed at no charge. During October 2018, the MoC published a draft of a new service portfolio which will require all wireline infrastructure operators to allow access to their passive infrastructure elements.

If the MoC fails to effectively enforce its reform in this matter against Bezeq, the future progress of this project and our business and results of operations may be materially and adversely affected.

3D.1f Our strategy in the wholesale market and TV segments is dependent on our ability to connect our fiber optic infrastructure to Bezeq's existing infrastructure at the local level in many points. Achieving this goal may require effective enforcement by the Ministry of Communications and Competition Authority.

The existing tariff for Bezeq's wholesale BSA service has a substantial variable component which depends on peak traffic capacity used by our subscribers in the wholesale market. In order to mitigate the risk inherent in this variable component, the MoC policy allows for the connection of our fiber optic infrastructure to Bezeq's network at the local level (to the component known as the Multi-Service Access Gateway, or MSAG).

Currently, the majority of our deployment to Bezeq's MSAGs is performed based on the MoC's reform which enables us to use Bezeq's existing cable ducts in order to deploy our fiber optic cables and the MoC service portfolio regarding the BSA service, see "Item 4B.12e - iv- The Ministry of Communications policy regarding the fixed-line telecommunications sector".

Bezeq does not abide by some of its main obligations under the relevant MoC reform and service portfolios. If the MoC fails to effectively enforce its reform in this matter against Bezeq and if the Israel Competition Authority (formerly the anti-trust authority) fails to prevent Bezeq's anti-competitive practices in this matter, the future progress of this project and our business and results of operations may be materially and adversely affected.

3D.1g The Network Sharing Agreement we entered into with HOT Mobile may be terminated earlier than we expected due to regulatory intervention. In such case we will be required to split the shared network with HOT Mobile, and the resources, time and expense it may take us to have our own network on a nation-wide coverage may be substantial and could also materially harm our business and the results of operations at such time. Network sharing and similar agreements entered into by our competitors may place us at a competitive disadvantage.

In November 2013, we entered into a 15-year network sharing agreement ("Network Sharing Agreement") with HOT Mobile pursuant to which the parties created a limited partnership, under the name P.H.I. Networks (2015) Limited Partnership ("PHI"). The purpose of PHI is to operate and develop a radio access network to be shared by both parties.

In May 2014, the Anti-Trust Commissioner resolved to approve the Network Sharing Agreement, subject to a number of conditions ("Anti-Trust Commissioner Approval") and in April 2015, the Ministry of Communications resolved to approve the Network Sharing Agreement, subject to a number of conditions as well ("MoU Approval").

However, the Network Sharing Agreement may terminate or expire prior to the lapse of the said 15-year period due to regulatory intervention in one of the following circumstances:

- 1) Pursuant to the Anti-Trust Commissioner Approval - as of April 22, 2021, the Anti-Trust Commissioner will be entitled to notify Partner and HOT Mobile that the network sharing is terminated, if at that time the Anti-Trust Commissioner will be of the opinion that PHI or its activities may adversely affect competition, in which case the parties will be required to cease sharing the active part of the shared network within two years and the passive parts within five years from the Anti-Trust Commissioner's notice to that effect;
- 2) In the event we are found to be in breach of any of the conditions set out in the Anti-Trust Commissioner Approval or in the MoU's Approval, the Anti-Trust Commissioner Approval or the MoU Approval might be terminated, which could create significant uncertainty as to the management of the shared radio access network;
- 3) PHI is operating under a special license granted by the Ministry of Communications on August 9, 2015. The term of the license is 10 years from the grant thereof. If the term of the license will not be extended, we may not be able to continue sharing the network.

If and when the network sharing will end, we will need to split the shared network with HOT Mobile and the resources, time and expense it may take to have our own network on a nation-wide coverage, may be substantial and could materially harm our business and results of operations at such time. See also "Item 3D.2i If the network sharing agreement entered into with HOT Mobile is unilaterally terminated by HOT Mobile earlier than we expect, we will be required to split the shared network with HOT Mobile and the resources, time and expense it may take us to have our own network in a nationwide coverage, would be substantial and could also materially harm our business and the results of operations at such time." and "Item 4B.8a Overview - *Cellular Network Sharing Agreement*".

Network sharing and similar agreements entered into by our competitors

In July of 2016, Cellcom Israel Ltd. ("Cellcom") announced that it had reached an agreement with Marathon 018 Xfone Ltd. ("Xfone") for 4G (and future generations) network sharing and for 2G and 3G hosting services. This agreement was approved by the Israeli Anti-Trust Commissioner in October of 2016. In March 2017, Cellcom reported that this agreement was approved by the Ministry of Communications.

In 2017, Cellcom entered into an agreement with Electra Consumer Products Ltd. ("Electra") for 3G and 4G network sharing and 2G hosting services. According to Cellcom's report, Electra simultaneously entered into an agreement with Golan Telecom and its shareholders to purchase Golan Telecom's share capital. These agreements were approved by the Israeli Anti-Trust Commissioner, subject to certain conditions. In March 2017, Cellcom reported that the agreements were approved by the Ministry of Communications. Our knowledge of the content of these agreements is based on partial publications including reports filed by Cellcom, Electra and the IDB Development Company Ltd. However, if these agreements received regulatory approval under conditions that are more lenient than those imposed on us, this would place us at a competitive disadvantage compared to our competitors. As a result, our business and results of operations may be negatively impacted. Recently, Cellcom reported that they entered into a binding Memorandum of Understanding for the purchase of Golan Telecom's entire share capital. The transaction is subject to, among others, regulatory approvals. We cannot assess the full impact of this transaction, should it be approved on the competitive environment and our results of operations.

3D.1h New regulatory initiatives may continue to increase the regulatory burden and intensify competition, which could negatively affect our business and results of operations.

The implementation of the Telecommunications Law, 1982, ("Telecommunications Law"), the Wireless Telegraph Ordinance [New Version], 1972 ("Wireless Telegraph Ordinance") and other laws and regulations, as well as the provisions of our licenses, are all subject to interpretation and change. New laws, regulations or government policies, changes to current regulations, or a change to the interpretation thereof, may be adopted or implemented in a manner which damages our business and operating results. Such measures may include new limits on our ability to market our services, new safety and health related requirements, new limits on the construction and operation of cell towers, new requirements, standards, consumer protection provisions, privacy provisions, coverage term and other conditions or limits applicable to the services we provide. Such measures may negatively affect our business and results of operations. Furthermore, if such measures would benefit our competitors or are applied only to us (and not to our competitors), we may be placed at a competitive disadvantage. For information regarding the principal regulations and regulatory developments affecting our business, see "Item 4B.12e Regulatory Developments".

3D.1i The State may impose regulations on TV content services provided over the Internet, which may negatively affect our business and results of operations.

The State (through the MoC and/or the Council for Cable and Satellite Broadcasting) may impose regulations on nascent TV content services which are provided over the Internet ("OTT") and which are currently unregulated. The MoC has published a draft bill which proposes that OTT services will be regulated in stages, according to annual income of the relevant operator (the "Draft Bill"). According to the Draft Bill, no regulation will be imposed on local OTT services with an annual income of less than NIS 350 million. Our annual income from local OTT services is not expected to exceed such a level in 2020.

If the State places burdensome regulations on our OTT services (such as a requirement to invest a percentage of our income from this activity in original productions), this might increase our costs, raise the cost of operations in this segment and, if applied only to Israeli OTT providers, place us at a competitive disadvantage, in each case with potential negative effects on our business and results of operations.

3D.1j Data protection legislation and the evolving legal environment regarding privacy protection, which has and may continue to impose a heavier regulatory burden on us, could negatively affect our business and results of operation.

Data protection regulations impose wide obligations with respect to data privacy protection. Our business requires us to hold and use certain personal data of our customers, and we believe we are in compliance with all currently applicable laws, regulations, policies and legal obligations, although they are all subject to interpretation and change. However measures we have implemented in order to protect our customers' data may not result in full compliance with applicable laws and regulations. In addition, measures to ensure compliance may require us to invest additional modifications to our solutions to comply with such regulations and might delay offerings of new products and services.

If we fail or are unable to comply with applicable privacy and data security laws, regulations, self-regulatory requirements or industry guidelines, or our terms of use with our customers, we may be subject to penalties, fines, legal proceedings by governmental entities or other enforcement actions, loss of reputation, legal claims by individuals and customers and significant legal and financial exposure, any of which could materially and adversely affect our business and our results of operations.

3D.1k We are subject to monitoring and enforcement measures by the Ministry of Communications and other relevant authorities, which may adversely affect our business and results of operations.

Although we believe that we are currently in compliance with all material requirements of the relevant legislation and our licenses, disagreements have arisen and may arise in the future between the MoC and us regarding the interpretation and application of the requirements set out in relevant legislation and our licenses. The MoC is authorized to levy significant fines on us for breaches of the Telecommunications Law, relevant regulations and our licenses. Our operations are also subject to the regulatory and supervisory authority of other Israeli regulators which have the authority to impose criminal and administrative sanctions against us.

We may not always be successful in our defense, and should we be found in violation of these regulations, we and our management may be subject to civil or criminal penalties, including the loss of our operating license as well as administrative sanctions. All such enforcement measures may adversely affect our financial condition or results of operations. For information regarding on-going litigation and legal proceedings, see “Item 8A.1 Legal and Administrative Proceedings”.

3D.1l We have had difficulties obtaining some of the building and environmental permits required for the erection and operation of our cellular network sites, and some building permits have not been applied for or may not be fully complied with. These difficulties could have an adverse effect on the coverage, quality and capacity of our network. Operating network sites without building or other required permits, or in a manner that deviates from the applicable permit, may result in criminal or civil liability to us or to our officers and directors.

Our ability to maintain and improve the extent, quality and capacity of our cellular network coverage depends in part on our ability to obtain appropriate sites and approvals to install our network infrastructure, including network sites. The erection and operation of most of these network sites require building permits from local or regional planning and building authorities, as well as a number of additional permits from other governmental and regulatory authorities. In addition, as part of our network build-out and expansion, we are erecting additional network sites and making modifications to our existing network sites for which we may be required to obtain new consents and approvals.

For the reasons described in further detail below, we have had difficulties obtaining some of the building permits required for the erection and operation of our network sites. As of December 31, 2019, less than 10% of our network sites were operating without local building permits or exemptions which, in our opinion, are applicable. In addition, some of our network sites are not built in full compliance with the applicable building permits.

Network site operation without required permits or that deviates from the permit has in some cases resulted in the filing of criminal charges and civil proceedings against us and our officers and directors, and monetary penalties against the Company, as well as demolition orders. See “Item 8A.1 Legal and Administrative Proceedings”. In the future, we may face additional demolition orders, monetary penalties (including compensation for loss of property value) and criminal charges. The prosecutor's office has a national unit that enforces planning and building laws. The unit has stiffened the punishments regarding violations of planning and building laws, particularly against commercial companies and its directors. If we continue to experience difficulties in obtaining approvals for the erection and operation of network sites and other network infrastructure, this could have an adverse effect on the extent, coverage and capacity of our network, thus impacting the quality of our cellular voice and data services, and on our ability to continue to market our products and services effectively. In addition, as we seek to improve the range and quality of our services, we need to further expand our network, and difficulties in obtaining required permits may delay, increase the costs or prevent us from achieving these goals in full. Our inability to resolve these issues could prevent us from maintaining the quality requirements contained in our license.

Uncertainties under National Building Plan 36. Since June 2002, following the approval of the National Building Plan 36 (the “Plan”), which regulates network site construction and operation, building permits for our network sites (where required) have been issued in reliance on the Plan. Several local planning and building authorities have questioned the ability of Israeli cellular operators to receive building permits, in reliance on the Plan, for network sites operating in frequencies not specifically detailed in the frequency charts attached to the Plan. In a number of cases, these authorities have refused to grant building permits for network sites, claiming that frequencies are not included in the Plan. In April 2018, a ruling was given by the Haifa District Court, which accepted the position of the cellular companies that in accordance with the Plan, network sites may be approved even if these sites are operating in frequencies not specifically detailed in the frequency charts attached to the Plan. This ruling was appealed to the Supreme Court and the appeal is still pending. In October 2018, a ruling was given regarding the same network site by another judge in the Haifa District Court, which ruled that it is not possible to approve network sites that do not match the frequency table. The cellular companies appealed this ruling to the Supreme Court and the appeal is still pending.

In the framework of the legal proceedings conducted by the Haifa District Court regarding this issue, the State's position was that network sites in accordance with the Plan may be approved even if they are not included in the frequency chart.

If a future court ruling determines that building permits cannot be issued for network sites operating in frequencies not specifically detailed in the frequency charts attached to the Plan, this could have a material adverse effect both on our ability to erect new sites as well as on our existing sites.

The Plan is in the process of being changed. See “Item 4B.12h Network Site Permits”.

Uncertainties regarding the validity of exemptions for wireless access devices. We have set up several hundred small communications devices, called wireless access devices, pursuant to a provision in the Telecommunications Law which exempts such devices from the need to obtain a building permit. A claim was raised that the exemption does not apply to cellular communications devices and the matter reached first instance courts a number of times, resulting in conflicting decisions. This claim is included in an application to certify a class action filed against the three principal Israeli cellular operators. In May 2008, a district court ruling adopted the position that the exemption does not apply to wireless access devices. We, as well as our competitors, filed a request to appeal this ruling to the Supreme Court. In May 2008, the Attorney General filed an opinion regarding this matter stating that the exemption does apply to wireless radio access devices under certain conditions. Two petitions were filed with the High Court of Justice in opposition to the Attorney General's opinion. In October 2018, the Attorney General submitted a request to dismiss the petitions on the grounds that the matter of network sites has been regulated by regulations. In December 2018, the Supreme Court and the High Court of Justice dismissed the two petitions and accepted the appeal filed by us as well as our competitors against the district court ruling. See “Item 4B.12h Network Site Permits”. In December 2017, the Knesset Economics Committee discussed a new version of the regulations passed by the Minister of Finance in coordination with the other relevant government ministries. In May 2018, the Economics Committee approved the new regulations which were published in October 2018. According to the provisions of the regulations that were approved, in order to establish a new wireless access device, a short process of licensing is required before the committee engineer, which could constitute a significant obstacle to obtaining such approval. If approval is not obtained, or is substantially delayed, our network capacity and coverage would be negatively impacted, which could have an adverse effect on our revenue and results of operations.

Uncertainties regarding requirements for repeaters and other small devices. We, like the other cellular operators in Israel, provide repeaters, also known as bi-directional amplifiers, to subscribers seeking an interim solution to weak signal reception within specific indoor locations. In light of the lack of a clear policy of the local planning and building authorities, and in light of the practice of the other cellular operators, we have not requested permits under the Planning and Building Law, 1965 (“Planning and Building Law”) for the repeaters. However, we have received an approval to connect the repeaters to our communications network from the Ministry of Communications and have received from the Ministry of Environmental Protection permit types for all our repeaters. If the local planning and building authorities determine that permits under the Planning and Building Law are also necessary for the installation of these devices, or any other receptors that we believe do not require a building permit, it could have a negative impact on our ability to obtain permits for our repeaters.

In addition, we construct and operate microwave links as part of our transmission network. The various types of microwave links receive permits from the Ministry of Environmental Protection in respect of their radiation level. Based on an exemption in the Telecommunications Law, we believe that building permits are not required for the installation of most of these microwave links on rooftops, but to the best of our knowledge, there is not yet a determinative ruling on this issue by the Israeli courts. 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 links, and could hinder the coverage, quality and capacity of our transmission network.

3D.1m In connection with some building permits, we may also be required to indemnify planning committees in respect of claims against them relating to the depreciation of property values that result from the granting of permits for network sites.

Under the Planning and Building Law, local planning committees may be held liable for the depreciation of the value of nearby properties as a result of approving a building plan. Under the Non-Ionizing Radiation Law, 2006 (the "Non-Ionizing Radiation Law") the National Council for Planning and Building requires indemnification undertakings from cellular companies as a precondition for obtaining a building permit for new or existing network sites. The National Council has decided that until the Plan is amended to reflect a different indemnification amount, cellular companies will be required to undertake to indemnify the committees in full against all losses resulting from claims against a committee for reductions in property values as a result of granting a permit to the network site. On June 1, 2010, the National Council for Planning and Building approved the National Building Plan No. 36/A/1 version that incorporates all of the amendments to the Plan (the "Amended Plan"). The Amended Plan sets forth the indemnification amounts as a percentage of the value of the depreciated property claims in accordance with the manner in which the licenses were granted. See "Item 4B.12h Network Site Permits". The Amended Plan is subject to governmental approval, in accordance with the Planning and Building Law. It is unknown when the government intends to approve the Amended Plan.

As of December 31, 2019, we have provided local authorities with 459 indemnification undertakings. These indemnifications expose us to risks which are difficult to quantify or mitigate and which may have a material adverse effect on our financial conditions and results of operations, if we are required to make substantial payments in connection therewith. In addition, the requirement to provide indemnification in connection with new building permits may impede our ability to obtain building permits for existing network sites or to expand our network with the erection of new network sites. The indemnification requirement may also cause us to change the location of our network sites to less suitable locations or to dismantle existing network sites, which may have an adverse effect on the quality and capacity of our network coverage.

In 2007, the Israeli Ministry of Interior Affairs extended the limitation period within which depreciation claims may be brought under the Planning and Building Law from three years from approval of the building plan to the later of one year from receiving a building permit for a network site under the Plan and six months from the construction of a network site. The Ministry retains the general authority to extend such period further. This extension of the limitation period increased our potential exposure to depreciation claims.

3D.1n The Ministry of Communications has indicated its intention to reduce or cancel cellular interconnection charges, which would negatively affect our income.

An MoC economic opinion published in February 2013, included a recommendation for a further reduction of cellular call and SMS interconnect tariffs towards the end of 2016. Such a reduction may negatively affect our business and results of operations. In February 2017, the MoC notified the cellular companies that due to other priorities, it does not intend to pursue this task at this time. An additional economic opinion commissioned by the MoC has recommended that interconnection charges be cancelled.

3D.1o We can only operate our business for as long as we have licenses from the Ministry of Communications.

We conduct our operations pursuant to licenses granted to us by the Ministry of Communications, which may be extended for additional periods upon our request to the Ministry of Communications and confirmation from the Ministry that we have met certain performance requirements. We cannot be certain that our licenses will not be revoked, will be extended when necessary, or, if extended, on what terms an extension may be granted. See “Item 4B.12f Our Mobile Telephone License”.

3D.1p Our cellular telephone license imposes certain obligations on our shareholders and restrictions on who can own our shares. Ensuring compliance with these obligations and restrictions may be outside our control, and may limit our ability to raise new equity capital. If the obligations or restrictions are not respected by our shareholders, we could be subject to significant monetary sanctions or lose our license.

As with other companies engaged in the telecommunications business in Israel, our license requires that a minimum economic and voting interest in, and other defined means of control of our company be held by Israeli citizens and residents or entities under their control. If this requirement is not complied with, we could be found to be in breach of our license and be subject to significant monetary sanctions, even though ensuring compliance with this restriction may be beyond our control. See “Item 4B.12f Our Mobile Telephone License”.

Our general mobile telephone license requires that our “founding shareholders or their approved substitutes”, as defined in the license, hold at least 26% of the means of control in the Company, including 5% which must be held by Israeli founding shareholders (Israeli citizens and residents), who were approved as such by the Minister of Communications. Notwithstanding the aforesaid, following the sale of the controlling stake of the Phoenix Group (one of the Company’s approved Israeli founding shareholders) to foreign entities, on November 12, 2019, the MoC issued a temporary order (ending on November 1, 2020) amending the above holding requirement in our license and reducing the percentage that the approved Israeli entities are required to hold from 5% to 3.82% of the means of control in the Company. If the temporary order is not extended by the MoC or if the Phoenix Group’s holdings are not approved by the MoC as holdings held by Israeli founding shareholders, we might be in violation of our license.

In addition, if the Company decides to raise capital, it may face significant difficulty to do so since the current holdings of Israeli entities (as defined in the license) holdings are approximately 5% and any equity offering to the public or to the Company’s employees and office holders will require an equivalent equity offering of shares to Israeli entities, in a manner in which the total Israeli entities founding shareholders’ holdings will not be less than 5% of the total issued share capital. Since the transfer of these Israeli entity shares requires pre-approval of the MoC to determine that the receiving shareholder is eligible to be an Israeli entity, they are limited in their capability of transfer to another shareholder. The Company may need to grant a significant discount in an equity offering of these Israeli entity shares. If the Company were required to raise capital and this issue prevented it from doing so, our business could be adversely impacted (e.g., reduction in sales with long term credit arrangements and/or reduction in capital investments). The license also requires that these Israeli founding shareholders appoint at least 10% of our Board of Directors. In 2006, our Israeli founding shareholders sold substantially all of their shares in the Company to Israeli institutional investors, who were approved as substitutes. Since then, there were additional share sales to Israeli institutional investors that were approved as substitutes by the Minister of Communications.

In addition, according to our license, no transfer or acquisition of 10% or more of any of such means of control, or the acquisition of control of our company, may be made without the consent of the Minister of Communications. Nevertheless, under certain licenses granted, directly or indirectly, to Partner, approval of, or notice to, the Minister of Communications may be required for holding of 5% or more of Partner’s means of control. Our license also restricts cross-ownership and cross-control among competing mobile telephone operators, including the ownership of 5% or more of the means of control of both our company and a competing operator, without the consent of the Minister of Communications, which may limit certain persons from acquiring our shares. Shareholdings in breach of these restrictions relating to transfers or acquisitions of means of control or control of Partner could result in the following consequences: the shares will be converted into “dormant” shares as defined in the Israeli Companies Law, 1999 (“Israeli Companies Law”), with no rights other than the right to receive dividends or other distributions to shareholders, and to participate in rights offerings until such time as the consent of the Minister of Communications has been obtained and our license may be revoked. In addition, under certain licenses of the Company’s subsidiaries, approval of, or notice to, the Minister of Communications may be required for holding of less than 5% of means of control. Because of this lack of consistency, Partner may be in breach of its licenses in this regard.

3D.2 RISKS RELATING TO OUR BUSINESS OPERATIONS

3D.2a Largely as a result of substantial and continuing changes in our regulatory and business environment since 2011, our operating financial results, profitability and cash flows have declined significantly in the past few years compared with the period prior to 2011, including a loss for the year 2015. In 2019 we earned profits of NIS 19 million (US\$ 6 million) compared with profits of NIS 56 million for 2018. Under the assumption that existing trends and the current business environment continue, our operating results are likely to continue to decline in 2020 and possibly beyond, and may result in losses, which is likely to adversely affect our financial condition.

Our revenues in 2019 were NIS 3,234 million (US\$ 936 million), a decrease of 1% from NIS 3,259 million in 2018 and the Company recorded a profit in 2019 of NIS 19 million (US\$6 million), compared with a profit in 2018 of NIS 56 million. The principal factor leading to the overall decline in operating results over the past several years has been the intense competition resulting largely from regulatory developments intended to enhance competition in the Israeli communications market. These developments have caused, over the past several years, (i) significant price erosion in cellular services due to heightened competition from new entrants in the Israeli cellular market, (ii) a decrease in our cellular subscriber base and market share, and (iii) a decrease in gross profits from equipment sales.

Under the assumption that existing trends and the current business environment continue, these factors are likely to continue to negatively impact our business through 2020 and possibly beyond, and may result in losses. As a result, our financial condition is likely to be adversely affected, thereby increasing the risk of a substantial impairment in the value of our telecommunications assets. See also "Item 5D.2 Outlook".

3D.2b Our level of indebtedness could adversely affect our business, profits and liquidity. Furthermore, difficulties in generating sustainable cash flow may impair our ability to repay our debt and reduce the level of indebtedness.

As of December 31, 2019, total borrowings and notes payables amounted to NIS 1,780 million, compared to NIS 1,366 million as of December 31, 2018. In addition, options to issue Series G notes are recorded on our balance sheet as a financial liability at fair value of NIS 28 million as of December 31, 2019. See also "Item 5B.4 Total net financial debt". The terms of the Company's borrowings and notes payable require the Company to comply with financial covenants and other stipulations for existing borrowings. The existing borrowing agreements allow the lenders to demand an immediate repayment of the borrowings in certain events (events of default), including, among others, a material adverse change in the Company's business and non-compliance with the financial covenants set in those agreements. These events of default include non-compliance with the financial covenants, as well as other customary terms. See "Item 5B.2 Long-Term Borrowings".

In addition, our need for cash to service our substantial existing debt may in the future restrict our ability to continue offering long-term installment plans to promote sales of equipment. As a result, our ability to continue benefiting from one of the current contributors to total Company profits may be limited. (See also "ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS" and specifically "Item 5D.2 Outlook");

Our indebtedness could also adversely affect our financial condition and profitability by, among other things:

- requiring us to dedicate a substantial portion of our cash flow from operations to service our debt, thereby reducing the funds available for financing ongoing operating expenses and future business development;
- limiting our flexibility in planning for, or reacting to, changes in our industry and business as well as in the economy generally;

- increasing the likelihood of a downgrade in the rating of our notes by the rating company;
- increasing the risk of a substantial impairment in the value of our telecommunications assets; and
- limiting our ability to obtain the additional financing we may need to serve our debt, operate, develop and expand our business on acceptable terms or at all.

If our financial condition is affected to such an extent that our future cash flows are not sufficient to allow us to pay principal and interest on our debt, we might not be able to satisfy our financial and other covenants, and may be required to refinance all or part of our existing debt, use existing cash balances or issue additional equity or other securities. We cannot be sure that we will be able to do so on commercially reasonable terms, if at all.

3D.2c Competition resulting from the full service offers by telecommunications groups and additional entrants into the telecommunications market, as well as other actual and potential changes in the competitive environment and communications technologies, may continue to cause a further decrease in mobile and fixed-line service tariffs as well as an increase in subscriber acquisition and retention costs, and may reduce our subscriber base and increase our churn rate, each of which could adversely affect our business and results of operations.

Competition in the cellular market. Over the past few years, the entrance of new operators and regulatory changes at the time of their entrance which removed portability barriers between cellular operators, combined with various benefits and leniencies awarded to them by the MoC, resulted in increased competition in the market and has continued to lead to high levels of portability of cellular subscribers between cellular operators, which has negatively affected, and may continue to negatively affect, our results of operations. Cellcom, Golan and Xfone have a network sharing agreement which enabled Xfone to enter the market as the sixth facility-based operator. Xfone's entry into the market has increased competition levels in the cellular market, thus negatively affecting our results of operations.

Recently, Cellcom reported that they entered into a binding Memorandum of Understanding for the purchase of Golan Telecom's entire share capital. The transaction is subject to, among others, regulatory approvals. We cannot assess the full impact of this transaction, should it be approved, on the competitive environment and our results of operations.

Entrance of additional MVNOs. The entrance of additional Mobile Virtual Network Operators ("MVNOs") may further increase competition in the cellular market. Some MVNOs are retailers with a wide customer base and distribution network that allows them to offer attractive package prices to their customers. See "Item 4B.9a Competitors in the Cellular Services market".

Competitive advantages of the two fixed-line infrastructure groups. The Bezeq Group and the HOT Group are the only Israeli telecommunications providers that have their own nationwide fixed-line telecommunications infrastructures. See "Item 3D.1a If the structural separation provisions which apply to Bezeq are not enforced or are removed before we have established ourselves in the fixed-line and TV markets, this would adversely affect our business and results of operations."

Because the Bezeq Group and the HOT Group operate their own nationwide broadband internet access and transmission infrastructures, they do not depend on any third party for broadband internet access. Partner (and other telecommunications services providers who do not have their own nationwide independent broadband internet access infrastructure) is unable to independently provide these services to most households, and is dependent on Bezeq and HOT in providing these services, substantially limiting our ability to compete.

Fixed-line infrastructure market. Our entry into the fixed-line infrastructure market in August 2017 entails significant long-term investments associated with infrastructure deployment, for which a positive return on the investment is not expected in the short term. In addition, our entrance into this market may accelerate the entry of Bezeq and other competitors into this market, deploying their own fiber infrastructures and activating existing ones, or upgrading their existing infrastructure to offer faster connections (such as HOT's infrastructure upgrade which now allows for connection speeds of up to 500 Mbps and future upgrades which could lead to connection speeds of up to 1 Gbps), all of which might reduce or limit our market penetration.

TV market. Increasing competition in the market may include new entrants that might begin offering television services over the internet in a similar format to ours. Such a development might cause a decline in our market share growth rate.

Furthermore, our entry into new markets (e.g. television services, fixed-line infrastructure) may further intensify price competition in the cellular and fixed-line markets which may have an adverse effect on our results of operations.

Israel Broadband Company (IBC). In August 2013, the Minister of Communications granted Israel Broadband Company (2013) Ltd. ("IBC"), a general license for the provision of fixed-line telecom services (infrastructure) and for the establishment of a nationwide fiber optic network using the Israeli Electric Company's infrastructure.

Under its general license, IBC is only allowed to sell its services to other telecom licensees. IBC has launched a web portal in which it offers ISP services to end-users (through agreements with selected ISPs). The variety of suppliers, immediate choice, and ability to quickly switch suppliers may commoditize the ISP segment and negatively impact our revenues and profits. IBC was also granted a special license for the provision of domestic fixed-line data communication.

Under its special license, IBC is permitted to provide its services to large business customers. Entry of IBC into the large business segment of the ISP market may increase competition in this segment and erode our market share, which may negatively affect our results of operation.

In August 2018, the MoC announced its decision to allow IBC to apply for a new license, thereby replacing its universal deployment obligation with an obligation to reach only 40% of Israel's households within 10 years from the grant of such license.

In January 2020, the MOC published a consultation in which it proposed that IBC would be allowed to offer its infrastructure services directly to end-users in bundles which include the ISP services of other suppliers. The MOC also proposed that IBC would be allowed to offer its infrastructure services and ISP services directly to the business segment. However, the MOC did not cancel IBC's exclusive right to use the Israeli Electric Company's infrastructure nor did it require IBC to pay back the NIS 150 million grant which it received from the State. Such discriminatory treatment of Partner (which was not granted with similar incentives), may place us at a competitive disadvantage and adversely affect our results of operations.

In March 2019, Cellcom reported entering into definitive agreements for investment in IBC and indefeasible right of use in IBC's fiber optic infrastructure and a term sheet for the sale of fiber optic infrastructure in residential areas to IBC. In July 2019, Cellcom reported the completion of an investment transaction in IBC. This agreement might accelerate the deployment of IBC's fiber infrastructure and increase the areas in which Cellcom can offer its customers fiber infrastructure.

Sale of handsets and other equipment. Competition in the market for handsets and other equipment including tablets, laptops, audio-visual devices and other related equipment sold by the Company is high and may increase, which may affect our results of operation. In recent years, entry level smartphones have continuously improved their capabilities at reduced prices. This trend has led to a change in consumer preferences in favor of cheaper smartphones, the sale of which entails lower profitability. In addition, the increase of device sales through e-commerce, among others, as a result of the entrance of new players into the equipment sales market, such as Amazon, might increase competition in this market and adversely effect our results of operation.

Competition in Roaming Services. Some of our competitors may be able to obtain lower roaming rates than us either since they have larger call volumes or through their affiliations with other international cellular operators. Some competing service providers use alternative technologies for roaming that bypass the existing method of providing roaming services. Further competition in roaming services (both inbound and outbound) has arisen and may arise in the future from other telecommunication operators and new technologies that allow subscribers to use global SIM cards and pure internet and App-based services such as Skype, and WhatsApp, as well as other operators' products which use VoIP applications. In addition, some cellular operators market plans that, in addition to calls, SMS and internet, include roaming services to set lists of countries. Such services and plans may further increase competition levels in roaming services, thus negatively affecting our results of operations.

Reliance on other service providers for roaming. We rely on agreements to provide roaming capability to our subscribers in many areas outside Israel. However, we cannot control the quality of the service that other telecommunication companies provide or whether they will be able to provide the services at all, and it may be inferior to our quality of service. Our subscribers also may not be able to use some of the advanced features that they enjoy when making calls on our network. As a result, we may lose some of our customers' roaming traffic to other roaming solutions, which would negatively impact our results of operations from this important source of earnings.

3D.2d Continued increases in the level of competition may bring further downward pressure on prices, which has caused us in the past, and might cause us in the future, to recognize substantial impairment in the value of our assets.

At December 31, 2015, we recorded an asset impairment of NIS 98 million for the fixed-line business in the ISP/VOB CGU. See "Item 5A.1e Impairment of Fixed-Line Assets and Goodwill".

Continued increases in the level of competition for cellular or fixed-line services may bring further downward pressure on prices which may require us to perform further impairment tests of our assets. Such impairment tests may lead to recording additional significant impairment charges, which could have a material negative impact on our operating profit and profit.

3D.2e The novel coronavirus disease COVID-19 has had a limited impact on our business and operations to the date of approval of this Annual Report. However, should these trends continue, this may have a material harmful effect on our results of operations and financial position for 2020.

As for other companies in Israel and around the world, the novel coronavirus disease COVID-19 poses an unquantifiable threat to our business and operations. In particular, the significant fall in the volume of international travel by our customers has begun to cause a decrease in revenues from roaming services, and the closure of shopping malls and changes in general consumer behavior have begun to affect the volume of sales of equipment.

As of the date of approval of this Annual Report, the impact has been limited, since the crisis only began at the beginning of March. In addition, the impact has been mitigated by a number of actions taken by the Company, including cutting costs and sending a large quantity of employees on unpaid leave. However, should these trends continue, this may have a material harmful effect on our results of operations and financial position for 2020.

The two main harmful effects expected include:

- A significant drop in the volume of international travel by our customers which would significantly harm our revenues and profits from roaming services. The Company's revenues from roaming services tend to increase in the Jewish holidays (in particular in April-May) and during the summer months, and therefore the extent of the impact will also depend on the extent to which the impact of the disease continues through these periods.
- Closure of shopping malls for a significant period of time and changes in general consumer behavior which would significantly harm revenues and profits from new sales of services, equipment and devices.

Other potential harmful effects in the medium term might include, but are not limited to: disruptions in our equipment supply chain, for example our handsets, spare parts for handsets, electronic equipment for our fiber optic network and other items of equipment needed to continue to provide services to our customers; an increase in expected credit losses; and disruptions to our headquarters and field operations, particularly in view of the fact that a large quantity of employees are, as of the date of this Annual Report, on unpaid leave.

Based on recent experience in several countries, a sharp spike in the number of affected persons may occur without warning, and the ultimate extent of the disease's spread cannot be foreseen. As a result, the final impact of the disease on our results of operations and financial position cannot be assessed at this time.

3D.2f HOT Telecommunications and its controlling shareholder, Altice Europe N.V., have offered to acquire 100% of our shares, but there can be no assurance as to the final terms of such transaction or that the proposed transaction will be consummated. As a result, the market price of our shares and ADRs may fluctuate, and our business, revenues and results of operations may be materially harmed.

In press releases on January 29, 2020 and February 5, 2020, we announced that HOT Telecommunication Systems Ltd. and its controlling shareholder, Altice Europe N.V. (the "Potential Acquiror") have proposed to acquire 100% of the issued share capital of the Company (the "Proposed Transaction"). There can be no assurance (i) that the Company's discussions with the Potential Acquiror will result in the entry into any transaction or that if the Company does enter into a transaction with the Potential Acquiror that the closing conditions for the transaction will be satisfied, (ii) as to the terms of any such transaction or (iii) that the Company will realize the benefits of any such transaction.

The pendency of the Proposed Transaction creates uncertainty about our future, which subjects the Company to a number of risks that could adversely affect our business, revenue and results of operations. These risks include:

- the diversion of management and employee attention, which could otherwise have been devoted to other opportunities that may have been beneficial to us as an independent company;
- the potential negative effect of the pendency of the Proposed Transaction on the Company's business, including uncertainty about the effect of the Proposed Transaction on the Company's customers, suppliers and other business partners, which could cause customers, suppliers and others to seek to change existing business relationships with the Company; and
- our current and prospective employees may be uncertain about their future roles and relationships with the Company, which uncertainty may adversely affect our ability to attract and retain key personnel.

In addition, the uncertainty created by the pending Proposed Transaction could cause the trading price of our common stock and ADRs to fluctuate.

In the event that the Company does enter into a formal agreement with respect to the Proposed Transaction, there will be uncertainties related to (a) the risk that the Proposed Transaction may not be completed in a timely manner or at all; (b) the failure to receive, on a timely basis or otherwise, any required approval of the Proposed Transaction by the Company's shareholders; (c) the possibility that competing offers or acquisition proposals for the Company will be made; (d) the possibility that any or all of the various conditions to the consummation of the Proposed Transaction may not be satisfied or waived, including the failure to receive any required regulatory approvals from any applicable governmental entities (or any conditions, limitations or restrictions placed on such approvals); (e) the occurrence of any event, change or other circumstance that could give rise to the termination of the formal agreement in respect of the Proposed Transaction, including in circumstances which would require the Company to pay a termination fee or other expenses; (f) the effect of the announcement or pendency of the potential transaction on the Company's ability to retain and hire key personnel, its ability to maintain relationships with its customers, suppliers and others with whom it does business, or its operating results and business generally; (g) risks related to diverting management's attention from the Company's ongoing business operations; and (h) the risk that shareholder litigation in connection with the Potential Transaction may result in significant costs of defense, indemnification and liability.

The Proposed Transaction is the subject of discussions between the Company and the Potential Acquiror. The Company does not intend to make any additional comments regarding the Proposed Transaction or the Company's Board of Directors examination of the Proposed Transaction and other business options unless and until it is appropriate to do so, or a formal agreement with respect to a transaction has been reached and executed.

3D.2g Our operations in the television services market entail risks and costs. Television services provided a negative contribution to profits for the years 2018 and 2019, and may not contribute to profits for 2020.

Providing television services necessarily entails costs, including capital and operating expenditures related to the establishment of the infrastructure of our technological content management system, which supports our television service, and the costs of wholesale access to fixed-line infrastructure, television technicians, the content management team, service and sales, licensing and distribution rights and the purchase of other equipment (e.g. Set top boxes).

Our television services also require continued access to premium content. If we fail to secure and maintain the rights to premium content, our ability to continue to expand our customer base may be limited and our results of operations may be negatively affected.

Our television services are provided over the internet. Due to the fact that most of our television subscribers are also subscribers to our wholesale internet infrastructure service, any growth in the volume of data such television subscribers (as well as ISP and wholesale market subscribers) consume during peak hours translates into an increase in the payment to the infrastructure holders for access to their infrastructure. If such growth exceeds our estimations this may increase our costs and negatively affect our results of operations.

According to Bezeq's immediate report, in March of 2019, the Board of Directors of DBS Satellite Services (1998) Ltd. (a wholly owned subsidiary of Bezeq, "Yes") approved a plan for a migration from satellite based broadcasting to broadcasting over the internet (OTT). According to its immediate report on this issue, Yes's plan involves a gradual long-term process which is expected to span over several years. Since Yes is indifferent to the cost of access to the internet infrastructure (unlike operators which provide wholesale internet infrastructure service, such as Partner) the move to OTT services may reduce its costs and provide it with a competitive advantage over Partner and other OTT providers which are required to pay for infrastructure access.

In addition, our entry into a market which is controlled by two dominant competitors, as well as the competition we face from additional existing and potential competitors, may cause us unexpected increased costs in content, sales and marketing, as part of our goal to continue to expand our customer base for television services.

Such an increase in our costs would have a further negative impact on our EBITDA and results of operations.

For the years 2018 and 2019, the contribution of television services to profits was negative. The contribution may continue to be negative for 2020.

3D.2h Our revenues from the pre-paid subscriber base have decreased over the last few years and may continue to decrease as a result of the increased competition in the market.

Over the last few years, our revenues from the cellular pre-paid subscriber base have decreased, mainly as a result of a decrease in the number of pre-paid subscribers. Service revenues from cellular pre-paid subscribers totaled NIS 99 million (US\$ 29 million) in 2019 compared with NIS 114 million in 2018, a decrease of 13%, and NIS 146 million in 2017. The principal factors leading to this continued decline over the past few years in the pre-paid subscriber base have been the decline in pricing of unlimited post-paid plans and therefore the relative attractiveness of those plans compared to the pre-paid plans. In addition, there has been increased competition in the pre-paid market due to the entrance of new operators. If this trend continues, revenues from pre-paid subscribers will continue to decline.

3D.2i If the network sharing agreement entered into with HOT Mobile is unilaterally terminated by HOT Mobile earlier than we expect, we will be required to split the shared network with HOT Mobile and the resources, time and expense it may take us to have our own network in a nationwide coverage, would be substantial and could also materially harm our business and the results of operations at such time.

Pursuant to the terms of the Network Sharing Agreement that we entered into with HOT Mobile as of April 2022, either party is entitled to terminate the Network Sharing Agreement for convenience by notifying the other party to that effect two years in advance. See "Item 3D.1e The Network Sharing Agreement we entered into with HOT Mobile may be terminated earlier than we expected due to regulatory intervention. In such case we will be required to split the shared network with HOT Mobile, and the resources, time and expense it may take us to have our own network on a nation-wide coverage may be substantial and could also materially harm our business and the results of operations at such time. Network sharing and similar agreements entered into by our competitors may place us at a competitive disadvantage."

If and when the network sharing will end, we will need to split the shared network with HOT Mobile and the resources, time and expense it may take to have our own network on a nation-wide coverage, would be substantial and could materially harm our business and results of operations at such time.

3D.2j Equipment failures, system failures, natural disasters and hostile events such as acts of war, terror or cyber-attacks may materially adversely affect our results of operations.

Our ability to provide ongoing services to our subscribers, bill for services rendered and protect company and subscriber data are all vulnerable to various types of risks.

Such risks may include equipment failures, network and infrastructure failures, computer and IT system failures, transmission outages, spectral interferences, third-party systems and networks, natural disasters (such as fire, extreme weather and earthquakes), hostile events (such as acts of war, terror-attacks, see "Item 3D.2t The political and military conditions in Israel may adversely affect our financial condition and results of operations."), cyber-attacks and data breaches whether by employees or other third parties. If any such events do occur, they could have a material adverse effect on our operations.

System upgrade and moving into virtualized architecture of the network. During 2020, we will continue to upgrade our LTE mobile core network into a virtualized solution provided by Mavenir Systems Limited ("Mavenir"). See "10C Material Contracts". During the upgrade, we plan to operate our existing Ericsson network and the new Mavenir network in parallel to aid in the transition to the upgraded network until all phases of the upgrade are completed. During the upgrade we will experience an increased risk of major system or business disruptions. Interruptions and/or failure of this upgraded network could disrupt our operations and impact our ability to provide our services, retain customers, attract new customers, or negatively impact overall customer experience, damage our reputation and result in legal proceedings and as a result might adversely affect our business and results of operations.

Like many other telecommunication companies, we have experienced an increase in cyber incidents over the past few years, some of which penetrated our cyber defenses, although no significant damage or loss of customer data resulted. We have integrated protective systems and prepared Disaster Recovery Plans ("DRP") to mitigate such and other related risks, and we regularly consider our defensive systems and evaluate their effectiveness, including through simulated cyber penetrations; however it is not possible to determine in advance whether our defense systems and recovery plans will continue to be entirely effective, or how quickly we will be able to restore any affected service.

As threats to our network, services and data continue to evolve, we may be required to expend significant efforts and resources to enhance our control environment, processes, practices and other protective measures.

If despite such efforts, we are unable to operate our networks even for a limited period of time or provide some or all of the telecommunications services to a substantial portion of our customers, whether temporarily or for an extended period of time, or if data of our customers and others is lost or accessed by third parties, we may be exposed to legal claims and liability, we may be found to be in breach of our legal obligations towards our customers, our brand and reputation may be damaged, we may suffer a loss of customers, our ability to attract new customers may be impaired, and we may be required to compensate our customers. Such eventualities may negatively affect our business, and our short- and long- term results of operations may be materially adversely affected. Furthermore, we cannot be sure that the insurance policies we have subscribed with respect to cyber risk will adequately cover or include the damage or losses resulting from successful cyber attacks or if we will be able to renew such insurance.

3D.2k We depend on a limited number of suppliers and vendors for key equipment and services. Our results of operations could be adversely affected if our suppliers and vendors fail to provide us with needed services and adequate supplies of network equipment, handsets and other devices or maintenance support on a timely basis.

Network suppliers. Our network equipment, such as switching equipment, base station controllers and base transceiver stations and network software were purchased from LM Ericsson Israel Ltd. ("Ericsson"). See "Item 4B.8g Suppliers". In January 2019, we entered into an agreement with Mavenir Systems Limited for the upgrade and improvement of the performance of our LTE network. As a result of our equipment having been provided by Ericsson and our current reliance on Mavenir, we are substantially dependent on these two vendors and our operations and business results could be materially adversely affected if they cannot provide us with the required service and maintenance. See "Item 3D.2i Equipment failures, system failures, natural disasters and hostile events such as acts of war, terror or cyber-attacks may materially adversely affect our results of operations." and "Item 10C Material Contracts".

Handset and other equipment suppliers. We purchase the majority of our handsets and other equipment from a limited number of suppliers.

TV equipment and services. We purchase our TV set top boxes and application each from a single supplier and we purchase the rights to distribute sports content from a limited number of suppliers.

We cannot be certain that we will be able to obtain contracted services, equipment or handsets from one or more alternative suppliers on a timely basis in the event that any of our suppliers is unable to satisfy our requirements for services, equipment or handsets, or that the equipment provided by such alternative supplier or suppliers will be compatible with our existing equipment. Our handset and equipment suppliers may experience inventory shortages from time to time.

Our results of operations could be adversely affected if any of our key suppliers fails to provide us with contracted services or adequate supplies of handsets, equipment, as well as ongoing maintenance and upgrade support, in a timely manner. In addition, our results of operations could be adversely affected if the price of network equipment rises significantly. In our experience, suppliers from time to time extend delivery times, limit supplies and increase the prices of supplies due to their supply limitations and other factors. If the availability of handsets and other equipment furnished by our suppliers is insufficient to meet our customers' demands, we may lose opportunities to benefit from demand for this product, and our unserved customers may purchase the equipment independently which may adversely affect our revenues. In addition, the constant development of new handsets and other equipment can render existing handsets and other equipment obsolete resulting in high levels of slow moving inventory.

3D.2l The unionization of our employees has negatively affected and may continue to negatively affect our financial results.

The collective employment agreements that we signed on March 13, 2016 and on December 12, 2016 with the employees' representatives and the Histadrut, the labor union representing the Company's employees, and that were valid for a period of three years (2016-2018) were renewed in March 2019. Accordingly, the renewed agreement is valid from January 1, 2019 for a period of three years until December 31, 2021, except for the provisions regarding salary increases, which renewed at the end of 2019 and are valid for a period of one year and will be renegotiated for the year 2021 towards the end of 2020. Similar to the previous agreements, the organizational chapter includes, among other terms, provisions regarding manning and changing of positions, termination of employment and tenure and the economic chapter includes, among others, provisions regarding terms of employment, benefits and welfare. See "Item 6D Employees".

The unionization of our employees may lead to disruptions in our operations or cause work stoppages and has limited management's flexibility to efficiently run our business and adjust operations to market conditions, including the ability to execute organizational and personnel changes. It has resulted in increased costs and negatively affected our financial results, and may continue to do so in the future.

3D.2m Our purchase commitments pursuant to our non-exclusive agreement with Apple for the purchase and resale of iPhone handsets in Israel may adversely affect our financial results.

Following the expiration of our previous agreement in 2016 and pursuant to a non-exclusive agreement we entered into in June 2016 with Apple Distribution International for the purchase and resale of iPhone handsets in Israel, we agreed to purchase a minimum quantity of iPhone handsets per year, for a period of three years. The agreement has been extended until May 2020, while the parties are negotiating the renewal of the agreement. These purchases represent a significant portion of our expected handset purchases over that period. If we fail to meet the minimum quantities and do not reach an agreement with Apple regarding this matter, we may be in breach of the agreement which may involve payment of damages, which would increase our costs.

3D.2n Unanticipated growth in subscriber demand for cellular data may require us to make additional investments and to modify certain products or services.

As a diversified multi-service communications and media service provider, we have developed services and successfully encouraged subscriber demand for internet access and content and data consumption using cellular phones, smartphones, tablets, data cards and ISP Services. However, in the event subscriber demand for data increases more rapidly than expected, we may need to develop strategies to avoid data traffic overloading the capacity of the network. Such strategies may include modifying certain products or services or undertaking significant additional investments. In addition, regulatory developments seeking to ensure “fair usage” of the internet for all persons may impose changes on the terms and conditions of certain of our current or future services. In the event of substantial, rapid growth in data consumption by our subscribers and the public generally, we may be obliged to undertake significant investments and to adjust our product offerings, both of which could have a material adverse effect on our financial condition or results of operations.

3D.2o We could be subject to legal claims due to discrepancies between our marketing offerings and the bills processed by our information systems.

In order to attract and retain the maximum number of subscribers in our highly competitive market, we design specific tariff plans to suit the preferences of various subscriber groups. We require sophisticated information systems to record accurately subscriber usage pursuant to the particular terms of each subscriber plan, as well as accurate database management and operation of a very large number of tariff plans. From time to time, we have detected some discrepancies between certain tariff plans and the information processed by our internal information systems, such as applying an incorrect rebate or applying an incorrect tariff to a service, resulting in a higher or lower charge. We have invested substantial resources to refine and improve our information and control systems and ensure that our tariff plans are appropriately processed by our information systems. We have also taken steps to remedy the identified discrepancies. Despite our investments, we may experience discrepancies in the future due to the multiplicity of our plans and the scope of the processing tasks. Further, while we invest substantial efforts in monitoring our employees and third-party distributors and dealers that market our services, it is possible that some of our employees, distributors or dealers may offer terms and make (or fail to make) representations to existing and prospective subscribers that do not fully conform to applicable law, our license or the terms of our tariff plans. As a result of these discrepancies, we may be subject to subscribers’ claims, including class action claims, and substantial sanctions for breach of our license that may materially adversely affect our results of operations.

3D.2p Actual and alleged health risks related to network sites and the use of mobile telecommunications devices, including handsets, could have a material adverse effect on our business, operations and financial condition.

A number of studies have been conducted to examine the health effects of wireless phone use and network sites, and some of these studies have been construed as indicating that radiation from wireless phone use causes adverse health effects. Media reports have suggested that radio frequency emissions from network sites, wireless handsets and other mobile telecommunication devices may raise various health concerns.

The Ministry of Health published in July 2008 recommendations regarding precautionary measures when using cellular handsets. The Ministry of Health indicated that although the findings of an international study on whether cellular phone usage increases the risk of developing certain tumors were not yet finalized, partial results of several of the studies were published, and a relationship between prolonged cellular phone usage and tumor development was observed in some of these studies. These studies, as well as the precautionary recommendations published by the Ministry of Health, have increased concerns of the Israeli public with regards to the connection between cellular phone exposure and illnesses.

In May 2011, the International Agency for Research on Cancer ("IARC"), which is part of the World Health Organization ("WHO"), published a press release according to which it classified radiofrequency electromagnetic fields as possibly carcinogenic to humans based on an increased risk for adverse health effects associated with wireless phone use.

In June 2011, WHO published a fact sheet (no. 193) in which it was noted that "A large number of studies have been performed over the last two decades to assess whether mobile phones pose a potential health risk. To date, no adverse health effects have been established as being caused by mobile phone use". It was also noted by WHO that "While an increased risk of brain tumors is not established, the increasing use of mobile phones and the lack of data for mobile phone use over time periods longer than 15 years warrant further research of mobile phone use and brain cancer risk in particular, with the popularity of mobile phone use among younger people, and therefore a potentially longer lifetime of exposure". WHO notified that in response to public and governmental concern it will conduct a formal risk assessment of all studied health outcomes from radio frequency fields exposure by 2014. We are not aware that such an assessment has been published.

We have complied and are committed to continue to comply with the rules of the authorized governmental institutions with respect to the precautionary rules regarding the use of cellular telephones. We refer our customers to the precautionary rules that have been recommended by the Ministry of Health, as may be amended from time to time.

While, to the best of our knowledge, the handsets that we market comply with the applicable laws that relate to acceptable Specific Absorption Rate ("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, and not for each and every handset, we have no information as to the actual level of SAR of the handsets along the lifecycle of the handsets, including in the case of repaired handsets. See also "Item 4B.12g Other Licenses". Furthermore, our network sites comply with the International Council on Non-Ionizing Radiation Protection standard, a part of the World Health Organization, which has been adopted by the Israeli Ministry of Environmental Protection.

Several lawsuits have been filed in the past against operators and other participants in the wireless industry alleging adverse health effects and other claims relating to radio frequency transmissions from sites, handsets and other mobile telecommunications devices, including lawsuits against us.

A class action was filed against us and three other operators alleging, among other things, that health effects were caused due to a lack of cell sites, resulting in elevated levels of radiation, mainly from handsets. The plaintiffs stressed that health damages are not a part of the claim. Another class action was also filed against us and three other operators alleging, among other things, that the supply of accessories that are intended for carrying cellular handsets on the body are sold in a manner that contradicts the instructions and warnings of the cellular handset manufacturers and the recommendations of the Ministry of Health, and without disclosing the risks entailed in the use of these accessories when they are sold or marketed. In these two class actions, Partner and the plaintiff filed a settlement agreement, which the court approved.

In February 2009, a municipal court ruled against one of our competitors, stating that there is no need for the standard burden of proof to prove damages from a cellular network site, and that under certain circumstances it would be sufficient to prove the possibility of damage in order to transfer the burden of proof to the cellular companies. To the best of our knowledge, the defendant appealed the ruling and the ruling was dismissed as part of a settlement between the parties. Although we were not a party to this proceeding, such rulings could have an adverse effect on our ability to contend with claims of health damages as a result of the erection of network sites.

The perception of increased health risks related to network sites may cause us increased difficulty in obtaining leases for new network site locations or renewing leases for existing locations or otherwise in installing mobile telecommunication devices. If it is ever determined that health risks existed or that there was a deviation from radiation standards which would result in a health risk from sites, other telecommunication devices or handsets, this would have a material adverse effect on our business, operations and financial condition, including through exposure to potential liability, a reduction in subscribers and reduced usage per subscriber. Furthermore, we do not expect to be able to obtain insurance with respect to such liability.

3D.2q The telecommunications industry is subject to rapid and significant changes in technology and industry structure which could reduce demand for our services.

We face competition from existing or future technologies that have the technical capability to handle mobile, fixed-line and international long distance telephone calls, and to interconnect with local and international telephone networks and the Internet. Such new and evolving technologies include fixed-line and broadband wireless access services, Over the Top or Internet-based voice and multimedia services, Wi-Fi technologies and VoC. For example, internet-based services that provide user experience largely equivalent to our offerings, such as Voice over IP ("VoIP"), messaging services (such as WhatsApp and Skype), and video services (YouTube, video portals) are already available. In addition, the rapid development in recent years of technologies that allow international calls to be placed over the Internet without the need to use the services of an ILD has caused a decrease in the amount of international call minutes placed through the ILD services and also serve as an alternative for fixed-line communications. In particular, the risk posed by VoIP is that the purchase of a data package alone will be sufficient for the provision of most cellular voice, data and messaging services.

The effect of emerging and future technological changes, including the convergence of technologies, on the viability or competitiveness of our network cannot be accurately predicted. The technologies we employ or intend to employ may become obsolete or subject to competition from new disruptive technologies in the future. Competition from new technologies in the future may have a material adverse impact on our business and results of operations.

Moreover, global equipment vendors and Internet providers have expressed their interest in penetrating the cellular telephone industry and strengthening their position along the value chain. They have expressed their intention, and some have already begun, to provide direct access to the end-user to a wide variety of applications and services (e.g Apple with iTunes and Google with the Android market). This has already changed our competitive position and may further increase the dominance of those new providers at the expense of cellular service providers. Changes in the industry value chain structure might result in an increase in our expenses as well as a decrease in our revenues.

3D.2r We are exposed to, and currently engaged in, a variety of legal proceedings, including class actions and requests to approve lawsuits as class actions.

In addition to a number of legal and administrative proceedings arising in the ordinary course of our business, we have been named as defendants in a number of civil and criminal proceedings related to our network infrastructure. These proceedings may result in civil liabilities or criminal penalties against us or our officers and directors. We also must defend ourselves against customer claims, including class actions and requests to approve lawsuits as class action suits, regarding, among other matters, alleged breaches of the Consumer Protection Law and the Telecommunications Law as well as breaches of provisions of our licenses. Such claims and lawsuits are costly to defend and may result in significant monetary damages. See also "Item 3D.1k We are subject to monitoring and enforcement measures by the Ministry of Communications and other relevant authorities, which may adversely affect our business and results of operations." During the last few years, additional requests to approve lawsuits as class actions have been filed against the Company and we expect this trend to continue in light of various amendments to the Consumer Protection Law and the stricter regulatory policies that have been adopted. In cases where the courts have accepted the plaintiff's position, it may determine that we have breached our licenses or the law which may adversely affect our financial results. The costs that may result from these lawsuits are only accrued 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, and events arising during the course of legal proceedings may require a reassessment of this risk. The Company's assessment of risk is based both on the advice of legal counsel and on the Company's estimate of the financial exposure if the verdict is in favor of the plaintiff. If the requests to certify lawsuits against us as class actions are approved and succeed or if we underestimate the potential exposure our financial results will be adversely affected. See "Item 8A.1 Legal and Administrative Proceedings".

We are also subject to the risk of intellectual property rights claims against us, including in relation to innovations we develop ourselves and the right to use content, including television, video and music content, which we have purchased or licensed from third parties who present themselves as the owners or official licensors (or as the representatives of owners or licensors) of the intellectual property rights included in the content, when in fact they may not be. 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 content, product or service, which may affect our financial results. If we cannot obtain all necessary licenses on commercially reasonable terms, we may be forced to cease using, distributing or selling the products and services.

3D.2s We are dependent upon our ability to interconnect with other telecommunications carriers. We also depend on Bezeq and other suppliers for transmission services and some of our Fixed-Line Services are dependent on our having access to Bezeq and the HOT Group's fixed-line network. The failure of these carriers to provide these services on a consistent basis could have a material adverse effect on us.

Our ability to provide commercially viable fixed-line and cellular telephone services depends upon our ability to interconnect with the telecommunications networks of existing and future fixed-line, cellular telephone and international operators in Israel in order to complete calls between our customers and parties on the fixed-line or other cellular telephone networks. All fixed-line, cellular telephone and international operators in Israel are legally required to provide interconnection to, and not to discriminate against, any other licensed telecommunications operator in Israel. We have interconnect relations with all the Israeli operators, including Bezeq and HOT Telecom, and we also depend on their internet broadband access infrastructure in order to provide TV, ISP services and VoB fixed telephony services. See "Item 3D.1b If the Ministry of Communications fails to enforce its fixed-line wholesale market reforms on Bezeq and HOT Telecom, lower the wholesale price for use of their fixed-line networks, or prevent Bezeq or HOT Telecom from lowering their retail prices for fixed-line services (thereby reducing our potential margin in this segment), our business and results of operations may be materially adversely affected." and "Item 3D.1a If the structural separation provisions, which apply to Bezeq, are not enforced or are removed before we have established ourselves in the fixed-line and TV markets, this would adversely affect our business and results of operations. "

We are also dependent on the submarine infrastructure made available by TI Sparkle Israel (formerly Med Nautilus), which provides mutual international transmission based on fiber optics between Israel and other countries. See "10C Material Contracts" as well as Tamares Telecom Ltd. We also depend on foreign operators that provide us with interconnection to the global internet network.

We also rely on agreements to provide ILD services to our subscribers. However, we cannot control the quality of the service that other foreign telecommunication companies provide or whether they will be able to provide the services at all, and it may be inferior to our quality of service.

We have no control over the quality and timing of the investment and maintenance activities that are necessary for these entities to provide us with interconnection to their respective telecommunications networks. Disruptions, stoppages, strikes and slowdowns experienced by them may significantly affect our ability to provide telecommunication services. The failure by our suppliers to provide reliable interconnections and transmission services to us on a consistent basis could have a material adverse effect on our business, financial condition or results of operations.

3D.2t The political and military conditions in Israel may adversely affect our financial condition and results of operations.

The political and military conditions in Israel directly influence us. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors. Hostilities involving Israel, the interruption or curtailment of trade between Israel and its trading partners and political instability within Israel or its neighboring countries are likely to cause our revenues to fall and harm our business. During the last decade, there has been a high level of violence between Israel and the Palestinians, including missile strikes by Hamas against Israel, which led to an armed conflict between Israel and the Hamas over the past few years. In the last few years, Iran has threatened to attack Israel with nuclear weapons. There is evidence that Iran has a strong influence among extremist groups in areas that neighbor Israel, such as Hamas in Gaza and Hezbollah in Lebanon and Syria. This situation may potentially escalate in the future to violent events which may affect Israel and us. Ongoing violence between Israel and its Arab neighbors and Palestinians may have a material adverse effect on the Israeli economy, in general, and on our business, financial condition or results of operations. During such periods, incoming and outgoing tourism may be affected which consequently may have an adverse effect on our financial results. In particular, in recent conflicts, missile attacks have occurred in civilian areas, which could cause substantial damage to our infrastructure network, reducing our ability to continue serving our customers as well as our overall network capacity. In addition, in the event political unrest and instability in the Middle East, including changes in some of the governments in the region, causes investor concerns resulting in a reduction in the value of the shekel, our expenses in non-shekel currencies may increase, with a material adverse effect on our financial results.

Some of our directors, officers and employees are currently obligated to perform annual reserve duty. Additionally, all reservists are subject to being called to active duty at any time under emergency circumstances. In addition, some of our employees may be forced to stay at home during emergency circumstances in their area. We cannot assess the full impact of these requirements on our workforce and business if conditions should change.

During an emergency, including a major communications crisis in Israel's national communications network, a natural disaster, or a special security situation in Israel, control of our network may be assumed by a lawfully authorized person in order to protect the security of the State of Israel or to ensure the provision of necessary services to the public. During such circumstances, the government also has the right to withdraw temporarily some of the spectrum granted to us. Under the Equipment Registration and Mobilization to the Israel Defense Forces Law, 1987, the Israel Defense Force may mobilize our engineering equipment for their use, compensating us for the use and damage. This may materially harm our ability to provide services to our subscribers in such emergency circumstances, and would thus have a negative impact on our revenues and results of operations.

Moreover, the Prime Minister of Israel may, under powers which the Telecommunications Law grants him for reasons of state security or public welfare, order us to provide services to the security forces, to perform telecommunications activities and to set up telecommunications facilities required by the security forces to carry out their duties. While the Telecommunications Law provides that we will be compensated for rendering such services to security forces, the government is seeking a change in the Telecommunications Law which would require us to bear some of the cost involved with complying with the instructions of security forces. Such costs may be significant and have a negative impact on our revenues and results of operations.

3D.2u Operating a telecommunications network involves the inherent risk of fraudulent activities and potential abuse of our services, which may cause loss of revenues and non-recoverable expenses.

There is an inherent risk of potential abuse by individuals, groups, businesses or other organizations that use our telecommunications services and avoid paying for them entirely or at all. The effects of such fraudulent activities may be, among others, a loss of revenue and out-of-pocket expenses which we will have to pay to third parties in connection with those services, such as interconnect fees, payments to international operators or to operators overseas and payments to content providers. Such payments may be non-recoverable. Although we are taking measures in order to prevent fraudulent activities, we have suffered from these activities in the past, and we may suffer from them in the future. The financial impact of fraudulent activities that have occurred in the past has not been material. However, fraudulent activities may in the future materially affect our financial condition and results of operations.

3D.2v Our business may be impacted by shekel exchange rate fluctuations and inflation.

Nearly all of our revenues and a majority of our operating expenses are denominated in shekels. However, in recent years, approximately one quarter of our operating expenses (excluding depreciation and amortization), including a substantial majority of our equipment purchases, were linked to or denominated in non-shekel currencies, mainly the US dollar. These expenses, where the price paid by us is based mainly in US dollars, included the acquisition of equipment and devices sold, payments for roaming services and payments to content suppliers. In addition, our capital expenditures include payments that are incurred in, or linked to, non-shekel currencies, mainly US dollars. A decline in the value of the shekel against the dollar (or other foreign currencies) could have an adverse impact on our results, which may be material if we are unable to pass on higher costs to our customers in the Israeli market. Material changes in exchange rates may cause the amounts that we must invest to increase materially in shekel terms.

Since May 2013, we have not entered into any derivative transactions to hedge underlying exposure to foreign currencies. As a matter of policy, we do not enter into transactions of a speculative or trading nature.

We have also entered into a number of operating leases whose rental payments are linked to the Israeli CPI. A significant increase in the rate of inflation may therefore have a material adverse impact upon us by increasing our financial expenses. See “ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK” for more information regarding the Company’s exposure to exchange rate fluctuations and inflation.

3D.2w We may fail to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, which may have a material adverse effect on our operating results and our share price.

Our efforts to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 relating to the evaluation of our internal control over financial reporting require substantial resources, management time and attention. We expect these efforts to require a continued commitment of resources. If we fail to maintain the adequacy of our internal controls, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting. Although our management has concluded that our internal control over financial reporting was effective as of December 31, 2019, we may identify material weaknesses or other disclosable conditions relating to internal control over financial reporting in the future. Failure to maintain effective internal control over financial reporting could result in investigation or sanctions by regulatory authorities and significant effort and expense, and could have a material adverse effect on our operating results and on the market price of our ordinary shares.

3D.2x There can be no assurance that dividends will be declared or, if they are, at what level. No dividends have been distributed since 2013.

There is no assurance that we will declare dividend distributions in the future or regarding the level of any dividend distribution which may be declared. No dividends have been distributed since 2013. A distribution of dividends that may result in a significant reduction of our future reserves could prevent us from complying with existing or future financial covenants, or limit our ability to fund capital expenditures. We may also be required to increase our financial indebtedness to obtain needed liquidity, which may not be possible on commercially reasonable terms or at all.

If we are unable to pay dividends at levels anticipated by our shareholders, the market price of our shares may be negatively affected and the value of our investors’ investment may be reduced.

3D.2y Our tax liability may be greater than expected.

We are subject to taxation in Israel, and significant judgment is required in determining our provisions for taxes on income. We are also subject to audits by the Israeli tax authorities, including in relation to VAT payments. In such audits, it is possible to present our case according to our interpretation of tax legislation, and the relevant tax authorities may disagree, and then also challenge the amount of our profits subject to tax in Israel.

While we believe that our estimates are reasonable, the final outcome of these audits and related legal litigations, in so much as they may occur, may differ from the amount of our provisions for taxes and therefore may affect our operating results. See also note 25 to our consolidated financial statements and “Item 5A.1c Settlement Agreement with Orange Brand Services Ltd.”

3D.3 RISKS RELATED TO OUR PRINCIPAL SHAREHOLDER

3D.3a Approximately 27.16% of our issued and outstanding shares and voting rights are held by a receiver (under Israeli law), who may not act in the best interests of the Company or its shareholders.

On November 12, 2019, the District Court of Tel Aviv ("the Court") issued a court order ("the Court Order") under which attorney Ehud Sol (the "Receiver") was appointed as receiver for 49,862,800 of the Company's shares, representing as of March 1, 2020, approximately 27.16% of our issued and outstanding share capital and the largest block of shares held by a single shareholder. The shares (the "Pledged Shares") had been purchased by S.B. Israel Telecom Ltd. ("S.B. Israel Telecom") from Advent Investments Pte Ltd ("Advent") in 2013; in connection with the purchase, S.B. Israel Telecom assumed certain debt owed to Advent, and agreed that such debt would be secured by, among other things, the Pledged Shares. S.B. Israel Telecom defaulted on the payment, and on November 11, 2019, consented to enforcement and foreclosure proceedings with respect to the Pledged Shares.

The Court Order was issued due to an application filed by Advent ("Advent's Application") and granted the Receiver substantial rights related to the Pledged Shares, including the right to participate in our shareholders' meetings, to vote the Pledged Shares, to receive dividends, and any contractual right related to the Pledged Shares, although as noted below, the Receiver may not sell or transfer the Pledged Shares without the Court's approval. Without derogating from those rights of the Receiver, S.B. Israel Telecom remains the holder of legal title to the Pledged Shares. On December 9, 2019, the Ministry of Communications granted, within its powers, a permit to the Receiver to exercise means of control of the Company by himself. As a result, the Receiver has the power to substantially influence the nomination of the Company's Board of Directors and to play a preponderant if not decisive role in other decisions taken at meetings of our shareholders. For example, to the extent that the Company's discussions with Hot Telecom result in the entry into the Proposed Transaction, the Receiver would have the power to block approval of the Proposed Transaction, which requires approval by holders of at least 75% of the Company's shares, since the Receiver has the right to vote over 27% of the shares. The Receiver is expected to hold such rights until the Pledged Shares are sold or transferred to Advent, actions that would require the Court's approval according to the Court Order and Advent's Application. S.B. Israel Telecom has agreed that it will not raise an objection to such a transfer to Advent if it occurs within 9 months of November 11, 2019, the date of its consent; following such period, S.B. Israel Telecom may object to such transfer, particularly if it believes that the value of the Pledged Shares as of the proposed transfer date exceeds the amount of its defaulted debt to Advent.

The Receiver is to exercise the rights associated with the Pledged Shares based on its judgment and subject to the Court's orders and approvals. The Receiver is not obligated to exercise such rights in the best interests of the Company or its shareholders.

ITEM 4. INFORMATION ON THE COMPANY

4A. History and Development of the Company

HOT Telecommunication Systems Ltd. and its controlling shareholder, Altice Europe N.V., have proposed to acquire 100% of the issued share capital of the Company.

See "Item 3D.2f HOT Telecommunications and its controlling shareholder, Altice Europe N.V., have offered to acquire 100% of our shares, but there can be no assurance as to the final terms of such transaction or that the proposed transaction will be consummated. As a result, the market price of our shares and ADRs may fluctuate, and our business, revenues and results of operations may be materially harmed."

We were incorporated in Israel under the laws of the State of Israel on September 29, 1997, as Partner Communications Company Ltd. Our products and services were marketed under the "Orange" brand until February 16, 2016, when it was replaced with the "Partner" brand. Our principal executive offices are located at 8 Amal Street, Afeq Industrial Park, Rosh Ha'ayin 48103, Israel (telephone: +972-54-7814-888). Our website addresses are www.partner.co.il, www.012mobile.co.il and <https://www.012.net/>. Information contained on our websites does not constitute a part of this Annual Report. Our authorized U.S. representative is Puglisi and Associates, 850 Library Avenue, Suite 204, Newark, Delaware, 19711 and our agent for service in the United States is CT Corporation System, 28 Liberty St., New York, New York 10005.

Since our incorporation, we have achieved a number of important milestones:

- In April 1998, we received our license to establish and operate a cellular telephone network in Israel.
- In January 1999, we launched full commercial operations with approximately 88% population coverage and established a nationwide distribution.
- In October 1999, we completed our initial public offering of ordinary shares in the form of American Depositary Shares, and received net proceeds of approximately NIS 2,092 million, with the listing of our American Depositary Shares on NASDAQ and the London Stock Exchange. We used part of these net proceeds to repay approximately NIS 1,494 million in indebtedness to our principal shareholders, and the remainder to finance the continued development of our business. (In March 2008, we voluntarily delisted our ADSs from the London Stock Exchange.)
- In August 2000, we completed an offering, registered under the US Securities Act of 1933, as amended, of \$175 million (approximately \$170.5 million after deducting commissions and offering expenses) in 13% unsecured senior subordinated notes due 2010. These notes were redeemed in August 2005.
- In July 2001, we registered our ordinary shares for trading on the Tel Aviv Stock Exchange.
- In December 2001, the Ministry of Communications awarded us two bands of spectrum: one band of GSM 1800 spectrum and one band of 2100 UMTS third generation spectrum.
- In June 2002, our license was extended until February 2022.
- In December 2004, we commercially launched our 3G network.
- In March 2005, we completed a debt offering, raising NIS 2.0 billion in a public offering in Israel of notes due 2012.

- In April 2005, we repurchased approximately 33.3 million shares from our Israeli founding shareholders, representing approximately 18.1% of our outstanding shares immediately before the repurchase.
- In the third quarter of 2005, our Board of Directors and shareholders approved the distribution of our first cash dividend, in the amount of NIS 0.57 per share, totaling approximately NIS 86.4 million.
- In March 2006, we launched services based on the High Speed Downlink Packet Access (“HSDPA”) technology.
- In July 2006, we purchased Med-1 I.C.–1 (1999) Ltd.’s fiber-optic transmission business for approximately NIS 71 million, in order to enable us to reduce our transmission costs as well as to provide our business customers with bundled services of transmission of data and voice and fixed-line services.
- In January 2007, we were granted a domestic fixed license by the Ministry of Communications, and in February 2007 we were granted a network termination point license.
- In December 2008 and January 2009, we launched three additional non-cellular business lines: VoB telephony services, ISP services and Web VOD (video on demand).
- In October 2009, Scailex Corporation Ltd. (“Scailex”) became our principal shareholder through acquiring the entire interest in the Company of our previous controlling shareholder.
- In February 2010, following the District Court’s approval, a total amount of NIS 1.4 billion or approximately NIS 9.04 per share was paid on March 18, 2010, to shareholders and ADS holders of record on March 7, 2010, as a special dividend distribution.
- In March 2011, we acquired all of the outstanding shares of 012 Smile Telecom Ltd., a leading provider of broadband and traditional telecommunications services in Israel. The acquisition of 012 Smile supported our strategy of becoming a leading comprehensive communications group, expanding our range of services and products.
- In January 2013, S.B. Israel Telecom Ltd. (“S.B. Israel Telecom”), an affiliate of Saban Capital Group, a private investment firm, based in Los Angeles, California, specializing in the media, entertainment and communications industries, became our principal shareholder through acquiring 30.87% of our issued and outstanding shares, principally from our previous controlling shareholder, Scailex.
- In November 2013, we entered into a 15-year Network Sharing Agreement with HOT Mobile pursuant to which the parties agreed to create a 50-50 limited partnership to operate and develop a cellular network to be shared by both parties (among others, as a result of pooling both parties’ radio access network infrastructures to create a single radio access network). The Network Sharing Agreement was approved by the Israeli anti-trust authorities, subject to conditions in May 2014, and by the Ministry of Communications in April 2015. Following approval by the Minister of Communications, the Network Sharing Agreement with HOT Mobile entered into effect. See “Item 4B.8 Our Network”.
- In July 2014, we commercially launched limited 4G services in Israel over a frequency band of only 5 MHz in the 1800 spectrum.
- In March 2015, the acting Minister of Communications approved the results of the tender bid process in which we won an additional 5 MHz in the 1800 spectrum (in addition to our 10 MHz frequency bands in the 1800 spectrum).
- In February 2016, we rebranded our products and services that were previously under the “Orange” brand to be under the new “Partner” brand. See “Item 5A.1c Settlement Agreement with Orange Brand Services Ltd.”

- In June 2017, we launched Partner TV service based on Over the Internet (OTT) platform which completed our offering as a comprehensive communications company.
- In August 2017, we launched the commercial phase and accelerated deployment of our fiber optic network in residential areas throughout the country.
- In November 2019, the MoC appointed a permanent receiver for the Company shares held by S.B. Israel Telecom and granted the receiver a permit to exercise means of control of the Company by himself. See "Item 3D.3a Approximately 27.16% of our issued and outstanding shares and voting rights are held by a receiver (under Israeli law), who may not act in the best interests of the Company or its shareholders."

For information on our capital expenditures for the last three financial years, and for the principal capital expenditures currently in progress, see "Item 4B.8 Our Network" and "Item 5B.4 Total Net Financial Debt- *Capital Expenditures*".

4B. Business Overview

Partner Communications Company Ltd. is a leading Israeli telecommunications company, providing a wide integrated and customized range of cellular and fixed-line telecommunication services, including infrastructure, international long distance (ILD), internet services provider (ISP), television and other services as well as related equipment. We offer our subscribers a full range of products and services to address a broad range of communications needs based on advanced technologies and competitive tariff plans.

As a comprehensive communications group, we supply our services through two business segments:

- the cellular segment, our main business, which represents the largest portion of our total revenues. The cellular business segment includes cellular communications services such as airtime calls, international roaming services, text messaging, internet browsing, value-added and content services, handset repair services and services provided to other operators that use the Company's cellular network. The Company also sells and leases a range of equipment related to cellular services. See "Item 4B.5a Cellular Services and Products".

At December 31, 2019, we had approximately 2,657 thousand cellular subscribers, representing an estimated 25% of total Israeli cellular telephone subscribers at that date. As of that date, approximately 89% of our subscriber base (approximately 2,366 thousand subscribers) subscribed to post-paid tariff plans and 11% (approximately 291 thousand subscribers) subscribed to pre-paid tariff plans. (For a definition of "subscriber", see "Item 3A Selected Financial Data").

Our GSM/UMTS network covers 99% of the Israeli population, and our LTE network covers 99% of the Israeli population, in line with the deployment milestones in our license. We currently operate our GSM network in the 900 MHz and 1800 MHz bands, the UMTS network in the 900 MHz and 2100 MHz band and the LTE network in the 1800 and 2100 MHz bands. We are currently operating 550 LTE sites in the 700MHz band with temporary frequency allocations from the MoC. Our services provided on our network include standard and enhanced services, as well as value-added services and products. See "Item 4B.5 SERVICES AND PRODUCTS".

We market our cellular services and products mainly under the Partner brand as well as under the 012 Mobile brand;

and

- the fixed-line segment, which includes a number of services provided over fixed-line networks including (a) Internet services including access to the internet through both fiber optics and wholesale broadband access, ISP services, internet Value Added Services ("VAS") such as cyber protection, anti-virus and anti-spam filtering, and fixed-line voice communication services provided through Voice Over Broadband ("VOB"); (b) Business solutions including SIP voice trunks, Network Termination Point Services ("NTP") – under which the Group supplies, installs, operates and maintains endpoint network equipment and solutions, including providing and installing equipment and cabling within a subscriber's place of business or premises, hosting services, transmission services, Primary Rate Interface ("PRI") and other fixed-line communications solution services; (c) International Long Distance services ("ILD"): outgoing and incoming international telephony, hubbing, roaming and signaling and calling card services; and (d) Television services over the Internet ("TV"). In addition, this segment includes sales and leasing of fixed-line and home devices and equipment. See "Item 4B.5b Fixed-line Services and Products".

Our fixed-line services are marketed under the Partner and 012 brands.

In 2019, Partner was named by Marketest, a multi-discipline research and consulting firm, as the leading company among the largest telecommunications companies in Israel for its customer service.

In 2019, we were named by Coface BDİ, a prominent business information group in Israel, as the leading company in the Israeli telecommunications industry in their "best workplace" survey.

In 2019, we were named by the Maala organization in their highest platinum plus category for corporate social responsibility for the twelfth consecutive year.

4B.1 SPECIAL CHARACTERISTICS OF THE CELLULAR TELECOMMUNICATIONS INDUSTRY IN ISRAEL

We believe that the following special characteristics differentiate the Israeli market from other developed cellular telecommunications markets. In particular, as noted below, on-going, significant changes in regulations applicable to cellular operators have created a complex environment specifically intended to substantially increase competition:

- **High Rate of Unlimited Packages.** Israeli cellular operators provide, among other price-competitive offers, a particularly high rate of unlimited voice and text packages, and various data packages consisting of relatively high volumes of data at competitive prices.
- **Lack of Migration Barriers, High Churn and Recruitment Rate of Subscribers.** The Israeli cellular market to date has limited migration barriers. There is full number portability. Operators are prohibited from selling SIM locked handsets and are no longer able to link the sale of handsets to services. In addition, operators are no longer allowed to charge exit fees from residential or small business customers or offer better tariff plans to new customers. As a result of this, as well as the entrance of new competitors, there is a high rate of churn and recruitment rate of subscribers in the Israeli cellular market.
- **Multiple Operators in a Small Market.** The regulatory changes in the telecommunications industry, particularly with respect to additional entrants that include cellular operators and MVNOs, have created multiple operators in a relatively small market, which has led to a high level of competition in the industry.
- **Favorable Geography.** Israel covers an area of approximately 8,000 square miles (20,700 square kilometers) and its population tends to be centered in a small number of densely populated areas. In addition, the terrain of Israel is relatively flat. These factors facilitate the roll out, maintenance and subsequent upgrades of a cellular network in a cost effective manner.

4B.2 SPECIAL CHARACTERISTICS OF THE FIXED-LINE TELECOMMUNICATIONS INDUSTRY IN ISRAEL

Bezeq and HOT Telecom are the only telecommunications services providers with their own nationwide fixed-line infrastructure. IBC, along with the infrastructure that it acquired from Cellcom, is deploying its fiber-based fixed-line services and is obligated to reach a 40% deployment within ten years of the grant of its license. Partner is deploying its fiber optic lines in some areas across Israel.

Fixed-line telephony Services

Bezeq is the incumbent provider of fixed-line telephony services in Israel and holds a majority of the market. The remaining portion of the market is divided between HOT Telecom, the next largest provider, Cellcom and Partner.

Broadband and Internet services. The fixed-line internet access market used to be divided into two tiers of services: infrastructure services and ISP service. Since February 2015, with the launch of the wholesale market reform, ISPs have begun to market bundled packages which include both (Bezeq's) infrastructure and ISP components. Since 2019, HOT Telecom began to offer wholesale services on its cable infrastructure.

The Ministry of Communications declared its intention to provide an incentive for Bezeq to implement the wholesale market by reducing the regulations requiring Bezeq to maintain a "structural separation" between its fixed-line and its TV services and other telecommunications operations. See "Item 3D.1a If the structural separation provisions, which apply to Bezeq, are not enforced or are removed before we have established ourselves in the fixed-line and TV markets, this would adversely affect our business and results of operations. "

In August 2013, the Minister of Communications granted Israel Broadband Company (2013) Ltd. ("IBC"), a general license for the provision of fixed-line telecom services (infrastructure) and for the establishment of a nationwide fiber optic network using the Israeli Electric Company's infrastructure. See "Item 4B.9b Competitors in Fixed-line Services- *Israel Broadband Company (IBC)*".

Internet access is currently provided by three major Internet service providers, or ISPs: Netvision from the Cellcom Group, Bezeq International and Partner, as well as some other niche players. All three major providers are also suppliers of ILD services (see below).

Until 2011, the Israeli ISPs were connected to the World Wide Web through an underwater communications cable owned and operated by TI Sparkle Israel (formerly Med Nautilus), a subsidiary of Telecom Italia SpA. Since January 2012, Bezeq International has its own underwater communications cable, and in February 2012, the Tamares Group's underwater communications cable commenced operations. These additional underwater cables have increased the effective bandwidth of international data connectivity and reduced costs for ISPs.

International long distance services

The three major players in ILD services in Israel are: Partner, Bezeq International and Cellcom, who are estimated to hold together approximately 80% of the market. The other players are Xfone and Telzar 019 International Telecommunications Services Ltd., which commenced operations in 2011, and Hashikma Communications Marketing Ltd., Golan Telecom and HOT Mobile, that commenced operations in 2012. Beginning in 2012, as part of the unlimited packages that the cellular companies began offering their customers, most of them, including the Company, included ILD services to certain destinations in these packages. Proposed regulations intend, among others, to allow all general telecommunications licensees (including MVNOs) to provide international call services to international destinations included in their subscribers' tariff plans and only calls to destinations not included in the subscriber's plans would be routed through ILD providers. See "Item 4B.12e - iii Hearings and Examinations-*Intervention in international call market*". Such regulations may alter the ILD market structure in Israel and decrease the volume of international calls routed through ILD providers.

4B.3 OUR STRATEGY

Partner's strategy is to further reinforce its position as a comprehensive telecommunications company that offers an entire range of telecommunication solutions to a variety of customers, and we strive to lead the market in service as well as technology. The most recent elements in pursuit of this strategy that continued to be pursued during 2019 were the further rapid deployment of our fiber optic network and the increase in our market share in the television market. The success and synergies of the variety of services that we offer, particularly from these two growth engines, strengthens customer loyalty and increases customer satisfaction. The principal elements of our business strategy are as follows:

- **Offer our customers a range of cellular and fixed-line services and added value services.** For our core businesses we intend to continue to offer our customers a wide integrated and customized range of cellular and fixed-line telecommunications services. In addition, we offer our customers tailored value-added services that combine an entire array of solutions including: network and data infrastructures, advanced information security solutions, integration solutions, and for our business customers, designated services for customers with multiple branches and commercial networks, business information storage in a secured and advanced data center and cloud services. Our value strategy allows us to offer our customers for each of our products, packages that include value-added services and provide the customer with a richer experience than the basic services. This strategy generates more revenue per customer. This strategy of offering our customers higher value services at competitive prices has proven itself since the cellular churn rate in 2019 was the lowest since 2011, which attests to our customers' satisfaction and loyalty.

- **Increase penetration of Partner TV Service.** In June 2017, we were the first telecom company in Israel to launch Over the Top television services ("OTT") based on the Android TV platform. In 2019, based on all the published reports of the players in the market, we continued to be the fastest growing TV service in Israel as a result of among other factors, the innovative and advanced interface that enables us to connect our customers "Any place, Any time, Any device" (AAA). Our strategy is to offer our customers unique television services, by partnering with world-leading media service providers, at attractive prices. As part of our strategy, we continue to be a super aggregator which enables our customers the ability to access the leading streaming services in the world including Netflix, Amazon Prime Video and Spotify using a single interface. For our recent achievements in pursuing this strategy, see "Business Overview- 4B.5b Fixed-line Services and Products-*Television Services*". We continue to grow our TV service and as of year end 2019 we reached 188,000 subscribers and to date we have reached 199,000 subscribers.
- **Further extend deployment of a fiber optic network over which the Company offers high quality internet services which will increase our independence vis-à-vis the fixed-line infrastructure operators.** Our investment in our fiber optic network, which we commercially launched in August 2017, is part of our strategy to maintain our technological leadership in the market. Our fiber optic network, which has already reached more than half of the cities throughout Israel, enables us as a comprehensive communications group to offer increased internet speeds compared to current market offerings, enhance the quality of service and customer experience, and provide additional advanced services. The combination of the fiber optic network and Partner TV Service, which can be offered over our fiber optic network, provides us with a unique advantage and reduces our dependency on the fixed-line infrastructure operators, thus reducing our on-going operating costs. In addition, our strategy of connecting our fiber optic infrastructure to Bezeq's network at the local level (to the MSAG component) (See Item 3D.1f.) is intended to reduce the cost of our use of Bezeq's BSA wholesale service. By connecting our fiber optic infrastructure to Bezeq's MSAGs we save a substantial portion of the cost involved in providing the wholesale infrastructure service (such a connection at the local level reduces the cost of the variable component from the wholesale tariff). To date, we already reached 600,000 households with our independent fiber optic infrastructure while we continue to connect customers at the highest internet speed in Israel of up to 1000 Mb per second in dozens of cities throughout the country. As a result of regulatory decisions regarding deployment, we were able to decrease our installation costs and accelerate the pace of deployment of our fiber optic network during 2019. In 2020, we intend to continue to expand our fiber optic network as well as to connect additional customers to the service. See "Item 5D.2 Outlook". The independent network will constitute a base for future cellular technology network development. In addition, there is potential for future investments in the fiber optic network to be shared through cooperation with other operators and/or potential wholesale activities.

- **Lead in technology and innovation in our cellular network in order to remain at the technological edge.** Based on information published by governmental agencies, we have the widest 4G coverage compared to other cellular operators as a result of having the largest deployment of 4G cell sites. See "Item 4B.8 OUR NETWORK". As part of our strategy to remain a leading telecommunications operator in the cellular market and offer more advanced services, we intend to continue investing in 2020 in both our shared network as well as in our core cellular network. We intend to continue to deploy advanced technologies, for instance LTE Advanced, VoLTE and Wi-Fi calling. During 2020, the Company will continue to examine the architecture and the technological aspects related to the implementation of the 5G network in preparation for its anticipated implementation although the timetable will be subject to regulatory decisions and market conditions.
- **Preserve and enhance customer satisfaction to strengthen customer loyalty and decrease churn.** In order to increase customer satisfaction, we constantly strive to provide advanced services at a high level of technology and simplify processes and information. Towards this goal, we strive to provide our customers with value-added services and a high level of accessible customer service at our service centers, call centers, and digital channels, as well as through our in-house technicians for fixed-line services.
- **Increase our online services for our customers.** To provide our customers with advanced digital services, we are constantly developing possibilities for our customers to purchase services and self services as well as equipment through digital means and cellular apps.
- **Continue to be a major player in the retail sale of handsets and accessories.** We continuously adapt ourselves to the changing needs of our customers, while offering new and innovative equipment and accessory developments and changes in the telecommunications market. During 2019, we completed the acquisition of Iconz Holding Ltd., a leading Israeli cellular accessory fashion brand.
- **Continue to examine new potential growth engines.** As part of our strategy, we continue to examine new potential growth engines, including through a company acquisition or independent organic activity.

4B.4 MARKETING AND BRAND

We continuously utilize a variety of marketing tools and channels in order to strengthen our brand presence in the market and promote sales.

In 2019 we continued to focus on presenting Partner as a one stop shop for all customer communication needs. Our objective was to differentiate ourselves from our competitors on the basis of our value-added services and competitive pricing, as well as the introduction of our new innovative products.

In 2020, we will continue to reinforce our position as a comprehensive telecommunications company that offers an entire range of telecommunication solutions to our customers with an emphasis on the growth engines of TV services and our fiber optic network while emphasizing the value strategy.

We have created a brand promise to the customer that includes all of our product lines and ensures that they have a partner that gives them more. This promise implements Partner's value strategy, that each of the product lines have packages that include value added services and provide the customer with a richer experience than the basic service. If successful, this strategy should generate more revenue per customer. We advertise our brand and services in a variety of media channels, including press, television, radio, digital and social networks. Our advertising emphasizes leading and innovative product services and technologies and is targeted to various market segments using several languages.

4B.5 SERVICES AND PRODUCTS

In 2019, approximately 73% of our revenues (excluding inter-segment revenues) was derived from our cellular segment and approximately 26% of our revenues (excluding inter-segment revenues) was derived from our fixed-line segment.

4B.5a Cellular Services and Products

Cellular Services

Our main business is cellular telephony - including basic cellular telephony services, text messaging, internet browsing and data transfer, content services, roaming services, M2M and IOT services, handset repair services and services provided to other operators that are permitted to use the Company's cellular network. Cellular content and value-added services offered include multimedia messaging, cyber protection, cloud backup, ringtones, music streaming service and a range of business services.

International Roaming

We offer our customers roaming services abroad, which allow a mobile phone subscriber to place and to receive cellular services while in the coverage area of foreign networks owned by operators with whom we have commercial roaming agreements. Our roaming packages allow our customers to benefit from attractive rates in nearly 180 destinations. We offer data-only packages as well as packages that combine calls, data and SMS.

At December 31, 2019, we had commercial roaming relationships with 614 operators in 180 countries or jurisdictions, 315 3G roaming agreements in 177 countries and 127 4G roaming agreements in 68 countries. Creating roaming relationships with multiple operators in each country increases potential incoming roaming revenue for us and gives our subscribers more choice in coverage, services and prices in that country. The 3G and 4G roaming agreements enable our 3G roamers to initiate video calls, high speed data and video and audio content while abroad.

The Ministry of Communications may introduce new regulations that would limit our revenues from roaming services. See "Item 4B.12e - iii Hearings and Examinations".

Although GSM (2G), UMTS (3G) and LTE (4G) are standardized, the frequency allocation per each technology varies from one country to another. Currently we operate our GSM services on the 900 MHz and 1800 MHz bands, UMTS on 900 MHz and 2100 MHz bands and LTE on 1800 and 2100 MHz bands. We also support LTE technologies on 700 Mhz. All 4G handsets which we sell, support all the above listed technologies and bands while 3G handsets support the above listed bands for GSM and UMTS. Most of the handsets support 700 Mhz, depending on the vendor. While roaming, there is a possibility that a subscriber's handset will not support all the technologies due to lack of support of a country's specific frequency bands; however this is rare in GSM and UMTS, due to technology maturity. Standardization bodies allow for more than 27 different LTE bands and since LTE in many countries utilizes reframed GSM and UMTS bands, there may be cases where handsets do not support the frequency allocated for LTE in specific countries.

Cellular Equipment and Devices

Equipment and device sales in the cellular segment include sales and leases of cellular handsets and related cellular devices and accessories, mainly to retail customers but also to some wholesale customers. Until 2017, some sales of digital audio-visual devices and other cellular related devices were also recorded under the cellular segment. However, as from 2017, in view of updates to our sales strategy and the launch of television services, sales of Wi-Fi only devices and other devices not directly related to cellular services, including televisions, are recorded under the fixed-line segment instead of the cellular segment.

4B.5b Fixed-line Services and Products

Fixed-Line Services and Infrastructure

We offer fixed-line services that include internet services, ILD services, transmission services, telephony services (including SIP services), TV services and high speed broadband fiber optic infrastructure.

- **ISP services.** As an internet service provider providing access to the World Wide Web, we offer our customers, in addition to access, additional ISP services including email accounts, Wi-Fi networking as well as additional value added services such as anti-virus and anti-spam filtering. We also offer a bundled package that includes infrastructure and ISP access services following the wholesale market reform, a triple package that includes in addition to the bundled package also TV services and since 2017, we also offer access services over our own fiber optic fixed-line infrastructure in certain parts of the country, with speeds up to 1 GB. As of March 2020, tens of thousands of households are able to connect to Partner's fiber services. Furthermore, we offer our business customers additional tailored value services that combine an entire array of solutions including: network and data infrastructures, advanced information security solutions, integration solutions, designated services for customers with multiple branches and commercial networks, business information storage in a secured and advanced data center and cloud services. ISP services include the leasing of related equipment including modems and routers.
- **ILD services.** As an international long distance provider, we offer our residential and business customers international telephony services including direct international dialing services, international and domestic pre-paid and post-paid calling cards, and call-back services. Most of the pre-paid calling cards are sold to foreign workers in Israel. In addition, we offer our business customers international toll-free numbers that offer fixed rates on calls from many countries around the world. As an international long distance provider, we also provide hubbing traffic routing between network operators for termination of long distance calls outside of Israel.
- **Transmission.** We provide fixed-line transmission and data capacity services. Our fixed-line capacity also includes capacity which we lease from other fixed-line telecommunications service providers as well as inland fiber optic infrastructure and complimentary micro wave radio links. The services we offer include primarily connectivity services, on an SDH (Synchronous Digital Hierarchy) transmission network, by which we provide high quality, dedicated, point-to-point connection for business customers and telecommunications providers, as well as fixed-line services to business customers. We also provide international transmission services to our business customers between Israel and other countries.
- **VoB and PRI.** The VOB service allows business and residential customers to make and receive telephone calls over the Internet through an internet connection. The PRI is a landline network service connecting organizational switchboards to Partner's network and allows business customers to make multiple calls simultaneously. We offer traditional voice services to business customers throughout Israel.
- **Television services.** In June 2017, we launched our OTT television services that provide our customers with an enhanced user interface experience of television services based on an open platform, Android TV. Partner TV service offers our customers dozens of live linear channels, including "catch up" capability of up to 14 days, video on demand library, direct access to YouTube and Netflix content through a dedicated button on our remote control allowing our customers to access their favorite show with a simple click. We also enable customers to subscribe and pay for Netflix through the Partner TV bill. Partner TV service includes a fully supported 4K set-top box with an Android TV operating system which enables the viewer to add content, games and music applications directly from the Google Play store. Our full TV service can also be accessed by smartphones, tablets, Apple TV boxes, Smart TVs and personal computers ("TV everywhere"). Approximately 75% of our TV subscribers have bundled offerings. Partner TV service, which has the highest growth rate among all TV operators in Israel, reached 188 thousand subscribers as of December 31, 2019 and as of the date of this report, 199 thousand subscribers. 100% of our TV service set top boxes support our super aggregator strategy, which enables our customers the ability to access leading streaming services in the world using a single interface, thereby creating a competitive advantage for us in the market. During 2019, we launched Partner TV on additional compatible platforms including PCs and a smart TV platform on leading brands such as Samsung, LG and Hisense. In addition, during 2019, we launched an addressable TV advertisement system based on an integrated advertising management platform-Google Ad manager that enables the targeting of specific audiences and maximizes the ability of the Android TV set top boxes. We were honored to be the sole Israeli telecom company to be awarded the TV App of the year for 2019 at the VideoTech innovation awards 2019 Digital TV in London among leading telecom, streaming and technology giants.

- *High speed broadband fiber optic based network.* In August 2017, we launched the commercial phase and acceleration of our fiber optic network in residential areas throughout the country, which provides for the first time a more advanced and cost-effective alternative to the existing fixed infrastructure in Israel. To date we have already reached 600 thousand households across Israel with our fiber optic based infrastructure. See "Item 4B.8d Fiber optic network".

Value-Added Services

In addition to standard fixed-line value-added services, we offer a variety of value-added services such as defense and security services for the computer and e-mail that include, among others, parental monitoring control, firewall, web hosting, anti-virus and site filtering based on the customer's restriction definition, and other value added internet services including hosting, cloud-based hosted services and virtual switchboard. We also offer an upgraded data center that provides customers with business solutions on a secure site including hosting services (storage and maintenance of physical and virtual servers, website hosting, information storage and disaster recovery site), management communication services, and integrated services.

Fixed-Line Equipment and Devices

Equipment and device sales in the fixed-line segment include sales and rental of modems, domestic routers, servers and related equipment, including a device to increase wi-fi coverage, tv screens, integration project hardware and a variety of digital audio-visual devices, audio accessories and related devices. In addition, we provide our business customers with office communication Private Branch Exchanges (PBX). This service, available on the premises or cloud-based, provides all telephony services including unified communication features as well as Direct Inward Dialing (DID), which provides a block of telephone numbers for calling into the customer's PBX system. DID allows us to offer our customers individual phone numbers for each person or workstation within the company without requiring a physical line into the PBX for each possible connection.

4B.5c Tariff Plans

As of December 31, 2019, approximately 89% of our cellular subscriber base (approximately 2,366 thousand subscribers) subscribed to post-paid tariff plans, and 11% (approximately 291 thousand subscribers) subscribed to pre-paid tariff plans.

Business cellular tariff plans. Our post-paid cellular business tariff plans offer features attractive to business users such as bundles including unlimited amounts of call minutes and SMS (subject to reasonable use) as well as browsing packages; bundles with fixed amounts of call minutes and SMS and browsing packages; tariff plans with fixed tariffs for airtime usage without adding the interconnect charges imposed by other cellular and fixed-line providers for calls made by our subscribers that terminate on third party networks; and providing discounts for calls to designated numbers within a subscriber's calling circle. Some of these bundles also include a limited amount of international call minutes and other value-added services. Furthermore, some of our contracts with large business customers with over 100 subscribers include commitment terms with exit fees for early termination.

Private customer cellular tariff plans. Most of our post-paid cellular tariff plans for private customers are bundles including unlimited amounts of call minutes and SMS (subject to reasonable use) as well as browsing packages. Many of these bundles also include a limited amount of international call minutes and other value-added services such as cyberguard, antivirus, cloud backup and other solutions and extended handset warranty plans. In addition, we offer a limited number of bundles with fixed amounts of call minutes and SMS and browsing packages. The elements of our cellular tariff plans for post-paid private customers are packaged and marketed in various ways to create tariff packages attractive to target markets, including families, military personnel, youth, students, family members of business customers and other sectors. Our private customer subscriber agreements do not have any commitment periods.

The Company also markets cellular tariff plans under an alternative brand, “012 Mobile”. Under this brand, the Company offers plans mainly under a digital self-service model through a dedicated website (including web-chat with customer representatives) at competitive prices. These tariff plans were launched in order to compete with offers of new operators launched in 2012. Under our pre-paid plans, upon purchase of a SIM card or phone card or prepayment by credit card or cash, customers can use our network, including some of our value-added services, without the need to register with us or enter into any contract. Our pre-paid plans enable us to compete in the pre-paid cellular services market.

Fixed-line tariff plans. For our Fixed-Line Services, we have a wide range of diverse plans to meet the needs of the various sub-markets-ISP, ILD, transmission, TV, fiber, VOB and PRI. We have also launched an unlimited plan for our VoB packages. In the ILD services market we have tariff plans based on call destinations and level of use. Our Internet Service prices and our wholesale infrastructure services prices are based on bandwidth speed. We offer a variety of internet solutions for home and business use according to each customer's needs. With our entrance into the TV services market, we now offer our customers bundled plans that include infrastructure, internet and TV services as well as triple offers that include infrastructure/ internet, TV and home telephony services, including over our fiber optic network infrastructure.

4B.6 SALES AND DISTRIBUTION

4B.6a Customer Care

We apply a multi-channel approach to target various market segments and to coordinate our cellular and fixed-line sales and services strategy for both our business as well as private customers. Our customer support and service provides several channels for our customers: call centers, Interactive Voice Response (“IVR”), walk-in centers, digital media such as Facebook and self-service support, which include web-based services, including Facebook, mobile application, automated SMS messaging and digital chat.

Call Centers. Guided by our aim to provide high quality service, our call-center services are divided into several sub-centers including business, private and pre-paid for cellular and fixed-line services, and specialized support and services (finance, network, international roaming, TV services and support and infrastructure fiber internet service and support). The call center services are provided in several languages and also provide digital and SMS services through the Company’s websites. These services are provided internally by company employees as well as by outsourcing services.

Walk-in Centers. We currently operate 23 service and sales centers across Israel and 22 Partner stands in shopping centers throughout the country. These centers provide a face-to-face, uniformly designed, contact channel and offer all services that we provide to customers: sales, handset upgrade, handset maintenance, fixed-line sales, accessories sales fixed-line services (such as Internet and TV) and other services (such as finance, rate-plan changes and subscription to new services). Lease agreements for our retail stores and service centers are for periods of two to ten years. We have the option to extend the lease agreements for different periods including the initial lease period. See also note 19 to the consolidated financial statements.

Self-Service. We provide our customers with various self-service channels, such as IVR, web-based services, and services via SMS, mobile and smartphone applications. The services provided through these channels include general and specific information, tariff plan information and the ability to update them, account balance, billing-related information, roaming tariffs and payment of past due bills. They also provide customers with information regarding trouble shooting and handset operation, and enable customers to activate services as well as to purchase various services.

Technical support. The Company's technicians provide our customers with support services and initial TV and fiber installation and repair services.

All of our service channels are monitored and analyzed regularly in order to ensure the quality of our services and to detect areas that require improvement.

Management Systems. Our management systems are certificated and monitored by IQC (The Institute for Quality Control, an RVA accredited Certification Body authorized by Bureau Veritas Quality International) to the appropriate international standards:

- ISO 9001:2015, which focuses on fulfillment of clients and legal requirements;
- ISO 14001:2015, which coordinates our commitment to habitat and environment; and
- ISO 45001:2018, which directs our efforts to provide a safe and healthy work environment at our premises.

4B.6b Sales and Distribution Channels

We distribute our services and products through direct sales channels and indirect sales channels.

4B.6b - i Direct Sales Channels

Sales and Service Centers: Our walk-in centers in stores and malls also serve as sales centers. The face-to-face contact enables customers to get the “touch and feel” of new handsets, tablets, accessories and services demonstrated by our representatives. We have stands in some of our centers in cooperation with Apple called “BEP” –excellence training program, in which we demonstrate Apple products to customers.

Direct Sales Force: Our sales force is comprised of sales and service representatives.

- A team of representatives and customer account managers that support small to medium-sized businesses;
- A team of corporate representatives and customer account managers who support large corporate customers;
- A Small Medium Enterprises (“SME”) sales-force team focuses on individual and small business customers;
- A telemarketing department conducts direct sales by phone (to private and business customers) and initiates contacts with prospective customers.
- Door to door teams that specialize in the sale of fiber and infrastructure services.

Our sales force undergoes regular training to improve their skills in selling advanced solutions such as cellular data, intranet extension and connectivity, virtual private networks, location based services, M2M services, TV, fiber, internet infrastructure and other value-added services that appeal to corporate customers.

4B.6b - ii Indirect Sales Channels

We have agreements with many traditional dealers that provide over 38 points of sale, selling a range of our products. The private dealer network is an important distribution channel because of its ability to attract existing cellular users to our network. Our dealer network focuses primarily on sales to individual customers and, to a lesser extent, small business customers. These dealers specialize in sales for post-paid customers, handset sales, TV, fiber, infrastructure and internet.

In addition we have agreements with prepaid distributors that specialize in sales for pre-paid customers and distribution of pre-paid plans to sub-dealers.

We also have specific dealers that target different segments of the Israeli population with the appropriate style, language and locations. We provide regular training to employees of our dealers to update them on our products and services. Our managers visit dealers on a regular basis to provide information and training, answer questions and solve any problems that may arise. We pay our dealers commissions; however, dealers are not entitled to commissions for any customers that terminate their service within 90 days of activation.

4B.6b - iii Online Sales Channels

Our cellular and fixed-line services are also available to be purchased online. We also manage an online service for the purchase of handsets and other equipment.

4B.7 POST-PAID CUSTOMER CONTRACTS AND CREDIT POLICY

Our standard customer agreements with most of our private customers do not include commitment periods, since they are generally not permitted under Israeli law. Some of our business customers that have more than 100 cellular subscribers enter into an agreement with a commitment period of up to 36 months, as do some of our fixed-line customers with monthly invoices of over NIS 5,000. Customers are billed monthly for charges per services. Roaming access for direct debit cellular customers is subject to credit scoring by our credit supervisors with the assistance of outside credit agencies and may require additional guarantees or deposits.

Our customers pay for their services by credit card or by direct bank debit. All credit card accounts are subject to an initial maximum credit limit each month, which varies depending upon the type of credit card and for which we obtain prior approval from the card issuer. When a customer account reaches this limit, we may seek approval from the card issuer. If the card issuer does not grant the approval, we may require the customer to provide other means of payment or arrange an increase in the approved limit from his credit card issuer. If this does not occur, the customer's usage may be limited or suspended, after receiving our prior notice of such limitation or suspension, until we receive a cash deposit or guarantee from the customer.

Most of our customers pay for equipment devices with long term financing plans whereby the customer pays for the equipment through monthly payments (generally between 12 and 36 months), which are charged directly to their credit card or to their monthly bill. Where the customer opts to pay the monthly payments via their monthly bill, the outstanding installment payments are not secured. Customers acquiring more than a certain number of device sales are subject to a credit scoring review performed by Partner's credit supervisors with the assistance of outside credit agencies. During 2016, changes were made to the credit scoring review process whereby stricter requirements were imposed for customers to be accepted for long term financing plans. These changes significantly reduced the level of sales of equipment with long term financing plans. See also "Item 5A.1b Business Developments in 2019".

4B.8 OUR NETWORK

4B.8a Overview

We have built an extensive, resilient and advanced cellular and fixed-line network system in Israel, allowing us to offer extensive coverage and consistently high quality services. During the years ended December 31, 2018 and 2019, we made capital expenditures of NIS 170 million and NIS 237 million (\$69 million), respectively, in our network infrastructure, including in our fiber optic network. See "Item 5B.4 Total net financial debt-Capital expenditures".

Our network is a converged fixed and mobile telecommunications network. For mobile services we built a multi generation (2G, 3G and 4G) wireless network, which offers full interactive multimedia capabilities. This technology brings wire-free networks significantly closer to the capabilities of fixed-line networks. Improvements in coding and data compression technology provide better voice quality and more reliable data transmission. LTE is the most advanced mobile network technology which is currently available in more than half of the macro base stations. Our LTE network has nationwide coverage based on the existing spectrum of 1800 and 2100 MHz bands. For our fixed-line services we have built a geographical redundant network in case of a network malfunction.

Cellular Network Sharing Agreement. In November 2013, we entered into a 15-year Network Sharing Agreement with HOT Mobile that was approved by the Antitrust Authority Commissioner in May 2014 and by the Ministry of Communications in April 2015. Pursuant to the agreement, the parties created a 50-50 limited partnership in the form of a limited partnership under the name P.H.I. Networks (2015) Limited Partnership ("PHI"), the purpose of which is to operate and develop a radio access network to be shared by both parties starting with a pooling of both parties' radio access network infrastructures to create a single shared pooled radio access network ("Shared Network"). The parties have also established a 50-50 company limited by shares under the name Net 4 P.H.I Ltd., to be the general partner of the limited partnership. In August 2015, we were allocated a frequency bandwidth of 5MHz in the 1800MHz spectrum as a result of the 4G frequencies tender conducted by the Ministry of Communications in January 2015. PHI started to operate in August 2015, at which time each of Partner and HOT Mobile transferred to PHI certain employees who were previously engaged in their respective radio operations. Both companies continue to compete and differentiate their services and be responsible for providing cellular telecommunication services to its own customers, including the provision of customer service, value-added services, marketing and sales. Each company continues to retain and operate its own core network.

According to the Network Sharing Agreement, HOT Mobile paid Partner a onetime amount of NIS 250 million ("Lump Sum"), and since April 1, 2016, (i) each party bears half of the expenditures relating to the Shared Network, and (ii) responsibility for the operating costs of the Shared Network is apportioned according to a pre-determined mechanism, according to which one half of the operating costs are shared equally by the parties, and one half are divided according to the relative volume of traffic of each party in the Shared Network ("Capex-Opex Mechanism"). See "Item 5A.1d Network Sharing Agreement with HOT Mobile" and notes 9 and 26(d) to the consolidated financial statements with respect to balances and transaction with PHI.

In May 2014, the Antitrust Commissioner approved the Network Sharing Agreement, subject to conditions, the most important of which are set forth below:

- Prohibition on exchange of information that is not required for the activities of PHI under the Restrictive Trade Practices Law, 1988 ("Restrictive Trade Practices Law"). See 4B.12e - v Anti-Trust Regulation.";
- Limitations with respect to serving as an officer or employee in either Partner or HOT Mobile concurrent with serving as an officer or employee of PHI and certain cooling off periods were set in case of transition of officers and employees from PHI to the companies. However, this should not prevent PHI from employing employees or officers, who are currently serving as employees or officers in the companies and does not prevent an office holder in Partner or HOT Mobile from serving as a director in PHI's general partner's board of directors;
- Rules regarding the administration and documentation of the meetings of PHI organs were set;
- Either of the companies shall be allowed, at any time and at its sole discretion, to engage in an agreement with a third party for the provision of cellular telecommunications services that involves use of the core network of that company. All of the rights and obligations deriving from such service agreement shall apply solely to that company and PHI shall not be a party to such service agreement and will not be entitled to payments payable pursuant to it;
- After a period of seven years from the date of the Commissioner's approval or after a period of six years from the issue date of all the approvals of the Ministry of Communications, whichever is earlier, the Commissioner shall be allowed to notify the companies of the cancellation of his resolution, if he has concluded that the establishment of PHI, its existence or operations are liable to be substantively detrimental to the competition ("Cancellation Notice"). If a Cancellation Notice is issued, a graduated layout of dismantling PHI activity was set in the Commissioner resolution, as follows:
 - a. at the end of two years after the issuance of the Cancellation Notice, PHI shall cease all activity apart from the management, maintenance and operation of the passive elements of the network.
 - b. at the end of five years after the issuance of the Cancellation Notice, the companies shall dismantle PHI and shall separate their assets fully and entirely.

In April 2015, the Ministry of Communications also approved the Network Sharing Agreement.

4B.8b Infrastructure

As of December 31, 2019, our Shared Network consisted of the following main elements:

- Our radio access network domain consists of 1,952 macro GSM base transceiver stations, 27 micro GSM base transceiver stations and 130 indoor GSM transceiver stations, all linked to 7 base station controllers (HBBSC);
- 2,260 macro UMTS base transceiver base stations (eNodesBs), 34 micro UMTS base transceiver stations and 556 indoor UMTS transceiver stations, all linked to 21 radio network controllers;
- 2,210 macro LTE base transceiver base stations (eNodesBs), 23 micro LTE base transceiver stations and 276 indoor LTE transceiver stations.

Our core network domain consists of 2 DRP switching centers nationwide, 3 media gateways, 2 service GPRS support node/mobility management entity and 2 gateway GPRS support node/evolved packet gateway.

Ericsson was our sole radio and core network equipment supplier, however in January 2019, we entered into an agreement with Mavenir Systems Limited for the upgrade of our LTE mobile core network into a virtualized solution provided by Mavenir. As part of the transition to the upgraded network, we have begun to integrate Mavenir's data core network equipment with the Ericsson equipment. See "Item 4B.8g Suppliers".

Our fixed-line network domain consists of circuit-switched and Voice over Internet Protocol (VoIP) platforms. Ericsson, Dialogic Networks, Broadsoft and ACME Packet supplies our VoIP solution, whereas the circuit-switched services utilize the mobile switching center platforms alongside Dialogic Network's switches. The International Long Distance network domain consists of Dialogic ILD Switch, together with NSN's Signaling Transit Point.

In addition, our network is interconnected with two public switched telephone companies, Bezeq and HOT Telecom, in several locations across Israel. Our network is also connected to all of the cellular networks, all the Israeli international operators, the fixed-line telephone network of the Palestine Telecommunication Co. Ltd. ("Paltel"), and the cellular network of Wataniya Palestine Mobile Telecommunication Company ("Wataniya"), and indirectly to the cellular network of Palestine Cellular Communications Ltd. ("Jawwal"). Our transmission network is made up mainly by our own microwave links and fiber optic infrastructure, while for sites that are unreachable with our own transmission, we lease lines from Bezeq and other operators. Currently approximately 5% of our transmission network consists of leased lines. Our fiber-optic and microwave transmission network enables us to reduce our transmission costs as well as to provide our customers with bundled services of data and voice transmission and fixed-line services. Currently, our transmission network has more than 2,374 kilometers of fiber optics and more than 13 hundred microwave links. See "Item 4B.8d Fiber optic network".

Our radio networks covered 99% of the Israeli population at year-end 2019. We are continuing to expand and improve the coverage, capacity and quality of our LTE network.

4B.8c Network Design

Our primary cellular network design objective is to further expand and improve our network to provide high voice, video and packet quality, service reliability, high capacity and high coverage quality. In formulating our network design objectives, we have been guided by our business strategy to continue to broaden the highest quality network. The quality parameters that we seek to satisfy are those that we believe are important to cellular users: voice quality, high data rate packet sessions, low "blocked call" rate, low "dropped call" rate and deep indoor penetration, especially in densely populated areas or areas of special commercial interest. With these quality parameters in mind, we rolled out our UMTS/HSPA network starting in 2004, which shares locations with the GSM sites. In December 2007, we signed an agreement with LM Ericsson Israel Ltd. ("Ericsson") for the replacement of third party 3G radio equipment existing in our network, and in October 2010, we signed an agreement with Ericsson for the upgrade of our existing fixed-mobile network and the deployment of our fourth generation network. Starting in the fourth quarter of 2018, we launched a project to expand coverage and capacity for a 4G network based on the 700 MHz frequency temporarily received from the Ministry of Communications.

We use monitoring probes and counters to ensure network quality.

In our Fixed-Line business we offer telephony lines using VoB technology, SIP voice trunks, PRI, Internet Services, data transmission and ILD services targeting households and business customers in the Israeli market. These services are provided over third parties' existing network infrastructure as well as our own partially country covering infrastructure. In order to provide the Fixed-line Services in the residential market, we developed a home gateway box (smartbox/all in one router), that provides the customer with a setup of a home network Wi-Fi based on the protocol 802.11n & AC, Voice FXS and DECT supported phones, and built-in firewall. We also develop home gateway for our LTE, G.FAST/fiber infrastructure. For our fixed-line network we have enough capacity to support all of our customer traffic.

4B.8d Fiber optic network

In 2006, we purchased Med-1 I.C.-1 (1999) Ltd.'s fiber-optic transmission business. Since then we have continued to expand our fiber optic network, and in 2017, we commercially launched services provided through the network. Our investment in the expansion of our fiber optic network is part of our strategy to maintain our technological leadership in the market, compared to current market offerings. As of March 2020, we have reached already 600,000 households with our independent fiber optic infrastructure. The fiber optic network enables us as a comprehensive communications group to offer increased internet speeds compared to current market offerings, manage the quality of service and customer experience, and offer additional advanced services. The combination of the fiber optic network together with Partner TV Service, which can be offered over our fiber optic network, provides us with a unique advantage and reduces our dependency on the fixed-line infrastructure operators.

MoC Regulations and an amendment to the Telecommunications Law now allow us to make use of the ducts and manholes (and other passive network elements) deployed by landline domestic operators (including Bezeq and HOT) in order to deploy our own fiber optic cables.

4B.8e Spectrum Allocation and Capacity

Spectrum availability is limited and is allocated by the Ministry of Communications through a licensing process. Pursuant to the terms of our license and subsequent allocations, we were allocated 2x10.4 MHz in the 900 MHz frequency band, of which 2 x 2.4 MHz are shared with Jawwal which operates in the West Bank and the Gaza Strip and an additional 2 x 2.4 MHz of Jawwal's spectrum is partially available to us.

We were also allocated two additional bands of spectrum: 2 x 10 MHz of UMTS/HSDPA third generation in the 2100 MHz frequency band. We operate GSM 900 MHz band base transceiver stations that enhance the capacity of our network's quality. In May 2012, we shifted 5MHz of our 900MHz spectrum from the 2G GSM network to the 3G HSPA+ network. In July 2014, we shifted 10MHz of our 1800MHz spectrum from the 2G GSM network to the 4G LTE network. In March 2015, the Minister of Communications approved the results of the tender bid process in which we won an additional 5 MHz in the 1800 spectrum. HOT Mobile was also awarded two bandwidths of 5 MHz of frequencies in the 1800 band, both of which are used for the limited partnership created by the companies. Now that we have been allocated these frequencies, and have successfully refarmed our existing frequency bands and successfully implemented the Network Sharing Agreement with HOT Mobile, our total spectrum available for 4G is 20 MHz, which allows us to offer full 4G services. See "Item 4B.8a Overview – *Cellular Network Sharing Agreement*". We have amended the technical annex to our license in order to allow us to refarm some of our existing spectrum (in the 2100 MHz band) for the implementation of LTE Advanced and carrier aggregation technologies. In February 2017, the MoC approved the refarming (the conversion of existing frequencies to a different technology) of these frequencies. In July 2018, the MoC temporarily allocated to us spectrum bands in the 700 MHz frequency band for the use of advanced LTE technologies, subject to our commitment to comply with all the terms of the temporary allocation. This temporary allocation enables us to streamline the adaptation of the relevant technology and to improve the quality and coverage of the cellular service it provides to its subscribers.

For a discussion of the risks associated with regulatory developments in spectrum allocation, see “Item 3D.1c The MoC might require us to terminate the use of certain spectrum ranges which have been allocated to us, limit our use of such spectrum, fail to respond to our demands for the allocation of additional spectrum, or conduct the tender for additional frequencies in an unsuitable format. Such eventualities may adversely affect our business and results of operations.” and “Item 3D.1d The conditions and method chosen to conduct the frequencies tender published by the MoC may prevent us from participating in the tender, lead to significant inflation in the final payments for the frequencies, and affect the quantity and quality of the frequencies that we are awarded. Such eventualities may affect our ability to compete and adversely affect our business and results of operations.”

4B.8f Site Procurement

Once a new coverage area has been identified, professional staff determines the optimal base station location and the required coverage characteristics. The area is then surveyed to identify network sites. In urban areas, typical sites are building rooftops. In rural areas, masts are usually constructed. Professional staff also identifies the best means of connecting the base station to the network, for example, via leased or owned and operated microwave or fiber links or wired links leased from Bezeq. Once a preferred site has been identified and the exact equipment configuration for that site decided, the process of obtaining necessary approvals begins.

The erection of most of these network sites requires building permits from local or regional authorities, as well as a number of additional permits from governmental and regulatory authorities, such as:

- erection and operating permits from the Ministry of Environmental Protection;
- permits from the Civil Aviation Authority, in certain cases; and
- permits from the Israeli Defense Forces.

See “Item 4B.12h Network Site Permits” for a description of the approvals that are required for the erection and operation of network sites and the requirement to provide indemnification undertakings to local committees.

4B.8g Suppliers

Suppliers for our cellular network. We purchased our network equipment, such as switching equipment, base station controllers and base transceiver stations and network software, from Ericsson, who was our sole supplier of cellular core equipment and systems. In January 2019, we entered into an agreement with Mavenir Systems Limited for the upgrade and improvement of the performance of our LTE network. See “Item 3D.2j We depend on a limited number of suppliers and vendors for key equipment and services. Our results of operations could be adversely affected if our suppliers and vendors fail to provide us with needed services and adequate supplies of network equipment, handsets and other devices or maintenance support on a timely basis.” See also “Item 10C Material Contracts”.

We continue to purchase certain network components, for our cellular, fixed and ISP services, from various other key suppliers. For example, Juniper Networks provides the Company with solutions for most of our network segments.

Handset and other equipment suppliers. Following the expiration of our previous agreement with Apple in 2016, in June 2016 we entered into a non-exclusive agreement with Apple for the purchase and resale of iPhone handsets in Israel for a three-year period. The agreement has been extended until May 2020, while the parties are negotiating the renewal of the agreement. See “Item 10C Material Contracts”. During 2019, we purchased the majority of the Company’s handsets from Apple and Samsung. We also purchase handsets and other equipment, including tablets and laptops, from other vendors.

Suppliers for TV content and equipment. In May 2017, we partnered with Netflix, the world leading internet entertainment network, to make its services directly accessible through our TV service. Furthermore, in April 2018, we announced a unique collaboration with Amazon Prime Video, making Partner TV the first and only television service in Israel to offer Amazon Prime Video application on a set top box and the first Over the Top service in the world to support this application on an Android TV set top box.

In addition, we have agreements with well known suppliers in the industry for the provision of the following:

- sports and kids content channels;
- set top boxes for our TV service;
- management system;
- encoding system;
- content distribution system (live channels and VOD) for end equipment (set top boxes and applications);
- application interface installed on set top boxes, PCs Apple TV boxes, tablets and cellular devices.

Suppliers for our fixed-line network. Bezeq and HOT Groups own the majority of the fixed-line telecommunications infrastructures in Israel. As a result, we rely on interconnection with the Bezeq and HOT Groups' infrastructure. Bezeq supplies the Company with fixed-line transmission services for connecting traffic between approximately 8% of the Company's sites. The HOT Group supplies the Company with interconnect lines between the broadband backbone and the ISP backbone. In addition, for hard-line connection to all major Western European countries and the United States, TI Sparkle Israel (formerly Med Nautilus) supplies the Company with transmission services through its submarine infrastructure. See "Item 10C Material Contracts".

Dialogic Inc. and Broadsoft Inc. supply us with switches for the fixed-line telephony services based on Internet Protocol ("VoIP").

4B.8h Interconnection

All telecommunications providers with general licenses in Israel have provisions in their licenses requiring them to connect their networks with all other telecommunications networks in Israel. Currently, our network is connected directly with all other telecommunications networks operating in Israel.

We currently operate without any formal interconnect agreements with Bezeq. Day-to-day arrangements with Bezeq substantially conform to a draft interconnect agreement negotiated with Bezeq. Bezeq is required by law not to discriminate against any licensed telecommunications operator in Israel with respect to the provision of interconnect services. We currently pay Bezeq an interconnection fee based on a tariff structure set forth in the Interconnection Regulations (Telecommunications and Broadcasts) (Fees for Interconnection) (2000) ("Interconnection Regulations").

We have formal interconnect agreements with all Israeli cellular and with the other fixed-line and voice over cellular companies. The interconnect tariffs are set forth in the Interconnection Regulations that impose a uniform call interconnect tariff for all cellular operators.

Our network is connected directly to Paltel, the Palestinian fixed-line operator, Wataniya, a Palestinian cellular operator, and indirectly to Jawwal, the cellular operator of Paltel. The interconnect tariffs are set out in commercial agreements.

One of our subsidiaries, Partner Land-Line Communications Solutions LP ("Partner Land-Line"), has a domestic fixed-line license and is connected directly with other telecommunication networks operating in Israel. The interconnection fees are set by the Interconnection Regulations.

4B.9 COMPETITION

An overview of our principal competitors and of some aspects of the competitive environment for telecommunications services is set forth below. For further information regarding the impact of regulation and regulatory changes on competition, including measures to enable new service providers to enter the market, and the competitive pressures arising from the development of full-service telecommunications providers and new technologies, see "Item 3D.1 Risks Relating To The Regulation Of Our Industry." and "Item 3D.2a Largely as a result of substantial and continuing changes in our regulatory and business environment since 2011, our operating financial results, profitability and cash flows have declined significantly in the past few years compared with the period prior to 2011, including a loss for the year 2015. In 2019 we earned profits of NIS 19 million (US\$ 6 million) compared with profits of NIS 56 million for 2018. Under the assumption that existing trends and the current business environment continue, our operating results are likely to continue to decline in 2020 and possibly beyond, and may result in losses, which is likely to adversely affect our financial condition."

Within the Israeli telecommunications market there are 4 major communication groups: Bezeq, HOT, Cellcom and Partner, as well as a number of smaller operators. See "Item 3D.2c Competition resulting from the full service offers by telecommunications groups and additional entrants into the telecommunications market, as well as other actual and potential changes in the competitive environment and communications technologies, may continue to cause a further decrease in mobile and fixed-line service tariffs as well as an increase in subscriber acquisition and retention costs, and may reduce our subscriber base and increase our churn rate, each of which could adversely affect our business and results of operations."

4B.9a Competitors in the Cellular Services market

There are currently six cellular telephone network operators in Israel: Partner, Cellcom, Pelephone, HOT Mobile, Golan Telecom and Xfone. Except for Golan Telecom and Xfone, these cellular operators are part of the four main telecommunications groups. In addition, there are four active MVNO operators – Hashikma Communications Marketing Ltd., ("Rami Levy"), Telzar 019 International Telecommunications Services Ltd. ("Telzar"), Free Telecom Ltd. ("Free Telecom") and Cellact Communications Ltd. ("Cellact").

We compete principally on the basis of telecommunications service quality, brand identity, variety of handsets and other equipment, tariffs, value-added services and the quality of customer services.

The table below sets forth an estimate of each operator's share of total subscribers in the Israeli cellular market at year-end for the years 2015 to 2019.

Estimated Market Shares*	2015	2016	2017	2018	2019
Partner	27%	26%	25%	25%	25%
Cellcom	28%	28%	27%	27%	26%
Pelephone	26%	23%	23%	21%	22%
HOT Mobile	11%	14%	15%	15%	13%
Golan Telecom and others	8%	9%	10%	12%	14%

* Based on Partner subscriber data, as well as information contained in published reports, and public statements issued by other operators.

Cellcom. Cellcom is an Israeli corporation founded in 1994 that is traded both on the Tel Aviv stock exchange as well as NYSE. Cellcom's major beneficial shareholder is Discount Investment Corporation Ltd., which is controlled by Mr. Eduardo Elzstain. In August 2011, Cellcom acquired Netvision, an Israeli fixed-line operator. Cellcom operates nationwide cellular telephone networks as well as fixed-line telephony, transmission and data services and has partially deployed LTE. In 2014, Cellcom launched OTT television services. In March 2017, Cellcom announced that it received regulatory approval for a networking sharing and hosting services agreement with Xfone. See "Item 3D.1g The Network Sharing Agreement we entered into with HOT Mobile may be terminated earlier than we expected due to regulatory intervention. In such case we will be required to split the shared network with HOT Mobile, and the resources, time and expense it may take us to have our own network on a nation-wide coverage may be substantial and could also materially harm our business and the results of operations at such time. Network sharing and similar agreements entered into by our competitors may place us at a competitive disadvantage." In April 2017, Cellcom announced that following receipt of regulatory approvals, its 3G and 4G networking sharing and 2G hosting services agreement with Golan Telecom, came into effect. In March 2019, Cellcom reported entering into definitive agreements for investment in IBC and indefeasible right of use in IBC's fiber optic infrastructure and a term sheet for the sale of fiber optic infrastructure in residential areas to IBC, which are subject to regulatory approvals. In July 2019, Cellcom reported the completion of the transaction. Recently, Cellcom reported that they entered into a binding Memorandum of Understanding for the purchase of Golan Telecom's entire share capital. The transaction is subject to, among others, regulatory approvals. We cannot assess the full impact of this transaction, should it be approved, on our results of operations.

Pelephone. Pelephone is an Israeli corporation that is a wholly-owned subsidiary of Bezeq, Israel's largest telecommunications provider and the primary fixed-line operator that is controlled by B Communications Ltd.

HOT Mobile. HOT mobile is held indirectly by the Altice Group, a French media group, controlled by Mr. Patrick Drahi, who also holds control of HOT Telecommunications Systems Ltd. ("HOT Telecommunications"). The HOT Group's main areas of activity are multi-channel television services, fixed-line telephony services, PRI, internet broadband access, transmission and data communications services as well as ISP services through its subsidiary HOT-NET.

In April 2015, the MoC approved a 15-year network sharing agreement between Partner and HOT Mobile pursuant to which the parties created a limited partnership to operate and develop a radio access network to be shared by both parties. See "Item 4B.8 Our Network- *Cellular Network Sharing Agreement*".

Other Operators

Golan Telecom. Since April 2017, Golan Telecom, is held by Electra Consumer Products Ltd., ("Electra") following the acquisition from Michael Golan, Xavier Niel and the Parienti family. In April 2017, Electra announced that following receipt of regulatory approvals, it finalized the acquisition of Golan Telecom and the 3G and 4G networking sharing and 2G hosting services agreement with Cellcom which came into effect. Golan Telecom began operations in early 2012 after winning a Ministry of Communications' tender offer for frequencies in the 2100 MHz spectrum.

Xfone. Xfone is a privately owned telecommunications company that provides telecommunications services, was awarded a 5MHz frequency band in the 1800 spectrum and entered the market as the sixth facility-based cellular operator in 2018. Xfone offers cellular services as well as ISP and ILD services.

MVNOs. The Ministry of Communications has granted MVNO licenses to various companies, some of which have entered into hosting agreements with cellular operators. The major MVNOs are Rami Levy, which is a subsidiary of a major Israeli discount supermarket chain; Telzar, an ILD operator and Cellact which is owned by Cellact Ltd., a communications group active also in the content field.

In May 2013, we signed an MVNO agreement with Telzar with respect to their use of Partner's network as an MVNO.

In addition, Paltel operates a GSM mobile telephone network under the name "Jawwal" in the Palestinian Administered Areas. Paltel also operates a fixed-line network. Paltel's GSM network competes with our network in some border coverage overlap areas. A second Palestinian operator, Wataniya launched its GSM network during 2009.

Several service providers offer competitive roaming solutions. The service is offered, among others, by the International Long Distance vendors as well as by specialized enterprises.

Market Saturation. Because the Israeli cellular market has reached a level of full saturation, except for natural market growth through the growth of population, any acquisition of new subscribers by any service provider typically results in a loss of market share for its competitors.

4B.9b Competitors in Fixed-line Services

In the fixed-line market, our main competitors are Bezeq, Israel's largest telecommunications provider and the primary fixed-line operator, HOT Telecom, and other telecommunication services providers, including Cellcom who operate in the fixed-line market. The Bezeq Group, the HOT Group and Cellcom provide cellular telephony services, ILD services, PRI, internet broadband access, ISP services, transmission and data communications services and multi-channel television services.

We compete principally on the basis of the variety of telecommunications services and offers which include bundled and triple service packages, service quality, brand identity, the variety of handsets and other equipment, tariffs and value-added services.

The Bezeq Group. The Bezeq Group is under structural separation rules which apply to management, employees, assets, marketing and finance, and data systems. Starting in 2010, the Ministry of Communications has allowed the Bezeq Group to market bundled telecommunications services to the private sector, subject to certain conditions and limitations, including provisions which prevent Bezeq from discounting the price of bundled services from their unbundled prices and from including its fixed-line telephony service within bundles. See "Item 4B.2 *Broadband and Internet services.*" Following implementation of the broadband wholesale market, the requirement for structural separation may be removed, which would allow Bezeq to take advantage of its nationwide presence and cross-subsidization to market and sell more competitive and attractive offers than we will be able to offer. Bundled offerings have become more frequent in Israel and have caused price erosion in the services included. See "Item 3D.1a If the structural separation provisions which apply to Bezeq are not enforced or are removed before we have established ourselves in the fixed-line and TV markets, this would adversely affect our business and results of operations."

The HOT Group. The HOT Group may offer a bundle of services only including fixed-line telephony, broadband infrastructure and multi-channel television ("Triple"). The bundle of services currently offered by the HOT Group does not include cellular services (other than a bundle of cellular services with ISP services offered by its subsidiaries HOT Mobile and HOT-Net Internet Services Ltd. ("HOT-NET")).

The Ministry of Communications allowed HOT Telecom LLP, HOT Telecommunication and HOT Mobile to sell and market each other's services and exchange information regarding such marketing activities.

Once an effective wholesale fixed-line market is operating, the Ministry of Communications may cancel the structural separation imposed on the Bezeq and HOT Groups. This will allow the groups to offer attractive bundles that include all of the above services that may result in a loss of market share by Partner in all relevant telecom markets. See "Item 3D.1a If the structural separation provisions, which apply to Bezeq, are not enforced or are removed before we have established ourselves in the fixed-line and TV markets, this would adversely affect our business and results of operations. If the structural separation provisions (which apply to Bezeq and HOT) are not enforced or are removed before we have established ourselves in the fixed-line and TV markets, this would adversely affect our business and results of operations."

The Cellcom Group. Cellcom provides landline telephony, transmission, PRI, ISP and data services through inland fiber optic transmission and complementary microwave links to business customers and private sectors. Since February 2015, Cellcom began marketing an ADSL infrastructure product (wholesale Bit Stream Access service provided over Bezeq's network). During 2015, Cellcom entered the television market using hybrid OTT-DTT television services which may be bundled with additional IP TV or over the top (OTT) offerings.

In the ILD services market, we compete with Netvision from the Cellcom Group, Bezeq International, Xfone, Hashikma Communications Marketing Ltd., Telzar 019 International Telecommunication Service Ltd, Golan Telecom International Ltd. and HOT Mobile International Telecommunications Ltd.

In the ISP services market, we compete with Netvision, Bezeq International, HOT Net from the HOT Group, Xfone, Triple C Cloud Computing Company Ltd., Telzar 019 International Telecommunication Service Ltd, Qwick linq 011 International Ltd., and 099 Primo Communications Ltd.

In the TV services market, we compete with Yes, a subsidiary of Bezeq, which offers TV services provided via satellite and via OTT; In 2019 Bezeq announced that Yes will migrate its satellite based broadcasting TV services to OTT (See "Item 3D.2f Our operations in the television services market entail risks and costs. Television services provided a negative contribution to profits for the years 2018 and 2019, and may not contribute to profits for 2020."), HOT that offers TV services provided via cable and via OTT, Cellcom that offers hybrid OTT-DTT TV services and Triple C Cloud Computing Company Ltd. that offers TV services via OTT. In addition, there are international VOD content providers that offer complementary TV content. See also "Item 4B.2 Special characteristics of the Fixed-Line Telecommunications Industry in Israel".

Israel Broadband Company (IBC). IBC received a general license for the provision of fixed-line telecom services (infrastructure) and for the establishment of a nationwide fiber optic network using the Israeli Electric Company's infrastructure in August 2013. Although IBC is in principle permitted to provide its services only to other telecommunications licensees on a wholesale basis, IBC has introduced a new business model which enables it to reach the retail market through the services of ISPs who sign agreements with them. Initially, IBC had agreements with the relatively small ISPs, however in March 2019, Cellcom reported entering into definitive agreements for investment in IBC and indefeasible right of use in IBC's fiber optic infrastructure and a term sheet for the sale of fiber optic infrastructure in residential areas to IBC, which was completed in July 2019. In August 2018, the MoC announced its decision to allow IBC to apply for a new license, thereby replacing its universal deployment obligation with an obligation to reach only 40% of Israel's households within 10 years from the grant of such license. In January 2019, the MOC published a consultation in which it proposed that IBC would be allowed to offer its infrastructure services directly to end-users in bundles which include the ISP services of other suppliers. The MOC also proposed that IBC would be allowed to offer its infrastructure services and ISP services directly to the business segment. However, the MOC did not cancel IBC's exclusive right to use the Israeli Electric Company's infrastructure nor did it require IBC to pay back the NIS 150 million grant which it received from the State.

4B.10 INFORMATION TECHNOLOGY

We depend upon a wide range of information technology systems to support network management, subscriber registration and billing, customer service, marketing and management functions. These systems execute critical tasks for our business, from rating and billing of calls, to monitoring our points of sale and network sites, to managing highly segmented marketing campaigns. We have devoted resources to expanding and enhancing our information technology systems, including Customer Relations Management ("CRM") systems, which have contributed to our customers' satisfaction with our service, as well as updating our financial management and accounting system. We believe these systems are an important factor in our business success.

While many of our systems have been developed by third-party vendors, all of them have been modified and refined to suit our particular needs. In certain instances, we have developed critical information technology capabilities internally to meet our specific requirements. In connection with our transformation into a diversified multi-service communications provider, we have completed significant milestones in our CRM upgrade project. In addition, the Company invested resources to improve the quality of the IT processes and billing accuracy.

4B.11 INTELLECTUAL PROPERTY

We are the registered owners of the trademark “Partner” in Israel with respect to telecommunications-related devices and services, as well as additional trademarks. We have also registered several internet Web domain names, including, among others: www.partner.co.il. 012 Smile is the registered owner of several trademarks in Israel with respect to telecommunications-related services that include the numbers “012”. In addition, 012 Smile has registered several internet Web domain names, including, among others, www.012.net and www.012.net.il. Partner is the assignee in a patent application filed in 2012 that claims a method for delivering short messages originated by roaming prepaid subscribers. A Notice of Allowance was issued for the application in 2013 and a patent was issued in 2014.

In addition, we are a full member of the GSMA Association. In conjunction with the promotion and operation of our GSM network, we have the right to use their relevant intellectual property, such as the GSM trademark and logo, security algorithms, roaming agreement templates, and billing transfer information file formats. We are eligible to remain a member of the GSMA Association for as long as we are licensed to provide GSM service.

4B.12 REGULATION

4B.12a Overview

We operate within Israel primarily under the Telecommunications Law, the Wireless Telegraphy Ordinance (New Version), 1972 (the “Wireless Telegraphy Ordinance”), the regulations promulgated by the Ministry of Communications and our telecommunication licenses. The Ministry of Communications issues the licenses which grant the right to establish and operate mobile telephone and other telecommunication services in Israel, and sets the terms by which such services are provided. The regulatory framework under which we operate consists also of the Companies Law, the Securities Law, the Planning and Building Law, the Consumer Protection Law, 1981, and the Non-Ionizing Radiation Law. Additional areas of Israeli law may be relevant to our operations, including antitrust law, specifically the Economic Competition Law, 1988 (previously titled the Restrictive Trade Practices Law, 1988) the Class Actions Law, 2006, the Centralization Law, 2013 and administrative law.

4B.12b Telecommunications Law

The principal law governing telecommunications in Israel is the Telecommunications Law and related regulations. The Telecommunications Law prohibits any entity, other than the State of Israel, from providing public telecommunications services without a license issued by the Ministry of Communications.

General licenses, which relate to telecommunications activities over a public network or for the granting of nationwide services or international telecommunications services, have been awarded to the Bezeq Group, to the HOT Group, to other cellular operators besides Partner and to the international operators. In addition, the Ministry of Communications has granted MVNO licenses to a number of companies. During 2015 and 2016, the Ministry of Communications substituted almost all of the MVNO licenses and all general licenses for ILD services and unique-general licenses for fixed line services, with a single type of general unified license which governs all the services regulated under all of such licenses.

The Ministry of Communications has the authority to amend the terms of any license. The grounds to be considered in connection with such an amendment are government telecommunications policy, public interest, the suitability of the licensee to perform the relevant services, the promotion of competition in the telecommunications market, the level of service and changes in technology. The Ministry of Communications may also make the award of certain benefits, such as new spectrum, conditional upon the licensee’s consent to a license amendment. The Ministry of Communications also has the authority to revoke, limit or suspend a license at the request of the licensee or when the licensee is in breach of a fundamental condition of the license, when the licensee is not granting services under the license or is not granting services at the appropriate grade of service or when the licensee has been declared bankrupt or an order of liquidation has been issued with respect to the licensee. Public interest may also be grounds for the rescission or suspension of a license.

The Ministry of Communications, with the consent of the Ministry of Finance, may also promulgate regulations to determine interconnect tariffs, or formulae for calculating such tariffs. Moreover, the Ministry of Communications may, if interconnecting parties fail to agree on tariffs, or if regulations have not been promulgated, set the interconnect tariff based on cost plus a reasonable profit, a benchmark (derived from relevant retail prices in Israel or abroad), or based on each of the interconnecting networks bearing its own costs.

The Telecommunications Law also includes certain provisions which may be applied by the Ministry of Communications to general licensees, including rights of way which may be accorded to general licensees to facilitate the building of telecommunications networks or systems and a partial immunity against civil liability which may be granted to a general licensee, exempting the licensee, among others, from tort liability with the exception of direct damage caused by the suspension of a telecommunications service and damage stemming from intentional or grossly negligent acts or omissions of the licensee. The Ministry of Communications has applied the partial immunity provisions to us, including immunity in the event that we cause a mistake or change in a telecommunication message, unless resulting from our intentional act or gross negligence. The Ministry of Communications initiated a review to re-evaluate the scope of the immunity provisions.

The Ministry of Communications is authorized to impose significant monetary sanctions on a license holder that breaches a provision of the Telecommunications Law or of its license.

Frequency Fees. Under the Telegraph Regulations, the Company is committed to pay an annual fixed fee for each frequency used. For the years 2017, 2018 and 2019, the Company recorded expenses in a total amount of approximately NIS 63 million, NIS 76 million and NIS 79 million, respectively. Under the above Regulations, should the Company choose to return a frequency band, such payment is no longer due. Commencing in 2016, the total amount of frequency fees of both the Company and HOT Mobile under the regulations are divided between the Company and HOT Mobile, through PHI, according to the OPEX-CAPEX mechanism.

Royalties. Pursuant to the Communications Regulations (Telecommunications and Broadcasting) (Royalties), 2001, royalties may be payable to the State of Israel calculated as a percentage of relevant revenues. However, since 2013 the royalty rate has been set at 0%.

4B.12c Fair Competition and the Economic Competition Law

Provisions prohibiting Partner from engaging in anti-competitive practices can be found in our license and in the licenses of the other telecommunications operators, in the various telecommunications regulations and in the Economic Competition Law. Our license emphasizes the principle of granting users equal access to the systems of each of the operators upon equitable terms. The Telecommunications Law also provides certain protection against disruption of telecommunications services.

The Economic Competition Law is the principal statute concerning restrictive practices, mergers and monopolies. This law prohibits a monopoly from abusing its market position in a manner that might reduce competition in the market or negatively affect the public. The law empowers the Director General of the Competition Authority to instruct a monopoly abusing its market power to perform certain acts or to refrain from certain acts in order to prevent the abuse. Bezeq has been declared a monopoly in certain markets. HOT has been declared a monopoly in the multi-channel television market.

4B.12d Securities Administrative Enforcement and Antitrust Enforcement

The Israeli Securities Authority, or ISA may impose various civil enforcement measures, including financial sanctions, payment to the harmed party, prohibition of the violator from serving as an executive officer for a certain period of time, annulment or suspension of licenses, approvals and permits granted under securities and securities-related laws and adopt an agreed settlement mechanism as an alternative for a criminal or administrative proceeding. In case of a violation by a corporation, the Israeli Securities laws provide for additional responsibility of the Chief Executive Officer in some cases, unless certain conditions have been met, including the existence of procedures for the prevention of the violation, as part of an internal enforcement plan. The Company is prohibited from insuring, paying or indemnifying directors or senior officers for financial sanctions imposed on them subject to certain exemptions set forth in the law.

The Company has implemented an internal enforcement plan and has implemented an internal antitrust enforcement plan intended to ensure that all relevant parties in the Company comply with antitrust laws and regulations. The Company provides ongoing guidance and training to the Company's directors, office holders and relevant employees.

4B.12e Regulatory Developments

See also "Item 3D.1 RISKS RELATING TO THE REGULATION OF OUR INDUSTRY" for a discussion of how recent regulatory developments create risks for our financial condition, business and results of operations.

4B.12e - i MoC decision regarding an update to Bezeq's wholesale market tariffs

In February 2020, the Minister of Communications adopted a decision regarding the update of the wholesale market tariffs. The decision pertains to the years 2019-2022 and relates also retroactively to the years 2017-2018. This decision is due to reduce the Company's expenses for Bezeq's wholesale services for the years 2019 and 2020 (compared to the expenses calculated according to the Interim Tariffs). The decision also provides a mechanism for the refund of the surplus payments that the Company made to Bezeq during the years 2017 and 2018.

4B.12e - ii Transition to IPv6 Protocol

In July 2019, the Ministry of Communications adopted a decision regarding the transition to the IPv6 protocol, which is the most recent version of internet protocol. The Ministry decided, among others, that telecom operators (such as Partner) will adapt their network and its components to fully support the IPv6 protocol. ISPs and domestic fixed-line operators will be required to complete this transition within 48 months of the decision while cellular operators will be required to complete it within 24 months. The subscribers will be transitioned gradually to the IPv6 protocol according to milestones so that 100% of subscribers are transitioned to the IPv6 protocol at the end of the time periods mentioned above. Operators will be obliged to replace terminal equipment which their subscribers have rented or leased from them and which does not support the IPv6 protocol. Operators will not be obliged to transition subscribers which own terminal equipment that does not support the IPv6 protocol, provided that such subscribers have refused to replace their terminal equipment and have signed a written waiver on this issue.

4B.12e - iii Hearings and Examinations

The Ministry of Communications and other regulators have also conducted hearings and examinations on various matters related to our business, such as:

- *Inter-Ministerial recommendations on Bezeq's FTTH/B Universal Service obligations.* In November 2019, an Inter-Ministerial team published a hearing regarding the universal service obligations applicable to Bezeq with regards to Fiber Optic infrastructure (FTTH/B) deployment. The recommendations of the Inter-Ministerial team include the following:
 - o Bezeq will be allowed to decide for itself in which areas it will roll out its fiber-optic network. Within such areas, Bezeq will be required to connect 100% of households to its fiber-optic network within a timeframe set out in its license;

- o In the areas where Bezeq decides not to lay a fiber-optic network, another operator will be chosen (by a reverse tender process) to deploy a fiber-optic network to all households in the area. Such operator will receive an incentive for such deployment from a universal service fund and will enjoy exclusivity in deploying a fiber optic network in this area (but will be obliged to provide other operators with a wholesale Bit Stream Access (BSA) service provided over their fiber optic network);
- o The universal service fund incentive plan will be financed by a tax on all telecommunications operators (including Bezeq and Partner) at an annual rate of 0.5% of all income;
- o In the areas where Bezeq decides not to lay a fiber-optic network, it and its subsidiaries will not be allowed to deploy a fiber-optic network.

Partner has filed its position this hearing strongly opposing the proposed tax and has argued for alternative sources of finance, and at the very least, a tax on profits instead of income. If our position on this issue will be rejected, this may adversely affect our results of operations.

- *Policy principles for the deployment of fiber-optic infrastructures in Israel.* In December 2018, the Ministry of Communications published an outline of general policy principles it is considering regarding the regulation of fiber optic network deployment. The policy's long-term aim is to encourage nationwide deployment of advanced broadband communications networks, while ensuring sustainable competition. In the short term, the policy principles are aimed at creating an incentive system that will lead to rapid deployment and activation of advanced fiber networks. The Ministry's document includes, among others, the following principles: Limits on the ability of Bezeq and HOT to implement technological upgrades that may harm competition; Obliging Bezeq and HOT to provide wholesale broadband services on any future network technology at a set price per subscriber (with no variable capacity cost); Incentivizing the switch-on of Bezeq's existing fiber optic infrastructures by removing barriers to the use of Bezeq's dark fibers by its competitors. If the final decision in this hearing process will be as suggested in the hearing, the Company may be positively affected by the results of the hearing.
- *MoC's fiber optic strategy.* In July 2019, the Ministry of Communications published two hearings (1) a hearing with respect to setting a maximum tariff for ultra-broadband access managed over the Bezeq fiber optic network and (2) a hearing with respect to changing the "reverse bundle" marketing format by Bezeq. In August 2019, the Ministry published an additional hearing regarding the determination of a uniform tariff for fiber-optic based internet access services. Based on the content of these hearings, the hearings will form part of the overall fiber optic strategy which the Ministry of Communications is formulating these days. The main provisions proposed in the hearings are as follows:
 - o A recommendation regarding the maximum tariff that Bezeq will be allowed to charge for ultra-broadband access managed over its fiber optic network - as proposed in the hearing, for a line with a speed of up to 400 Mbps the proposed maximum tariff will be NIS 71 per month (excluding VAT) and for a line with a speed of up to 1,000 Mbps the suggested maximum tariff will be NIS 85 per month (excluding VAT). The proposed rates include installation and fault repairs. As stated in the hearing documents, the maximum tariff stated is temporary and the Ministry intends to complete a process for setting fixed tariffs for these services in accordance with the principles set out in this regard in the call for public comments document that the MoC published.
 - o A recommendation regarding a change in Bezeq's "reverse bundle" marketing format - as proposed in the hearing, the Ministry is considering changing the format that was presented in the hearing regarding the reverse bundle in March 2019, and determining that Bezeq will not be obligated to market in its "reverse bundle" service providers which have accumulated 100,000 or more wholesale Bit Stream Access ("BSA") customers, or more, on the Bezeq network and have access to 100,000 households, or more, with their independent fiber optic infrastructure using Bezeq's physical infrastructure. All existing "reverse bundle" subscribers on the date this format becomes effective, will continue with the same package and with the same service provider (even those who are not obliged to be marketed as stated above). It is proposed that this format will become effective after the launch of Bezeq's fiber project and with at least two months' prior notice to the service providers, and given the reasonable possibility of purchasing BSA service over the fiber network.

- o A recommendation regarding setting a uniform tariff for fiber-optic internet services - as proposed at the hearing, the infrastructure owners (Bezeq and Hot Telecom) and the service providers will be required to set a uniform price (throughout the country) for each fiber-based service (FTTP), whether it is a service provided on the network belonging to said licensee or whether it is provided through another licensee's network. Such discrimination in fiber service prices would be prohibited, whether by providing different tariffs or by providing value.

Partner has filed its position regarding the provisions proposed in these hearings.

- *Roaming services.* In August 2014, the Ministry of Communications published a hearing aimed at increasing competition in roaming services abroad currently provided by cellular licensees. As part of the hearing, the Ministry proposed to enable every cellular subscriber to receive roaming services abroad from operators which are not his cellular provider (on top of his cellular operator) while keeping his cellular number. These alternative roaming providers include other cellular licensees, MVNOs, ISPs, ILD licensees and fixed telephony licensees. The Ministry of Communications also suggested determining various measures intended to improve transparency and to limit subscriber payments only to the exact volume of services consumed. Such measures include: all roaming calls abroad (incoming and outgoing) would be billed using time units of 1 second; all roaming data sessions would be billed using volume units of 1KB; the billable duration of all voice calls would be from the second in which the call was connected and until it ended (explicitly excluding any wait period from pushing the "call" button until the call is connected). Because we consider roaming charges to be a significant source of revenue, such regulatory limits could adversely affect our revenues.
- *Frequency fees.* The Ministry of Communications is conducting a re-assessment of the frequency fees set forth in the law, which includes the assessment as to its economic value, in order to support effective allocation and the utmost utilization of the frequencies. The MoC's 5G tender documents include a recommendation by the tender committee to temporarily reduce frequency fees for a period of 4 year, subject to various engineering conditions and thresholds to be met by winning bidders. See "Item 3D.1d The conditions and method chosen to conduct the frequencies tender published by the MoC may prevent us from participating in the tender, lead to significant inflation in the final payments for the frequencies, and affect the quantity and quality of the frequencies that we are awarded. Such eventualities may affect our ability to compete and adversely affect our business and results of operations."
- *Holdings of approved Israeli shareholders in the Company.* The provisions of the Company's cellular license require, among others, that the "founding shareholders or their approved substitutes", as defined in the cellular license, hold at least 26% of the means of control in the Company, including 5% which must be held by Israeli shareholders (Israeli citizens and residents), who were approved as such by the Minister of Communications. The controlling stake of the Phoenix Group (one of the Company's approved Israeli shareholders) has been sold to foreign entities. On November 12, 2019, the Israeli Ministry of Communications issued a temporary order (ending on November 1, 2020) amending the Company's cellular license and reducing the percentage that the approved Israeli shareholders are required to hold by the amount of shares now held by the foreign entities (from 5% down to 3.82% of the means of control in the Company). This temporary order will allow the Ministry and the Company to resolve the issue of holdings of approved Israeli shareholders in the Company until the temporary order expires.

- *Joint use of fiber optic infrastructure in existing residential buildings.* In January 2020, the MoC published a hearing which lays out the principles considered by the MoC for the deployment fiber optic infrastructure in existing residential buildings. This hearing document is part of the MoC's overall fiber optic strategy. See "Item Hearings and Examinations-Inter-Ministerial recommendations on Bezeq's FTTH/B Universal Service obligations". In this hearing the MoC suggested that the first operator to deploy fiber optic cables in an existing residential building will be required to offer other operators to jointly use those cables in return for them taking part in the costs involved or subject to other commercial agreements. The first operator to deploy in such buildings will also be required to deploy the infrastructure in such a way as to enable at least one more operator (in addition to the operator/operators who have agreed to joint use of the infrastructure) may jointly use such infrastructure. The Company has filed its position regarding the provisions proposed in this hearing.
- *Tariffs for wholesale services on Hot Telecom's network.* In December 2019, the MoC published a hearing suggesting a substantial reduction to the wholesale Bit Stream Access (BSA) services on HOT Telecom's network. The MoC based its suggested tariffs on a benchmark of HOT's existing retail offerings and deducted the estimated retail costs involved in providing these services (a "retail minus" pricing approach). The Company filed its position regarding this hearing and argued for lower tariffs. The Company may be positively affected by the results of the hearing.

4B.12e - iv *The Ministry of Communications policy regarding the fixed-line telecommunications sector*

In 2012, the Ministry of Communications published the final policy document with respect to increasing competition in the fixed-line telecommunications market. The document adopted the main recommendations of the Hayek Committee, a committee formed by the MoC to study and make recommendations regarding the Israeli telecommunications market. The main points were as follows:

A. Sale of wholesale services:

- i. The two wireline infrastructure operators that provide retail telecommunication services will be required to offer wholesale services to the other telecommunication providers, that will offer services on the owners' infrastructure (the wholesale market), based on non-discriminatory conditions.
- ii. The wholesale services tariffs and the terms of agreement shall be determined through negotiations between the two wireline infrastructure operators and the service providers. An infrastructure owner that reaches an agreement with such other provider shall be required to offer the same terms, without discrimination, to all other providers. Affiliates of the infrastructure owner shall also be allowed to purchase wholesale services as long as these will be provided without discrimination to all other providers.
- iii. The Ministry of Communications shall intervene and set the wholesale tariffs and said terms of agreement, in case an agreement has not been reached between the parties within 6 months from the date of the publication of the policy document or if the agreement between the parties includes tariffs or terms that are unreasonable, may harm the competition, may harm the public welfare or may harm the interest of the service provider.

B. Structural Separation

- i. Within 9 months of a signed agreement between said parties, the structural separation between the fixed-line infrastructure owner and its international call provider and internet service provider (ISP) affiliates shall be abolished and replaced by an accounting separation.
- ii. The Minister of Communications shall consider providing leniencies or abolishing the structural separation (and replacing it with an accounting separation) between the fixed-line infrastructure owner and its affiliated cellular operator, in accordance with the development of the wholesale market and the pace of development of competition based on packaged services that combine fixed-line services and cellular services in the private sector.
- iii. In case a proper and appropriate wholesale market does not develop within 24 months from the date of the publication of the policy document, the Minister of Communications shall act to impose a structural separation in the fixed-line infrastructure owners, between the infrastructure and the services provided through this infrastructure to the end-customers.

C. Supervision over Bezeq Tariffs

Within 6 months from the date such an agreement is signed between the said parties, the Ministry of Communications shall act to change the manner of supervision over Bezeq tariffs so that the supervision shall be done by setting a maximum tariff.

D. Television Broadcasts

- i. The Ministry of Communications shall examine imposing a requirement to offer unbundled television services that are included in services packages that include telecommunication services (fixed-line and mobile) or broadband access services, which means a requirement to provide them at the same tariff as part of a service package or separately.
- ii. The abolishing of the structural separation with respect to multi-channel television shall be done if there is a reasonable possibility to provide a basic package of television services through the internet by service providers that do not own fixed-line infrastructure.

In 2013, since no agreement had been achieved according to clause a(iii) above, the Ministry of Communications published a hearing regarding a basic offering of wholesale services and their prices, that an infrastructure owner shall be required to offer on the same terms, without discrimination, to all providers. After a long process involving several hearings (regarding the texts of the relevant service portfolios and the prices of said wholesale services), in 2014, the Ministry of Communications published the decision of the Minister of Communications regarding regulation of the wholesale market for broadband fixed-line telecommunications services - defining a format for the supply of wholesale services and setting a tariff for the supply of these services.

Within this framework, the Minister of Communications decided to amend the licenses of the infrastructure owners - Bezeq and HOT - and to prescribe the service portfolio - managed broadband access and wholesale telephony service. The regulations attached to the Minister of Communications' decision prescribe the obligation to supply the wholesale services, including ancillary services, as well as maximum tariffs (requiring the approval of the Minister of Finance) for the said wholesale services. The tariffs set at this stage, relate solely to services to be provided by Bezeq. The Ministry of Communications initiated a separate regulation process addressing the tariffs for the wholesale services to be provided by HOT, a cable infrastructure owner, as described hereinafter.

In December 2014, Bezeq submitted a petition to the High Court of Justice against the MoC and the Minister regarding said decision. In the petition Bezeq claims, among others, that the hearing procedure conducted by the MoC did not comply with the administrative law requirements and that both the wholesale telephony service and the tariffs that were set for the wholesale market services deviate from the Minister's authority under the Law. The Company was nominated as a respondent to the petition. If changes are made to the Minister's decision that cause an increase in the wholesale tariffs or a worsening of the technical and operational standards set by the MoC, this could negatively affect our results of operations. In October 2015, the Court published a decision, in which the Court rejected Bezeq claims with respect to the feasibility of implementation of a telephony wholesale market.

Margin Squeeze - In November 17, 2014, the Ministry of Communications published a hearing to examine the format for preventing a “margin squeeze” by the fixed-line infrastructure owners - Bezeq and HOT - which occurs when an infrastructure owner lowers its retail prices and narrows the margin between its retail prices and the wholesale price of those infrastructure inputs being purchased by service-providers to a level that erodes the service-providers’ margin to the point of eradicating the economic feasibility of continuing their operations, the objective being to push service-providers out of the market. The Company submitted its response to the hearing in December 2014. In August 29, 2017, the Ministry of Communications published a secondary hearing on this subject in which it suggested several changes to the format suggested in the first hearing on this issue. The Company submitted its response to the secondary hearing in November 2017. Should the Ministry of Communications’ decision with regard to the margin squeeze mechanism not prove effective in ensuring the effectiveness of the wholesale market, our profitability and results of operations could be materially adversely affected.

In July 2015, one day before the date of entry into force of the wholesale service of access to passive infrastructure of infrastructure owners, the Ministry of Communications published new instructions regarding the compliance with security requirements in relation to the use of HOT and Bezeq’s passive infrastructure, valid until November 1, 2015. According to the instructions, during such period, the performance of the work required for the grant of access to HOT and Bezeq’s infrastructure will be made only by the infrastructures owners (Bezeq or HOT) and not by the service providers. In addition, the instructions set restrictions regarding the access to the infrastructure owner’s information, concerning the deployment of infrastructure. As part of the Economic Program Law for the years 2017-2018, that was published at the end of December 2016 it was determined, among others, that Bezeq and HOT Telecom will be required to allow other domestic operators including Partner, access to passive infrastructures. Following the enactment of this legislation, Bezeq has begun to partially observe its duty to provide access to its passive infrastructures and deployed several fiber optic cables for licensees using its own personnel.

On October 19, 2017, the Ministry of Communications instructed Bezeq to comply with its existing policy and clarified that it must allow other domestic operators (including Partner) to deploy fiber optic cables with their own contractors (without the need for the use of Bezeq personnel). This change has the potential to substantially increase the speed of deployment of Partner’s fiber infrastructure. Bezeq has filed an administrative appeal to the Supreme Court against the MoC’s demand for compliance, but its appeal has been rejected on January 29, 2018.

In December 2015, the Ministry of Communications published a hearing with respect to the resale of Bezeq’s telephony services in the wholesale market. In the hearing, the Ministry proposed to allow Bezeq to offer telephony services in a resale format, instead of the wholesale telephony service, for a period of 12 months; this, by amendment of Bezeq’s general license and adding the said services to the list of services that Bezeq may provide. Respectively, the Ministry is considering amending Bezeq’s license so that during this interim period, Bezeq will not be obliged to offer wholesale telephony services. According to the hearing, the payment offered by Bezeq for the resale of services will be derived from the retail prices of Bezeq’s attractive minute bundles which are reduced at a rate of 40%, and said reduction should be derived from the average rates for the first and second year tariffs of these bundles. The Company submitted its response to this hearing in the beginning of 2016 in which it argued against the interim arrangement and the MoC authority to set wholesale prices in a license (such regulation requires the setting of regulations to be co-signed by the Minister of Finance). Alternatively, the Company argued that the suggested price for the resale telephony service is too high and does not leave any margin for competition and market entry.

In May 2017, the Ministry of Communications published its decision on this issue and obliged Bezeq to offer its telephony services to other operators in a resale format as of July 2017. The price paid to Bezeq by the operators for the resale telephony was suggested by the Ministry to be set substantially higher than the prices set for the planned full wholesale telephony product.

According to the decision, the date of implementation of the full wholesale telephony service has been postponed at the latest by July 18, 2018. In June 2018, the MoC informed Bezeq that the resale telephony service shall expire at the end of July 2018. Bezeq has since refused to implement the full wholesale telephony product and was fined by the MoC for this breach during December 2018.

In order to provide an incentive for Bezeq to implement the wholesale market, the MoC has announced that it intends to cancel the regulations requiring Bezeq to maintain a “structural separation” between its fixed-line and mobile telecommunications operations, and to change the current retail fixed-price tariff control mechanism to a “maximum tariff” one. In 2016, the MoC published official announcements which indicated its satisfaction with the implementation of the wholesale market reform. We strongly opposed the factual descriptions and the conclusions in the announcement. Furthermore, in December 2016, the MoC also declared its intention to promote the cancellation of “corporate separation” in the Bezeq Group, subject to a hearing, and to publish a hearing in 2017 suggesting canceling the “structural separation” in the Bezeq Group. The Ministry of Finance, the Anti-Trust Commissioner and the State Comptroller have stated their objection to the implementation of the MoC’s intent at this stage.

According to its public disclosure in February 2018, Bezeq sent the MoC a letter demanding that it cancel the structural separation between Bezeq and each of its subsidiaries immediately. In February 2019, Bezeq reported that it intends to apply for MoC approval for a structural change which would transfer all activities and assets of all of its subsidiary companies to a single, separate, entity (limited partnership) ("Subsidiary Companies Merger"). According to further public disclosure filed by Bezeq during November 2018 on this subject, the MoC replied to Bezeq that it is considering all options regarding the structural separation of the Bezeq and HOT groups. In February 2019, Bezeq filed a petition with the High Court of Justice against the MoC for immediate cancellation of the structural separation within the Bezeq Group. In January of 2020, the MoC rejected Bezeq's application for the Subsidiary Companies Merger. In February 2020, during the discussion of Bezeq's petition for immediate cancellation of the structural separation, the MoC announced that the recommendations of the relevant government team tasked with considering all options on this matter will be filed within four months.

If the MoC removes the structural separation provisions based on its above-mentioned announcements before we have firmly established ourselves in the fixed-line telecommunications services market (in both fixed-line telephony and broadband), Bezeq may be able to propose bundled services more effectively than us, and thereby gain a competitive advantage which would negatively affect our results of operations. Also see "Item 3D.1a If the structural separation provisions, which apply to Bezeq, are not enforced or are removed before we have established ourselves in the fixed-line and TV markets, this would adversely affect our business and results of operations.

4B.12e - v Anti-Trust Regulation.

Pursuant to the Israeli Economics Competition Law, if the Competition Commissioner decides that the Israeli cellular market is oligopolistic, the Director General will have the authority to give instructions to all or some of the participants in our market, in order to, among other objectives, maintain or increase the competition level among the participants, the Director General's authority would include the ability to issue orders to remove or to ease entry or transfer barriers, to terminate a participant's activity, or otherwise to regulate the activities of the market. Additionally, the Competition Commissioner authorized to give instructions to a monopoly which is a firm holding over 50% of market share or holding significant market stakes that are not temporary and short term.

4B.12f Our Mobile Telephone License

On April 7, 1998, the Ministry of Communications granted to us a general license to establish and operate a mobile telephone network in Israel as well as offer roaming services outside the State of Israel.

Under the terms of the license, we have provided an \$80 million guarantee to the State of Israel to secure the Company's adherence to the terms of the license.

Our license allocates to us specified frequencies and telephone numbers.

Term. Our license was originally valid for a period of ten years (until April 2008), but has been extended until 2022. At the end of this period, the license may be extended for additional six-year periods upon our request to the Ministry of Communications, and a confirmation from the MoC that we have met the following performance requirements:

- observing the provisions of the Telecommunications Law, the Wireless Telegraphy Ordinance, the regulations and the provisions of our license;

- acting to continuously improve our mobile telephone services, their scope, availability, quality and technology, and that there has been no act or omission by us harming or limiting competition in the mobile telephone sector;
- having the ability to continue to provide mobile telephone services of a high standard and to implement the required investments in the technological updating of our system in order to improve the scope of such services, as well as their availability and quality; and
- using the spectrum allocated to us efficiently, compared to alternative applications.

We believe that we will be able to receive an extension to the license upon request.

Our license may also be revoked, limited or altered by the Ministry of Communications if we have failed to uphold our obligations under the Telecommunications Law, the Wireless Telegraphy Ordinance or the regulations, or have committed a substantial breach of the license conditions. Examples of the principal undertakings identified in our license in this connection are:

- We have illegally ceased, limited or delayed any one of our services;
- Any means of control in Partner or control of Partner has been transferred in contravention of our license;
- We fail to invest the required amounts in the establishment and operation of the mobile radio telephone system in accordance with our undertakings to the Ministry of Communications;
- We have harmed or limited competition in the area of mobile radio telephone services;
- A receiver or temporary liquidator is appointed for us, an order is issued for our winding up or we have decided to voluntarily wind up; or
- Partner, an Office Holder in Partner or an Interested Party in Partner or an Office Holder in an Interested Party of Partner is an Interested Party in a competing mobile radio telephone operator or is an Office Holder in a competing mobile radio telephone operator or in an interested party in a competing mobile radio telephone operator without first obtaining a permit from the Ministry of Communications to do so or has not fulfilled one of the conditions included in such permit. See "Item 4B.12f Our Mobile Telephone License-Our Permit Regarding Cross Ownership."

Our license authorizes us on a non-exclusive basis to establish and operate a mobile telephone network in Israel. The Ministry of Communications amended our license in August 2015 to include the provision of 4G services in the 1800 MHZ spectrum and to allow us access network sharing with HOT Mobile, another cellular operator at a bandwidth of up to 25 MHZ in the 1880 MHZ spectrum.

License Conditions. Our license imposes many conditions on our conduct.

- We must at all times be a company registered in Israel.
- Our founding shareholders and their approved substitutes must hold, in the aggregate, at least 26% of each of our means of control. Furthermore, the maintenance of at least 26% of our means of control by our founding shareholders and their approved substitutes allows Partner to be protected from a license breach that would result from a transfer of shares for which the authorization of the Ministry of Communications was required, but not obtained.
- Israeli entities from among our founding shareholders and their approved substitutes must hold at least 5% of our issued and outstanding share capital and of each of our means of control. See "Item 3D.1p Our cellular telephone license imposes certain obligations on our shareholders and restrictions on who can own our shares. Ensuring compliance with these obligations and restrictions may be outside our control, and may limit our ability to raise new equity capital. If the obligations or restrictions are not respected by our shareholders, we could be subject to significant monetary sanctions or lose our license." "Israeli entities" are defined as individuals who are citizens and residents of Israel and entities formed in Israel and controlled, directly or indirectly, by individuals who are citizens and residents of Israel, provided that indirect control is only through entities formed in Israel, unless otherwise approved by the Israeli Prime Minister or Minister of Communications.
- At least 10% of our Board of Directors must be appointed by Israeli entities, as defined above, provided that if the Board of Directors is comprised of up to 14 members, only one such director must be so appointed, and if the Board of Directors is comprised of between 15 and 24 members, only two such directors must be so appointed.

- Matters relating to national security shall be dealt with only by a Board of Directors' committee that has been formed for that purpose. The committee includes at least 4 members, of which at least one is an external director. Only directors with the required clearance and those deemed appropriate by Israel's General Security Service may be members of this committee. Resolutions approved by this committee shall be deemed adopted by the Board of Directors.
- The Ministry of Communications shall be entitled to appoint an observer to the Board of Directors and its committees, subject to certain qualifications and confidentiality undertakings.

Contracting with Customers. Pursuant to our license, we have submitted our standard agreement with customers to the Ministry of Communications for their examination. To date, we have not received any comments from the Ministry of Communications regarding this agreement.

Tariffs. Our license requires us to submit to the Ministry of Communications our tariffs (and any changes in our tariffs) before they enter into effect. Our license allows us to set and change our tariffs for outgoing calls and any other service without approval of the Ministry of Communications. However, the Ministry of Communications may intervene in our tariffs if it finds that our tariffs unreasonably harm consumers or competition.

Payments. Our license specifies the payments we may charge our subscribers. These include one-time installation fees, one-time SIM card payments, fixed monthly payments, airtime fees, payments for the use of other telecommunication systems, payments for handset maintenance and payments for additional services. In some of our tariff plans we have chosen to charge only for airtime and use of services. See "Item 4B.5c Tariff Plans."

Interconnection. Like the licenses of Pelephone, Cellcom and HOT Mobile, our license requires that we interconnect our mobile telephone network to other telecommunications networks operating in Israel, including that of Bezeq and other domestic fixed-line operators, the other mobile telephone operators and the international operators.

Conversely, we must allow other network operators to interconnect to our network. See "Item 4B.8h Interconnection".

Service Approval. The Ministry of Communications has the authority to require us to submit for approval details of any of our services (including details concerning tariffs). In addition, we are required to inform the Ministry of Communications prior to the activation of any service on a specified list of services.

Access to Infrastructure. The Ministry of Communications has the power to require us, like the other telephone operators in Israel, to offer access to our network infrastructure to other operators. We may also be required to permit other operators to provide value-added services using our network.

Universal Service. We are required to provide any service with the same coverage as our existing network. According to our license, we are required to meet certain coverage requirements for our 3G and 4G services.

Territory of License. In May 2000, we were also granted a license from the Israeli Civil Administration, to provide mobile services to the Israeli populated areas in the West Bank. The license is effective until February 1, 2022. The provisions of the general license described above, including as to its extension, generally apply to this license, subject to certain modifications. We believe that that we will be able to receive an extension to this license upon request.

Transfer of license, assets and means of control. Our license may not be transferred, mortgaged or attached without the prior approval of the Ministry of Communications.

We may not sell, lease or mortgage any of the assets which serve for the implementation of our license without the prior approval of the Ministry of Communications, other than in favor of a banking corporation which is legally active in Israel, and in accordance with the conditions of our license.

Our license provides that no direct or indirect control of Partner may be acquired, at one time or through a series of transactions, and no means of control may be transferred in a manner which results in a transfer of control, without the consent of the Ministry of Communications. Furthermore, no direct or indirect holding of 10% or more of any means of control may be transferred or acquired at one time or through a series of transactions, without the consent of the Ministry of Communications. In addition, no shareholder of Partner may permit a lien to be placed on shares of Partner if the foreclosure on such lien would cause a change in the ownership of 10% or more of any of Partner's means of control unless such foreclosure is made subject to the consent of the Ministry of Communications. For purposes of our license, "means of control" means any of:

- voting rights in Partner;
- the right to appoint a director or managing director of Partner;
- the right to participate in Partner's profits; or
- the right to share in Partner's remaining assets after payment of debts when Partner is wound up.

Each of our ordinary shares and ADSs is considered a means of control in Partner.

In addition, Partner, any entity in which Partner is an Interested Party, as defined below, an Office Holder, as defined below, in Partner or an Interested Party in Partner or an Office Holder in an Interested Party in Partner may not be a party to any agreement, arrangement or understanding which may reduce or harm competition in the area of mobile telephone services or any other telecommunications services.

In connection with our initial public offering, our license was amended to provide that our entering into an underwriting agreement for the offering and sale of shares to the public, listing the shares for trading, and depositing shares with the depository or custodian will not be considered a transfer of any means of control, as defined below. Pursuant to the amendment, if the ADSs (or other "traded means of control," that is, means of control which have been listed for trade or offered through a prospectus and are held by the public) are transferred or acquired in breach of the restrictions imposed by the license with respect to transfer or acquisition of 10% or more of any means of control, we must notify the Ministry of Communications and request the Ministry's consent within 21 days of learning of the breach. In addition, should a shareholder, other than a founding shareholder, breach these ownership restrictions, or provisions regarding acquisition of control or cross-ownership or cross-control with other mobile telephone operators or shareholdings or agreements which may reduce or harm competition, its shareholdings will be marked as exceptional shares and will be converted into dormant shares, as long as the Ministry's consent is required but not obtained, with no rights other than the right to receive dividends and other distributions to shareholders, and to participate in rights offerings.

The dormant shares must be registered as dormant shares in our share registry. Any shareholder seeking to vote at a general meeting of our shareholders must notify us prior to the vote, or, if the vote is by deed of vote, must so indicate on the deed of vote, whether or not the shareholder's holdings in Partner or the shareholder's vote requires the consent of the Ministry of Communications due to the restrictions on transfer or acquisition of means of control, or provisions regarding cross-ownership or cross-control with other mobile telephone operators or shareholders. If the shareholder does not provide such certification, his instructions shall be invalid and his vote not counted.

The existence of shareholdings which breach the restrictions of our license in a manner which could cause them to be converted into dormant shares and may otherwise provide grounds for the revocation of our license will not serve in and of themselves as the basis for the revocation of our license so long as:

- the founding shareholders or their approved substitutes of Partner continue to hold in the aggregate at least 26% of the means of control of Partner;
- our Articles of Association include the provisions described in this paragraph;
- we act in accordance with such provisions;
- our Articles of Association provide that an ordinary majority of the voting power at the general meeting of Partner is entitled to appoint all the directors of Partner other than external directors.

The dormant share mechanism does not apply to our founding shareholders.

The provisions contained in our license are also contained in our Articles of Association. In addition, our Articles of Association contain similar provisions in the event the holdings of shares by a shareholder breaches ownership limits contained in our license.

Revoking, limiting or altering our license. Our license contains several qualifications that we are required to meet. These conditions are designed primarily to ensure that we maintain at least a specified minimum connection to Israel. Other eligibility requirements address potential conflicts of interest and cross-ownership with other Israeli telecommunications operators. The major eligibility requirements are set forth below. A failure to meet these eligibility requirements may lead the Ministry of Communications to revoke, limit or alter our license, after we have been given an opportunity and have failed to remedy it.

- Founding shareholders or their approved substitutes must hold at least 26% of the means of control of Partner.
- Israeli entities from among our founding shareholders and their approved substitutes must hold at least 5% of our issued share capital and of each of our means of control.
- The majority of our directors, and our general manager, must be citizens and residents of Israel.
- Neither the general manager of Partner nor a director of Partner may continue to serve in office if he has been convicted of certain legal offenses.
- No trust fund, insurance company, investment company or pension fund that is an Interested Party in Partner may: (a) hold, either directly or indirectly, more than 5% of any means of control in a competing mobile radio telephone operator without having obtained a permit to do so from the Ministry of Communications, or (b) hold, either directly or indirectly, more than 5% of any means of control in a competing mobile radio telephone operator in accordance with a permit from the MoC, and in addition have a representative or appointee who is an Office Holder in a competing mobile radio telephone operator, unless it has been legally required to do so, or (c) hold, either directly or indirectly, more than 10% of any means of control in a competing mobile radio telephone operator, even if it received a permit to hold up to 10% of such means of control.
- No trust fund, insurance company, investment company or a pension fund that is an Interested Party in a competing mobile radio telephone operator may: (a) hold, either directly or indirectly, more than 5% of any means of control in Partner, without having obtained a permit to do so from the Ministry of Communications; or (b) hold, directly or indirectly, more than 5% of any means of control in Partner in accordance with a permit from the Ministry of Communications, and in addition have a representative or appointee who is an Office Holder in Partner, unless it has been legally required to do so; or (c) hold, either directly or indirectly, more than 10% of any means of control in Partner, even if it received a permit to hold up to 10% of such means of control.
- Partner, an Office Holder or Interested Party in Partner, or an Office Holder in an Interested Party in Partner does not control a competing mobile radio telephone operator, is not controlled by a competing mobile radio telephone operator, by an Office Holder or an Interested Party in a competing mobile radio telephone operator, by an Office Holder in an Interested Party in a competing mobile radio telephone operator, or by a person or corporation that controls a competing mobile radio telephone operator.

Change in license conditions. Under our license, the Ministry of Communications may change, add to, or remove conditions of our license if certain conditions exist, including:

- A change has occurred in the suitability of Partner to implement the actions and services that are the subject of our license.
- A change in our license is required in order to ensure effective and fair competition in the telecommunications sector.
- A change in our license is required in order to ensure the standards of availability and grade of service required of Partner.
- A change in telecommunications technology justifies a modification of our license.

- A change in the electromagnetic spectrum needs justifies, in the opinion of the Ministry of Communications, changes in our license.
- Considerations of public interest justify modifying our license.
- A change in government policy in the telecommunications sector justifies a modification of our license.
- A change in our license is required due to its breach by Partner.

During an emergency period, control of Partner's mobile radio telephone system may be assumed by any lawfully authorized person for the security of the State of Israel to ensure the provisions of necessary service to the public, and some of the spectrum granted to us may be withdrawn. In addition, our license requires us to supply certain services to the Israeli defense and security forces. Furthermore, certain of our senior officers are required to obtain security clearance from Israeli authorities.

For the purposes of this discussion, the following definitions apply:

- **"Office Holder"** means a director, manager, company secretary or any other senior officer that is directly subordinate to the general manager.
- **"Control"** means the ability to, directly or indirectly, direct the activity of a corporation, either alone or jointly with others, whether derived from the governing documents of the corporation, from an agreement, oral or written, from holding any of the means of control in the corporation or in another corporation, or which derives from any other source, and excluding the ability derived solely from holding the office of director or any other office in the corporation. Any person controlling a subsidiary or a corporation held directly by him will be deemed to control any corporation controlled by such subsidiary or by such controlled corporation. It is presumed that a person or corporation controls a corporation if one of the following conditions exist: (1) such person holds, either directly or indirectly, fifty percent (50%) or more of any means of control in the corporation; (2) such person holds, either directly or indirectly, a percentage of any means of control in the corporation which is the largest part in relation to the holdings of the other Interested Parties in the corporation; or (3) such person has the ability to prevent the taking of business decisions in the corporation, with the exception of decisions in the matter of issuance of means of control in a corporation or decisions in the matters of sale or liquidation of most businesses of the corporation, or fundamental changes of these businesses.
- **"Controlling Corporation"** means a company that has control, as defined above, of a foreign mobile radio telephone operator.
- **"Interested Party"** means a person who either directly or indirectly holds 5% or more of any type of means of control, including holding as an agent.

Our Permit Regarding Cross Ownership

Our license generally prohibits cross-control or cross-ownership among competing mobile telephone operators without a permit from the Ministry of Communications. In particular, Partner, an Office Holder or an Interested Party in Partner, as well as an Office Holder in an Interested Party in Partner may not control or hold, directly or indirectly, 5% or more of any means of control of a competing mobile radio telephone operator. Our license also prohibits any competing mobile radio telephone operator or an Office Holder or an Interested Party in a competing mobile radio telephone operator, or an Office Holder in an Interested Party in a competing mobile radio telephone operator or a person or corporation that controls a competing mobile radio telephone operator from either controlling, or being an Interested Party in us.

However, our license, also provides that the Ministry of Communications may permit an Interested Party in Partner to hold, either directly or indirectly, 5% or more in any of the means of control of a competing mobile radio telephone operator if the Ministry of Communications is satisfied that competition will not be harmed, and on the condition that the Interested Party is an Interested Party in Partner only by virtue of a special calculation described in the license and relating to attributed holdings of shareholders deemed to be in control of a corporation.

4B.12g Other Licenses

Unified License. Partner Land-Line, which is fully owned by the Company, was granted a general-unified license in 2016 for the provision of domestic fixed-line telecommunications services, including VoB services using the infrastructure of Bezeq and HOT Telecom to access customers as well as ILD services, ISP services and end-point services. See Exhibit 4.(a).2.1, which is incorporated herein by reference. The license expires in 2027 but may be extended by the Ministry of Communications for successive periods of ten years provided that the licensee has complied with the terms of the license and has acted consistently for the enhancement of telecom services and their enhancement. The general conditions of the mobile telephone license described above, generally apply to this license, subject to certain modifications.

We also have a general-unified license to provide fixed-line services to the Israeli populated areas in the West Bank which is valid until January 2027. The general conditions of the general-unified license granted to Partner Land-Line by the MoC, generally apply to this license, subject to certain modifications.

ISP License. In March 2001, we received a special license granted by the Ministry of Communications, allowing us through our own facilities to provide internet access to fixed-line network customers. The license is valid until March 2023. We began supplying commercial ISP services beginning in January 2009. We were also granted a special license to provide ISP services to the Israeli populated areas in the West Bank which is valid until March 2023.

PHI License. In 2015, P.H.I Networks (2015) Limited Partnership, the limited partnership that we entered into with Hot Mobile received a special license for the provision of radio cellular infrastructure services to other licensees which is valid until August 2025. The license enables PHI to operate the joint network. PHI was also granted a special license to provide these services to the Israeli populated areas in the West Bank which is valid until August 2025.

Other Licenses. The Ministry of Communications has granted us a trade license pursuant to the Wireless Telegraphy Ordinance. This license regulates issues of servicing and trading in equipment, infrastructure and auxiliary equipment for our network. We have also been granted a number of encryption licenses that permit us to deal with means of encryption, as provided in the aforementioned licenses, within the framework of providing mobile radio telephone services to the public.

4B.12h Network Site Permits

Permits of the Ministry of Environmental Protection

On January 1, 2006, the Non-Ionizing Radiation Law (5766-2006), which replaced the Pharmacists (Radioactive Elements and Products) Regulations, 1980 regarding matters that pertain to radiation from cellular sites, was enacted. This law defines the various powers of the Ministry of Environmental Protection as they relate, among others, to the grant of permits for network sites and sets standards for permitted levels of non-ionizing radiation emissions and reporting procedures. Pursuant to this law, most of which entered into effect on January 1, 2007, a request for an operating permit from the Ministry of Environmental Protection with respect to either new sites or existing sites would require a building permit for such site(s). The Ministry of Environmental Protection has adopted the International Radiation Protection Agency's standard as a basis for the consents it gives for the erection and operation of our antennas. This standard is an international standard based upon a number of years of scientific study.

If we continue to face difficulties in obtaining building permits from the local planning and building committee, we may fail to obtain also operation permits from the Ministry of Environmental Protection. Operation of a network site without a permit from the Ministry of Environmental Protection may result in criminal and civil liability to us or to our officers and directors.

Local Building Permits

The Planning and Building Law requires that we receive a building permit for the construction of most of our antennas. The local committee or local licensing authority in each local authority is authorized to grant building permits, provided such permits are in accordance with National Building Plan No. 36 which came into effect on June 15, 2002. The local committee is made up of members of the local municipal council. The local committee is authorized to delegate certain of its powers to subcommittees on which senior members of the local authority may sit.

The local committee examines the manner in which an application for a building permit conforms to the plans applying to the parcel of land that is the subject of the application, and the extent to which the applicant meets the requirements set forth in the Planning and Building Law. The local committee is authorized to employ technical, vista, and aesthetic considerations in its decision-making process. The local committee may grant building permits that are conditioned upon the quality of the construction of the structure, the safety of flight over the structure, and the external appearance of the structure. Every structure located on a certain parcel of land must satisfy the requirements and definitions set forth in the building plan applicable to such parcel.

On January 3, 2006, the National Council for Planning and Building added a new requirement for obtaining a building permit for network sites: the submission of an undertaking to indemnify the local committee for claims relating to the depreciation of the surrounding property value as a result of the construction or existence of the antenna.

A decision by a local committee not to grant a building permit may be appealed to the District Appeals Committee. A person harmed by the ruling of the District Appeals Committee may have such ruling examined judicially by means of an administrative petition to the District Court sitting as an Administrative Affairs Tribunal.

National Building Plan No. 36

National Building Plan No. 36 which came into effect on June 15, 2002 regulates the growth of telecommunications infrastructure in Israel. Chapter A of National Building Plan No. 36 sets forth the licensing requirements for the construction of mobile radio telephone infrastructure. National Building Plan No. 36 also adopts the radiation emission standards set by the International Radiation Protection Agency which were also previously adopted by the Ministry of Environmental Protection. We believe that we currently comply with these standards regarding our sites. National Building Plan No. 36 is in the process of being changed. On June 1, 2010, the National Council for Planning and Building approved the National Building Plan No. 36/A/1 version that incorporates all of the amendments to National Building Plan No. 36 ("the Amended Plan").

Current proposed changes impose additional restrictions and/or requirements on the construction and operation of network sites and could, if adopted, harm our ability to construct new network sites, make the process of obtaining building permits for the construction and operation of network sites more cumbersome and costly, and may delay the future deployment of our network.

Under the Non-Ionizing Radiation Law, the National Council for Planning and Building was granted the power to determine the level of indemnification for reduction of property value to be undertaken as a precondition for a cellular company to obtain a building permit for a new or existing network site. As a result, the National Council for Planning and Building has decided that until National Building Plan 36 is amended to reflect a different indemnification amount, cellular companies will be required to undertake to indemnify the building and planning committee for 100% of all losses resulting from claims against the committee. Thus, at present, in order to obtain a building permit for a new or existing network site, we must provide full indemnification for the reduction of property value.

The Amended Plan sets forth the indemnification amounts as a percentage of the value of the depreciated property claims in accordance with the manner in which the licenses were granted as follows: If the license was granted in an expedited licensing route, which is intended for installations that are relatively small in accordance with the Amended Plan criteria, then the cellular companies will be required to compensate the local planning committees in an amount of 100% of the value of the depreciated property claim. If the license was granted in a regular licensing route, which is intended for larger installations in accordance with the Amended Plan criteria, then the cellular companies will be required to compensate the local planning committees in an amount of 80% of the value of the depreciated property claim. The Amended Plan is subject to governmental approval, in accordance with the Planning and Building Law. It is unknown when the government intends to approve the Amended Plan.

These developments may have a material adverse effect on our financial condition and results of operations, as well as plans to expand and enhance network coverage. For more information, see "Item 3D.1m In connection with some building permits, we may also be required to indemnify planning committees in respect of claims against them relating to the depreciation of property values that result from the granting of permits for network sites."

Wireless access devices

We have set up several hundred small communications devices, called wireless access devices, pursuant to a provision in the Telecommunications Law which we and other participants in cellular telecommunications, believe exempts such devices from the need to obtain a building permit. Beginning in 2008, following the filing of a claim that the exemption does not apply to cellular communications devices, the Attorney General filed an opinion regarding this matter stating that the exemption does apply to wireless radio access devices under certain conditions. Two petitions were filed with the High Court of Justice in opposition to the Attorney General's opinion. On October 25, 2018, the Attorney General submitted a request to dismiss the petitions on the grounds that the matter of network sites has been regulated by regulations. On December 23, 2018, the Supreme Court and the High Court of Justice dismissed the two petitions and accepted the appeal filed by us as well as our competitors against the district court ruling. In May 2018, the Economics Committee approved the new regulations which were published in October 2018. According to the provisions of the regulations that were approved, in order to establish a new wireless access device, a short process of licensing is required before the committee engineer, which constitutes a significant obstacle to obtaining such approval.

Other Approvals

The construction of our antennas may be subject to the approval of the Civil Aviation Administration which is authorized to ensure that the construction of our antennas does not interfere with air traffic, depending on the height and location of such antennas. The approval of the Israeli Defense Forces is required in order to coordinate site frequencies so that our transmissions do not interfere with the communications of the Israel Defense Forces.

We, like other cellular operators in Israel, provide repeaters, also known as bi-directional amplifiers, to subscribers seeking an interim solution to weak signal reception within specific indoor locations. In light of the lack of a clear policy of the local planning and building authorities, and in light of the practice of the other cellular operators, we have not requested permits under the Planning and Building Law for the repeaters. However, we have received from the Ministry of Communications an approval to connect the repeaters to our communications network. We have also received from the Ministry of Environmental Protection, the permits that are necessary for the repeaters.

In addition, we construct and operate microwave links as part of our transmission network. The various types of microwave links receive permits from the Ministry of Environmental Protection in respect of their radiation level. Based on an exemption in the Telecommunications Law, we believe that building permits are not required for the installation of most of these microwave links on rooftops, but if in the future the courts or the relevant regulator determine that building permits are necessary for the installation of these sites, it could have a negative impact on our ability to deploy additional microwave links, and could hinder the coverage, quality and capacity of our transmission network and our ability to continue to market our Fixed-Line Services effectively.

We have received approval from the MoC for selling and distributing all of the handsets and other terminal equipment we sell. The Ministry of Environmental Protection also has authority to regulate the sale of handsets in Israel, and under the Non-Ionizing Radiation Law, certain types of devices, which are radiation sources, including cellular handsets, have been exempted from requiring an approval from the Ministry of Environmental Protection so long as the radiation level emitted during the use of such handsets does not exceed the radiation level permitted under the Non-Ionizing Radiation Law. Since June 2002, we have been required to provide information to purchasers of handsets on the Specific Absorption Rate ("SAR") levels of the handsets as well as its compliance with certain standards pursuant to a regulation under the Consumer Protection Law. We attach a brochure to each handset that is sold that includes the SAR level of the specific handset. Such brochures are also available at our service centers and the information is also available on the Company's website. SAR levels are a measurement of non-ionizing radiation that is emitted by a hand-held cellular telephone at its specific rate of absorption by living tissue. While, to the best of our knowledge, the handsets that we market comply with the applicable laws that relate to acceptable SAR levels, we rely on the SAR published by the manufacturer 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 and not for each and every handset, we have no information as to the actual SAR level of each specific handset and throughout its lifecycle, including in the case of equipment repair.

Under a December 2005 amendment to this procedure, in the event that the SAR level is not measured after the repair of a handset, the repairing entity is required to notify the customer by means of a label affixed to the handset that the SAR may have been altered following the repair, in accordance with the provisions relating to the form of such label set forth in the procedure. A consultant had been retained by the MoC to formulate a recommendation regarding the appropriate manner to implement the procedure for repairing handsets but to date the MoC has not yet issued any guidelines and given the continued delay we inform our customers that there may be changes in the SAR levels.

In November 2005, a procedure was adopted by the MoC with regard to the importation, marketing, and approval for 2G and 2.5G handsets. Prior to the implementation of the procedure, suppliers of 2G and 2.5G handsets in Israel were required to obtain an interim, non-binding approval of the handset type from the relevant cellular operators before receiving final approval from the MoC to supply such handsets in Israel to such operators. Under the procedure, handsets that have already received international certification, such as the U.S. Federal Communications Commission (FCC) declaration of conformity and the Conformité Européene (CE), prior to their importation into Israel are now exempt from the requirement of receiving an interim, non-binding approval from the relevant cellular operators in Israel. This could expose us to the risk that handsets not reviewed and approved by us may interfere with the operation of our network.

In addition, this procedure also called for repaired handsets to comply with all applicable standards required for obtaining handset type approval, including standards relating to the safety, electromagnetic levels, and SAR levels.

4C. Organizational Structure

We currently have (i) five directly held wholly-owned subsidiaries, Partner Future Communications 2000 Ltd., an Israeli corporation; Partner Land-Line Communications Solutions LP, an Israeli limited partnership; Partner Business Communications Solutions, LP, an Israeli limited partnership; Get Cell Communication Products LP (formerly Partner Communication Products 2016 LP); 012 Smile; and Iconz Holdings Ltd; (ii) 012 Smile's wholly-owned subsidiary, 012 Telecom Ltd.; and (iii) a 50% interest in PHI. Partner Future Communications 2000 Ltd. serves as the general partner and the Company serves as the limited partner of each of the limited partnerships.

In November 2013, the Company entered into a 15-year Network Sharing Agreement with HOT Mobile. Pursuant to the Network Sharing Agreement, the parties created a 50-50 limited partnership - P.H.I. Networks (2015) Limited Partnership, which will operate and develop a cellular network to be shared by both parties, starting with a pooling of both parties' radio access network infrastructures to create a single shared radio access network. The parties have also established a 50-50 company under the name Net 4 P.H.I Ltd. to be the general partner of the limited partnership. See "Item 4B.8 Our Network".

4D. Property, Plant and Equipment

Headquarters

We lease our headquarter facilities in Rosh Ha-ayin, Israel, with a total of approximately 51,177 gross square meters (including parking lots). In the beginning of 2014, an amendment to the lease agreements for its headquarters facility in Rosh Ha'ayin was signed, according to which the lease term is extended until the end of 2024. The rental payments are linked to the Israeli CPI. We also lease call centers in several cities. The leases for each site have different lengths and specific terms. We believe that our current call center facilities are adequate for the foreseeable future, and that we will be able to extend the leases or obtain alternate or additional facilities, if needed, on acceptable commercial terms.

Network

For a description of our telecommunications network, see "Item 4B.8 Our Network" above.

We lease most of the sites where our mobile telecommunications network equipment is installed throughout Israel. At December 31, 2019, we had 3,078 network sites (including micro-sites). The lease agreements relating to our network sites are generally for periods of two to ten years. We have the option to extend the lease periods up to ten years (including the original lease period).

The erection and operation of most of these network sites requires building permits from local or regional zoning authorities, as well as a number of additional permits from governmental and regulatory authorities, and we have had difficulties in obtaining some of these permits.

Difficulties obtaining required permits could continue and therefore affect our ability to maintain cell network sites. In addition, as we grow our subscriber base and seek to improve the range and quality of our services, we need to further expand our network, and difficulties in obtaining required permits may delay, increase the costs or prevent us from achieving these goals in full. See “Item 3D.11 We have had difficulties obtaining some of the building and environmental permits required for the erection and operation of our cellular network sites, and some building permits have not been applied for or may not be fully complied with. These difficulties could have an adverse effect on the coverage, quality and capacity of our network. Operating network sites without building or other required permits, or in a manner that deviates from the applicable permit, may result in criminal or civil liability to us or to our officers and directors.” and “Item 4B.12 Regulation”.

In November 2013, the Company entered into a 15-year Network Sharing Agreement with HOT Mobile. Pursuant to the Network Sharing Agreement, the parties created a 50-50 limited partnership, which is intended to operate and develop a cellular network to be shared by both companies, starting with a pooling of both companies’ radio access network infrastructures to create a single shared pooled radio access network. See “Item 4B.8 Our Network”.

Service Centers and Points of Sale

Lease agreements for our retail stores and service centers are for periods of two to ten years. We have the option to extend the lease agreements for different periods of up to ten additional years (including the original lease period). The average size of our retail stores and service center is approximately 250 square meters. See also note 19 to the consolidated financial statements.

4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

HOT Telecommunication Systems Ltd. and its controlling shareholder, Altice Europe N.V., have proposed to acquire 100% of the issued share capital of the Company.

See “Item 3D.2f HOT Telecommunications and its controlling shareholder, Altice Europe N.V., have offered to acquire 100% of our shares, but there can be no assurance as to the final terms of such transaction or that the proposed transaction will be consummated. As a result, the market price of our shares and ADRs may fluctuate, and our business, revenues and results of operations may be materially harmed.”

The following operating and financial review and prospects are based upon and should be read in conjunction with our financial statements and selected financial data, which appear elsewhere in this report. You should also read the risk factors appearing in Item 3D of this Annual Report for a discussion of a number of factors that affect and could affect our financial condition and results of operations.

5A. Operating Results

5A.1 OVERVIEW

5A.1a Key Financial and Operating Data

The table below sets forth a summary of selected financial and operating data for the years ended December 31, 2018 and 2019.

	Year ended December 31,	
	2018	2019*
Revenues (NIS million)	3,259	3,234
Operating profit (NIS million)	116	87
Profit before income taxes (NIS million)	63	19
Profit for the year (NIS million)	56	19
Capital expenditures (additions) (NIS million)	499	578
Cash flows from operating activities (NIS million)	625	837
Cash flows from investing activities (NIS million)	(351)	(1,181)
Cellular Subscribers (end of period, thousands)	2,646	2,657
Annual cellular churn rate (%)	35%	31%
Average monthly revenue per cellular subscriber (ARPU) (NIS)	58	57
TV subscribers (end of period, thousands)	122	188

(*) The results for the year ended December 31, 2019 include the impact of the adoption of IFRS 16 with effect as of January 1, 2019. See “Item 5A.1i IFRS 16 Leases – Adoption of a new accounting standard”.

NON-GAAP MEASURES

The following non-GAAP measures are used in this report. These measures are not financial measures under IFRS and may not be comparable to other similarly titled measures for other companies. Further, the measures may not be indicative of the Company's historic operating results nor are they meant to be predictive of potential future results.

Non-GAAP Measure	Calculation	Most Comparable IFRS Financial Measure
Adjusted EBITDA	Profit (Loss) <i>add</i> Income tax expenses, Finance costs, net, depreciation and amortization expenses (including amortization of intangible assets, deferred expenses-right of use and impairment charges), Other expenses (mainly amortization of share based compensation).	Profit (Loss)
Adjusted EBITDA margin (%)	Adjusted EBITDA divided by Total revenues	
Adjusted Free Cash Flow	Net cash provided by operating activities <i>add</i> Net cash used in investing activities <i>deduct</i> Proceeds from (investment in) short-term deposits, net <i>deduct</i> Lease principal payments <i>deduct</i> Lease interest payments	Net cash provided by operating activities <i>add</i> Net cash used in investing activities
Total Operating Expenses (OPEX)	Cost of service revenues <i>add</i> Selling and marketing expenses <i>add</i> General and administrative expenses <i>add</i> Credit losses <i>deduct</i> Depreciation and amortization expenses, <i>deduct</i> Other expenses (mainly amortization of employee share based compensation)	Sum of: Cost of service revenues, Selling and marketing expenses, General and administrative expenses, Credit losses
Net Debt	Current maturities of notes payable and borrowings <i>add</i> Notes payable <i>add</i> Borrowings from banks <i>add</i> Financial liability at fair value <i>deduct</i> Cash and cash equivalents <i>deduct</i> Short-term deposits	Sum of: Current maturities of notes payable and borrowings, Notes payable, Borrowings from banks, Financial liability at fair value <i>Less</i> Sum of: Cash and cash equivalents, Short-term deposits
Various line items "without the impact of the early adoption of IFRS 15"	Line item <i>less</i> the amount of the impact of IFRS 15	The corresponding line item as reported in the Company's financial statements
Various line items "without the impact of the early adoption of IFRS 16"	Line item <i>less</i> the amount of the impact of IFRS 16	The corresponding line item as reported in the Company's financial statements

5A.1b Business Developments in 2019

In 2019, competition in the Israeli telecommunications market remained intense, across both cellular segment services and fixed-line segment services, as well as in the market for equipment and device sales. As a result, the continued price erosion in our principal markets had a further significant negative impact on the Company's business results. Total cellular segment revenues for 2019 decreased by 5% compared with 2018 and by 8% compared with 2017, and the increase of 9% in total fixed-line segment revenues compared with 2018 largely reflected our increased penetration in the TV and internet markets in 2019.

Cellular market. As an illustration of the level of competition in the cellular market, approximately 2.2 million cellular subscribers are estimated to have switched operators within the Israeli market (with number porting) during 2019; similarly, approximately 2.4 million subscribers switched in 2018 and approximately 2.5 million switched in 2017. While our annual churn rate for cellular subscribers decreased in 2019 to 31% compared with 35% in 2018 and 38% in 2017, competition in the cellular subscriber market remained intense. Significant price erosion continued to be caused by the number of cellular subscribers who moved between different rateplans or airtime packages (generally with a lower monthly fee) within the Company.

Over 2019, the Company's cellular subscriber base increased net, by approximately 11,000. The pre-paid subscriber base increased by approximately 6,000, compared with a decrease of approximately 69,000 in 2018, while the post-paid subscriber base increased by approximately 5,000, compared with an increase of approximately 53,000 in 2018.

At the end of December 2019, the Company's cellular subscriber base (including cellular data, 012 Mobile subscribers and M2M subscriptions) was approximately 2.66 million, including approximately 2.5 million post-paid subscribers or 89% of the base, and approximately 291,000 pre-paid subscribers, or 11% of the subscriber base. Total cellular market share in Israel (based on the number of subscribers) at the end of 2019 was estimated to be approximately 25%, unchanged since 2017.

The monthly Average Revenue Per User (ARPU) for cellular subscribers for the year 2019 was NIS 57 (US\$ 16), a decrease of approximately 2% from NIS 58 in 2018. The decrease mainly reflected the continued price erosion in the key cellular services including airtime, data and browsing, due to the persistent fierce competition in the cellular market. Overall, cellular service revenues decreased by 2% in 2019 compared with 2018.

Fixed line market. Total fixed line segment service revenues increased by 9% in 2019, largely as a result of increased revenues from TV and internet services. Over 2019, the Company's TV subscriber base increased, net, by approximately 66,000 from approximately 122,000 subscribers at the end of December 2018 to approximately 188,000 subscribers at the end of December 2019. The increase in revenues from TV and internet services was partially offset by a decrease in revenues from international calling services (including the market for wholesale international traffic) which were adversely affected both by the increased penetration of internet-based solutions and increased competition from other service providers.

Equipment sales. Revenues from equipment sales decreased in 2019 by 8%, principally reflecting lower sales volumes of both cellular devices and other non-core equipment.

Total operating expenses. Although total operating expenses decreased by NIS 111 million, or 6%, in 2019 compared with 2018 to a total of NIS 1,885 million (including cost of service revenues (NIS 2,177 million in 2019) and selling, marketing, administrative expenses and credit losses (NIS 468 million in 2019), and excluding depreciation, amortization and impairment expenses and other expenses (mainly amortization of employee share based compensation) (NIS 760 million in 2019); this measure is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies), the decrease was explained principally by the impact of the implementation of IFRS 16 in 2019 which reduced total operating expenses by NIS 157 million since all lease expenses were replaced by interest and depreciation expenses. Excluding the impact of the implementation of IFRS 16, total operating expenses would have increased by NIS 46 million, primarily reflecting the increase in expenses related to the growth in TV and internet services, including content rights and distribution expenses, wholesale internet infrastructure access expenses and workforce expenses. The increase in these expenses was partially offset by decreases in other expenses including in credit losses and in international calling services expenses. See also Items 5A.2a and 5A.2b for a breakdown of total operating expenses by segment.

Profitability. Profit for the year 2019 was NIS 19 million (US\$ 6 million), a decrease of 66% compared with NIS 56 million in 2018. Adjusted EBITDA in 2019 totaled NIS 853 million (US\$ 247 million), an increase of 18% from NIS 722 million in 2018, primarily reflecting the impact of the adoption of IFRS 16 on total operating expenses. Excluding the impact of the decline in gross profit from equipment sales and the impact the adoption of IFRS 16, the Company would have reported relative stability in Adjusted EBITDA compared to 2018.

5A.1c Settlement Agreement with Orange Brand Services Ltd.

In June 2015, the Company announced that it had entered into a settlement agreement with Orange Brand Services Ltd ("Orange") which created a new framework for their relationship and provided both Partner and Orange the right to terminate the brand license agreement which had been in force since 1998. In accordance with the terms of the settlement agreement, the Company received advance payments in a total of €90 million during 2015: €40 million of which was received between the signing of the agreement and the completion of a market study to assess the Company's position within the dynamics of the Israeli telecommunications services market; and €50 million of which was received in the fourth quarter of 2015, following the Company's notice to Orange of its decision to terminate the brand license agreement.

As set forth in the settlement agreement, the advance payments were recognized and reconciled evenly on a quarterly basis over a period until the second quarter of 2017, against contingent marketing, sales, customer services and other expenses to be incurred over this period. The income was recorded in the Company's income statement under "Income with respect to settlement agreement with Orange". For the years ended December 31, 2015, 2016 and 2017, the Company recognized income with respect to the settlement agreement in an amount, respectively, of NIS 61 million, NIS 217 million and NIS 108 million (US\$ 31 million). There was no income recognized with respect to the settlement agreement in the years 2018 and 2019, and none will be recorded for future periods. Based on a legal opinion provided to the Company, the advance payments are considered compensation payments and are therefore not subject to VAT charges.

5A.1d Network Sharing Agreement with HOT Mobile

In November 2013, the Company entered into a 15-year Network Sharing Agreement with HOT Mobile. Pursuant to the Network Sharing Agreement, the parties created a 50-50 limited partnership - P.H.I. Networks (2015) Limited Partnership, which operates and develops a radio access network shared by both parties, starting with a pooling of both parties' radio access network infrastructures creating a single shared pooled radio access network. See "4B.8 OUR NETWORK."

In February 2016, HOT Mobile exercised its option under the Network Sharing Agreement ("NSA") to advance the payment date of a onetime amount of NIS 250 million ("Lump Sum"), which was received in 2016. Therefore according to the NSA from April 2016 onward (i) each party bears half of the expenditures relating to the Shared Network, and (ii) the operating costs of the Shared Network are borne according to a pre-determined apportionment mechanism, according to which one half of the operating costs is shared equally by the parties, and one half is divided between the parties according to the relative volume of their respective traffic consumption in the Shared Network ("Capex-Opex Mechanism").

The Lump Sum is recognized as deferred revenue for the cellular segment amortized quarterly in the income statement over a period of eight years, starting with the second quarter of 2016. Eight years has been determined to be the shorter of the expected period of the arrangement or the expected life of the related assets. Accordingly, approximately NIS 23 million was amortized to revenues in the income statement during 2016, and approximately NIS 31 million (US\$ 8 million) was amortized to revenues in the income statement for each of the years 2017, 2018 and 2019.

The Network Sharing Agreement provides material financial benefits to Partner in terms of both recognition of the amortized Lump Sum payments and savings in operational expenses and capital investments; however, such financial benefits are dependent on factors set forth in the related risk factor. See "Item3D.2h If the network sharing agreement entered into with HOT Mobile is unilaterally terminated by HOT Mobile earlier than we expect, we will be required to split the shared network with HOT Mobile and the resources, time and expense it may take us to have our own network in a nationwide coverage, would be substantial and could also materially harm our business and the results of operations at such time."

Change in PHI's governance from January 1, 2019

At the beginning of January 2019, an amendment to the NSA between the Company and Hot Mobile was signed and communicated to the MoC and Anti-trust regulator which, among other things, cancelled the position of the independent director mentioned above who acted as a chairman, and no consideration was transferred between the parties in relation to this matter. The amendment did not change ownership shares, nor the CAPEX-OPEX mechanism described above. As a result of the amendment, the control over PHI thereafter is borne 50-50 by the Company and Hot Mobile (the "Parties"), and each nominates an equal number of directors (3 directors). Since, thereafter, decisions about the relevant activities of PHI require the unanimous consent of both Parties, PHI is considered a joint arrangement controlled by the Parties (joint control).

The activities of the joint arrangement are primarily designed for the provision of output to the Parties. The joint arrangement terms give the Parties rights to the assets, and obligations for the liabilities and expenses of PHI. Furthermore the Parties have rights to substantially all of the economic benefits of PHI's assets. PHI's liabilities are in substance satisfied by the cash flows received from the Parties, as the Parties are substantially the source of cash flows contributing to the continuity of the operations of PHI. Starting January 1, 2019, the Company accounts for its rights in the assets of PHI and obligations for the liabilities and expenses of PHI as a joint operation, recognizing its share in the assets, liabilities, and expenses of PHI, instead of the equity method. Starting January 1, 2019 payments with respect to rights to use PHI's fixed assets are presented in the statement of cash flows as cash used in investing activities instead of cash payments for deferred expenses used in operating activities. For the years 2016 to 2018, costs of Right of Use (ROU) in PHI's shared network were presented as deferred expenses. As a result, these costs were included in the cash flows statement under cash flows from operating activities rather than under cash flows used in investing activities. See also notes 2(g) and 9 to the financial statements.

Starting January 1, 2019, payments with respect to rights to use PHI's fixed assets will be presented in the statement of cash flows as cash used in investing activities.

The following table presents the Company's share (50%) in PHI's statement of financial position items that are consolidated to the financial statements as the Company's share in a joint operation.

	New Israeli Shekels in millions		
	January 1, 2019		
	Company's share (50%) in PHI's accounts**	Intercompany elimination	Total
CURRENT ASSETS			
Cash and cash equivalents	*		*
Current assets	69	(62)	7
NON CURRENT ASSETS			
Property and equipment and intangible assets	142		142
Lease-right of use	355		355
CURRENT LIABILITIES			
Current borrowings from banks	13		13
Trade payables and other current liabilities	55		55
Other current liabilities	65		65
NON CURRENT LIABILITIES			
Lease liabilities	290		290
Deferred revenues	142	(142)	
EQUITY	1	(1)	-

* Representing an amount of less than NIS 1 million.

** Certain intercompany balances were eliminated in the presentation of Company's share in PHI's accounts.

5A.1e Impairment of Fixed-Line Assets and Goodwill

Impairment of Fixed-Line Assets as of December 31, 2015.

In 2015, the Group decided to cease using the "012 Smile" trade name in 2017. This change in business induced the Group to determine that an indicator of impairment exists for the fixed-line segment. See also information with respect to change in estimate of useful life of the intangible asset trade name in note 4(a)(2) and 4(a)(1) to our consolidated financial statements.

For the purpose of the impairment test, the assets were grouped to the lowest level for which there is separately identifiable cash flows (CGU).

(i) The Group reviewed the recoverability of the VOB/ISP assets. As a result, an impairment charge in a total amount of NIS 98 million was recognized. The impairment charge was allocated to the assets of the CGU pro rata, on the basis of the carrying amount of each asset, provided that the impairment did not reduce the carrying amount of an asset below the highest of its fair value less costs to sell and its value-in-use, and zero. Accordingly, the following impairment charges were recorded in the assets of the above CGU (see note 13 to our consolidated financial statements):

- (a) Right of use of international fiber optic cables by NIS 76 million, recorded in cost of revenues;
- (b) Customer relationships by NIS 8 million, recorded in selling and marketing expenses;
- (c) Computers and information systems by NIS 7 million, recorded in cost of revenues;
- (d) Communication network by NIS 5 million, recorded in cost of revenues; and
- (e) Trade name by NIS 2 million, recorded in selling and marketing expenses.

The recoverable amount of the VOB/ISP CGU as of December 31, 2015 was assessed by management with the assistance of an external independent expert based on value-in-use calculations, which was NIS 250 million. The value in use calculations use pre-tax cash flow projections covering a five-year period and using extrapolation with specific adjustments expected until 2027, which is the economic life of the main asset of the CGU: the deferred expenses – Right of Use, and a pre-tax discount rate of 12.9%. The value-in-use calculations included all factors in real terms.

The impairment test was based on assessments of financial performance and future strategies in light of current and expected market and economic conditions. Trends in the economic and financial environment, competition and regulatory authorities' decisions, or changes in competitors' behavior in response to the economic environment may affect the estimate of recoverable amounts in future periods. See also note 2(i) and note 4(a)(2) to our consolidated financial statements.

(ii) The Group reviewed the recoverability of the ILD CGU in the fixed line segment and determined that no impairment existed as of December 31, 2015.

Impairment test of Fixed-Line Goodwill as of December 31, 2016, 2017 2018 and 2019.

Goodwill is allocated to a single group of CGUs which constitute all the operations of the fixed-line segment, in an amount of NIS 407 million.

For the purpose of the goodwill impairment tests as of December 31, 2016, 2017, 2018 and 2019, the recoverable amount was assessed by management with the assistance of an external independent experts (BDO Ziv Haft Consulting & Management Ltd.) based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections covering a five-year period. Cash flows beyond the five-year period to be generated from continuing use are extrapolated using estimated growth rates. The growth rate represents the long-term average growth rate of the fixed-line communications services business. The key assumptions used are as follows:

	As of December 31,			
	2016	2017	2018	2019
Terminal growth rate	0.5%	0.9%	1%	1%
After-tax discount rate	9.8%	9.3%	9.5%	8.0%
Pre-tax discount rate	11.9%	11.2%	11.5%	9.6%

The impairment tests as of December 31, 2016, 2017, 2018 and 2019, were based on assessments of financial performance and future strategies in light of current and expected market and economic conditions. Trends in the economic and financial environment, competition and regulatory authorities' decisions, or changes in competitors' behavior in response to the economic environment may affect the estimate of recoverable amounts.

As a result of the impairment tests, the Group determined that no goodwill impairment existed as of December 31, 2016, 2017 2018 and 2019. See also note 4(a)(3) and note 2(h) to our consolidated financial statements.

Sensitivity Analysis:

The headroom of the fixed line segment recoverable amount over the carrying amount as of December 31, 2017, 2018 and 2019 was approximately 23%, 21% and 42% respectively. Sensitivity analysis was performed for the recoverable amount as of December 31, 2019 for a change of the after-tax discount rate within the range of $\pm 10\%$ multiplied by the variable 8.% (7.2% to 8.8%), assuming all other variables constant. Sensitivity analysis was also performed for a change of the terminal permanent growth rate within the range of $\pm 1\%$ of the variable 1.0% (0% to 2%), assuming all other variables constant. Results showed that no impairment charge is required for both analyses.

5A.1f Significant regulatory developments

For information regarding developments which have had and may have a significant impact on our operating results, see “Item 3D.1 RISKS RELATING TO THE REGULATION OF OUR INDUSTRY” and “Item 4B.13 Regulation”.

5A.1g Revenues

We derive revenues from both providing services and selling equipment.

Our principal source of revenues is the cellular segment, deriving from the sale of cellular communications services such as airtime calls, international roaming services, text messaging, internet browsing, value-added and content services, handset repair services and services provided to other operators that use the Company's cellular network.

The fixed-line business segment derives revenues from a variety of fixed-line services that include internet services, ILD services, transmission services, telephony services (including SIP services) and, from 2017, TV services.

Equipment revenues are derived from the sale and leasing of a variety of communications, digital audio visual and internet-related equipment and other related equipment, including cellular handsets and related cellular devices and accessories, business communications equipment, modems, domestic routers, servers and related equipment and more. See also "Item 4B.5 SERVICES AND PRODUCTS".

5A.1h IFRS 15 Revenue from Contracts with Customers

In the third quarter of 2017, the Group early adopted with a date of initial application of January 1, 2017 (the "transition date") IFRS 15, *Revenue from Contracts with Customers*, and its clarifications ("IFRS 15", "The Standard") using the cumulative effect approach, which effect was immaterial as of the transition date.

The revenue recognition standard IFRS 15, *Revenue from Contracts with Customers*, and its clarifications ("IFRS 15", "The Standard") outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes IAS 18, *Revenue*, and IAS 11, *Construction contracts* (the "previous standards"). The model includes five steps for analyzing transactions so as to determine when to recognize revenue and at what amount:

- 1) Identifying the contract with the customer.
- 2) Identifying separate performance obligations in the contract.

- 3) Determining the transaction price.
- 4) Allocating the transaction price to separate performance obligations.
- 5) Recognizing revenue when the performance obligations are satisfied.

(1) Identifying the contract with the customer

Two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) are accounted for as a single contract if one or more of the following criteria are met:

- a. The contracts are negotiated as a package with a single commercial objective;
- b. The amount of consideration to be paid in one contract depends on the price or performance of the other contract;
- c. The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

(2) Identifying performance obligations

The Group assesses the goods or services promised in the contract with the customer and identifies as 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.

Goods or services are identified as being distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. 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 options grant the customer a material right it would not have received without the original contract.

The performance obligations are mainly services, equipment and options to purchase additional goods or services that provide a material right to the customer.

(3) Determining the transaction price

The transaction price is the amount of consideration that the Group expects to receive for the transfer of the goods or services specified in a contract with the customer, taking into account rebates and discounts, excluding amounts collected on behalf of third parties, such as value added taxes.

The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component (such as sales of equipment with non-current credit arrangements, mainly in 36 monthly installments) and for any consideration payable to the customer. The Group applies a practical expedient in the standard and does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the Group expects the period between customer payment and the transfer of goods or services to be one year or less. The financing component is recognized in other income-net over the period which is calculated according to the effective interest method. See also notes 23 – unwinding of trade receivables and 7(a) to the consolidated financial statements.

(4) Allocating the transaction price to separate performance obligations

In a transaction that constitutes a revenue arrangement with multiple performance obligations, the transaction price is allocated to separate performance obligations based of their relative stand-alone selling prices, see also note 4(b)(2) to the consolidated financial statements.

(5) Satisfaction of performance obligations

The Group recognizes revenue when it satisfies performance obligations by transferring control over the goods or services to the customers.

Revenues from services and from providing rights to use the Group's assets, (either month-by-month or long term arrangements) are recognized over time, as the services are rendered to the customers, since the customer receives and uses the benefits simultaneously, and provided that all other revenue recognition criteria are met.

Revenue from sale of equipment is recognized at a point of time when the control over the equipment is transferred to the customer (mainly upon delivery) and all other revenue recognition criteria are met.

(6) Principal – Agent consideration

The Group determines whether it is acting as a principal or as an agent for each performance obligation. The Group is acting as a principal if it controls a promised good or service before they are transferred to a customer. Indicators for acting as a principal include: (1) the Group is primarily responsible for fulfilling the promise to provide the specified good or service, (2) the Group has inventory risk in the specified good or service and (3) the Group has discretion in establishing the price for the specified good or service. On the other hand, the Group is acting as an agent or an intermediary, if these criteria are not met. When the Group is acting as an agent, revenue is recognized in the amount of any fee or commission to which the Group expects to be entitled in exchange for arranging for the other party to provide its goods or services. A Group's fee or commission might be the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party. The Group determined that it is acting as an agent in respect of certain content services provided by third parties to customers; therefore the revenues recognized from these services are presented on a net basis in the statement of income.

(7) Recognition of receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized when the control over the goods or services is transferred to the customer, and at the amount that is unconditional because only the passage of time is required before the payment is due. The Group holds the trade receivables with the objective to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest. Therefore they are subsequently measured at amortized cost using the effective interest method. See also note 7 and also note 6(a)(3) to the consolidated financial statements regarding trade receivables credit risk.

(8) Recognition of contract assets and contract liabilities

A contract asset is a Group's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the Group's future performance).

A contract liability is a Group's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer; therefore the Group records contract liabilities for payments received in advance for services, such as transmission services and pre-paid calling cards, as deferred revenues until such related services are provided.

Contract assets and contract liabilities arising from the same contract are offset and presented as a single asset or liability.

(9) Other practical expedients implemented:

The Group applies IFRS 15 practical expedient to the revenue model to a portfolio of contracts with similar characteristics if the Group reasonably expects that the financial statement effects of applying the model to the individual contracts within the portfolio would not differ materially.

The Group applies a practical expedient in the standard and measures progress toward completing satisfaction of a performance obligation and recognizes revenue based on billed amounts if the Group has a right to invoice a customer at an amount that corresponds directly with its performance to date; for which, or where the original expected duration of the contract is one year or less, the Group also applies the practical expedient in the standard and does not disclose the transaction price allocated to unsatisfied, or partially unsatisfied, performance obligations, such as constrained variable consideration.

The Group applies in certain circumstances where the customer has a material right to acquire future goods or services and those goods or services are similar to the original goods or services in the contract and are provided in accordance with the same terms of the original contract, a practical alternative to estimating the stand-alone selling price of the customer option, and instead allocates the transaction price to the optional goods or services by reference to the goods or services expected to be provided and the corresponding expected consideration.

(10) Capitalization of contract costs

The main effect of the Group's application of IFRS 15 is the accounting treatment for the incremental costs of obtaining contracts with customers, which in accordance with IFRS 15, are recognized as assets under certain conditions, see notes 2(f)(4) and 11 to the consolidated financial statements. Contract costs that were recognized as assets are presented in the statements of cash flows as part of cash flows used in investing activities.

(11) Use of judgments and estimates

Implementation of the accounting policy described above requires management to exercise discretion in estimates and judgments, see notes 4(a)(1) and 4(b)(2) to the consolidated financial statements.

See additional information with respect to revenues in note 22(a) to the consolidated financial statements.

5A.1i IFRS 16 Leases – Adoption of a new accounting standard

Group as lessee:

Through December 31, 2018 the Group applied IAS 17 to account for leases whereby a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Therefore the Group's leases were primarily operating leases which were charged to income statements on a straight-line basis over the lease term, including extending options which were reasonably certain.

The Group has adopted IFRS 16 Leases retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019. The transition is disclosed in notes 3(a) and 19 to the consolidated financial statements.

On adoption of IFRS 16 on January 1, 2019, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' and corresponding right-of-use assets. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

The Group applied the following practical expedients:

- Non-lease components: practical expedient by class of underlying asset not to separate non-lease components (services) from lease components and, instead, account for each lease component and any associated non lease components as a single lease component.
- Discount rate: The lease payments are discounted using the lessee's incremental borrowing rate, since the interest rate implicit in the lease cannot be readily determined. The lessee's incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. However, the Group is using the practical expedient of accounting together a portfolio of leases with similar characteristics provided that it is reasonably expected that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this Standard to the individual leases within that portfolio. And using a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment). The discount rates were estimated by management with the assistance of an independent external expert.
- Low-value leases: The low-value leases practical expedient is applied and these leases are recognized on a straight-line basis as expense in profit or loss. The practical expedient for short-term leases is not applied.

Lease liabilities measurement:

Lease liabilities were initially measured on a present value basis of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate (such as CPI)
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, and
- lease payments (principal and interest) to be made under reasonably certain extension options

The lease liability is subsequently measured according to the effective interest method, with interest costs recognized in the statement of income as incurred. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group is exposed to potential future changes in lease payments based on linkage to the CPI index, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are presented in the statement of cash flows under the cash used in financing activities. Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets measurement:

Right-of-use assets were measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs (except for initial application), and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term (including reasonably certain extension periods) on a straight-line basis, and adjusted for any remeasurements of lease liabilities. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. As of the adoption date of IFRS 16, the average remaining amortization period is as follows: Cell sites 4.5 years, buildings 6 years, vehicles 2 years. The right-of-use assets are also subject to impairment.

Group as lessor:

The cellular segment and the fixed-line segment also include leasing of telecommunications, audio visual and related devices. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting IFRS 16.

Transition to IFRS 16, Leases:

It results in almost all leases, where the Group is the lessee, being recognized on the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay lease payments are recognized on the statement of financial position. The only exceptions for lessees are short-term (not applied) and low-value leases (applied) which are recognized on a straight-line basis as expense in profit or loss. The statement of income is also affected because operating expense is replaced with interest and depreciation. Operating cash flows is higher as cash payments of the lease liability are classified within financing activities. The accounting for lessors did significantly change and therefore the Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16. The main lease contracts that affected the financial statements are operating leases where the Group leases offices, retail stores and service centers, cell sites, and vehicles, see also notes 2(o), 4(b)(3) and 19 to the consolidated financial statements.

The Group applied the standard from its mandatory adoption date January 1, 2019. The Group applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. Right-of-use assets for certain property leases were measured on transition as if the new rules had always been applied. All other right-of-use assets were measured at the amount equal to the lease liability on adoption (adjusted for any prepaid or accrued lease expenses, dismantling and restoring obligations).

As of the transition date, the group applied the following practical expedients:

- the lease liability was measured for leases previously classified as an operating leases under IAS 17 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application;
- Accounting together a portfolio of leases with similar characteristics provided that it is reasonably expected that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this Standard to the individual leases within that portfolio. And using a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- rely on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
- not reassess whether a contract is, or contains, a lease at the date of initial application, and therefore IFRS 16 was not applied to contracts that were not previously identified as containing a lease.
- Initial direct costs were excluded from the measurement of the right-of-use asset at the date of initial application;
- use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Quantitative information with respect to transition to IFRS16:

The tables below summarize the effects of IFRS 16 on the consolidated statement of financial position as at January 1, 2019 and on the consolidated statements of income and cash flows for the year for the year ended December 31, 2019.

Effect of change on consolidated statement of financial position:

	New Israeli Shekels in millions		
	As at January 1, 2019		
	Previous accounting policy	Effect of change	According to IFRS16 as reported
Non-current assets - Lease – right of use	-	656	656
Non-current assets - Deferred income tax asset	38	6	44
Current liabilities - Lease liabilities	-	137	137
Non-current liabilities - Lease liabilities	-	546	546
Equity	1,406	(21)	1,385

Measurement of lease liability as of January 1, 2019:

	New Israeli Shekels in millions
Operating lease commitments (undiscounted) disclosed as at December 31, 2018	372
Discounted using the lessee's incremental borrowing rate as of the date of initial application	328
Group's share in PHI's lease liability	355
Lease liability recognized as at January 1, 2019	683
Of which are:	
Current lease liabilities	137
Non-current liabilities	546

5A.1j Cost of Revenues

The principal components of our cost of revenues are:

- Transmission, communication and content providers
- Depreciation and amortization
- Cost of equipment and accessories
- Wages, employee benefits expenses and car maintenance
- Internet infrastructure and service providers (“ISPs”)
- Network and cable maintenance
- Operating lease, rent and overhead expenses
- Costs of handling, replacing or repairing equipment
- IT support and other operating expenses
- Amortization of deferred expenses - rights of use

5A.1k Selling and Marketing Expenses

The principal components of our selling and marketing expenses are:

- Depreciation and amortization
- Wages, employee benefits expenses and car maintenance
- Advertising and marketing
- Selling commissions, net
- Operating lease, rent and overhead expenses

5A.1l General and Administrative Expenses

The principal components of our general and administrative expenses are:

- Wages, employee benefits expenses and car maintenance
- Professional fees
- Depreciation
- Credit card and other commissions

5A.1m Credit Losses

Credit losses are equivalent to net impairment losses on financial and contract assets under IAS1(82).

5A.1n Income with Respect to the Settlement Agreement with Orange

Income with respect to the Settlement Agreement with Orange consists of recognized payments received by Partner thereunder (see Item "5A.1c Settlement Agreement with Orange Brand Services Ltd."). The recognition of such payments terminated after the second quarter of 2017.

5A.1o Other Income, Net

The principal component of our other income, net, is:

- Unwinding of trade receivables

5A.1p Finance Costs, Net

The principal components of our finance expenses are:

- Interest expenses
- Interest for lease liabilities
- Finance charges for financial liability

The principal components of our finance income are:

- Net foreign exchange rate gains
- Interest income from cash, cash equivalents and deposits

5A.1q Key Cellular Business Indicators (Operating Data)

Our primary key cellular business indicators are described below. These indicators are widely used in the cellular telephone service industry to evaluate performance.

- Number of subscribers
- Average monthly revenue per subscriber (ARPU)
- Churn rate

5A.1r Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. See also note 4 to the consolidated financial statements.

(1) Assessing the useful lives of non-financial assets

The useful economic lives of the Group's non-financial assets are an estimate determined by management. The Group defines useful economic life of its assets in terms of the assets' expected utility to the Group. This estimation is based on assumptions of future changes in technology or changes in the Group's intended use of these assets, and experience of the Group with similar assets, and legal or contract periods where relevant. The assets estimated economic useful lives are reviewed, and adjusted if appropriate, at least annually. See also note 2(e) and note 2(f) to our consolidated financial statements.

Change in accounting estimate: Management has updated an accounting estimate as follows: The estimated useful life of the cellular license was determined in the past to end by February 1, 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 MOC published a tender during 2019 for the award of frequencies, including frequencies for 5G services. Following the tender published, Management made an annual examination of the estimated useful life of the license in the fourth quarter of 2019 with the expectation that conditions necessary to obtain renewal of the license will be satisfied and that the cost of renewal will not be significant. The tender includes 2x30 MHz in the 700 MHz Band, 2x60 MHz in the 2,600MHz band and 300 MHz in the 3,500-3,800 MHz band. The frequencies in the 700 MHz band will be awarded for a period of 15 years and the rest of the frequencies offered in the tender will be awarded for a period of 10 years.

Based on Company's judgment described above, the Company expects that the license will be renewed at a high level of certainty: 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 the additional term of 6 years. Following this examination, the estimated useful life of the 2G and 3G frequencies was re-evaluated for an additional period of 6 years(*), thereby ending on February 1, 2028(*).

The effect of these changes on the consolidated financial statements, in current and future years is as follows: the amortization expenses of the cellular license were reduced by NIS 15 million in the fourth quarter of 2019, and are expected to be reduced by an annual amount of approximately NIS 60 million in 2020 and 2021. See also note 4(1) to the Company's financial statements.

(*) It should be noted that the MOC's frequencies tender documents include a draft amendment of the license that amends the additional extension periods from 6 years to 10 years. In case the amendment shall become final, the estimated useful life of the 2G and 3G frequencies will be revised to end by February 1, 2032.

(2) Assessing the recoverable amount for impairment tests of assets with finite useful lives

The Group is required to determine at the end of each reporting period whether there is any indication that an asset may be impaired. If indicators for impairment are identified the Group estimates the assets' recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculations require management to make estimates of the projected future cash flows. Determining the estimates of the future cash flows is based on management past experience and best estimate for the economic conditions that will exist over the remaining useful economic life of the Cash Generating Unit ("CGU"). See also note 2(i) to our consolidated financial statements.

No indicators for an impairment or reversal of impairment of assets with finite useful lives were identified in 2019.

Trends in the economic and financial environment, competition and regulatory authorities' decisions, or changes in competitors' behavior in response to the economic environment may affect the estimate of recoverable amounts in future periods. See also note 2(i) to our consolidated financial statements.

Continued increases in the level of competition for cellular and fixed-line services may bring further downward pressure on prices which may require us to perform further impairment tests of our assets. Such impairment tests may lead to recording additional significant impairment charges, which could have a material negative impact on our operating and profit.

(3) Assessing the recoverable amount of goodwill for impairment tests

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The recoverable amount of the fixed line segment to which goodwill has been allocated to have been determined based on value-in-use calculations. For the purpose of the goodwill impairment tests as of December 31, 2016, 2017, 2018 and 2019 the recoverable amount was assessed by management with the assistance of external independent experts (BDO Ziv Haft Consulting & Management Ltd.) based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections covering a five-year period. Cash flows beyond the five-year period to be generated from continuing use are extrapolated using estimated growth rates. The growth rate represents the long-term average growth rate of the fixed-line communications services business.

The key assumptions used in the December, 31, 2019 test were as follows:

Terminal growth rate	1.0%
After-tax discount rate	8.0%
Pre-tax discount rate	9.6%

The impairment test as of December 31, 2019 was based on assessments of financial performance and future strategies in light of current and expected market and economic conditions. Trends in the economic and financial environment, competition and regulatory authorities' decisions, or changes in competitors' behavior in response to the economic environment may affect the estimate of recoverable amounts. See also note 13(1) and note 2(h) to the consolidated financial statements. No impairment charges were recognized in with respect to goodwill in 2017, 2018 and 2019.

Sensitivity Analysis:

The headroom of the fixed line segment recoverable amount over the carrying amount as of December 31, 2017, 2018 and 2019 was approximately 23%, 21% and 42% respectively. Sensitivity analysis was performed for the recoverable amount as of December 31, 2019 for a change of the after-tax discount rate within the range of $\pm 10\%$ multiplied by the variable 8% (7.2% to 8.8%), assuming all other variables constant. Sensitivity analysis was also performed for a change of the terminal permanent growth rate within the range of $\pm 1\%$ of the variable 1.0% (0% to 2%), assuming all other variables constant. Results showed that no impairment charge is required for both analyses.

(4) Assessing impairment of financial assets

The allowance for credit losses for financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The other receivables are assessed collectively, grouped based on shared credit risk characteristics and the days past due. See notes 7, 6(a)(3), 2(j) to the financial statements.

From January 1, 2018, upon the implementation of IFRS 9 the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets with and without significant financing components, the Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and period past due. The expected loss rates are based on the payment profiles of sales, and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables. See notes 7, 6(a)(3), 2(j) to the financial statements.

(5) Considering uncertain tax positions

The assessment of amounts of current and deferred taxes requires the Group's management to take into consideration uncertainties that its tax position will be accepted and of incurring any additional tax expenses. This assessment is based on estimates and assumptions based on interpretation of tax laws and regulations, and the Group's past experience. It is possible that new information will become known in future periods that will cause the final tax outcome to be different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. See also notes 2(p) and 25 to the financial statements.

(6) Considering the likelihood of contingent losses and quantifying possible legal settlements:

Provisions are recorded when a loss is considered probable and can be reasonably estimated. Judgment is necessary in assessing the likelihood that a pending claim or litigation against the Group will succeed, or a liability will arise, quantifying the best estimate of final settlement. These judgments are made by management with the support of internal specialists, or with the support of outside consultants such as legal counsel. Because of the inherent uncertainties in this evaluation process, actual results may be different from these estimates. See notes 2(m), 14 and 20 to the financial statements.

(7) Determining leases term and discount rate

Commencing January 1, 2019 the Group implements IFRS 16 Leases.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management determined that most extension options are reasonably certain to be exercised and termination options are reasonably certain not to be exercised. The assessment of reasonable certainty is only revised if a significant event or significant changes in circumstances occur, which affects this assessment, and that is within the control of the lessee.

The lease payments are discounted using the lessee's incremental borrowing rate, since the interest rate implicit in the lease cannot be readily determined. The lessee's incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. However, the Group is using the practical expedient of accounting together a portfolio of leases with similar characteristics provided that it is reasonably expected that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this Standard to the individual leases within that portfolio. And using a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment). The discount rates were estimated by management with the assistance of an independent external expert.

REPORTED RESULTS OF CONSOLIDATED OPERATIONS*

	New Israeli Shekels			
	Year ended December 31, 2019**			
	In millions			
	Cellular segment	Fixed line segment	Elimination	Consolidated
Segment revenue - Services	1,783	777		2,560
Inter-segment revenue - Services	15	148	(163)	
Segment revenue - Equipment	571	103		674
Total revenues	2,369	1,028	(163)	3,234
Segment cost of revenues - Services	1,367	810		2,177
Inter-segment cost of revenues - Services	147	16	(163)	
Segment cost of revenues - Equipment	464	66		530
Cost of revenues	1,978	892	(163)	2,707
Gross profit	391	136		527
Operating expenses (1)	334	134		468
Other income, net	20	8		28
Operating profit	77	10		87
Adjustments to presentation of segment				
Adjusted EBITDA				
–Depreciation and amortization	542	209		751
–Other (2)	16	(1)		15
Segment Adjusted EBITDA (3)	635	218		853
Reconciliation of profit for the year to				
Adjusted EBITDA				
Profit for the year				19
Depreciation and amortization				751
Finance costs, net				68
Income tax expenses				*
Other (2)				15
Adjusted EBITDA (3)				853

New Israeli Shekels				
Year ended December 31, 2018				
In millions				
	Cellular segment	Fixed-line segment	Elimination	Consolidated
Segment revenue – Services	1,827	697		2,524
Inter-segment revenue – Services	16	155	(171)	
Segment revenue – Equipment	643	92		735
Total revenues	2,486	944	(171)	3,259
Segment cost of revenues – Services	1,435	696		2,131
Inter-segment cost of revenues - Services	154	17	(171)	
Segment cost of revenues – Equipment	509	60		569
Cost of revenues	2,098	773	(171)	2,700
Gross profit	388	171		559
Operating expenses (1)	343	128		471
Other income, net	23	5		28
Operating profit	68	48		116
Adjustments to presentation of Segment Adjusted EBITDA				
–Depreciation and amortization	442	150		592
–Other (2)	14			14
Segment Adjusted EBITDA (3)	524	198		722
Reconciliation of profit for the year to Adjusted EBITDA				
Profit for the year				56
Depreciation and amortization				592
Finance costs, net				53
Income tax expenses				7
Other (2)				14
Adjusted EBITDA (3)				722

* Representing an amount of less than 1 million.

** The results for the year ended December 31, 2019 include the impact of IFRS 16 with effect as of January 1, 2019. See "Item 5A.1i IFRS 16 Leases – Adoption of a new accounting standard".

(1) Operating expenses include selling and marketing expenses, general and administrative expenses and credit losses.

(2) Mainly amortization of employee share based compensation.

(3) Adjusted EBITDA as reviewed by the CODM represents Earnings Before Interest (finance costs, net), Taxes, Depreciation and Amortization (including amortization of intangible assets, deferred expenses-right of use and impairment charges) and Other expenses (mainly amortization of share based compensation). Adjusted EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies. Adjusted EBITDA may not be indicative of the Group's historic operating results nor is it meant to be predictive of potential future results. See "Item 5A.1a - NON-GAAP MEASURES" above. The usage of the term "Adjusted EBITDA" is to highlight the fact that the Amortization includes amortization of deferred expenses – right of use and amortization of employee share based compensation and impairment charges.

Total revenues. In 2019, total revenues were NIS 3,234 million (US\$ 936 million), a decrease of 1% from NIS 3,259 million in 2018.

Revenues from services. Service revenues in 2019 totaled NIS 2,560 million (US\$ 741 million), an increase of 1% from NIS 2,524 million in 2018.

Revenues from equipment. Equipment revenues in 2019 totaled NIS 674 million (US\$ 195 million), a decrease of 8% from NIS 735 million in 2018, principally reflecting the lower sales volumes of both cellular devices and other non-core equipment.

Gross profit from service revenues. The gross profit from service revenues in 2019 was NIS 383 million (US\$ 111 million), compared with NIS 393 million in 2018, a decrease of 3%. This decrease reflected the increase in the cost of service revenues, largely a result of increased expenses related to the growth in TV and internet services revenues, which more than offset the increase in service revenues. See also note 22 to our consolidated financial statements.

Gross profit from equipment sales. Gross profit from equipment sales in 2019 was NIS 144 million (US\$ 42 million), compared with NIS 166 million in 2018, a decrease of 13%. This decrease mainly reflected the lower sales volumes, as well a decrease in profit margins for equipment sales due to a change in the product mix. See also "Item 5D.2 Outlook".

Selling, marketing, general and administrative expenses and credit losses. Selling, marketing, general and administrative expenses and credit losses totaled NIS 468 million (US\$ 135 million) in 2019, a decrease of 1% compared with NIS 471 million in 2018. This decrease mainly reflected the decrease in credit losses, which was principally due to the impact of the tightening of the Company's customer credit policy for handset sales since 2017 and the decrease in equipment sales in 2019, which were partially offset by increased depreciation and amortization expenses, mainly related to the capitalization of contract costs under IFRS 15.

Total operating expenses ("OPEX"). Total operating expenses amounted to NIS 1,885 million (US\$ 545 million) in 2019, a decrease of 6%, or NIS 111 million, from 2018 (not a financial measure under IFRS and not necessarily comparable to similarly titled measures for other companies) includes cost of service revenues (NIS 2,177 million in 2019) and selling, marketing, general and administrative expenses and credit losses (NIS 468 million in 2019), and excludes depreciation, amortization and impairment expenses and other expenses (mainly amortization of employee share based compensation) (NIS 760 million in 2019). The decrease was explained principally by the impact of the implementation of IFRS 16 in 2019 which reduced total operating expenses by NIS 157 million since lease expenses under the standard were replaced by interest and depreciation expenses. Excluding the impact of the implementation of IFRS 16, total operating expenses would have increased by NIS 46 million, primarily reflecting the increase in expenses related to the growth in TV and internet services, including content rights and distribution expenses, wholesale internet infrastructure access expenses and workforce expenses. These increases were partially offset by decreases in other expenses including in credit losses and in international calling services expenses. See also "Item 5A.2b Fixed-Line Services Segment" for a breakdown of total operating expenses by segment.

Including depreciation, amortization and other expenses (mainly amortization of employee share based compensation), total operating expenses in 2019 amounted to NIS 2,645 million (US\$ 765 million), an increase of 2%, or NIS 43 million, compared with NIS 2,602 million in 2018. See also note 22 to our consolidated financial statements.

Other income, net. Other income, net, totaled NIS 28 million (US\$ 8 million) in 2019, unchanged from 2018, as a result of there being no change in income from the unwinding of trade receivables. See also note 23 to our consolidated financial statements.

Operating profit. Operating profit for 2019 was NIS 87 million (US\$ 25 million), a decrease of 25% compared with operating profit of NIS 116 million in 2018. The impact of the adoption of IFRS 16 on operating profit in 2019 was an increase of NIS 11 million. The decrease in operating profit mainly reflected the increase in operating expenses including depreciation and amortization expenses and the decrease in gross profit from equipment sales, which more than offset the increase in service revenues.

Finance costs, net. Finance costs, net in 2019 were NIS 68 million (US\$ 20 million), an increase of 28% compared with NIS 53 million in 2018. The increase largely reflected the impact of the adoption of IFRS 16, which resulted in an increase of NIS 20 million in finance expenses, partially offset by an income from foreign exchange linkage. The negative impact on interest expenses of the increase in the average level of debt in 2019 compared with the average debt in 2018 was offset by the lower average debt interest rate. See also "Item 5B Liquidity and Capital Resources."

Profit before income tax. Profit before income taxes for 2019 was NIS 19 million (US\$ 6 million), a decrease of 70% compared with NIS 63 million in 2018, reflecting both the decrease in operating profit as well as the increase in finance costs, net.

Income taxes on profit. The Company did not record income tax expenses for 2019, compared with income tax expenses of NIS 7 million in 2018.

In 2019, a one-time income of NIS 6 million was recorded in income tax expenses. In 2018, the Company recorded a one-time income of NIS 16 million in income tax expenses, mainly due to an income tax audit of the Company's subsidiary.

The effective tax rate of the Company was 0% in 2019 compared with 11% in 2018, compared with the regular corporate tax rate in Israel of 23% for 2018 and 2019, largely as a result of the one-time factors described above.

Excluding the one-time factors, the effective tax rate of the Company in 2018 and 2019 would have been 37% and 32%, respectively. The Company's effective tax rate is expected to continue to be higher than the corporate tax rate (excluding one-time effects) mainly due to nondeductible expenses. See also note 25 to our consolidated financial statements.

Profit. Profit in 2019 was NIS 19 million (US\$ 6 million), a decrease of 66% compared with NIS 56 million in 2018. The impact of the adoption of IFRS 16 on profit in 2019 was a decrease of NIS 9 million. Based on the weighted average number of shares outstanding during 2019, basic earnings per share or ADS was NIS 0.12 (US\$ 0.04), compared with NIS 0.34 in 2018.

For information regarding potential downward impacts on profits in 2020, see "Item 5D.2 Outlook."

Adjusted EBITDA. Adjusted EBITDA in 2019 totaled NIS 853 million (US\$ 247 million), an increase of 18% or NIS 131 million from NIS 722 million in 2018. The impact of the adoption of IFRS 16 on Adjusted EBITDA in 2019 was an increase of NIS 157 million. As a percentage of total revenues, Adjusted EBITDA in 2019 was 26% compared with 22% in 2018.

5A.2a Cellular Services Segment

Total revenues. Total revenues for the cellular segment in 2019 were NIS 2,369 million (US\$ 685 million), a decrease of 5% from NIS 2,486 million in 2018.

Revenues from services. Service revenues for the cellular segment in 2019 totaled NIS 1,798 million (US\$ 520 million), a decrease of 2% from NIS 1,843 million in 2018. The decrease was mainly a result of the continued downward pressures on the prices of cellular services as a result of the continued competition in the cellular market. As an illustration of the continuing high level of competition in the cellular market, approximately 2.2 million cellular subscribers are estimated to have switched operators within the Israeli market (with number porting) in 2019; approximately 2.4 million subscribers switched in 2018 and approximately 2.5 million switched in 2017. Significant price erosion continued to be caused by the number of cellular subscribers who moved between different rateplans or airtime packages (generally with a lower monthly fee) within the Company.

Pre-paid cellular subscribers contributed service revenues in a total amount of approximately NIS 99 million (US\$ 29 million) in 2019, a decrease of 13% from approximately NIS 114 million in 2018, as a result of the price erosion in pre-paid services.

Revenues from equipment. Revenues from equipment sales for the cellular segment in 2019 totaled NIS 571 million (US\$ 165 million), a decrease of 11% from NIS 643 million in 2018, mainly reflecting a decrease in the volume of sales.

Gross profit from equipment sales. The gross profit from equipment sales for the cellular segment in 2019 was NIS 107 million (US\$ 31 million), compared with NIS 134 million in 2018, a decrease of 20%. This decrease mainly reflected the decrease in the volume of equipment sales, as described above, in addition to a decrease in profit margins from sales due to a change in the product mix. See also "Item 5D.2 Outlook".

Cost of service revenues. The cost of service revenues for the cellular segment (excluding inter-segment costs) decreased by 5% from NIS 1,435 million in 2018 to NIS 1,367 million (US\$ 396 million) in 2019. This decrease mainly reflected the decrease in depreciation and amortization expenses related to the cellular network, as well as decreases in payments to communications provider expenses and other expenses. See also note 22 to our consolidated financial statements.

Selling, marketing, general and administrative expenses and credit losses. Selling, marketing, general and administrative expenses and credit losses for the cellular segment in 2019 amounted to NIS 334 million (US\$ 97 million), a decrease of 3% from NIS 343 million in 2018. The decrease mainly reflected the decrease in credit losses which was principally due to the impact of the tightening of the Company's customer credit policy for handset sales since 2017, and the decrease in equipment sales in 2019, as well as decreases in workforce expenses and in other expense items, which were partially offset by increases in amortization expenses related to the capitalization of contract costs under IFRS 15, and in advertising and marketing expenses. See also note 2(n) and note 22 to our consolidated financial statements.

Total operating expenses ("OPEX"). Total operating expenses (not a financial measure under IFRS and not necessarily comparable to similarly titled measures for other companies; see "Item 5A.2" for reconciliation on a consolidated basis) for the cellular segment totaled NIS 1,298 million (US\$ 376 million) in 2019, a decrease of 12% or NIS 178 million from NIS 1,476 million in 2018, principally due to the impact of the implementation of IFRS 16 in 2019 which reduced total operating expenses for the cellular segment by NIS 141 million and the decrease in workforce expenses and in credit losses as described above. See also note 22 to our consolidated financial statements. Including depreciation and amortization expenses and other expenses (mainly amortization of employee share based compensation), total operating expenses totaled NIS 1,848 million (US\$ 535 million), a decrease of 4% compared with NIS 1,932 million in 2018.

Operating profit. Overall, operating profit for the cellular segment in 2019 was NIS 77 million (US\$ 22 million), an increase of 13% compared with NIS 68 million in 2018, mainly reflecting reflecting the decreases in total operating expenses and in depreciation and amortization expenses and other expenses (mainly amortization of employee share based compensation) (excluding the impact of the implementation of IFRS 16 on depreciation and amortization expenses), which were partially offset by the decreases in cellular segment service revenues and in gross profit from cellular segment equipment sales. The overall impact of the adoption of IFRS 16 on operating profit for the cellular segment in 2019 was an increase of NIS 10 million.

Adjusted EBITDA. Adjusted EBITDA for the cellular segment was NIS 635 million (US\$ 184 million) in 2019, an increase of 21% from NIS 524 million in 2018, reflecting the impact of the adoption of IFRS 16 which increased Adjusted EBITDA for the cellular segment by NIS 141 million, as well as the decrease in other total operating expenses, which were partially offset by the decreases in service revenues and in gross profit from cellular segment equipment sales. As a percentage of total cellular revenues, Adjusted EBITDA for the cellular segment in 2019 was 27% compared with 21% in 2018.

5A.2b Fixed-Line Services Segment

Total revenues. Total revenues in 2019 for the fixed-line segment were NIS 1,028 million (US\$ 297 million), an increase of 9% compared with NIS 944 million in 2018.

Revenues from services. Service revenues for the fixed-line segment totaled NIS 925 million (US\$ 268 million) in 2019, an increase of 9% compared with NIS 852 million in 2018. This increase mainly reflected an increase in revenues from TV and internet services, partially offset by a decrease in revenues from international calling services (including the market for wholesale international traffic) which were adversely affected both by the increased penetration of internet-based solutions and increased competition from other service providers. See also "Item 3D.2p The telecommunications industry is subject to rapid and significant changes in technology and industry structure which could reduce demand for our services."

Revenues from equipment. Revenues from equipment sales for the fixed-line segment in 2019 totaled NIS 103 million (US\$ 30 million), an increase of 12% compared with NIS 92 million in 2018, mainly reflecting an increase in revenues recorded from sales of internet-related equipment and devices.

Gross profit from equipment sales. The gross profit from equipment sales for the fixed-line segment in 2019 was NIS 37 million (US\$ 11 million), compared with NIS 32 million in 2018, an increase of 16%, again largely a reflection of the impact of an increase in sales recorded from sales of internet-related equipment and devices.

Cost of service revenues. The cost of service revenues (excluding inter-segment costs) for the fixed-line segment increased by 16% from NIS 696 million in 2018 to NIS 810 million (US\$ 234 million) in 2019. This increase mainly reflected increased expenses related to TV and internet services (including content expenses, wholesale internet infrastructure access expenses, workforce expenses and depreciation and amortization expenses). See also note 22 to our consolidated financial statements.

Selling, marketing, general and administrative expenses and credit losses. Selling, marketing, general and administrative expenses and credit losses for the fixed-line segment in 2019 amounted to NIS 134 million (US\$ 39 million), an increase of 5% from NIS 128 million in 2018. The increase mainly reflected increased workforce expenses related to the growth in fixed-line segment services, partially offset by a decrease in advertising and marketing expenses. See also note 22 to our consolidated financial statements.

Total operating expenses ("OPEX"). Total operating expenses (not a financial measure under IFRS and not necessarily comparable to similarly titled measures for other companies; see "Item 5A.2 for reconciliation on a consolidated basis) for the fixed-line segment totaled NIS 750 million (US\$ 217 million) in 2019, an increase of 9% or NIS 61 million from NIS 691 million in 2018. The impact of the implementation of IFRS 16 in 2019 reduced total operating expenses for the fixed-line segment by NIS 16 million. See also note 22 to our consolidated financial statements. Including depreciation, amortization and impairment expenses and other expenses (mainly amortization of employee share based compensation), total operating expenses for the fixed-line segment totaled NIS 960 million (US\$ 278 million), an increase of 14% compared with NIS 841 million in 2018.

Operating profit. Operating profit for the fixed-line segment was NIS 10 million (US\$ 3 million) in 2019, a decrease of 79% compared to NIS 48 million in 2018, mainly reflecting the increase in total operating expenses including depreciation, amortization expenses and other expenses (mainly amortization of employee share based compensation), as well as the impact of the decrease in revenues from international calling services, which more than offset the impact of the growth in TV and internet services and the increase in gross profit from fixed-line segment equipment sales. The impact of the adoption of IFRS 16 on operating profit for the fixed-line segment in 2019 was an increase of NIS 1 million.

Adjusted EBITDA. Adjusted EBITDA for the fixed-line segment was NIS 218 million (US\$ 63 million) in 2019, an increase of 10% from NIS 198 million in 2018. The impact of the adoption of IFRS 16 on Adjusted EBITDA for the fixed-line segment in 2019 was an increase of NIS 16 million. Adjusted EBITDA excluding the impact of IFRS 16 was NIS 202 million, an increase of 2% from 2018, which resulted from the growth in TV and internet services and the increase in gross profit from fixed-line equipment sales, which were partially offset by the negative impact from the decline in international calling services. As a percentage of total fixed-line revenues, Adjusted EBITDA for the fixed-line segment in 2019 was 21%, unchanged from 2018.

5A.3 RESULTS OF CONSOLIDATED OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2018, COMPARED TO THE YEAR ENDED DECEMBER 31, 2017

New Israeli Shekels				
Year ended December 31, 2017				
In millions				
	Cellular segment	Fixed-line segment	Elimination	Consolidated
Segment revenue – Services	1,960	622		2,582
Inter-segment revenue – Services	18	155	(173)	
Segment revenue – Equipment	610	76		686
Total revenues	2,588	853	(173)	3,268
Segment cost of revenues – Services	1,470	613		2,083
Inter-segment cost of revenues – Services	154	19	(173)	
Segment cost of revenues – Equipment	490	54		544
Cost of revenues	2,114	686	(173)	2,627
Gross profit	474	167		641
Operating expenses (1)	367	98		465
Income with respect to settlement agreement with Orange	108			108
Other income, net	29	2		31
Operating profit	244	71		315
Adjustments to presentation of Segment				
Adjusted EBITDA				
–Depreciation and amortization	445	135		580
–Other (2)	21	1		22
Segment Adjusted EBITDA (3)	710	207		917
Reconciliation of profit for the year to Adjusted EBITDA				
Profit for the year				114
Depreciation and amortization				580
Finance costs, net				180
Income tax expenses				21
Other (2)				22
Adjusted EBITDA (3)				917

(1) Operating expenses include selling and marketing expenses, general and administrative expenses and credit losses.

(2) Mainly amortization of employee share based compensation.

(3) Adjusted EBITDA as reviewed by the CODM represents Earnings Before Interest (finance costs, net), Taxes, Depreciation and Amortization (including amortization of intangible assets, deferred expenses-right of use and impairment charges) and Other expenses (mainly amortization of share based compensation). Adjusted EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies. Adjusted EBITDA may not be indicative of the Group's historic operating results nor is it meant to be predictive of potential future results. See "Item 5A.1a - NON-GAAP MEASURES" above. The usage of the term "Adjusted EBITDA" is to highlight the fact that the Amortization includes amortization of deferred expenses – right of use and amortization of employee share based compensation and impairment charges.

Total revenues. In 2018, total revenues were NIS 3,259 million, approximately unchanged from NIS 3,268 million in 2017.

Revenues from services. Service revenues in 2018 totaled NIS 2,524 million, a decrease of 2% from NIS 2,582 million in 2017.

Revenues from equipment. Equipment revenues in 2018 totaled NIS 735 million, an increase of 7% from NIS 686 million in 2017, largely reflecting an increase in sales volumes of both cellular devices and other digital audio, visual and related equipment.

Gross profit from service revenues. The gross profit from service revenues in 2018 was NIS 393 million, compared with NIS 499 million in 2017, a decrease of 21%. This decrease reflected both the decrease in the service revenues and the increase in the cost of service revenues. See also note 22 to our consolidated financial statements.

Gross profit from equipment sales. Gross profit from equipment sales in 2018 was NIS 166 million, compared with NIS 142 million in 2017, an increase of 17%. This increase reflected increases in gross profit from equipment sales for both the cellular and fixed-line segments.

Selling, marketing, general and administrative expenses and credit losses. Reported selling, marketing, general and administrative expenses and credit losses totaled NIS 471 million in 2018, an increase of 1% compared with NIS 465 million in 2017. This increase mainly reflected an increase in depreciation and amortization expenses related to the amortization of the costs of obtaining contracts with customers (under IFRS 15), partially offset by a decrease in credit losses.

Total operating expenses ("OPEX"). Total operating expenses amounted to NIS 1,996 million in 2018, an increase of 3% or NIS 50 million from 2017. Total operating expenses ("Opex") (not a financial measure under IFRS and not necessarily comparable to similarly titled measures for other companies) includes cost of service revenues (NIS 2,131 million in 2018) and selling, marketing, general and administrative expenses and credit losses (NIS 471 million in 2018), and excludes depreciation, amortization and impairment expenses and other expenses (mainly amortization of employee share based compensation) (NIS 606 million in 2018). The increase in total operating expenses in 2018 mainly reflected increased operating expenses (mainly content costs, internet infrastructure expenses and salaries and related expenses) related to TV services and internet services (in cost of service revenues). These increases were partially offset by decreases in (i) international call expenses (in cost of service revenues), (ii) credit losses, and (iii) other expense items, including as a result of various efficiency measures.

Including depreciation, amortization and impairment expenses and other expenses (mainly amortization of employee share based compensation), total operating expenses in 2018 amounted to NIS 2,602 million, an increase of 2% compared with 2017. See also note 22 to our consolidated financial statements.

Income with respect to settlement with Orange. In 2017 the Company recorded income with respect to the settlement agreement of the Orange brand agreement in an amount of NIS 108 million. No income was recorded in 2018, and none will be recorded for future periods, with respect to the settlement agreement. As set forth in the settlement agreement, the advance payments received from Orange were recognized and reconciled evenly on a quarterly basis over a period until the second quarter of 2017, against contingent marketing, sales, customer services and other expenses that were incurred over this period. See also "Item 5A.1c Settlement Agreement with Orange Brand Services Ltd.," and note 18 to our consolidated financial statements.

Other income, net. Other income, net, totaled NIS 28 million in 2018, compared to NIS 31 million in 2017, a decrease of 10%, reflecting a decrease in income from the unwinding of trade receivables. See also note 23 to our consolidated financial statements.

Operating profit. Operating profit for 2018 was NIS 116 million, a decrease of 63% compared with operating profit of NIS 315 million in 2017.

Finance costs, net. Finance costs, net in 2018 were NIS 53 million, a decrease of 71% compared with NIS 180 million in 2017. The decrease largely reflected the impact of early debt repayment expenses in 2017 in an amount of NIS 94 million which were mainly related to the early repayment of borrowings during 2017 in a total amount of NIS 1,283 million, in addition to a decrease in interest expenses reflecting the lower average level of indebtedness and a lower average interest rate, partially offset by early loan repayment expenses of NIS 9 million recorded in 2018. See also "Item 5B Liquidity and Capital Resources."

Profit (loss) before income tax. Profit before income taxes for 2018 was NIS 63 million, a decrease of 53% compared with NIS 135 million in 2017, reflecting the decrease in operating profit, partially offset by the decrease in finance costs, net.

Income taxes on profit. Income taxes on profit for 2018 were NIS 7 million, compared with NIS 21 million in 2017.

An income tax audit of the Company, concluded in 2017, resulted in a one-time income of NIS 10 million in income tax expenses and in an additional one-time deferred tax income of NIS 9 million, which was recognized in income tax expenses.

A one-time income of NIS 16 million in income tax expenses was recorded in 2018, mainly due to an income tax audit of the Company's subsidiary.

The effective tax rate of the Company was 11% in 2018 compared with 16% in 2017, compared with the regular corporate tax rate in Israel of 23% for 2018 and 24% for 2017, largely as a result of the one-time factors as described above.

Excluding the one-time factors, the effective tax rate of the Company in 2017 and 2018 would have been 30% and 37%, respectively. See also note 25 to our consolidated financial statements.

Profit. Profit in 2018 was NIS 56 million, a decrease of 51% compared with NIS 114 million in 2017. Based on the weighted average number of shares outstanding during 2018, basic earnings per share or ADS was NIS 0.34, compared with NIS 0.70 in 2017.

Adjusted EBITDA. Adjusted EBITDA in 2018 totaled NIS 722 million, a decrease of 21% from NIS 917 million in 2017. As a percentage of total revenues, Adjusted EBITDA in 2018 was 22% compared with 28% in 2017.

5A.3a Cellular Services Segment

Total revenues. Total revenues for the cellular segment in 2018 were NIS 2,486 million, a decrease of 4% from NIS 2,588 million in 2017.

Revenues from services. Service revenues for the cellular segment in 2018 totaled NIS 1,843 million, a decrease of 7% from NIS 1,978 million in 2017. The decrease was mainly a result of the continued downward pressures on the prices of post-paid and pre-paid cellular services as a result of the continued competition in the cellular market. As an illustration of the continuing high level of competition in the cellular market, approximately 2.4 million cellular subscribers are estimated to have switched operators within the Israeli market (with number porting) in 2018, compared with approximately 2.5 million in 2017 and 2.3 million in 2016.

Significant price erosion continued to be caused by the amount of cellular subscribers who moved between different rateplans or airtime packages (generally with a lower monthly fee) within the Company.

Pre-paid cellular subscribers contributed service revenues in a total amount of approximately NIS 114 million in 2018, a decrease of 22% from approximately NIS 146 million in 2017, as a result of the price erosion in pre-paid services and the decrease in the number of pre-paid subscribers, which was largely attributed to pre-paid subscribers moving to post-paid subscriber packages due to the significant price declines (and hence increased attractiveness) for these products.

Revenues from equipment. Revenues from equipment sales for the cellular segment in 2018 totaled NIS 643 million, an increase of 5% from NIS 610 million in 2017, mainly reflecting an increase in the volume of sales.

Gross profit from equipment sales. The gross profit from equipment sales for the cellular segment in 2018 was NIS 134 million, compared with NIS 120 million in 2017, an increase of 12%. This increase mainly reflected the increase in the volume of equipment sales, as described above, in addition to a small increase in profit margins from sales due to a change in the product mix.

Cost of service revenues. The cost of service revenues for the cellular segment (excluding inter-segment costs) decreased by 2% from NIS 1,470 million in 2017 to NIS 1,435 million in 2018. This decrease mainly reflected a decrease in depreciation and amortization expenses related to the cellular network, which was partially offset by an increase in the amortization expenses of rights of use. See also note 22 to our consolidated financial statements.

Selling, marketing, general and administrative expenses and credit losses. Selling, marketing, general and administrative expenses and credit losses for the cellular segment in 2018 amounted to NIS 343 million, a decrease of 7% from NIS 367 million in 2017. The decrease mainly reflected decreases in three expense items: (1) in credit losses which was principally due to the impact of the tightening of the Company's customer credit policy for handset sales since 2017; (2) in advertising and marketing expenses; and (3) in payroll and related expenses. See also note 2 (n) and note 22 to our consolidated financial statements.

Total operating expenses ("OPEX"). Total operating expenses (not a financial measure under IFRS and not necessarily comparable to similarly titled measures for other companies) for the cellular segment totaled NIS 1,476 million in 2018, a decrease of 3% or NIS 49 million from 2017. See also note 22 to our consolidated financial statements. Including depreciation and amortization expenses and other expenses (mainly amortization of employee share based compensation), total operating expenses totaled NIS 1,932 million, a decrease of 3% compared with 2017.

Income with respect to settlement with Orange. In 2017, the Company recorded income with respect to the settlement agreement of the Orange brand agreement in an amount of NIS 108 million. No income was recorded in 2018, and none will be recorded for future periods, with respect to the settlement agreement. As set forth in the settlement agreement, the advance payments received from Orange were recognized and reconciled evenly on a quarterly basis over a period until the second quarter of 2017, against contingent marketing, sales, customer services and other expenses that were incurred over this period. See also "Item 5A.1c Settlement Agreement with Orange Brand Services Ltd." above and note 18 to our consolidated financial statements.

Operating profit. Overall, operating profit for the cellular segment in 2018 was NIS 68 million, a decrease of 72% compared with NIS 244 million in 2017, reflecting the impact of the decreases in service revenues and in income with respect to the settlement agreement with Orange, which was partially offset by the reduction in total operating expenses, and the increase in gross profits from cellular segment equipment sales.

Adjusted EBITDA. Adjusted EBITDA for the cellular segment was NIS 524 million in 2018, a decrease of 26% from NIS 710 million in 2017, for the same reasons as the decrease in operating profit. As a percentage of total cellular revenues, Adjusted EBITDA for the cellular segment in 2018 was 21% compared with 27% in 2017.

5A.3b Fixed-Line Services Segment

Total revenues. Total revenues in 2018 for the fixed-line segment were NIS 944 million, an increase of 11% compared with NIS 853 million in 2017.

Revenues from services. Service revenues for the fixed-line segment totaled NIS 852 million in 2018, an increase of 10% compared with NIS 777 million in 2017. This increase mainly reflected an increase in revenues from TV services and from internet services, partially offset by a decrease in revenues from international calling services (including the market for wholesale international traffic) which were adversely affected both by the increased penetration of internet-based solutions and increased competition from other service providers. See also "Item 3D.2p The telecommunications industry is subject to rapid and significant changes in technology and industry structure which could reduce demand for our services."

Revenues from equipment. Revenues from equipment sales for the fixed-line segment in 2018 totaled NIS 92 million, an increase of 21% compared with NIS 76 million in 2017, mainly reflecting an increase in revenues recorded from sales of audio visual and related equipment and devices.

Gross profit from equipment sales. The gross profit from equipment sales for the fixed-line segment in 2018 was NIS 32 million, compared with NIS 22 million in 2017, an increase of 45%, again largely a reflection of the impact of an increase in gross profit recorded from sales of audio visual and related equipment and devices.

Cost of service revenues. The cost of service revenues (excluding inter-segment costs) for the fixed-line segment increased by 14% from NIS 613 million in 2017 to NIS 696 million in 2018. This increase mainly reflected increased operating expenses related to TV services (including content expenses, wholesale internet infrastructure access expenses, workforce expenses and depreciation expenses of subscriber equipment), as well as increases in expenses related to internet services and in depreciation expenses of the fixed-line network. These factors were partially offset by a decrease in international call expenses. See also note 22 to our consolidated financial statements.

Selling, marketing, general and administrative expenses and credit losses. Selling, marketing, general and administrative expenses and credit losses for the fixed-line segment in 2018 amounted to NIS 128 million, an increase of 31% from NIS 98 million in 2017. The increase largely reflected increases in advertising and marketing expenses related to fixed-line services and in payroll and related expenses. See also note 22 to our consolidated financial statements.

Total operating expenses ("OPEX"). Total operating expenses (not a financial measure under IFRS and not necessarily comparable to similarly titled measures for other companies) for the fixed-line segment totaled NIS 691 million in 2018, an increase of 16% or NIS 97 million from 2017. See also note 22 to our consolidated financial statements. Including depreciation, amortization and impairment expenses and other expenses (mainly amortization of employee share based compensation), total operating expenses for the fixed-line segment totaled NIS 841 million, an increase of 15% compared with 2017.

Operating profit. Operating profit for the fixed-line segment was NIS 48 million in 2018, a decrease of 32% compared to NIS 71 million in 2017, mainly reflecting the increased total operating expenses related to TV services and internet services, which more than offset the increase in revenues from TV services and internet services and in gross profit from equipment sales.

Adjusted EBITDA. Adjusted EBITDA for the fixed-line segment was NIS 198 million in 2018, a decrease of 4% from NIS 207 million in 2017, for the same reasons as the decrease in operating profit. As a percentage of total fixed-line revenues, Adjusted EBITDA for the fixed-line segment in 2018 was 21% compared with 24% in 2017.

5A.4 SEASONALITY OF SERVICE REVENUES

Our cellular service revenues and profitability show some seasonal trends over the year, resulting mainly from revenues from roaming services which tend to increase during Jewish holiday periods and during the summer months.

Whilst most of our post-paid cellular tariff plans for private customers are bundles including unlimited amounts of call minutes and SMS, for other cellular subscribers in plans which charge according to usage, airtime minutes and consequently airtime revenues are affected by the number of monthly work days and daylight hours in the day, which varies throughout the year. In addition, airtime revenues for such subscribers are lower in February, which is a shorter than average month. However, due to the increased penetration of bundled plans which offer unlimited or fixed amounts of airtime and SMS usage together with significant amounts of data, the impact of such effects has significantly decreased over the last few years. There is no assurance that these trends will continue in the future.

NIS in millions	Three months ended			
	March 31	June 30	Sept. 30	Dec. 31
	(Unaudited)			
Service Revenues				
2017	640	646	666	630
2018	625	620	654	625
2019	624	642	658	636

5A.5 IMPACT OF EXCHANGE RATE FLUCTUATIONS AND INFLATION

Substantially all of our revenues and a majority of our operating expenses are denominated in shekels. However, in recent years, approximately one quarter of our operating expenses (excluding depreciation), including a substantial majority of our device and equipment purchases related to end sales to customers, were linked to non-NIS currencies, mainly the US dollar. In addition, a substantial amount of our capital expenditures are incurred in, or linked to, non-NIS currencies, mainly the US dollar. See “ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK”.

5B. Liquidity and Capital Resources

The discussion below first describes our financial indebtedness (Notes payable, long-term borrowings and total financial debt) and capital expenditures, then our dividend payments, and finally our main sources of liquidity.

5B.1 NOTES PAYABLE

As further described below, we have over the years issued a number of series of Notes payable, which we have occasionally repurchased.

In July 2017, the Company issued Series F Notes in a principal amount of NIS 255 million, payable in 5 equal annual installments on June 25 of each of the years 2020 through 2024. The principal bears fixed annual interest of 2.16%, payable on a semiannual basis on June 25 and December 25.

In December 2017, the Company issued additional Series F Notes in a principal amount of NIS 389 million under the same conditions as the original series.

In December 2018, following an agreement from September 2017 with several Israeli institutional investors, the Company issued additional Series F Notes in a principal amount of NIS 150 million under the same conditions.

In January 2019, the Company issued a new Series G Notes, in a principal amount of NIS 225 million, payable as follows- 4 annual installments of NIS 22.5 million each, payable in June of each of the years 2022 through 2025, NIS 45 million payable in June 2026 and NIS 90 million payable in June 2027. The principal bears fixed annual interest of 4%, payable annually on June 25 of each year.

In July 2019, following partial exercise of option warrants which are exercisable for Series G Notes (see also "Private placement of option warrants" below), the Company issued an additional principal amount of NIS 38.5 million of Series G Notes (under the same conditions as the original series). In November 2019, following partial exercise of option warrants which are exercisable for Series G Notes the Company issued an additional principal amount of NIS 86.5 million of Series G Notes (under the same conditions as the original series). In February 2020, following partial exercise of option warrants which are exercisable for Series G Notes the Company issued an additional principal amount of NIS 15.1 million of Series G Notes (under the same conditions as the original series).

In December 2019, following an agreement from December 2017 with several Israeli institutional investors, the Company issued additional Series F Notes in a principal amount of NIS 226.75 million under the same conditions.

All Series Notes payable are unsecured non-convertible and listed for trading on the TASE.

All Series Notes payable have been rated ilA+, on a local scale, by Standard & Poor's Maalot.

Members of our Board of Directors and senior management may have purchased a portion of the various Series Notes through stock exchange transactions.

The table below sets forth the composition and terms of the Notes payable issued by the Company and outstanding at December 31, 2019:

	Principal amount	Annual interest rate	Interest payment terms	Original issuance date
Notes payable series D	218	'Makam'(**) plus 1.2%	Quarterly	April 2010
Notes payable series F	1,021	2.16% fixed	Semi-annual	July 2017
Notes payable series G(*)	350	4% fixed	Annual	January 2019

(*) Includes Series G Notes issued pursuant to option warrants described below.

(**) 'Makam' is a variable interest that is based on the yield of 12 month government bonds issued by the Government of Israel. The interest is updated on a quarterly basis. The interest rates paid (in annual terms, and including the additional interest of 1.2%) during 2019 are set forth in the table below:

Period	Interest rate (Makam+1.2%)
October 1, 2019 to December 30, 2019	1.40%
July 1, 2019 to September 30, 2019	1.49%
March 31, 2019 to June 30, 2019	1.48%
December 31, 2018 to March 30, 2019	1.74%

The table below sets forth the payments of principal to be made on our Notes payable at December 31, 2019 (for payments including interest payments, see "Item 5F Aggregate Contractual Obligations"):

	2020	2021	2022	2023 to 2024	2025 and thereafter	Total
	New Israeli Shekels in millions					
Principal payments of long term indebtedness:						
Notes payable series D	109	109				218
Notes payable series F	204	204	204	409		1,021
Notes payable series G			35	70	245	350
Total	313	313	239	479	245	1,589

Private placement of option warrants

In April 2019, the Company issued in a private placement 2 series of untradeable option warrants that are exercisable for the Company's Series G Notes. The exercise period of the first series is between July 1, 2019 and May 31, 2020 and of the second series is between July 1, 2020 and May 31, 2021. The exercise price is NIS 88 for each Series G notes principal amount of NIS 100. The Series G Notes that will be allotted upon the exercise of an option warrant will be identical in all their rights to the Company's Series G Notes immediately upon their allotment, and will be entitled to any payment of interest or other benefit, the effective date of which is due after the allotment date. The Notes that will be allotted as a result of the exercise of option warrants will be registered on the TASE. The total amount received by the Company on the allotment date of the option warrants was NIS 37 million.

In July 2019, following partial exercise of option warrants from the first series, the Company issued Series G Notes in a principal amount of NIS 38.5 million.

In November 2019, following partial exercise of option warrants from the first series, the Company issued Series G Notes in a principal amount of NIS 86.5 million.

In February 2020, following partial exercise of option warrants from the first series, the Company issued Series G Notes in a principal amount of NIS 15.1 million.

The total remaining consideration which we would receive in the event that all the warrant options described above are exercised, excluding consideration received for the allotment of the options (and assuming that there is no change to the exercise price), is approximately NIS 163 million.

5B.2 Long-Term Borrowings

The Company has received borrowings from leading Israeli commercial banks. The Company may, at its discretion, prepay the borrowings, subject to certain conditions, including that the Company shall reimburse the lenders for losses sustained by the lenders as a result of the prepayment. The reimbursement is mainly based on the difference between the interest rate that the Company would otherwise pay and the current market interest rate on the prepayment date.

Borrowings as of December 31, 2019 are set forth below:

	Annual interest rate	Interest payment terms	Original reception date
Borrowing P	2.38% fixed	Quarterly	December 2017
Borrowing Q	2.5% fixed	Quarterly	December 2017

The table below sets forth the payments of principal to be made on our borrowings, as of December 31, 2019 (for payments including interest payments see "Item 5F Aggregate Contractual Obligations"):

	2020	2021	2022	2023 to 2024	Total
	New Israeli Shekels in millions				
Borrowing P	30	30	29		89
Borrowing Q	23	23	23	33	102
	53	53	52	33	191

Borrowings received

In 2017, the Company received long-term borrowings in an aggregate amount of NIS 350 million, as detailed further below.

Borrowing O: In December 2017, the Company received a long-term borrowing from a group of institutional corporations in a principal amount of NIS 100 million. The borrowing was received according to an agreement that was signed in November 2014. The borrowing bore unlinked interest at the rate of 4.34% per annum. The Company early repaid the borrowing in March 2018.

Borrowing P: In December 2017, the Company received a long-term borrowing from a commercial bank in the principal amount of NIS 125 million. The borrowing bears unlinked interest at the rate of 2.38% per annum and is paid in quarterly payments over 5 years. The principal is paid in quarterly equal payments commencing in December 2018.

Borrowing Q: In December 2017, the Company received a long-term borrowing from a commercial bank in the principal amount of NIS 125 million. The borrowing bears unlinked interest at the rate of 2.5% per annum and is paid in quarterly payments over 6.5 years. The principal is paid in quarterly equal payments commencing March 2019.

The Company did not receive new long-term borrowings in the years 2018 and 2019.

Early repayments of long-term borrowings

In total, the Company made early repayments of borrowings in 2017 in an aggregate amount of NIS 1,283 million, incurring early repayment expenses in an aggregate amount of NIS 76 million, as further detailed below.

In June 2017, the Company made an early repayment of principal outstanding of borrowings C, D, E, F, G and H in a total amount of NIS 700 million, thus completing full and final repayment of these borrowings.

In July 2017, the Company made an early repayment of principal outstanding of borrowings I and J in a total amount of NIS 175 million, thus completing full and final repayment of these borrowings.

In December 2017, the Company made an early repayment of principal outstanding of borrowings M and N in a total amount of NIS 408 million, thus completing full and final repayment of these borrowings.

In December 2017, the Company did not take a borrowing that was contracted in November 2014 (a deferred loan) with a group of institutional corporations in a principal amount of NIS 100 million.

The early repayment fees of the aforementioned repayments totaled to an amount of NIS 76 million that were recorded in finance expenses in 2017.

In March 2018, the Company made early repayments of borrowings L and O in a total principal amount of NIS 300 million. In addition, the Company made early repayments of borrowing K in June 2018, in a principal amount of NIS 75 million. The early repayments resulted in additional finance costs of NIS 18 million recorded in December 2017 and NIS 9 million recorded in March 2018.

The Company did not make any early repayment of borrowings in 2019.

5B.3 FINANCIAL COVENANTS

Regarding Series F Notes, Series G Notes, and borrowings P and Q, the Company is required to comply with financial covenants that the ratio of Net Debt to Adjusted EBITDA shall not exceed 5. Compliance will be examined and reported on a quarterly basis. For the purpose of the covenants, Adjusted EBITDA is calculated as the sum total for the last 12 month period, excluding adjustable one-time items. As of December 31, 2019, the ratio of Net Debt to Adjusted EBITDA was 1.1.

Additional stipulations mainly include: Shareholders' equity shall not decrease below NIS 400 million and no dividends will be declared if shareholders' equity will be below NIS 650 million regarding Series F notes and borrowing P. Shareholders' equity shall not decrease below NIS 600 million and no dividends will be declared if shareholders' equity will be below NIS 750 million regarding Series G notes. The Company shall not create floating liens subject to certain terms. The Company has the right for early redemption under certain conditions. With respect to notes payable series F and series G: the Company shall pay additional annual interest of 0.5% in the case of a two-notch downgrade in the Notes rating and an additional annual interest of 0.25% for each further single-notch downgrade, up to a maximum additional interest of 1%; the Company shall pay additional annual interest of 0.25% during a period in which there is a breach of the financial covenants; debt rating will not decrease below BBB- for a certain period. In any case, the total maximum additional interest for Series F and G, shall not exceed 1.25% or 1%, respectively. The Group was in compliance with the financial covenants and the additional stipulations for the year 2019.

5B.4 TOTAL NET FINANCIAL DEBT

At December 31, 2019, total net financial debt (the sum total of current notes payable and borrowings (NIS 367 million) and non-current borrowings and notes payable (NIS 1,413 million) and financial liability at fair value (NIS 28 million) less cash and cash equivalents (NIS 299 million) and less short-term deposits (NIS 552 million)) amounted to NIS 957 million, at a level similar to NIS 950 million (the sum total of current notes payable and borrowings (NIS 162 million) and non-current borrowings and notes payable (NIS 1,204 million) and less cash and cash equivalents (NIS 416 million)) at December 31, 2018.

At December 31, 2019, the current portion of our total financial debt (including future interest payments during 2020) amounted to NIS 407 million, as compared to NIS 189 million at December 31, 2018, and was composed of the amounts set forth in the table below. We intend to fund the repayment of the current portion of our Notes payable, borrowings and interest in 2020, through available cash or operational cash flow, issuance of deferred notes payable, new borrowings, issuance or sale of corporate notes, issuance of shares, or a combination of one or more of these resources.

Current Portion Payable in 2020 as of December 31, 2019	NIS in millions
Principal on notes payable	313
Principal on borrowings	53
Accrued interest on notes payable	37
Accrued interest on borrowings	4
Total	407

Capital Expenditures. The communications business is highly capital intensive, requiring significant capital to acquire licenses, to construct and maintain communications networks and to purchase and install subscriber-end equipment. In 2019, capital expenditures also included expenditures on fiber optics and related assets, subscriber equipment and installation, subscriber equipment and installation, customer relationships, computer and information systems, property, leasehold improvements, furniture and equipment, costs of obtaining contracts with customers (under IFRS 15), and computer software.

For the years 2016 to 2018, costs of Right of Use (ROU) in PHI's shared network were presented as deferred expenses, and included in the cash flows statement under cash flows from operating activities. See also notes 2(g) and 9 to the financial statements. From January 1, 2019 these investments are included mainly in cash flows from investing activity under acquisition of property and equipment.

In the years ended December 31, 2017, 2018 and 2019, our capital expenditures as represented by additions to property and equipment and intangible assets, amounted to NIS 417 million, NIS 499 million and NIS 578 million, respectively. The increase largely reflected the change in the accounting treatment of PHI, as described above, as well as increases in investments in the fiber optic network, and in the costs of equipment, including installation, leased to subscribers. During the years ended December 31, 2018 and 2019, the capital expenditures noted above included NIS 170 million and NIS 237 million (\$69 million), respectively, in our network infrastructure, including in our fiber optic network.

At December 31, 2019, our capital expenditure commitments totaled NIS 36 million, and were related almost entirely to our cellular and fixed-line networks. For further information regarding our capital expenditure commitments at December 31, 2019, see "Item 5F Aggregate Contractual Obligations".

Dividend payments. For the year ending December 31, 2019, the Company did not distribute any dividends.

5B.5 MAIN SOURCES OF LIQUIDITY

- Cash on hand;
- Operating cash flows, net of cash flow used for investing activities;
- Untradeable option warrants;
- Issuance of notes payable and long-term borrowings;
- Share issuance;
- Short-term deposits; and
- Short term credit facility.

Cash on hand. At December 31, 2019, we had NIS 299 million in cash on hand, compared to NIS 416 million at December 31, 2018.

Short-term deposits. At December 31, 2019, we had short-term deposits in an amount of NIS 552 million, compared to NIS 0 million at December 31, 2018.

Cash flows from operating activities. Cash flows from operating activities totaled NIS 837 million (US\$ 241 million) in 2019, an increase of 34% compared NIS 625 million in 2018. The increase mainly reflected the adoption of IFRS 16 in 2019, under which lease payments are recorded in cash flows from financing activities instead of in cash flows from operating activities; this amount totaled NIS 159 million. In addition, the increase reflected the impact of the change in the accounting treatment of PHI from the beginning of 2019, where payments to PHI for the Right of Use of PHI's assets are recorded as cash flows from investing activities.

Adjusted Free Cash Flow for 2019 was NIS 49 million (US\$ 14 million), a decrease of 60% compared to NIS 124 million for 2018 (Adjusted Free Cash Flow is calculated as cash flows from operating activities, net of cash flows from investment activities less proceeds from (investment in) short-term deposits, net of lease principal payments and lease interest payments; Adjusted Free Cash Flow is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies).

Reconciliation of cash flows to Adjusted Free Cash Flow

	Year ended December 31,	
	2018	2019
	NIS in millions	
Net cash provided by operating activities	625	837
Net cash used in investing activities	(351)	(1,181)
Less Proceeds from (investment in) short-term deposits, net	(150)	552
Net of Lease principal payments		(139)
Net of Lease interest payments		(20)
Adjusted Free Cash Flow	124	49

Existing credit facilities. As of December 31, 2019, PHI has a short term credit facility with a leading Israeli commercial bank in the amount of NIS 100 million. The Group's share in this facility is 50%. The facility is restricted for use by PHI only. As of December 31, 2019 no funds were drawn from this facility.

Notes payable issuance commitments. In April 2019, the Company issued in a private placement two series of untradeable option warrants that are exercisable for the Company's Series G Notes. The exercise period of the first series is between July 1, 2019 and May 31, 2020 and of the second series is between July 1, 2020 and May 31, 2021. The Series G Notes that will be allotted upon the exercise of an option warrant will be identical in all their rights to the Company's Series G Notes immediately upon their allotment, and will be entitled to any payment of interest or other benefit, the effective date of which is due after the allotment date. The Notes that will be allotted as a result of the exercise of option warrants will be registered on the TASE. The total amount received by the Company on the allotment date of the option warrants was NIS 37 million.

In July 2019, following partial exercise of option warrants from the first series, the Company issued Series G Notes in a principal amount of NIS 38.5 million. In November 2019, following partial exercise of option warrants from the first series, the Company issued Series G Notes in a principal amount of NIS 86.5 million. In February 2020, following partial exercise of option warrants from the first series, the Company issued Series G Notes in a principal amount of NIS 15.1 million.

The total remaining consideration expected to be received (after the exercises described above), excluding consideration received for the allotment of the options, in respect of full exercise (and assuming that there will be no change to the exercise price) is approximately NIS 163 million.

Share issuance. In January 2020, the Company issued 19,330,183 shares of the Company to institutional investors, following a tender under a shelf offering, and by way of a private placement. The total net consideration received was approximately NIS 276 million. The offering expenses totaled NIS 10 million.

We believe that cash flows from our operations, together with our cash on hand, and our short-term deposits, will provide us with enough liquidity and resources to fund our on-going operations, expected capital expenditure needs, payment of amounts due on our notes and borrowings, as well as other material commitments, at least for the next 12 months (see also "Item 5F Aggregate Contractual Obligations"). However, the actual amount and timing of our future requirements may differ materially from our current estimates. See also "Item 5D.2 Outlook".

As noted in "Item 3D.1p Our cellular telephone license imposes certain obligations on our shareholders and restrictions on who can own our shares. Ensuring compliance with these obligations and restrictions may be outside our control, and may limit our ability to raise new equity capital. If the obligations or restrictions are not respected by our shareholders, we could be subject to significant monetary sanctions or lose our license.", if the Company decides to raise capital, it may face significant difficulties, since the current holdings of Israeli entities (as defined in the license) are approximately 5% and any equity offering to the public or to the Company's employees and office holders will require an equivalent equity offering of shares to Israeli entities, in a manner in which the total Israeli entities founding shareholders' holdings will not be less than 5% of the total issued share capital. Since these Israeli entity shares require pre-approval of the MoC to determine that the receiving shareholder is eligible to be an Israeli entity, they are limited in their capability of transfer to another shareholder. The Company may need to grant a significant discount in an equity offering of these Israeli entity shares. If the Company would be required to raise capital and this issue would prevent it, there could be an adverse impact on our business (e.g. reduction in sales with long term credit arrangements and/or reduction in capital investments).

5C. Research and Development, Patents and Licenses

We are primarily a user rather than a developer of technology. Accordingly, we did not engage in any significant research and development activities during the past three years.

5D. Trend Information

5D.1 RECENT DEVELOPMENTS

See “Item 5D.2 Outlook”. See also recent regulatory developments in “Item 4B.12e Regulatory Developments” and “Item 3D.1 RISKS RELATING TO THE REGULATION OF OUR INDUSTRY”.

5D.2 OUTLOOK

In 2019, competition in the Israeli telecommunications market remained intense, both across cellular segment services and fixed-line segment services, as well as in the market for equipment and device sales resulting in further negative impact on the Company’s business results. Cellular segment service revenues for 2019 decreased by 2% compared with 2018 and by 9% compared with 2017, and the increase of 9% in fixed-line segment service revenues in 2019 mainly reflected our increased penetration in the TV and internet markets.

In 2019, we earned profits of NIS 19 million (US\$ 6 million) compared with profits of NIS 56 million for 2018. Under the assumption that existing trends and the current business environment continue, our operating results may continue to decline in 2020, which may adversely affect our financial condition, in particular operating profit and Adjusted Free Cash Flow. See also “Item 3D.2a Largely as a result of substantial and continuing changes in our regulatory and business environment since 2011, our operating financial results, profitability and cash flows have declined significantly in the past few years compared with the period prior to 2011, including a loss for the year 2015. In 2019 we earned profits of NIS 19 million (US\$ 6 million) compared with profits of NIS 56 million for 2018. Under the assumption that existing trends and the current business environment continue, our operating results are likely to continue to decline in 2020 and possibly beyond, and may result in losses, which is likely to adversely affect our financial condition.”

In addition, as for other companies in Israel and around the world, the novel coronavirus disease COVID19 poses an unquantifiable threat to our business, results of operations and financial position. As of the date of approval of this Annual Report, the impact has been limited, since the crisis only began at the beginning of March. In addition, the impact has been mitigated by a number of actions taken by the Company, including cutting costs and sending a large quantity of employees on an unpaid leave. However, should these trends continue, this may have a material harmful effect on our results of operations and financial position for 2020. See also “Item 3D.2e The novel coronavirus disease COVID-19 has had a limited impact on our business and operations to the date of approval of this Annual Report. However, should these trends continue, this may have a material harmful effect on our results of operations and financial position for 2020.”

Although total operating expenses decreased by NIS 111 million or 6% in 2019 compared with 2018 (to a total of NIS 1,885 million (US\$545 million) (including cost of service revenues (NIS 2,177 million in 2019) and selling, marketing, administrative expenses and credit losses (NIS 468 million in 2019), and excluding depreciation and amortization and other expenses (mainly amortization of employee share based compensation) (NIS 760 million in 2019); this measure is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies), the decrease was explained principally by the impact of the implementation of IFRS 16 in 2019 which reduced total operating expenses by NIS 157 million. Excluding the impact of the implementation of IFRS 16, total operating expenses would have increased by NIS 46 million, primarily reflecting the increase in expenses related to the growth in TV and internet services, including content rights and distribution expenses, wholesale internet infrastructure access expenses and workforce expenses. The Company also recorded significant depreciation and amortization expenses in the years 2018 and 2019 from expenditures related to our TV and internet services and the depreciation resulting from the implementation of IFRS 16. Including depreciation, amortization and other expenses (mainly amortization of employee share based compensation), total operating expenses in 2019 increased by 2% compared with 2018. Continued growth in our TV and internet services would be expected to increase operating expenses further. See also “Item 3D.2f Our operations in the television services market entail risks and costs. Television services provided a negative contribution to profits for the years 2018 and 2019, and may not contribute to profits for 2020.”

Regarding wholesale tariffs for use of wholesale services over the Bezeq network (for data traffic), in 2017 the Ministry adopted a decision regarding the tariffs for the years 2017-2018; however the relevant regulations were updated in accordance with the decision only during 2018. As a result, over the course of a year and a half, Bezeq collected surplus payments from all service providers operating in the wholesale market. In addition, since the relevant maximum wholesale tariffs were due to expire at the end of 2019, the Ministry of Communications extended, at the time, the term of the existing tariffs to a future date when the Ministry will set the final wholesale tariffs for the years 2019-2022 (the "Interim Tariffs" and the "Final Tariffs", respectively).

In February 2020, the Minister of Communications published a decision which retrospectively set the Final Tariffs for the years 2019 and 2020 and set the tariff update mechanism for the years 2021 and 2022. The decision also included a mechanism for the refund of the surplus payments made during the years 2017 and 2018. As a result, the decision is expected to reduce the Company's expenses for Bezeq's wholesale services for the years 2019 and 2020 (compared to the expenses calculated according to the Interim Tariffs). The refunds for the years 2017-2019 that will be recorded in 2020 are expected to amount to a few tens of millions of shekels and the reduction in expenses for the year 2020 is expected to be a few millions of shekels.

Capital expenditures in 2020 are expected to continue to include significant investments in our fiber optic network and our TV and internet services. The Company's intention is to deploy a network with an extensive coverage of potential households in Israel within two to three years from the date of this report, and the project's overall payback period is currently expected to be seven years after January 1, 2018.

Adjusted Free Cash Flow for 2019 was NIS 49 million (US\$ 14 million), a decrease of 60% compared to NIS 124 million for 2018 (as shown in "Item 5B.5 MAIN SOURCES OF LIQUIDITY" is calculated as the sum of net cash provided by operating activities and net cash used in investing activities less proceeds from (investment in) short-term deposits, lease principal payments and lease interest payments; Adjusted Free Cash Flow is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies).

Depending on regulatory and other developments in the market as well as the the impact of the coronavirus disease crisis on our business and operations, Adjusted Free Cash Flow for 2020 may decline further from the level in 2019 and may also be negative. However, we believe that cash flows from our operations, together with our cash on hand and our short-term deposits totaling over NIS 1 billion at the date of this Annual Report, will provide us with enough liquidity and resources to fund our on-going operations, expected capital expenditure needs, payment of interest and principal due on our notes and borrowings, as well as other material commitments, at least for the next 12 months. However, the actual amount and timing of our future requirements may differ materially from our current estimates. In addition, the Company notes that while the debenture yields of some telecommunications companies have increased significantly since the start of the coronavirus crisis, there has been no significant increase in the Company's debentures yields to the date of approval of this Annual Report.

See also "Item 3D.2f HOT Telecommunications and its controlling shareholder, Altice Europe N.V., have offered to acquire 100% of our shares, but there can be no assurance as to the final terms of such transaction or that the proposed transaction will be consummated. As a result, the market price of our shares and ADRs may fluctuate, and our business, revenues and results of operations may be materially harmed."

The statements above under this section regarding trends are "forward-looking" statements. We have based these forward-looking statements on our current knowledge and our present beliefs and expectations regarding possible future events. These forward-looking statements are subject to risks, uncertainties and assumptions about Partner, consumer habits and preferences in mobile telephone usage, trends in the Israeli telecommunications industry in general, possible regulatory and legal developments and trends in general economic conditions. For a description of some of the risks we face, see "Item 3D. Key Information – Risk Factors", "Item 4. Information on the Company", "Item 5. Operating and Financial Review and Prospects" and "Item 8A. Consolidated Financial Statements and Other Financial Information – Legal and Administrative Proceedings". In light of these risks, uncertainties and assumptions, the forward-looking events discussed above might not occur, and actual results may differ materially from the results anticipated.

5E. Off-Balance Sheet Arrangements

As of December 31, 2019, the Company provided bank guarantees in a total amount of NIS 111 million. In addition, the Company provided a guarantee to PHI's debt in an amount of NIS 50 million. For further details, see note 17 to the consolidated financial statements.

Other than the aforementioned guarantees, there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. See also "Item 5F Aggregate Contractual Obligations".

5F. Aggregate Contractual Obligations

Set forth below are our contractual obligations and other commercial commitments as of December 31, 2019:

Contractual Obligations	Payments due by period (NIS in millions)				2025 and thereafter
	Total	2020	2021-2022	2023-2024	
Notes Series D*	222	112	110		
Notes Series F*	1,076	224	434	418	
Notes Series G*	440	14	63	94	269
Long term borrowings*	200	57	110	33	
Lease liabilities	685	141	217	165	162
Trade payables	716	716			
Payables in respect of employees	83	83			
Other payables	16	16			
Contribution to defined benefit plan	7	7			
Commitments to pay for inventory purchases**	136	136			
Commitments to pay for property, equipment purchases and software elements purchases (capital expenditures)**	36	36			
Commitments to pay for rights of use of capacities**	153	51	96	6	
Commitment to pay for capacities maintenance**	23	6	12	5	
Total Contractual Cash Obligations	3,793	1,599	1,042	721	431

* The figures include expected payments of interest on our long-term debt (borrowings and notes payable).

** See note 17 to the consolidated financial statements

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**6A. Directors and Senior Management****6A.1 DIRECTORS**

Below is a list of the directors of the Company as of the date of this Annual Report.*

Name of Director	Age	Position
Osnat Ronen ⁽⁵⁾ (6)	57	Chairman of the Board of Directors
Barry Ben Zeev ⁽¹⁾ (2)(3)(4)	68	Director
Richard Hunter	50	Director
Jonathan Kolodny ⁽¹⁾ (2)(3)(4)	50	Director
Yehuda Saban	40	Director
Yossi Shachak	74	Director
Arik Steinberg ⁽¹⁾ (2)(4)	55	Director
Ori Yaron	54	Director

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) External Director under the Israeli Companies Law (See "Item 6C Board Practices")
- (4) Independent Director under NASDAQ rules and under the Israeli Companies Law
- (5) Independent Director under NASDAQ rules
- (6) Appointed by the Israeli founding shareholders

* During the period January 1, 2019 until November 17, 2019, Mr. Adam Chesnoff, Mr. Elon Shalev, Mr. Sumeet Jaisinghani, Mr. Barak Pridor, Mr. Yoav Rubenstein, Mr. Arie Saban and Mr. Tomer Bar Zeev served as directors of the Company representing S.B. Israel Telecom. They resigned from the Board of Directors shortly after S.B. Israel Telecom consented to rights over its shares being transferred to the Receiver. See "Item 3D.3a Approximately 27.16% of our issued and outstanding shares and voting rights are held by a receiver (under Israeli law), who may not act in the best interests of the Company or its shareholders".

Ms. Osnat Ronen was appointed to the Board of Directors of Partner in December 2009 and was appointed to serve as Chairman of the Board of Directors on November 21, 2019. Ms. Ronen founded FireWind 01 GP in 2015 and has since served as its general partner. Ms. Ronen serves as one of the founders of Wecheck Ltd. and serves as an advisor and on the Board of Directors. Since 2018, she serves as the CEO of its subsidiary Wecheck Fund 1 Ltd. Ms. Ronen currently serves on the Board of Directors of Fox-Wizel Ltd. and Discount Capital Underwriters. She also volunteers as a director of the College for Management (*Michlala Le-Minhal*). Ms. Ronen has also served as an advisor to Liquidnet, Inc. from 2013 to 2015. Between 2013 and 2018, Ms. Ronen served on the Board of Directors of Mizrahi Tefahot Bank Ltd. as Head of the Audit Committee. Ms. Ronen also served on the Board of Directors of Perion Networks Ltd. in 2016-2017. Ms. Ronen also served as a volunteer on the Board of Directors of Yissum Research Development Company of the Hebrew University of Jerusalem until December 2018. Previously she served as a General Partner of Viola Private Equity from 2008 until 2013. From 1994 to 2007, Ms. Ronen served in various positions at Bank Leumi Le Israel BM, including as the Deputy Chief Executive Officer of Leumi Partners Ltd. from 2001 to 2007 and as Deputy Head of the Subsidiaries Division of the Leumi Group from 1999 to 2001. Between 2004 and 2007, Ms. Ronen also led the strategic planning, deployment and execution of the Bachar Reform, one of Israel's largest financial reforms, at Leumi Group. As part of the implementation, Ms. Ronen managed the sale of Leumi's holdings in mutual, provident and training funds. Ms. Ronen served on the Board of Directors of several portfolio companies of Viola including: Amiad Water Systems Ltd., Orad Hi-tech Ltd., Aeronautics Ltd., Degania Medical Ltd. and Matomy Media Group Ltd. Ms. Ronen holds a B.Sc. in mathematics and computer science from Tel Aviv University and an M.B.A. from the Recanati School of Business Administration at Tel Aviv University.

Barry Ben Zeev (Woolfson) was appointed to the Board of Directors of Partner in October 2009. He has been providing strategic business consulting services since 2009. Mr. Ben Zeev served as the Deputy-Chief Executive Officer & Chief Financial Officer of Bank Hapoalim in 2008. He joined the bank in 1976 and served in a variety of senior positions in the branch system and the international division including New York. Mr. Ben Zeev served in the following executive positions prior to becoming Deputy-Chief Executive Officer & Chief Financial Officer of Bank Hapoalim: Executive Vice President & Head of International Operations during the years 2001-2002, Deputy-Chief Executive Officer & Head of International Private Banking during the years 2002-2006, Chairman of Poalim Asset Management in the UK and Ireland during the years 2001-2006, Chairman of Bank Hapoalim Switzerland during the years 2002-2006, Deputy Chairman of the Board of Directors of Signature Bank in New York during the years 2001-2002 and Deputy-Chief Executive Officer and Head of Client Asset Management during the years 2006-2007. Mr. Ben Zeev serves on the Board of Directors of the following companies: Ben Zeev (Woolfson) Consultants Ltd., Hiron-Commerce Investments & Mivnei Ta'asiya Ltd., Kali Pension Administration Management Ltd. and Altshuler Provident and Pension Ltd., as an independent director and head of the investment committee. In addition, he serves on the Board of Trustees of the College for Management (*Michlala Le-Minhal*). He also served as a member of the Board of Directors of the Tel Aviv Stock Exchange during the years 2006-2007 and on the Board of Directors of Ellomay Capital Ltd., as a member of the investment committee of Manof Bereshit during the years 2009-2013 and as an independent director of Poalim Asset Management UK Ltd. during the years 2011-2018. Mr. Ben Zeev holds a B.A. in economics and an M.B.A. both from Tel-Aviv University.

Richard Hunter was appointed to the Board of Directors of Partner in November 2019. Mr. Hunter was appointed to the Board of Directors of Partner in November 2019. He is Chairman of the Board of Directors of Holmes Place International Ltd., serves on the Board of Directors of Delta Galil Industries Ltd. and is a partner in Green Lantern, a private equity fund. Previously he served as CEO of McCann Erickson Israel from 2012 until 2016. During the years 2010 until 2012, Mr. Hunter served as Chief Operating Officer of Shufersal Ltd. and as CEO of 013 Netvision from 2007 until 2010. He also served as a director at SodaStream International Ltd. Mr. Hunter is an accounting and financial expert, holds an LL.B from the College of Management, Tel-Aviv and an M.B.A from INSEAD Business School.

Jonathan Kolodny was appointed to the Board of Directors of Partner effective May 6, 2018. Dr. Kolodny is a General Partner in ION Crossover Partners, a late-stage technology investment fund, which he joined in March of 2018. He also serves on the Board of Directors of BlueVine Capital, Inc. since 2019. Dr. Kolodny served as the CEO of the Keter Group from 2016 to February 2018. Prior to that, he served from 2013 until 2016 as the CEO of Jardin International Holding. During the years 1994 until 2013, Dr. Kolodny served in various senior positions at McKinsey & Company in their overseas as well as local offices founding their office in Israel in 2000 and elected as a Director (senior Partner) of the Firm in 2007. He also served on the Board of Directors of Sodastream International Ltd. from 2015 until its sale to PepsiCo at the end of 2018. Dr. Kolodny received a B.A. in Computer Science *summa cum laude* from Harvard College and a Ph.D. in Cognitive Neuroscience from the University of Cambridge.

Yehuda Saban was appointed to the Board of Directors of Partner in April 2015. Mr. Saban served between 2011- mid 2015 as Vice President Economics & Regulation and FLNG (Floating Liquefied Natural Gas) manager at Delek Drilling & Avner oil exploration. Previously, Mr. Saban served over 6 years in various capacities with the budget department of the Ministry of Finance as Manager of the Telecommunications and Tourism Unit, Manager of the Budget and Macroeconomics unit and as an economist in the Energy unit. During those years, Mr. Saban was also an active partner in a number of committees and authorities in the energy, telecommunications and infrastructure fields. Mr. Saban serves on the Board of Directors of Israel Opportunity Energy Resources LP and as Chairman of its Compensation and Audit Committee as of June 2015. Mr. Saban also serves as manager of Israeli operations and EVP of Business Development at Ellomay Capital Ltd. Mr. Saban holds a B.A. in Economics & Business Management (graduated with honors) and an M.B.A specializing in Financing, both from the Hebrew University in Jerusalem.

Yossi Shachak was appointed to the Board of Directors of Partner in November 2019. Mr. Shachak is a consultant to boards of directors, and a board member of public and private companies including, the Azrieli Group Ltd. and Tefron Ltd. Mr. Shachak is a certified public accountant and is a graduate of accounting from the Hebrew University in Jerusalem.

Arie (Arik) Steinberg was appointed to the Board of Directors of Partner in January 2012. Mr. Steinberg serves on the Board of Directors of Leumi Partners Ltd. and as the Chairman of the Audit Committee. He also serves as a director in Paz Oil Company Ltd., as Chairman of the Board of Directors of REE (formerly Softwheel Ltd.) and as a director at Axilion Ltd. He also serves on the Board of Trustees of the Academic College of Tel-Aviv-Yaffo. Mr. Steinberg served from 2006-2010 as Chairman of the Board of Directors of Psagot Investment House, Ltd., as well as other companies in the Psagot Group, leading and overseeing the business strategies of the Psagot Group. Mr. Steinberg served as Chairman on behalf of York Capital. In addition, he served on the Board of Directors of the Tel-Aviv Stock Exchange. Mr. Steinberg also served between 1999-2003 as Chief Executive Officer of Ilanot Batucha Investment House from the IDB Group, as well as a director of Maalot (the Israeli affiliate of Standard and Poor's). Prior to that, Mr. Steinberg served as CEO of Etgar- Portfolio Management Trust Co. owned by Bank Mizrahi. He also served on the Advisory Boards of Mobileye Technologies and Novotrans Group SA. Mr. Steinberg studied economics at Tel-Aviv University.

Ori Yaron was appointed to the Board of Directors of Partner by S.B. Israel Telecom in May 2014. Mr. Yaron practices law and manages Ilan Yaron Law Offices that specializes in the areas of insurance and torts. Mr. Yaron served from 2010 until 2016 as a member of the Board of Directors of the Geophysics Institute and served from 2006 until 2007 as a member of the Board of Directors of Mekorot Development & Enterprise and from 2011 until 2014 as a member of the Board of Directors of Hozei Israel Ltd. Mr. Yaron holds a B.A. in economics and an LL.B. both from Tel-Aviv University and is a member of the Israeli Bar Association.

6A.2 SENIOR MANAGEMENT

Below is a list of the Senior Management of the Company as of the date of this Annual Report:

Name of Officer	Age	Position
Isaac Benbenisti	55	Chief Executive Officer
Yuval Keinan	45	Deputy Chief Executive Officer
Tamir Amar	46	Chief Financial Officer
Sigalit Cohen	50	Vice President, Customer Service Division
Liran Dan	41	Vice President Strategy & Business Development
Yaron Eisenstein*	47	Vice President Technologies & IT Division
Noach Hacker	38	Vice President Regulations and Fiber Division
Einat Rom	54	Vice President, Human Resources & Administration
Yakov Truzman	49	Vice President Business & Sales Division
Hadar Vismunski-Weinberg	46	Vice President, Chief Legal Counsel & Corporate Secretary
Terry Yaskil	46	Vice President Marketing Division

*Effective August 2019, Yaron Eisenstein replaced Raz Bartov as the Company's Vice President Technologies & IT Division

Isaac Benbenisti was appointed as Chief Executive Officer effective July 1, 2015. Prior to joining the Company, Mr. Benbenisti served from 2007 until 2014, as the CEO of Bezeq International Ltd. From 2003 through 2006, Mr. Benbenisti served as a director and C.E.O of the System Group and Distribution Channels Division at Hewlett-Packard (HP). Prior to that, he held a variety of managerial positions, including as the CEO of CMS Compucenter Ltd. Mr. Benbenisti holds a B.A. in economics and an M.B.A specializing in finance and marketing, both from the Hebrew University of Jerusalem.

Yuval Keinan was appointed as Deputy CEO effective January 1, 2016, after having served from 2008 until 2015 as the Vice President and CTO of Bezeq, the Israel Telecommunications Corp., Ltd. Prior to that, he served for three years as Vice President technology division, engineering & IT and CTO of Bezeq International Ltd. Mr. Keinan holds a B.Sc. in computer science from Mercy College.

Tamir Amar was appointed as Chief Financial Officer of Partner effective February 1, 2018. Prior to joining the Company, Mr. Amar served since 2013 as the CEO of Vaporjet Ltd., a leading and global manufacturer of nonwoven hydroentangled spunlace goods. From 2005 until 2013 he served as the CFO of Raval ACS Ltd., a global public company that fully owns 12 subsidiaries in Israel and abroad and develops, manufactures and sells unique products for the global automotive industry. Mr. Amar holds a B.A. in Economics and Accounting and an M.B.A. specializing in finance from Ben Gurion University.

Sigalit Cohen, was appointed as Vice President, Customer Service Division in June 2019, after having previously served as Head of the Fixed-Line Service Department since joining the Company in January 2019. Before joining the Company, Ms. Cohen served from 2016 until 2019 as Manager of the commercial and technical services at Bezeq International Company Ltd. and was responsible for building methodologies and implementing a service strategy for private and small business customers. During the years 2008 until 2016, she held various managerial positions at Bezeq International including manager of commercial and financial services and customer relations manager. Ms. Cohen holds a B.A in Life Sciences.

Liran Dan was appointed as Vice President Strategy and Business Development in October 2015, after having served from 2012 until 2015 as the Director of the Public Diplomacy and Media at the Prime Minister's office. Prior to that, he held a series of executive positions at Channel 2 News. In his last position, as the V.P. Digital Media, he established the digital desk of Channel 2 News. Mr. Dan holds an Executive M.B.A. degree from Tel-Aviv University, and a B.A. in political science and history from Bar-Ilan University.

Yaron Eisenstein was appointed as Vice President Information Technologies in August 2019 after having previously served as Head of the Digital and Products Department since joining the Company in 2017. Prior to joining the Company, Mr. Eisenstein served from 2016 until 2017 as CTO and co-founder of binj.tv and led the creation of a video platform to create advanced live broadcasts. Previously, he served as Director of Services and Products department in the technologies division at Bezeq and was responsible for the advancement and development of the company's digital products, systems development and VoIP services and the BI and data worlds. Mr. Eisenstein has an M.B.A. from the Hebrew University and an M.A. from the Michlala l'Minhal, Rishon L'Zion and Baruch College, New York.

Noach Hacker was appointed as Vice President, Regulation effective September 2016 and in January 2018, was appointed as Vice President, Regulation and Fiber Division. Prior to joining the Company, Mr. Hacker served for over nine years in various capacities with the budget department of the Ministry of Finance as Senior Deputy to the Head of Budgets-Security Affairs, Security Budget Coordinator, Coordinator on the Infrastructure Team and as the Liaison of the Water Sector. Mr. Hacker holds a combined B.A in political science, economics and interdisciplinary studies from Bar Ilan University and an M.A. in political science from Haifa University.

Einat Rom, was appointed as Vice President of Human Resources effective November 1, 2012 after having served as Vice President of Private Customers Division since December 1, 2010. Prior to joining Partner, Mrs. Rom served as Vice President of Service in Better Place Company and prior to that, she served as Vice President of Private Division in Bezeq The Israel Telecommunication Corp. and as Vice President of Service in Pelephone Communications Ltd. Mrs. Rom holds a B.A. in social science from Haifa University.

Yakov Truzman was appointed in May 2019 as Vice President Business and Sales Division, after having served as Vice President Business Division from March 2018. Prior to that, Mr. Truzman served as Vice President Business Division at Bynet Data Communications from 2016 until joining the Company. Prior to that, Mr. Truzman served from 2011 until 2015 as the Vice President of Sales of the HOT Group. During the years 2001 until 2011, Mr. Truzman served in several managerial positions in the Cellcom Group, including department manager of business customers. Mr. Truzman holds a B.A. in behavioral sciences, management and economics from Ben Gurion University.

Hadar Vismunski-Weinberg was appointed as Vice President, Chief Legal Counsel and Corporate Secretary effective March 16, 2017. Prior to joining the Company, Ms. Vismunski-Weinberg served since 2013 as Vice President and General Counsel- Global R&D of Teva Pharmaceutical Industries Ltd. ("Teva"). Between 2007 and 2013 Ms. Vismunski-Weinberg served in other senior positions at Teva. Ms. Vismunski-Weinberg holds an LL.B from the Hebrew University in Jerusalem.

Terry Yaskil was appointed as Vice President of Marketing in August 2017. Before joining Partner Ms. Terry Yaskil served as Deputy to the CEO of Zap. Terry managed the customer services division at the Zap Group which was responsible for service and sales, and led the group's entry into Big Data worlds. Prior to that, Ms. Yaskil served for four years as Vice President Marketing and Advertising for Psagot Investment House Ltd. During the years 2006-2011, Ms. Yaskil served in several senior positions in the Tnuva Group including Manager of the central marketing division of the food corporation and Head of the Group's headquarters. During the years 2001-2006, Ms. Yaskil served as manager of business marketing at Cellcom. Ms. Yaskil holds a B.A. in behavioral sciences and an M.A. in cognitive psychology, both from Ben Gurion University.

Appointments and Resignations

None of the above directors, has any family relationship with any other director or senior manager of the Company. None of the above members of senior management has any family relationship with any other director or senior manager of the Company.

6B. Compensation

The terms of employment of the CEO are approved by the compensation committee, the Board of Directors and the general meeting of shareholders (by a special majority) and must comply with the Company's Compensation Policy for Office Holders (as this term is defined in Item 6C.8 below) (except for certain exceptions, as set by the Israeli Companies Law). The "special majority" requires the approval of a majority of the Company's shareholders participating at the general meeting and voting on the matter and at least one of the following conditions: (i) such majority includes a majority of the votes cast by shareholders who are not controlling parties (as defined in the Israeli Companies Law) in the Company and who do not have a personal interest in the resolution, and who are present and voting (abstentions are disregarded), or (ii) the votes cast against the resolution by shareholders who are not controlling parties and who do not have a personal interest in the resolution, who are present and voting, constitute two percent or less of the outstanding voting power in the Company. The terms of employment of other senior management (Office Holders) are approved by the compensation committee and the Board of Directors, and must comply with the Company's Compensation Policy (except for certain exceptions, as set by the Israeli Companies Law). See "Item 6C.6b COMPENSATION COMMITTEE". Senior management is generally appointed by the CEO with the approval of the Board of Directors for an indefinite term of office and may be removed by the CEO with the approval of the Board of Directors at any time.

Pursuant to the provisions of the Israeli Companies Law, the compensation policy of a company shall be submitted for the approval of the general meeting of shareholders, at least once every three years. We first adopted a compensation policy that sets forth the guidelines and framework for the mode of compensation of the Company's Office Holders following the approval of the Company's shareholders, at the extraordinary general meeting of shareholders, held on October 17, 2013 (the "Former Compensation Policy"). A new Compensation Policy was approved by the Company's shareholders at the annual general meeting of shareholders ("AGM") held on October 29, 2019 (the "Compensation Policy"). The Compensation Policy sets forth the principles and procedures for determining Office Holders' compensation, including ongoing remuneration, bonuses (including annual bonuses, severance bonuses and special bonuses), equity compensation, indemnification, insurance and release. The Compensation Policy revises the Former Compensation Policy with respect to various matters and issues that needed to be updated and amended since the adoption of the Former Compensation Policy, due to changes in market practices since then, as well as adaption to legislative changes. See Exhibit 15.(b).1.

According to the Compensation Policy, annual bonus payments for our senior management are determined with respect to a given year based on targets set for the Company as a whole, targets set for each of the Company divisions as well as on personal evaluations. The targets for the CEO and the senior management are set by the compensation committee and the Board of Directors generally in accordance with the overall Company objectives. Upon the approval of the Company's annual results, bonus payments are determined based on the extent to which the Company and division targets have been met, as well as on the personal evaluation of each Office Holder at the discretion of the compensation committee and the Board of Directors, in light of the recommendations made by the Chairman of the Board of Directors with respect to the CEO, and, in light of recommendations made by the CEO, with respect to senior management reporting to the CEO.

Compensation for senior management may also be provided in the form of equity-based compensation which includes stock options to purchase our ordinary shares and restricted shares. In 2019, options were granted to our senior management under the 2004 Amended and Restated Equity Incentive Plan (as this term is defined in Item 6E.2 below) to purchase up to 1,006,128 of our ordinary shares at a weighted average exercise price of NIS 16.33 (US\$ 5) per option with some of the options vesting at the earliest in January 2020. These options will expire at the latest by August 2025. In addition, in 2019, 323,808 restricted shares were granted to our senior management under the 2004 Amended and Restated Equity Incentive Plan, with some of the restricted shares vesting at the earliest in January 2020. For more information, see "Item 6E.2 Equity Incentive Plan".

The aggregate compensation paid, and benefits in kind granted to or accrued on behalf of all our directors and senior management for their services in all capacities to the Company and its subsidiaries during the year ended December 31, 2019, was approximately NIS 30 million (US\$ 9 million) (assuming that 100% of the annual bonuses set forth in Table A and B below will be paid). This amount included approximately NIS 3 million (US\$ 0.9 million) set aside or accrued to provide pension and retirement benefits on behalf of all our senior management during the year ended December 31, 2019.

CEO Compensation

Mr. Isaac Benbenisti has served as the CEO of the Company since July 1, 2015. The terms of his employment were approved by the Compensation Committee, the Board of Directors and the general meeting of shareholders of the Company. Until December 1, 2015, the CEO was employed through an agreement with a private company, fully owned by him, for the provision of management services to the Company. Following a resolution of the compensation committee to make an immaterial change to the CEO's terms of employment, the CEO's employment format was changed to that of a company employee ("Employment Agreement"). The engagement in the Employment Agreement is for an unlimited time period with the right of each party to terminate upon 6 months prior written notice. In addition to the advance notice period, upon termination, the CEO will be entitled to a 6-month period during which he will receive a salary without being required to provide services.

The CEO's monthly salary (gross) is in an amount of NIS 150 thousand, linked to the CPI as of the index June 2015 (at the end of 2019 the monthly salary (gross) was NIS 152.5 thousand). In addition, the CEO is entitled to reimbursement for the cost of vehicle use and maintenance as well as accepted related terms that are usually granted to the other office holders in the Company including telephone, food, cellular phone and other benefits in accordance with the Company's compensation policy and procedures (including indemnification, release and insurance arrangements as customary in the Company) and social benefits including sick days, vacation and allocations to plans and funds.

The annual bonus of the CEO is based on two elements: (a) 90% - Company targets (see below) while using the main performance indices determined by the Compensation Committee and Board of Directors after approval of the Company's annual budget, and (b) 10% - CEO performance evaluation for that year by the Compensation Committee and Board of Directors, based on qualitative and quantitative criteria.

The minimum criterion for receiving the annual financial bonus with respect to the CEO, as of the beginning of his said tenure as CEO, is that the Company achieved at least 80% of the Company's targets for the relevant year and in addition, that the total EBITDA shall not have decreased by more than 35% of the EBITDA for the year preceding the year in respect of which the bonus is payable.

With respect to the amount of the annual financial bonus, tiers were set to calculate the amount of the bonus according to the CEO's global achievement rate with respect to all of the elements of the annual bonus (a weighted score of the company targets and an evaluation of the CEO's performances), as follows: achievement at a rate lower than 80% will not entitle the CEO to an annual bonus; achievement at a rate between 80%-120% will entitle the CEO to 80%-120% of the annual bonus budget; achievement at a rate that exceed 120% will entitle the CEO to 120% of the annual bonus budget. For the year ending December 31, 2019, the annual bonus budget (100%) for the period during Mr. Benbenisti's tenure as CEO was approximately NIS 1,660 thousand. These sums are linked to the CPI.

The CEO's Company targets for the year 2019 were determined by the Board of Directors of the Company in January 2019 based on the annual work plan of the Company for the year. They included seven individual targets: (1) Company EBITDA target with a weight of 30% of the Company's targets (2019 achievement rate: 115%); (2) Cash flow target with a weight of 15% of the Company's targets (2019 achievement rate: 139%); (3) Cellular ARPU Base (2019 achievement rate: 102%) and subscriber target (2019 achievement rate: 0%) with a weight of 15% of the Company's targets; (4) Fixed line income target with a weight of 5% (2019 achievement rate: 97%); (5) TV combined index target ARPU (2019 achievement rate: 84%) and subscriber target (2019 achievement rate: 91%) with a weight of 10% of the Company's targets; (6) Fiber combined index ARPU (2019 achievement rate: 88%), subscriber target (2019 achievement rate: 76%) and home pass growth (2019 achievement rate: 113%) with a weight of 15%; (7) Customer experience combined index target with a weight of 10% of the Company's targets (2019 achievement rate: 120%).

With respect to the above Company targets, a threshold and upper limit for achieving the target were determined as follows: achievement at a rate lower than 20% of the target will not allow eligibility for a bonus for that criteria; achievement at a rate between 20% - 200% of the target will allow eligibility at a rate of 20% - 200% for that criteria; achievement at a rate above 200% will allow eligibility of 200% for that criteria. With regard to the Company EBITDA target, an achievement at a rate lower than 80% of the target will not allow eligibility for a bonus for that criteria.

The global achievement rate of the CEO of all of the elements of the annual bonus for 2019 was 115%.

On March 25, 2020, the Board of Directors examined the CEO's achievement of targets and in accordance with the achievement of the said targets, the bonus that will be granted to the CEO for 2019, is in the amount of NIS 1,930 thousand (assuming that 100% of the annual bonuses set forth in Table A and B below will be paid).

CEO Equity Incentive Grant

In accordance with the resolutions of the compensation committee, Board of Directors and annual meeting of shareholders, Mr. Benbenisti was granted in 2015, in accordance with the Company's Equity Incentive Plan, 1,471,971 options (non-tradeable) of the Company, at an exercise price of NIS 18.08, that constitutes a premium of 5% on the average share price of the Company on the Tel-Aviv Stock Exchange, during the 30 days preceding the grant date. Mr. Benbenisti's granted options vested in three tranches: 33% of the entire amount of the options as of October 28, 2016, 33% of the entire amount of options as of October 28, 2017 and the balance of the options as of October 28, 2018. Mr. Benbenisti's eligibility to exercise each of the above detailed tranches will be available to him until October 27, 2021. The fair value of the options as of the grant date according to Black-Scholes model was NIS 8 million.

In addition, in accordance with the resolutions of the compensation committee, Board of Directors and annual meeting of shareholders, Mr. Benbenisti was granted in October 29, 2018, a new equity incentive grant at the value of NIS 6.8 million according to Black-Scholes model, comprised of 50% of the value in options of the Company (non-tradeable) (NIS 3.4 million) and 50% of the value in restricted shares (NIS 3.4 million).

The new equity incentive grant is be comprised of 4 tranches, for a vesting period of 4 years, 1 year for each tranche. The options will be exercisable during a 6-year period as of their vesting date, with an exercise price of NIS 18.86 that constitutes a premium of 5% on the average share price of the Company on the Tel-Aviv Stock Exchange during the 30 days preceding the date of approval by the AGM (October 28, 2018).

With respect to the restricted shares of the CEO's new equity incentive grant, pursuant to the requirement of the Company's Compensation Policy regarding restricted shares, in addition to the vesting period, performance targets were defined and constitute a precondition to vesting as follows ("Performance Targets"):

First tranche of the restricted shares - achievement of at least 80% of the Company targets in 2019;

Second tranche of the restricted shares - achievement of at least 80% of the Company targets in 2020;

Third tranche of the restricted shares - achievement of at least 80% of the Company targets in 2021;

Fourth tranche of the restricted shares - achievement of at least 80% of the Company targets in 2022.

The vesting conditions for the restricted shares with respect to the Performance Targets also include a mechanism for deferring vesting to the following years in the event of a failure to fulfill a criterion, provided that there is average achievement of the Performance Targets during the vesting period cumulatively.

If the Performance Targets are not achieved by the deadline defined for each tranche as stated above (including the deferred vesting), then the CEO will not be eligible for the restricted shares of that relevant tranche and they will be returned to the Company and classified as treasury shares.

Immaterial amendments to the terms of employment of the CEO

During 2017, the Compensation Committee approved within its powers, in accordance with the Company's Compensation Policy for Office Holders, and the Companies Law, two immaterial amendments to the terms of employment of the CEO. These amendments included an amendment to the cost of the vehicle maintenance component and effective from the year 2018 thereafter, also an amendment to the annual bonus budget (100%), from NIS 1,503 thousand (10 monthly salaries) to NIS 1,653 thousand (11 monthly salaries). The cumulative annual cost of the change with respect to these amendments is 3.6% (in real terms) relative to the cost of all the terms of employment of the CEO for that reporting year.

In June 2019, the Compensation Committee approved within its powers, in accordance with the Company's Compensation Policy for Office Holders, and the Companies Law, an immaterial amendment to the terms of employment of the CEO. This amendment included an amendment to the vehicle class for the CEO.

Highest Office Holder Compensation

A. The table below sets forth information regarding compensation on an individual basis for the five Office Holders with the highest compensation for the year 2019.

Details of the Compensation Recipient		Compensation for services (the compensation amounts are displayed in terms of cost for the Company) (NIS thousands)	Payroll & Related expenses	Annual Bonus*	Share based payments	Other compensation & vehicle (the compensation amounts are displayed in terms of cost for the Company) (NIS thousands)	Total (NIS thousands)
Name	Position						
Isaac Benbenisti	Chief Executive Officer		2,436	965	2,840(1)(9)	155(2)	6,395(3)
Yuval Keinan	Deputy Chief Executive Officer		1,813	606	1,172(4)(9)	140(2)	3,733
Tamir Amar	Chief Financial Officer		1,401	297	845(5)(8)	476(2)	3,018
Yakov Truzman	Vice President Business & Sales Division		1,222	247	893(6)(8)	500(2)	2,862
Liran Dan	Vice President Strategy and Business Development		1,186	235	884(7)(8)	343	2,648

* See also section B below.

B. In light of the novel coronavirus disease Covid-19 situation, upon management's proposal, the Board of Directors decided to currently pay only half of the bonus of management (the bonus to all other employees will be paid in full). The second half of the bonus will be brought to the approval of the compensation committee and the Board of Directors after the following events will occur which will indicate that the Coronavirus disease crisis has passed:

1. Resumption of international flights
2. Reopening of stores in shopping malls
3. Return of workforce currently on unpaid leave

For the persons listed in Table A above, the second half of the bonus would amount to:

Details of the Compensation Recipient		Compensation for services (the compensation amounts are displayed in terms of cost for the Company) (NIS thousands)	Annual Bonus*	Total (NIS thousands)
Name	Position			
Isaac Benbenisti	Chief Executive Officer		965	965
Yuval Keinan	Deputy Chief Executive Officer		606	606
Tamir Amar	Chief Financial Officer		297	297
Yakov Truzman	Vice President Business Division		247	247
Liran Dan	Vice President Strategy and Business Development		235	235

* See also Section A above

C. The full amount of the bonuses (100%) has been provisioned in the Company's financial statements for the year ended December 31, 2019.

- (1) In 2015, 1,471,971 share options were granted to Mr. Isaac Benbenisti, in his capacity as the Company's CEO with a vesting period of up to three years at an exercise price of NIS 18.08 that constitutes a premium of 5% on the average share price of the Company on the Tel-Aviv Stock Exchange, during the 30 days preceding the grant date. The theoretical fair value of the share options (according to Black-Scholes model) as measured on the day of the grant was approximately NIS 8 million. Mr. Benbenisti's options vest in three tranches: 33% of the entire amount on October 28, 2016, 33% of the entire amount on October 28, 2017 and the balance on October 28, 2018. Mr. Benbenisti's eligibility to exercise each of the above detailed tranches will be available to him until October 27, 2021.

In 2018, 810,027 share options and 194,064 restricted shares were granted to Mr. Isaac Benbenisti, in his capacity as the Company's CEO with a vesting period of up to four years. The exercise price of the options is NIS 18.86 which constitutes a premium of 5% on the average share price of the Company on the Tel-Aviv Stock Exchange, during the 30 days preceding the grant date. The theoretical fair value of the share options (according to Black-Scholes model) as measured on the day of the grant was approximately NIS 3.4 million and the fair value of the restricted shares was approximately NIS 3.4 million. Mr. Benbenisti's options and restricted shares vest in four tranches: 25% of the entire amount on October 28, 2019, 25% of the entire amount on October 28, 2020, 25% of the entire amount on October 28, 2021 and the balance on October 28, 2022. Mr. Benbenisti's eligibility to exercise each of the share options above detailed tranches will be available to him until October 27, 2024.

With respect to the restricted shares granted to the CEO in 2018, performance targets which constitute a precondition to vesting and a mechanism for deferring vesting were defined as further detailed above under CEO Equity Incentive Grant.

- (2) "Other compensation" includes: expenses for retirement that were accumulated during the reporting period of this Annual Report and will be paid only upon retirement and vehicle expenses.
- (3) For further information regarding the CEO's compensation see above under *CEO Compensation*.
- (4) In 2016, 269,000 share options and 114,000 restricted shares were granted to Mr. Yuval Keinan with a vesting period of up to three years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to Black-Scholes model) as measured on the day of the grant was approximately NIS 1.3 million and the fair value of the restricted shares was approximately NIS 2 million.

In 2019, 277,134 share options and 86,889 restricted shares were granted to Mr. Yuval Keinan with a vesting period of up to three years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to Black-Scholes model) as measured on the day of the grant was approximately NIS 0.9 million and the fair value of the restricted shares was approximately NIS 1.4 million.

- (5) In 2018, 245,887 share options and 79,118 restricted shares were granted to Mr. Tamir Amar with a vesting period of up to three years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to Black-Scholes model) as measured on the day of the grant was approximately NIS 0.9 million and the fair value of the restricted shares was approximately NIS 1.4 million.
- (6) In 2018, 272,968 share options and 86,451 restricted shares were granted to Mr. Yakov Truzman with a vesting period of up to three years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to Black-Scholes model) as measured on the day of the grant was approximately NIS 0.9 million and the fair value of the restricted shares was approximately NIS 1.4 million.

- (7) In 2015, 161,369 share options and 76,378 restricted shares were granted to Mr. Liran Dan with a vesting period of up to three years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to Black-Scholes model) as measured on the day of the grant was approximately NIS 0.9 million and the fair value of the restricted shares was approximately NIS 1.4 million.

In 2018, 138,098 share options and 51,887 restricted shares were granted to Mr. Liran Dan with a vesting period of up to three years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to Black-Scholes model) as measured on the day of the grant was approximately NIS 0.7 million and the fair value of the restricted shares was approximately NIS 1.0 million.

- (8) These sums represent the relative portion of the expenses of all option and restricted share allocations recorded during the reported period and include expenses for the 2019 vesting period of options and restricted shares (including those which have not fully vested yet).

All options and restricted shares noted above were granted pursuant to the terms of the 2004 Amended and Restated Equity Incentive Plan, among others, with respect to the exercise or earning periods and the expiration date of the options. See “Item 6E.2 EQUITY INCENTIVE PLAN”.

6C. Board Practices

References in this Annual Report to “external directors” are to those directors who meet the definition of external directors under the Israeli Companies Law (“*dahatz*”), and references in this Annual Report to “US independent directors” are to those directors who meet the definition of independence under applicable listing requirements of NASDAQ. References in this Annual Report to “Israeli independent directors” are to any director who meets the definition of independence under the Israeli Companies Law (“*bilty taluy*”).

6C.1 TERMS OF DIRECTORS

Directors are generally elected by the annual general meeting of shareholders to serve (i) for three years, in the case of external directors under the Israeli Companies Law, or (ii) until the next annual general meeting of the shareholders (unless their office becomes vacant earlier, in accordance with the provisions of our Articles of Association). An extraordinary general meeting of shareholders may elect any person as a director, to fill an office which became vacant, or to serve as an additional member to the then existing Board of Directors, or to serve as an external director, or in any event in which the number of the members of the Board of Directors is less than the minimum set in the Articles of Association (seven directors), provided that the maximum number of seventeen directors is not exceeded. Any director elected in such manner (excluding an external director) shall serve in office until the coming annual general meeting of shareholders. The Articles of Association also provide that the Board of Directors, with the approval of a simple majority of the directors, may appoint an additional director to fill a vacancy or to serve as an additional member to the then existing Board of Directors, provided that the maximum number of seventeen directors is not exceeded. Any director elected in such manner shall serve in office until the coming annual general meeting of shareholders and may be re-elected.

Israeli directors are appointed by the Israeli founding shareholders, generally upon a written notice signed by at least two of the Israeli founding shareholders who are the record holders of (i) at least 50% of minimum Israeli holding shares or (ii), who hold in the aggregate the highest number of minimum Israeli holding shares among the Israeli founding shareholders. Any Israeli founding shareholders who have specified connections to a competing mobile radio telephone operator (as defined in the license) of the Company are prohibited from participation in any such appointment. The notice is addressed to our company secretary indicating the appointment until the appointee's successor is elected by a similar notice. See “10B.3 Rights Attached to Shares”. In 2009, Ms. Osnat Ronen was appointed as a director on behalf of the Israeli founding shareholders.

No director has a service contract with the company or its wholly-owned subsidiaries providing for benefits upon termination of employment.

Our Office Holders (generally senior managers) serve at the discretion of the Board of Directors or until their successors are appointed. See “Item 4B.12f Our Mobile Telephone License” for a description of additional requirements of the composition of our Board of Directors and the appointment of its members.

6C.2 ALTERNATE DIRECTORS

Our Articles of Association provide that a director may appoint an individual to serve as an alternate director. An alternate director may not serve as such unless such person is qualified to serve as a director. In addition, no person who already serves as a director or an alternate director on the Company's Board of Directors may serve as an alternate director of another director on the Company's Board of Directors. Under the Israeli Companies Law, an alternate director is generally treated as a director. Under our Articles of Association, an alternate director shall have all the authorities of the director appointing him. The alternate director may not vote at any meeting at which the director appointing him is present. Unless the time period or scope of any such appointment is limited by the appointing director, such appointment shall be effective for all purposes and for an indefinite time, but will expire upon the expiration of the appointing director's term.

6C.3 EXTERNAL DIRECTORS UNDER THE ISRAELI COMPANIES LAW

The Israeli Companies Law generally requires that Partner shall have at least two external directors on its Board of Directors who meet the independence criteria set by the Israeli Companies Law. The appointment of an external director (for the initial term of three years) under the Israeli Companies Law must be approved by the general meeting of shareholders provided that either: (a) the majority of votes in favor of the appointment shall include at least a majority of the votes of shareholders not constituting controlling parties (as stated in the Israeli Companies Law) in the Company, or those having a personal interest (as defined in the Israeli Companies Law) (other than a personal interest not resulting from their relations with the controlling parties) in the approval of the appointment participating in the vote, which votes shall not include abstaining votes; or (b) the total number of objecting votes of the shareholders mentioned in clause (a) does not exceed 2% of the total voting rights in the company.

Mr. Barry Ben-Zeev and Mr. Jonathan Kolodny serve as our external directors under the Israeli Companies Law.

In general, external directors may be re-appointed for two additional three-year terms by one of the following mechanisms:

(i) the Board of Directors proposed the nominee and his appointment is approved by the shareholders in the manner required to appoint external directors for their initial term (described above);

(ii) one or more shareholders that hold at least 1% or more of the company's voting rights proposed the external director for re-appointment, and the nominee is approved by a majority of the votes cast at the shareholders meeting, provided that: (A) the total number of shareholders' votes at the shareholders meeting shall not include the votes of shareholders who are controlling parties and those having a personal interest in the appointment approval (other than a personal interest not resulting from their relations with the controlling parties) and abstaining votes; (B) the aggregate votes cast by shareholders who are not excluded under clause (A) above in favor of the appointment exceed 2% of the voting rights in the company; and (B) the external director (a) is not a related or competing shareholder, or the relative of such a shareholder, at the time of the appointment and (b) is not affiliated with a related or competing shareholder at the time of the appointment or the two years preceding the appointment (the term "related or competing shareholder" is defined as a shareholder who nominated the external director for reappointment or a material shareholder (a shareholder that holds more than 5% of the shares or voting rights in the company), if at the date of such appointment, any of either such shareholder, the controlling shareholder of such shareholder, or a company controlled by either of them, has business with the company or is a competitor of the company); and

(iii) the external director proposed himself or herself and is approved by the process under clause (ii) above.

Under regulations promulgated under the Israeli Companies Law, certain companies, including dual listed companies, like Partner, may re-appoint external directors for additional terms of up to three years each (beyond the three terms of three years each), provided that all of the following conditions are fulfilled: (1) the Audit Committee and, subsequently, the Board of Directors, approves that, considering the external director's expertise and special contribution to the work of the Board of Directors and its committees, his re-appointment for an additional term of office is in the best interest of the Company; (2) the re-appointment for the additional term of office is done in conformity with one of the mechanisms described above; (3) prior to approving the re-appointment, the general meeting of shareholders is informed of the duration of the external director's service as an external director and is presented with the rationale of the Audit Committee and the Board of Directors for extending the external director's term of office.

The Israeli Companies Law requires that at least one external director has accounting and financial expertise, and that the other external director(s) have professional competence, as determined by the company's Board of Directors. Under promulgated regulations, a director having accounting and financial expertise is a person who, due to his education, experience and talents, is highly skilled in respect of, and understands, business-accounting matters and financial reports in a manner that enables him to understand in depth the company's financial statements and to stimulate discussion regarding the manner in which the financial data is presented. Under the regulations, a director having professional competence is a person who has an academic degree in either economics, business administration, accounting, law or public administration or has another academic degree or has other higher education, all in the main business sector of the company or in a relevant area for the Board of Directors position, or has at least five years' experience in one or more of the following (or a combined five years' experience in at least two or more of the following): a senior position in the business management of a corporation with a substantial scope of business, a senior public officer or a senior position in the public service or a senior position in the field of the company's business.

6C.4 FINANCIAL EXPERTS UNDER THE ISRAELI COMPANIES LAW

In accordance with the Israeli Companies Law, Partner's Board of Directors has determined that the minimum number of directors with "accounting and financial expertise" that Partner believes is appropriate, in light of the particulars of Partner and its activities, is three. Under the Israeli Companies Law, only one of such "experts" is required to be an external director. The Board of Directors has determined that seven of our current directors have "accounting and financial expertise": Ms. Osnat Ronen, Mr. Jonathan Kolodny, Mr. Barry Ben-Zeev (Woolfson), Mr. Richard Hunter, Mr. Yossi Shachak, Mr. Arie Steinberg, and Mr. Yehuda Saban.

6C.5 NASDAQ CORPORATE GOVERNANCE RULES AND OUR PRACTICES

Under NASDAQ Rule 5615(a)(3), a foreign private issuer such as the Company may follow its home country practice in lieu of the requirements of the NASDAQ Rule 5600 Series ("Corporate Governance Requirements"), with certain exceptions, provided that it discloses each requirement that it does not follow and describes the home country practice followed in lieu of such requirement. We describe below the areas where we follow our home country practice rather than the NASDAQ Corporate Governance Requirements:

- In order to comply with the conditions and restrictions imposed on us by the Ministry of Communications, including in our mobile license, in relation to ownership or control over us, under certain events specified in our Articles of Association, the Board of Directors may determine that certain ordinary shares are dormant shares. Consequently, we received an exemption from NASDAQ with respect to its requirement (now under NASDAQ Rule 5640) that voting rights of existing shareholders of publicly traded common stock registered under Section 12 of the US Securities Exchange Act cannot be disparately reduced or restricted through any corporate action or issuance.
- As permitted under Israeli Companies Law, the Company's Board of Directors generally proposes director nominees for shareholder approval. The conditions of NASDAQ Rule 5605(e), that director nominees must either be selected or recommended to the Board by the independent directors or a nomination committee comprised solely of independent directors, are thus not satisfied.

- According to applicable Israeli legal requirements, the establishment or amendment of certain stock option or purchase plans requires the approval of the company's Board of Directors and approval of the shareholders' meeting only for the grant of equity compensation to the Chief Executive Officer, directors or controlling partners. We received an exemption from the requirement set out in NASDAQ Rule 5635(c) that listed companies receive shareholder approval when certain stock option or purchase plans are to be established or materially amended, or certain other equity compensation arrangement made or materially amended, based on the fact that the NASDAQ requirement is inconsistent with the applicable Israeli legal requirements described above.
- The Israeli Companies Law, requires that at least two members of the Board of Directors satisfy the conditions of "external directors", which also satisfies the conditions of an Israeli independent director ("*biluy taluy*"). Two of our eight directors are external directors and satisfy the conditions of both Israeli independent directors and independent directors according to NASDAQ criteria. Two additional directors, (who are not external directors) satisfy the conditions of independent directors according to NASDAQ criteria, one of whom satisfies the conditions of an Israeli independent director. However, the requirement of NASDAQ Rule 5605(b), that a majority of the Board of Directors be comprised of independent directors, is thus not satisfied.

6C.5a BOARD COMMITTEES

The Company's Articles of Association provide that the Board of Directors may delegate its authorities or any part of them to committees of the Board of Directors as it deems appropriate, subject to the provisions of the Israeli Companies Law. Our Board of Directors has established an audit committee, a compensation committee and a security committee.

6C.5b AUDIT COMMITTEE

Pursuant to the rules of the Securities and Exchange Commission (the "SEC") and the listing requirements of the NASDAQ Global Select Market, as a foreign private issuer, we are required to establish an audit committee consisting only of members who are U.S. "independent" directors as defined by SEC rules. In accordance with the Company's Audit Committee Charter, our audit committee is responsible among other things, for overseeing the Company's financial reporting process and the audits of the Company's financial statements, including monitoring the integrity of the Company's financial statements and the independence and performance of the Company's internal and external auditors. Our audit committee is also directly responsible for the appointment, remuneration and oversight of our independent auditor and for establishing procedures for receiving and handling complaints received by the Company regarding accounting, internal controls and audit matters. The Audit Committee also assists the Board in conducting periodic reviews of the Company's management of cyber risk.

The Israeli Companies Law requires public companies, including Partner, to appoint an audit committee comprised of at least three Board of Directors members, including all the company's external directors, the majority of whom must be Israeli independent directors and the chairman of the audit committee is required to be an external director. Under the Israeli Companies Law neither the controlling party or his relative, the chairman of the Board of Directors, any director employed by the company or by its controlling party or by an entity controlled by the controlling party, any director who regularly provides services to the company, to its controlling party or to an entity controlled by the controlling party, nor any director who derives most of its income from the controlling party, may be eligible to serve as a member of the audit committee.

The responsibilities of our audit committee under the Israeli Companies Law include, among others, identifying irregularities in the management of the company's business and approving related party transactions as required by law, determining whether certain related party actions and transactions are "material" or "extraordinary" in connection with their approval procedures (See 6C.9 APPROVAL OF RELATED PARTY TRANSACTIONS AND COMPENSATION), assessing the scope of work and remuneration of the company's independent auditor, assessing the company's internal audit system and the performance of its internal auditor and making arrangements regarding the handling of complaints by employees about company's business management deficiencies and regarding the protection given to employees who have made complaints.

The Company's audit committee was appointed by our Board of Directors to review our financial statements, in compliance with U.S. legal requirements (as described above) and in compliance with Israeli regulations (from which we are exempt).

Our audit committee is comprised of three Board of Directors members: Mr. Barry Ben Zeev (committee chairman; external director), Mr. Jonathan Kolodny (external director) and Mr. Arik Steinberg (Israeli independent director). All of the audit committee members meet the SEC's definition of independent directors for the purpose of serving as audit committee members as well as the Israeli Companies Law's definition of Israeli independent directors. In accordance with the SEC definition of "independent" director, none of them is an affiliated person of Partner or any subsidiary of Partner.

The Board of Directors has determined that all three audit committee members are "audit committee financial experts" as defined by applicable SEC regulations. See "Item 16A Audit Committee Financial Expert" below.

6C.5c COMPENSATION COMMITTEE

The Israeli Companies Law requires public companies, including Partner, to appoint a compensation committee comprised of at least three Board of Directors members, including all the company's external directors who must constitute the majority of its members. Other members of the committee should be directors whose terms of compensation are the same as external directors and the chairman of the compensation committee is required to be an external director.

Under the Israeli Companies Law, the compensation committee's responsibilities include, among others, recommending to the Board of Directors, a compensation policy for office-holders to be approved by the shareholders of the Company, see "6B Compensation". The compensation committee also makes recommendations to the Board of Directors once every three years regarding the continuing effectiveness of the compensation policy, reviews modifications to the compensation policy from time to time and its implementation and approves the actual compensation terms of Office Holders which require the compensation committee's approval according to the relevant provisions of the Israeli Companies Law.

Our compensation committee is comprised of three Board of Directors members: Mr. Barry Ben Zeev (committee chairman; external director), Mr. Jonathan Kolodny (external director) and Mr. Arik Steinberg (Israeli independent director). All of the compensation committee members meet the SEC's definition of independent directors for the purpose of serving as the compensation committee members as well as the Israeli Companies Law's definition of Israeli independent directors. In accordance with the SEC definition of "independent" director, none of them is an affiliated person of Partner or any subsidiary of Partner.

6C.5d SECURITY COMMITTEE

Pursuant to an amendment to our license from April 2005, a Board of Directors committee has been formed to deal with security matters. Only directors with the required clearance and those deemed appropriate by Israel's General Security Service may be members of this committee. The committee must consist of at least four members, who are subject to the clearance required from the Israeli General Security Service and at least one external director. Where any matter requires a Board of Directors' resolution and it is a security matter, then the committee should be authorized to discuss and to resolve such security matter and the resolution should bind the Company. However, in cases where the security matter concerned requires review by the Board of Directors or the audit committee according to the Israeli Companies Law or other applicable law, such as a transaction with a related party, it should be submitted for approval in accordance with the requirements of the applicable U.S. law, the Israeli Companies Law and any other applicable laws, provided that, in any case, only directors with security clearance can participate in any forum which will deal with security matters. In April 2005, our Board of Directors approved the formation of the security committee to consist of four Israeli directors, who are subject to Israeli security clearance and security compatibility to be determined by the General Security Service. Currently, Mr. Jonathan Kolodny, Ms. Osnat Ronen, Mr. Richard Hunter and Mr. Ori Yaron are members of the security committee. The appointments of Mr. Richard Hunter and Mr. Ori Yaron are subject to clearance by the Israeli General Security Service.

6C.6 INTERNAL AUDITOR

The Israeli Companies Law requires the Board of Directors of a public company to appoint an internal auditor nominated by the audit committee. A person who does not satisfy certain independence requirements may not be appointed as an internal auditor. The role of the internal auditor is to examine, among other things, the compliance of the company's conduct with applicable law and orderly business procedures. Our internal auditor is Mr. Yehuda Motro, formerly the internal auditor of the Tel Aviv Stock Exchange.

6C.7 FIDUCIARY DUTIES OF AN OFFICE HOLDER

The Israeli Companies Law governs the duty of care and duty of loyalty which an Office Holder owes to the company. An "Office Holder" is defined in the Israeli Companies Law as a director, general manager, chief executive officer, executive vice president, vice president, or any other person assuming the responsibilities of any of the foregoing positions without regard to such person's title and other managers directly subordinated to the general manager.

The duty of loyalty requires the Office Holder to act in good faith and in the company's favor and to avoid any conflict of interest between the Office Holder's position in the company and personal affairs, and proscribes any competition with the company or the exploitation of any business opportunity of the company in order to receive personal advantages for him or others. This duty also requires him to reveal to the company any information or documents relating to the company's affairs that the Office Holder has received due to his position as an Office Holder. The duty of care requires an Office Holder to act in a way that a reasonable Office Holder would have acted in the same position and under the same circumstances. This includes the duty to utilize reasonable means to obtain information regarding the advisability of a given action submitted for his approval or performed by virtue of his position and all other relevant information.

6C.8 APPROVAL OF RELATED PARTY TRANSACTIONS AND COMPENSATION

6C.8a Approval of Related Party Transactions

The Israeli Companies Law requires that a transaction between the company and its Office Holder, and also a transaction between the company and another person in which an Office Holder has a personal interest, requires the approval of the Board of Directors if such a transaction is not an "extraordinary transaction", although, as permitted by law and subject to any relevant stock exchange rule, our Articles of Association allow our audit committee to approve such a transaction, without the need for approval from the Board of Directors. If such a transaction is an extraordinary transaction (that is, a transaction not in the ordinary course of business, not on market terms, or that is likely to have a material impact on the company's profitability, assets or liabilities), generally in addition to audit committee approval, the transaction also must be approved by our Board of Directors, and, in certain circumstances, also by the general meeting of shareholders. Under the Israeli Companies Law, an extraordinary transaction between a public company and a controlling party of the company or an extraordinary transaction between a public company and another person, in which the controlling party has a personal interest (including a private placement), and a transaction between a public company and a controlling party or his relative, directly or indirectly, including, without limitation, via an entity controlled by the controlling party, for receiving services by the company (and if the controlling party is also an Office Holder in the company for his terms of service, and if he is an employee of the company (but not an Office Holder in it) his employment in the company) must be approved by the audit committee or the compensation committee if relates to terms of employment (as the case may be), the Board of Directors and the general meeting of shareholders, provided that either: (a) the majority of votes in favor of the transaction shall include at least a majority of the votes of shareholders who do not have a personal interest in approval of the transaction, who participate in the voting, or (b) the total number of objecting votes of the shareholders mentioned in clause (a) does not exceed 2% of the total voting rights in the company.

The audit committee is also authorized to determine, with respect to related party transactions with a controlling shareholder or in which the controlling shareholder has a personal interest, even if they are not extraordinary transactions, an obligation to conduct a competitive process (to be supervised by the audit committee, or any person authorized on its behalf or via any other method approved by the audit committee) or to determine that other processes will be conducted prior to the engagement in such transactions and all in accordance with the type of transaction. The specific criteria for such a process may be determined by the audit committee annually in advance. In addition, the audit committee is authorized to determine the approval process for transactions that are not negligible, as well as determine which types of said transactions would require the approval of the audit committee. "Non-negligible transactions" are defined as related party transactions with a controlling shareholder or in which the controlling shareholder has a personal interest, that the audit committee has deemed not to be an extraordinary transaction, but which have also been classified by the audit committee as a non-negligible transaction. Additionally, the audit committee may decide on such classifications for these types of transactions, based on criteria set annually in advance.

The Israeli Companies Law requires that an Office Holder or a controlling party promptly disclose any personal interest that he has and all related material information known to him, in connection with any existing or proposed transaction by the company. The company may then approve the transaction in accordance with the provisions of its Articles of Association and the Israeli Companies Law. Under the Israeli Companies Law, if the Office Holder or a controlling party has a personal interest in the transaction, an approval that the transaction is in the best interest of the company is required.

In most circumstances, the Israeli Companies Law restricts Office Holders who have a personal interest in a matter which is considered at a meeting of the Board of Directors or the audit committee from being present at such meeting, participating in the discussions or voting on any such matter. An exemption exists in the event that a majority of the directors in the meeting have a personal interest in the matter provided, that in case a majority of the Board of Directors has a personal interest in the matter, the transaction will require the approval of the general meeting of shareholders.

For information concerning the direct and indirect personal interests of certain of our Office Holders and principal shareholders in certain transactions, see "ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS".

6C.8b Compensation

The terms of employment of Office Holders including compensation, equity awards, severance and other benefits, exemption from liability and indemnification require the approval of the compensation committee and the Board of Directors. The terms of employment of directors and the Chief Executive Officer must also be approved at the general meeting of shareholders by a majority of the Company's shareholders, provided that (i) such majority includes at least a majority of the shareholders who are not controlling shareholders and who do not have a personal interest in the matter, who participate in the voting (abstentions are disregarded), or (ii) the total number of objecting votes of the shareholders mentioned in clause (i) does not exceed 2% of the total voting rights in the company. Notwithstanding the foregoing, a company may be exempted from receiving shareholder approval with respect to the terms of employment of a candidate for a Chief Executive Officer position, if such candidate meets certain independence criteria, the terms are in line with the Compensation Policy and the compensation committee has determined for specified reasons that shareholder approval would prevent the engagement. See "Item 6C.6b COMPENSATION COMMITTEE".

Changes to existing terms of employment of Office Holders (other than directors) can be made with the approval of the compensation committee only (following adoption of the Compensation Policy), if the committee determines that the change is not substantially different from the existing terms.

Under the Israeli Companies Law and related regulations, the compensation payable to external directors and Israeli independent directors is subject to certain further limitations.

6C.9 DUTIES OF A SHAREHOLDER

Under the Israeli Companies Law, a shareholder has a general duty to act in good faith and in a customary manner towards the company and the other shareholders and to refrain from improperly exploiting his power in the company, particularly when voting in the general meeting of shareholders on (a) any amendment to the articles of association, (b) an increase of the company's authorized share capital, (c) a merger, or (d) approval of related party transactions which require shareholder approval. A shareholder should also avoid deprivation of other shareholders' rights. In addition, any controlling party, any shareholder who knows that it possesses power to determine the outcome of a shareholder vote and any shareholder that, pursuant to the provisions of the articles of association, has the power to appoint or prevent an appointment of an Office Holder in the company or any other power towards the company, is under a duty to act in fairness towards the company under the Israeli Companies Law.

6C.10 INDEMNIFICATION AND RELEASE

6C.10a Indemnification

As permitted by the Israeli Companies Law, our Articles of Association provide that Partner may indemnify an Office Holder of Partner to the fullest extent permitted by law.

Without derogating from the foregoing, and subject to limitations set forth in the Israeli Securities Law, our Articles of Association specifically provide that Partner may indemnify an Office Holder of Partner for liability or expense he incurs or that is imposed upon him as a result of an action or inaction by him (or together with other Office Holders of Partner) in his capacity as an Office Holder of Partner including (subject to specified conditions) also in advance, as follows:

1. Financial liability incurred by, or imposed upon the Office Holder in favor of another person in accordance with a judgment, including a judgment given in a settlement or a judgment of an arbitrator, approved by an authorized court;
2. Reasonable legal expenses, including attorney fees, incurred by the Office Holder or which he was ordered to pay by an authorized court in the context of a proceeding filed against him by Partner or on Partner's behalf or by a third party, in a criminal proceeding in which he was acquitted or in a criminal proceeding in which he was convicted of an offense which does not require criminal intent;
3. Reasonable legal expenses, including attorney fees, incurred by the Office Holder due to an investigation or proceeding conducted against him by an authority authorized to conduct such investigation or proceeding and which ended without filing of an indictment against him and without the imposition of a financial liability as a substitute for a criminal proceeding or that was ended without filing of an indictment against him but for which he was subject to a financial liability as a substitute for a criminal proceeding relating to an offense which does not require criminal intent, within the meaning of the relevant terms under the law or in connection with a financial sanction("itzum caspi");
4. Payment to an injured party as a result of a violation set forth in Section 52.54(a)(1)(a) of the Israeli Securities Law, including by indemnification in advance or expenses incurred in connection with a proceeding ("halich") under Chapters H3, H4 or I1 of the Israeli Securities Law, or under Chapter 4 of Part 9 of the Israeli Companies Law, in connection with any affairs, including reasonable legal expenses, which term includes attorney fees, including by indemnification in advance; and
5. Expenses, including reasonable legal fees, including attorney fees, incurred by an Office Holder with respect to a proceeding in accordance with the Restrictive Trade Practices Law- 1988 ("Restrictive Trade Practices Law").

Our Articles of Association also permit us to indemnify any Office Holders of Partner for any other liability or expense in respect of which it is permitted or will be permitted under applicable law to indemnify an Office Holder of Partner.

The Israeli Companies Law and our Articles of Association also permit us to undertake in advance to indemnify an Office Holder with respect for items (2), (3) and (4) above, or any other matter permitted by law. The Israeli Companies Law and our Articles of Association also permit us to undertake in advance to indemnify an Office Holder with respect to item (1) above, provided however, that the undertaking to indemnify is restricted to events which in the opinion of the Board of Directors are anticipated in light of Partner's activities at the time of granting the undertaking to indemnify, and is limited to a sum or measurement determined by the Board of Directors to be reasonable under the circumstances. The undertaking to indemnify shall specify the events that, in the opinion of the Board of Directors are expected in light of the Company's actual activity at the time of grant of the undertaking and the sum or measurement which the Board of Directors determined to be reasonable under the circumstances.

The Israeli Companies Law combined with our Articles of Association also permits us to indemnify an Office Holder retroactively for all kinds of events, subject to any applicable law.

In no event may we indemnify an Office Holder for any of the following:

1. a breach of the duty of loyalty toward us, unless the Office Holder acted in good faith and had reasonable grounds to assume that the action would not harm Partner's interest;
2. a breach of the duty of care done intentionally or recklessly ("*pizur*") other than if made only by negligence;
3. an act intended to unlawfully yield a personal profit;
4. a fine, a civil fine ("*knas ezrahi*"), a financial sanction ("*itzum kaspi*") or a penalty ("*kofer*") imposed on him; and
5. a proceeding ("*halich*").

We have undertaken to indemnify our Office Holders, subject to certain conditions as aforesaid. We consider from time to time the indemnification of our Office Holders, which indemnification will be subject to approval of our compensation committee, Board of Directors and in certain cases, such as indemnification of directors and the CEO, also of our shareholders.

Under the indemnification letters granted to Office Holders prior to the extraordinary general meeting of shareholders held on October 17, 2013 ("October 2013 EGM"), the aggregate indemnification amount payable by us to Office Holders and other indemnified persons pursuant to all letters of indemnification issued to them by us will not exceed the higher of (i) 25% of shareholders equity and (ii) 25% of market capitalization, each measured at the time of indemnification (the "Combined Maximum Indemnity Amount", and "the Original Indemnification Letter").

Under the indemnification letters granted to Office Holders after the October 2013 EGM, the aggregate indemnification amount payable by us to Office Holders (including, among others, Office Holders nominated on behalf of Partner in subsidiaries) pursuant to all letters of indemnification issued or that may be issued to them by Partner on or after the October 2013 EGM, for any occurrence of an event set out in such a letter (including an attachment thereto) will not exceed 25% of shareholders equity (according to the latest reviewed or audited financial statements approved by Partner's Board of Directors prior to approval of the indemnification payment) ("the Revised Indemnification Letter"). However, under the circumstances where indemnification for the same event is to be made in parallel under the Revised Indemnification Letter and to one or more indemnified persons under the Original Indemnification Letter, the maximum indemnity amount for the indemnified persons that received the Revised Indemnification Letter shall be adjusted so it does not exceed the Combined Maximum Indemnity Amount to which any other indemnified person is entitled under the Original Indemnification Letter.

6C.10b RELEASE

The Companies Law and our Articles of Association authorize the Company, subject to obtaining the required approvals (of our compensation committee, Board of Directors and in certain cases, such as release of directors and the CEO, also of our shareholders), to release our Office Holders, in advance, from such persons' liability, entirely or partially, for damage in consequence of the breach of the duty of care toward us as set forth in accordance with any law, including the liabilities and expenses for which the Company may indemnify Office Holders as set forth above, see Item 6C.11a Indemnification. Furthermore, the Company may release Office Holders that are controlling shareholders or their relatives, subject to the receipt of the approvals in accordance with any law. Said release will not apply to a resolution or transaction in which the controlling shareholder or any Office Holder in the Company (including other Office Holders than the Office Holder being granted the release) has a personal interest.

Notwithstanding the foregoing, we may not release such person from such person's liability, resulting from any of the following events: (i) the breach of duty of loyalty towards us; (ii) the breach of duty of care made intentionally or recklessly ("*pizut*"), other than if made only by negligence; (iii) an act intended to unlawfully yield a personal profit; (iv) a fine ("*knass*"), a civil fine ("*knass ezrahi*"), a financial sanction ("*itzum caspi*") or a penalty ("*kofer*") imposed upon such person; and (v) the breach of duty of care in a distribution ("*haluka*").

In addition to the Original Indemnification Letter and the Revised Indemnification Letter, the Company granted new indemnification and release letters to our Office Holders at the annual general meeting of shareholders held on September 28, 2016.

6C.11 INSURANCE

The Israeli Companies Law and the Company's Articles of Association authorize the Company (subject to certain exceptions) to enter into an insurance contract, and to arrange and pay all premiums in respect of an insurance contract, for the insurance of the liability of our Office Holders for liabilities the Office Holder incurs as a result of a direct or indirect action or inaction undertaken by such person (or together with other Office Holders of the Company) in his capacity as an Office Holder of the Company for any of the following:

- (1) The breach of the duty of care towards the Company or towards any other person;
- (2) The breach of the duty of loyalty towards the Company provided that the Office Holder has acted in good faith and had reasonable grounds to assume that the action would not harm the Company;
- (3) A financial liability imposed on him in favor of another person;
- (4) A payment which the office holder is obligated to pay to an injured party as set forth in section 52.54(a)(1)(a) of the Securities Law and expenses that the Office Holder incurred in connection with a proceeding under Chapters H3, H4 or I1 of the Securities Law, or under Chapter 4 of Part 9 of the Israeli Companies Law, in connection with any affairs, including reasonable legal expenses, which term includes attorney fees.
- (5) Expenses, including reasonable legal expenses fees, including attorney fees, incurred by the Office Holder with respect to a proceeding in accordance with the Restrictive Trade Practices Law.
- (6) Any other matter in respect of which it is permitted or will be permitted under any law to insure the liability of an Office Holder in the Company.

6D. Employees

At December 31, 2019, we had 2,770 employees on a full time equivalent basis, compared with 2,782 employees at December 31, 2018, and 2,797 at December 31, 2017. The number of full-time equivalent employees at year-end 2017, 2018 and 2019, according to their activity, was as follows:

	2017	2018	2019**
Customer service*	1,567	1,452	1,456
Sales and sales support*	488	550	541
Information technology (including Engineering)	349	379	403
Marketing and Content	44	55	56
Finance	80	83	88
Human Resources, Administration & Security	86	87	91
Operations & Logistics	127	124	136
Remaining operations	56	52	63
TOTAL	2,797	2,782	2,834

*Many positions in Customer service and Sales and sales support are filled by more than one part-time employee so that the employee headcount for those activities is about 12% greater than the number of full-time equivalents set forth above.

** Starting in 2019, the number of full-time employees also includes the number of full-time employees of PHI on a proportional basis of the Company's share in PHI (50%).

The collective employment agreements that we signed on March 13, 2016 and on December 12, 2016 with the employees' representatives and the Histadrut, the employees' union and that were valid for a period of three years (2016-2018) were renewed in March 2019. The renewed agreement is valid from January 1, 2019 for a period of three years until December 31, 2021 except for the provisions regarding salary increases, which renewed at the end of 2019 and are valid for a period of one year (2020) and will be renegotiated for year 2021 towards the end of 2020. As in the previous agreements, the organizational chapter includes, among others, provisions regarding manning and changing of positions, termination of employment tenure and a dispute resolution mechanism. The economic chapter includes, among others, provisions regarding terms of employment, benefits and welfare and provides for annual bonuses to employees and a profit sharing mechanism provision under certain conditions. The agreement applies to the Company's employees, excluding certain managerial and specific positions. See also "3D.2k The unionization of our employees has negatively affected and may continue to negatively affect our financial results."

In addition, we are subject to various Israeli labor laws and practices, as well as orders extending certain provisions of collective bargaining agreements between the Histadrut and the Coordinating Bureau of Economic Organizations, the federation of employers' organizations. Such laws, agreements and orders cover a wide range of areas and impose minimum employment standards including, working hours, minimum wages, vacation and severance pay, and special issues, such as equal pay for equal work, equal opportunity in employment, and employment of women, youth, disabled persons and army veterans.

Our employees are entitled to a pension insurance, in the amounts as follows (amounts vary according to choice of a pension fund or a manager's insurance fund): employer provision for pension and compensation: 12.5% - 17.33% of the employee's salary and employee provision for pension: 6% - 7% of the employee's salary.

We also offer some of our employees the opportunity to participate in a "Continuing Education Fund," which also functions as a savings plan. Each of the participating employees contributes an amount equal to 2.5% of their salary and we contribute between 5% - 7.5% of such employee's salary. In addition, in accordance with the collective employment agreement, employees that have been employed for 36 months or more by the Company are entitled to participate in a "Continuing Education Fund," by contributing an amount equal to 2.5% of their salary and we contribute 7.5% of such employee's salary.

According to the National Insurance Law, Israeli employers and employees are required to pay predetermined sums to the National Insurance Institute. These contributions entitle the employees to health insurance and benefits in periods of unemployment, work injury, maternity leave, disability, reserve military service, and bankruptcy or winding-up of the employer. We believe that our relations with our employees are good.

Most of our employees participate in a Health Insurance Program which provides additional benefits and coverage which the public health system does not provide. Eligibility to participate in the policy does not depend on seniority or position.

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.

6E. Share Ownership

6E.1 SHARE OWNERSHIP OF DIRECTORS AND SENIOR MANAGEMENT

As of March 1, 2020, to the best of the Company's knowledge, none of our directors or senior management held more than 1% of our issued and outstanding ordinary shares, including restricted shares, restricted share units (see below for an explanation), and options to acquire ordinary shares, except as set forth in the following paragraph. Directors and senior management do not have different voting rights than other shareholders of the Company.

As of March 1, 2020, our senior management held, in the aggregate, outstanding options to purchase up to 4,876,309 of our ordinary shares, of which 2,351,746 options were vested and exercisable as of that date, in addition to 833,477 "restricted shares" of which 181,880 restricted shares were vested as of that date (as described in "Item 6E.2 Equity Incentive Plan" below). As of such date, the Company's CEO, Mr. Isaac Benbenisti held options and restricted shares together to purchase 1.21% of our issued and outstanding shares. No options or restricted shares have been granted to our directors.

The table below sets forth the number of outstanding options held by our senior management of the Company, including the CEO of the Company, according to exercise price and expiration date as of March 1, 2020:

Option expiration Year	Number of outstanding options held	Weighted average exercise price (NIS)
2020	279,700	49.67
2021	1,402,340	17.92
2022	132,594	18.35
2023	357,766	19.39
2024	1,743,176	18.62
2025	808,655	16.14
2026	152,078	14.83
TOTAL	4,876,309	19.72

Outstanding options to purchase the shares of the Company held by the CEO of the Company:

Option expiration Year	Number of outstanding options held	Weighted average exercise price (NIS)
2021	971,971	18.08
2024	810,027	18.86
TOTAL	1,781,998	18.43

6E.2 EQUITY INCENTIVE PLAN

The Amended and Restated 2004 Equity Incentive Plan (formerly known as the 2004 Equity Incentive Plan) (the "Plan") is intended to promote the interests of the Company and its shareholders by providing employees, directors, office holders and advisors of the Company with appropriate incentives and rewards to encourage them to enter into and continue in the employ of, or service to, the Company and to acquire a proprietary interest in the long-term success of the Company.

The Plan's principal terms include:

Exercise price determination. The compensation committee shall determine the option and restricted share unit ("RSU") (as further explained below) exercise price per ordinary share, subject to applicable law, regulations and guidelines. Unless otherwise provided in the grant instrument, the option exercise price shall be paid in NIS and the RSU exercise price shall be zero.

Exercise price adjustment. The exercise price of options shall be reduced in the following events: (1) dividend distribution other than in the ordinary course: by the gross dividend amount so distributed per share, and (2) dividend distribution in the ordinary course: With respect to certain options (depending on the date of the granting of the options), the exercise price shall be reduced by the amount of a dividend in excess of 40% of the Company's net income for the relevant period per share, or else by the gross dividend amount so distributed per share.

Cashless exercise. Most of the options may be exercised only through a cashless exercise procedure; while holders of other options may choose between cashless exercise and the regular option exercise procedure. In accordance with such cashless exercise, the option holder would receive from the Company, without payment of the exercise price, only the number of shares whose aggregate market value equals the economic gain which the option holder would have realized by selling all the shares purchased at their market price, net of the option exercise. Unless otherwise determined by the committee in the grant instrument, the Company at its sole and absolute discretion may obligate the grantee to pay the nominal value of the ordinary shares issued and in such event the ordinary shares will not be issued (and the options and RSUs will not be exercised) prior to the payment of such nominal value.

Exercise Period. The option holder may exercise all or part of his options at any time after the date of vesting but no later than the expiration of the exercise period, which will not exceed ten years from the date of option grant (considering, if applicable, among others, the provisions of the Compensation Policy) unless shortened pursuant to the terms of the Plan.

Vesting. The vesting schedule of granted securities will be determined by the compensation committee and Board of Directors at their sole discretion and will be detailed in the grant instrument. The committee may set performance targets as a vesting criterion (independently or in combination with other criteria).

Acceleration of vesting and adjustment. In the event of termination of employment following a change of control, vesting of granted securities and exercisability of outstanding granted securities shall be accelerated. Upon the occurrence of any merger, consolidation, reorganization or similar event or transaction (e.g., subdivision or consolidation), equitable changes or adjustments to the number of shares subject to each outstanding option and RSU will be made in order to prevent dilution or enlargement of the option and RSU holders' rights and appropriate adjustments shall be made in the number and other pertinent elements of any outstanding restricted shares, with respect to which restrictions have not yet lapsed prior to any such change.

Restricted Shares. The Company may grant "restricted shares" to beneficiaries of the Plan. Restricted shares awarded to a grantee are held by the Plan's trustee in custody for the benefit of the grantee generally until the restrictions thereon have lapsed (e.g., earning period and the other applicable conditions and restrictions under the Plan and the grant instrument under which these restricted shares were awarded). In accordance with the Plan, as long as the restricted shares are held by the trustee, the trustee shall not exercise the voting rights of the underlying ordinary shares at the general meetings of shareholders unless requested to do so by the Company. In such event, the trustee shall vote the underlying ordinary shares proportionally to the shareholders vote and if the vote of public shareholders is counted separately, proportionally to the public shareholders vote. Notwithstanding the foregoing, the Company has reserved the right, upon recommendation of legal counsel, to request the grantee to exercise individually his or her voting rights. In addition, any dividend distributed during the period in which the restricted shares are held by the trustee, is accumulated and transferred to the grantee when the shares have been earned (i.e. when the restrictions lapse).

Except as provided in the immediately preceding paragraph and in the Plan and subject to the terms of the grantee's relevant grant instrument, the grantee shall have, with respect to his or her restricted shares, all of the rights of a shareholder of the Company, including the right to vote the ordinary shares (endorsed to the trustee as long as the restricted shares are held by the trustee), and the right to receive any dividend thereon (accumulated together with the underlying restricted shares).

Restricted Share Units. The Company may grant "restricted share units" to beneficiaries of the Plan. Restricted share units are options, bearing an exercise price of no more than the underlying share's nominal value. Upon the lapse of the vesting period of a RSU, such RSU shall automatically become an issued and outstanding share of the Company, subject to certain applicable conditions and restrictions under the Plan and the grant instrument and unless otherwise determined by the Board of Directors, the grantee shall pay to the Company its nominal value as a precondition to the issuance of such share.

Change in Control and other certain events. Upon a Change in Control (as defined in the Plan) transaction of the Company as well as other certain events including a merger, reorganization and consolidation, granted securities shall, at the sole and absolute discretion of the Board of Directors, either solely or in any combination: be substituted for similar granted securities to purchase shares of a successor entity, be assumed by a successor entity, be substituted for similar “phantom” granted securities of the Company or the successor entity, or each non-vested granted securities shall become fully exercisable. In the event that the ordinary shares will no longer be traded on any stock exchange, at the sole and absolute discretion of the Board of Directors, either solely or in any combination: each granted securities shall be substituted for a similar phantom granted securities, or each non-vested granted securities shall become fully exercisable.

Amendment and termination of the Plan. The Plan may generally be altered or amended in any respect by a resolution of the Board of Directors of the Company, subject to the Plan, applicable law and the rules and regulations of any stock exchange applicable from time to time to the Company, by reason of their applicability to its shareholders or otherwise. The Board of Directors may, at any time and from time to time, terminate the Plan in any respect, subject to any applicable approvals or consents that may be otherwise required by law, regulation or agreement, including by reason of their applicability to the shareholders or otherwise, and provided that no termination of the Plan shall adversely affect the terms of any granted security which has already been granted.

Administration of the Plan. The Plan is administered by the compensation committee of the Board of Directors. Subject to the restrictions of the Companies Law, the compensation committee is authorized, among other things, to exercise all the powers and authorities, either specifically granted to it under the Plan or necessary or advisable for the administration of the Plan.

The description of the Plan above is only a summary and is qualified by reference to the full text thereof which has been included as an annex to this Annual Report. See Exhibit 15.(a).1 incorporated by reference in this Annual Report. On March 13, 2016, the Board of Directors approved certain amendments to the Plan. The main amendments to the Plan include: (a) amendment to the cashless exercise formula; (b) the ability to allocate restricted share units to the Company's employees and office holders; (c) automatic extension of the exercise period due to black-out periods; (d) adjustments to the grantee's rights under any granted securities due to the occurrence of certain events, including a rights offering; (e) a provision allowing the Company's management bodies to decide to pay a grantee the financial benefit embedded in his equity compensation in cash compensation instead of equity compensation, in certain events in which the Company is unable to issue shares resulting from exercise of options or RSUs or to release any restricted share to a grantee; (f) extension of the exercise period as a result of a change of control event; (g) a provision that allows the Company to limit a grantee from making transactions in the granted securities in connection with any underwritten public offering of the Company and (h) certain exercise restrictions in accordance with the Tel Aviv stock exchange rules. Share options and restricted shares (collectively, “granted securities”) have been granted to employees in accordance with the Plan. Upon exercise each option provides the right to acquire one ordinary share that confers the same rights as the other ordinary shares of the Company. On November 20, 2018, the Company's Board of Directors approved the increase in the number of shares which may be granted under the Plan by one million shares, which represented approximately 0.61% of the Company's issued share capital as of November 20, 2018, up to a total of 26,917,000 ordinary shares.

In 2019, following the approval of the Company's Board of Directors, 1,232,226 share options and 397,476 restricted shares were granted to senior office holders, managers and other employees of the Company and its subsidiary, compared to 2,536,362 share options and 813,310 restricted shares granted during 2018. The vesting of the options and the earning of the restricted shares granted after June 2014 are subject to vesting or restriction periods and are also subject to performance conditions set by the Company's organs.

As of December 31, 2019, options to acquire a total of 9,020,689 ordinary shares and 1,230,464 restricted shares (allocated to a trustee on behalf of the employees under the plan) are outstanding.

From the beginning of 2020 and until March 1, 2020, the Company approved the allocation of 152,078 options and 61,414 restricted shares for our Company's office holders, all in accordance with the Company's Equity Incentive Plan, as amended. The vesting of these options and the earning of these restricted shares are subject to vesting / restriction period of three years from the grant date (one third will vest or be earned in each year), as well as performance conditions set by the Company's organs.

Ordinary shares issuance and repurchase:

In June 2017, the Company issued 10,178,211 shares of the Company, of which 508,911 shares were issued as Israeli founding shareholder shares. The total net consideration received was approximately NIS 190 million.

In January 2020, the Company issued 19,330,183 shares of the Company of which 937,283 shares were issued as Israeli founding shareholder shares. The total net consideration received was approximately NIS 276 million. The offering expenses totaled NIS 10 million.

Through December 31, 2008, the Company purchased its own 4,467,990 shares at the cost of NIS 351 million, and during 2018, the Company purchased its own 6,501,588 shares at the cost of NIS 100 million (upon repurchase the shares were recorded as "treasury shares"). In accordance with the Israeli Companies Law, the treasury shares are considered dormant shares as long as they are held by the Company, and as such, they do not bear any rights (including the right to vote in general meetings of shareholders and to receive dividends) until they are transferred to a third party. Some of the treasury shares were offered to employees under the Plan as restricted shares awards ("RSAs").

As of December 31, 2019, a total of 8,275,837 treasury shares remained of which 1,247,583 were allocated as RSAs to a trustee on behalf of the employees under the Plan. The RSAs offered under the Plan are under the control of the Company until vested under the Plan and therefore are not presented in the financial statements as outstanding shares until vested.

Information in respect of options and restricted shares granted under the Plan is set forth below:

	Through December 31, 2019	
	Number of options	Number of RSAs
Granted	35,072,795	5,509,554
Shares issued upon exercises and vesting	(6,528,031)	(2,695,053)
Cancelled upon net exercises, expiration and forfeitures	(19,524,075)	(1,584,037)
Outstanding	9,020,689	1,230,464
Of which:		
Exercisable	5,623,921	
Vest in 2020	1,632,797	678,379
Vest in 2021	1,145,182	371,076
Vest in 2022	618,789	181,009

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7A. Major Shareholders

The following table, together with the notes hereto set forth certain information as of March 1, 2020, with respect to each person whom we believe to be the beneficial or, if so indicated, registered owner of 5% or more of our ordinary shares. Except where otherwise indicated, we believe, based on information publicly filed with the Securities and Exchange Commission (the "SEC") or furnished to us by the principal shareholders, that the beneficial owners of the ordinary shares listed below have sole investment and voting power with respect to such ordinary shares. None of our major shareholders has any different voting rights than any other shareholder. See "Item 10B.3 Rights Attached to Shares".

Name	Shares beneficially owned	Issued Shares (1)%	Issued and Outstanding Shares (1)%
S.B. Israel Telecom Ltd.(2)	49,862,800	26.17	27.16
Phoenix-Excellence Group (3)	14,294,982	7.50	7.78
Meitav Dash Group (4)	16,395,183	8.61	8.93
Menora Mivtachim Group (5)	13,518,037	7.10	7.36
Clal Insurance Group (6)	11,483,355	6.05	6.25
Psagot Investment House (7)	10,154,123	5.33	5.53
Treasury shares (8)	6,901,619	3.62	-
Public (9)	67,913,767	35.65	36.99
Total	190,523,866	100.00	100.00

- (1) As shown above and used throughout this Annual Report, the term "Issued and Outstanding Shares" does not include any treasury shares held by the Company. Treasury shares, which are included in "Issued Shares", have no voting, dividend or other rights under the Israeli Companies Law, as long as they are held by the Company ("dormant shares").
- (2) S.B. Israel Telecom, an affiliate of Saban Capital Group LLC, a private investment firm, based in Los Angeles, California, specializing in the media, entertainment and communications industries, is the registered owner of 49,862,800 shares in the Company's share register. On November 11, 2019, S.B. Israel Telecom filed an amendment to its Schedule 13D with the SEC stating that it had no sole or shared voting or dispositive power over any shares of the Company, and that as a result of the Receiver Appointment (as defined in the filed amendment), as of November 12, 2019, the Reporting Persons (as defined in the filed amendment) ceased to beneficially own any ordinary shares of the Company. On November 12, 2019, the District Court of Tel Aviv issued a judicial order which appointed attorney Ehud Sol as receiver (the "Receiver") for all of the Company's shares held by S.B. Israel Telecom. See "Item 3D.3a Approximately 27.16% of our issued and outstanding shares and voting rights are held by a receiver (under Israeli law), who may not act in the best interests of the Company or its shareholders."
- (3) Phoenix Holdings Ltd., an Israeli corporation listed on the Tel Aviv Stock Exchange ("Phoenix"), and Excellence Investments Ltd., an Israeli corporation listed on the Tel Aviv Stock Exchange ("Excellence"), which is controlled by Phoenix, hold shares in the Company directly and through its wholly owned subsidiaries. (Phoenix, Excellence and their subsidiaries collectively, the "Phoenix-Excellence Group"). These holdings are held according to the following segmentation: 2,125,624 ordinary shares are held by Excellence Investments, Kesem trust funds, 1,102,000 ordinary shares are held by Provident funds and Management Companies of Provident funds; 847,520 ordinary shares are held by Excellence ETFs; 871,556 ordinary shares are held by Phoenix "Nostro" accounts; 21,000 ordinary shares are held by Phoenix Pension funds; 27,000 ordinary shares are held by Linked insurance policies of Phoenix; 9,300,281 ordinary shares are held by Partnership for Israeli shares. On March 23, 2020, Phoenix-Excellence Group advised the Company that subsequent to March 1, 2020, their interest has decreased to 14,201,507 ordinary shares. 1,935,000 shares of the 14,201,507 shares held by the Phoenix-Excellence Group, representing approximately 1.02% of our Issued and Outstanding shares and total voting rights, are registered in the Company's Shareholders Register as part of the shares held by Israeli founding shareholders from among our founding shareholders and their approved substitutes. On November 5, 2019 the controlling stake of the Phoenix Excellence Group has been sold to the foreign entities Centerbridge Partners LP and Gallatin Point Capital LLC. On November 12, 2019, the Ministry of Communications issued a temporary order (ending on November 1, 2020) amending the Company's MRT license and reducing the percentage that the approved Israeli shareholders are required to hold by the amount of shares now held by the foreign entities (from 5% down to 3.82% of the means of control in the Company). This temporary order will allow the Ministry of Communications and the Company one year to resolve the issue of holdings of approved Israeli shareholders in the Company.
- (4) Meitav Dash Investments Ltd., an Israeli corporation listed on the Tel Aviv Stock Exchange, holds shares in the Company directly and through its wholly owned subsidiaries (Meitav Dash and their subsidiaries collectively, the "Meitav Dash Group"). These holdings are held according to the following segmentation: 11,048,877 ordinary shares are held by Meitav Dash provident funds; 4,036,939 ordinary shares are held by Meitav Dash mutual funds; 1,309,367 ordinary shares are held by Meitav Dash portfolio management. 1,313,911 shares of the 16,395,183 held by the Meitav Dash Group, representing approximately 0.72% of our Issued and Outstanding shares and total voting rights, are registered in the Company's Shareholders Register as part of the shares held by Israeli founding shareholders from among our founding shareholders and their approved substitutes.

- (5) Menora Mivtachim Holdings Ltd., an Israeli corporation listed on the Tel Aviv Stock Exchange, holds shares in the Company directly and through its subsidiaries (Menora Mivtachim Holdings Ltd. and their subsidiaries collectively, the "Menora Mivtachim Group"). These holdings are held according to the following segmentation: 890 ordinary shares are held by Menora holdings; 228,220 ordinary shares are held by "Nostro" insurance; 29,859 ordinary shares are held by "Nostro" Shomera; 13,259,068 ordinary shares are held by Menora Mivtachim Pension and Provident funds.
- (6) Clal Insurance Company Ltd. an Israeli corporation listed on the Tel Aviv Stock Exchange, holds shares in the Company directly and through its subsidiaries. (Clal Insurance Company Ltd. and their subsidiaries collectively, the "Clal Group"). These holdings are held according to the following segmentation: 848,900 ordinary shares are held by "Nostro"; 270,484 ordinary shares are held by "Atudot"; 10,363,971 ordinary shares are held by Clal Israel Pension and Provident funds. On March 20, 2020, the Clal Group advised the Company that subsequent to March 1, 2020, their interest has increased to 12,342,474 ordinary shares.
- (7) Psagot Investment House, Ltd. an Israeli corporation listed on the Tel Aviv Stock Exchange, holds shares in the Company directly and through its subsidiaries. These holdings are held according to the following segmentation: 7,706,657 ordinary shares are held by Psagot Investment House pension and provident funds and 2,447,466 ordinary shares are held by Psagot Investment House trust funds. On March 19, 2020, the Psagot Investment House, Ltd. advised the Company that subsequent to March 1, 2020, their interest has decreased to 10,011,361 ordinary shares.
- (8) Treasury shares do not have a right to dividends or to vote. During 2008, the Company repurchased 4,467,990 of the Company's shares and during 2018, the Company repurchased an additional 6,501,588 of the Company's shares, as part of buy-back plans. As of March 1, 2020, the Company has allocated under the Company's 2004 Amended and Restated Equity Incentive Plan, 1,374,218 restricted shares from the treasury shares to a trustee on behalf of the Company's employees. See "Item 6E.2 EQUITY INCENTIVE PLAN".
- (9) The shares under "Public" include 6,254,995 shares held by Israeli founding shareholders from among our founding shareholders and their approved substitutes including 937,283 Israeli founding shareholders shares which were issued following a public issuance of the Company shares during January 2020 and are pending the approval of the Ministry of Communications. These shares, together with 1,935,000 shares held by the Phoenix-Excellence Group and 1,313,911 shares held by the Meitav Dash Group, represent approximately 5% of our issued shares (approximately 5.18% of the Issued and Outstanding Shares). Under the terms of our mobile telephone license, the Israeli founding shareholders from among our founding shareholders and their approved substitutes must hold at least 5% of our issued and outstanding share capital and of each of our means of control. The Israeli founding shareholders must meet the requirements of "Israeli entities" which are defined as individuals who are citizens and residents of Israel and entities formed in Israel and controlled, directly or indirectly, by individuals who are citizens and residents of Israel, provided that indirect control is only through entities formed in Israel, unless otherwise approved by the Minister of Communications.

As of March 1, 2020, to the best of the Company's knowledge, none of our directors and senior management held more than 1% of our outstanding ordinary shares; their holdings have been included under "Public" in the table above. For information regarding options held by our senior management to purchase ordinary shares, see "6E- Share Ownership".

We are not aware of any arrangements that might result in a change in control of our Company.

7A.1 OTHER

On March 1, 2020, 5,145,496 ADSs (equivalent to 5,145,496 ordinary shares) or approximately 2.80% of our total Issued and Outstanding ordinary shares, were held of record by 28 registered holders in the United States. There were 4 registered holder accounts of the 28 with registered addresses outside of the United States. Certain accounts of record with registered addresses other than in the United States may hold our ordinary shares, in whole or in part, beneficially for United States persons. We are aware that many ADSs and ordinary shares are held of record by brokers and other nominees and accordingly the above numbers are not necessarily representative of the actual number of persons who are beneficial holders of ADSs and ordinary shares, or the number of ADSs and ordinary shares beneficially held by such persons.

7B. Related Party Transactions

7B.1 RELATIONSHIP AGREEMENT

Our Israeli founding shareholders and S.B. Israel Telecom are parties to a Relationship Agreement in relation to their direct holdings of our shares and the rights associated with such holdings. (The Receiver exercising rights over the S.B. Telecom shares has the same rights and responsibilities as S.B. Telecom under the agreement. See "Item 3D.3a Approximately 27.16% of our issued and outstanding shares and voting rights are held by a receiver (under Israeli law), who may not act in the best interests of the Company or its shareholders.) See Exhibit 4.(a).1.2 incorporated by reference in this Annual Report.

License Conditions: Required Minimum Israeli and Founding Shareholder Percentages

The parties to the Relationship Agreement have agreed that they shall at all times comply with the terms of our license requiring that our founding shareholders or their approved substitutes hold in aggregate at least 26% of our means of control, and that our Israeli founding shareholders or their approved substitutes (from among the founding shareholders and their approved substitutes) hold at least 5% of our means of control. See "Item 4B.12f Our Mobile Telephone License."

Compulsory Transfer in the Event of Default

If a party to the Relationship Agreement commits certain events of default described in the agreement, it may be required to offer its shares to the other parties on a pre-emptive basis. Events of default for this purpose include a breach of the Relationship Agreement which has a material adverse effect on Partner, and in the case of such breach, the purchase price at which the shares are to be sold will be market value less a 17.5% discount.

Term and Termination

The Relationship Agreement continues in full force and effect until we are wound up or cease to exist unless terminated earlier by the parties. The Relationship Agreement will terminate in relation to any individual party after it ceases to hold any share beneficially if it is required to comply with the minimum holding requirements for founding shareholders or Israeli founding shareholders, as applicable, and the transfer of the shares was not made in breach of the Relationship Agreement.

Related agreement among Israeli founding shareholders

A shareholders agreement among the Israeli founding shareholders, or their approved substitutes, purports to establish the procedures, rights and obligations with respect to the appointment of the Israeli director. The Company's position, which is based among others upon a legal opinion from outside counsel, is that the arrangement set in this agreement with respect to the procedures, rights and obligations pertaining to the appointment of the Israeli director is not valid and the Company does not give effect to that arrangement and it acts according to the provision of its license and Articles of Association in connection with the appointment of the Israeli director. In November 2014, the agreement was amended and among other things, Israeli founding shareholders were removed from the Shareholders Agreement, leaving only Scailex (whose shares in the Company that constitute the holdings of Israeli founding shareholders are controlled by a court appointed receiver in light of Scailex's failure to comply with its obligations to its noteholders for the benefit of Scailex's noteholders) and Suny Electronics Ltd. (whose shares in the Company are mortgaged to a trustee on behalf of Suny's noteholders and constitute part of the holdings of Israeli founding shareholders) as parties to the Shareholders Agreement.

7B.2 TRANSACTIONS WITH PHI

Pursuant to the Network Sharing Agreement between the Company and the limited partnership PHI, the Company has transactions during the normal course of business with PHI. See "Item 4B.8a Overview- *cellular network sharing*", "Item 5B.4 Total net financial debt " and also note 9 to the consolidated financial statements.

7C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8A. Consolidated Financial Statements and Other Financial Information

Audited financial statements for the three fiscal years ended December 31, 2019, are included under "Item 18. Financial Statements."

8A.1 LEGAL AND ADMINISTRATIVE PROCEEDINGS

In addition to the legal proceedings discussed below, we are party to a number of legal and administrative proceedings arising in the ordinary course of our business. We do not currently expect the outcome of such matters individually or in the aggregate to have a material adverse effect upon our business and financial condition, results of operations and cash flows.

We have been named as defendants in a number of civil and criminal proceedings related to our network infrastructure which may result in civil liabilities or criminal penalties against us or our office holders and directors. In addition, we have also been named as defendants in a number of proceedings regarding breaches of our license and legal provisions of various laws including the Consumer Protection Law, Privacy Act and others. Plaintiffs in some of these proceedings have successfully sought or are seeking certification as class actions. 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, and events arising during the course of legal proceedings may require a reassessment of this risk. The Company's assessment of risk is based both on the advice of counsel and on the Company's estimate of the probable amounts that are expected to be incurred. Based on its best judgment of the merits or lack thereof of the class actions described in the first three lists below, the likely range of damages which may be involved, and any provisions made in respect thereof in the Company's balance sheet, the Company does not currently believe that the outcome of these class actions, individually or in the aggregate, will have a material negative effect on its financial condition or results of operation. See note 20 to the consolidated financial statements for further information regarding litigation and proceedings of which we are currently aware. See also "Item 3D.2q We are exposed to, and currently engaged in, a variety of legal proceedings, including class actions and requests to approve lawsuits as class actions."

The litigations described below involve claims for which requests for certification as class actions and class actions were filed and which specify a material amount of damages or have been previously reported by the Company. The total amount of pending claims (claims which have not been dismissed by the Court or settled) made by plaintiffs in the litigations described below is NIS 2.1 billion (not including compensation in the amount of NIS 500 for each member of the group claiming compensation for non-monetary damages, as described in section 6 below).

1. On July 15, 2014, a claim and a motion to certify the claim as a class action were filed against the Company and against additional cellular operators and content providers. The claim alleges that the cellular operators, including the Company, breached legal provisions and provisions of their licenses and thereby created a platform that led to the customers' damages alleged in the claim. The total amount claimed against all of the defendants is estimated by the plaintiff to be approximately NIS 300 million. The claim is still in its preliminary stage of the motion to be certified as a class action.

2. On November 12, 2015, a claim and a motion to certify the claim as a class action were filed against the Company. The claim alleges that Partner required their customers to purchase a router and/or a call adaptor and/or terminal equipment as a condition for using its fixed-line telephony services, an action which would not be in accordance with the provisions of its licenses. The total amount claimed against Partner is estimated by the plaintiff to be approximately NIS 116 million. In February 2019, the Court approved the request to certify the claim as a class action with certain changes. In March 2019, the Company filed an appeal of this decision. In February 2020, the Supreme Court dismissed the appeal request that was filed and the claim was reverted back to the District Court.
3. On November 12, 2015, a claim and a motion to certify the claim as a class action were filed against 012 Smile. The claim alleges that 012 Smile required their customers to purchase a router and/or a call adaptor and/or terminal equipment as a condition for using its fixed-line telephony services, an action which would not be in accordance with the provisions of its licenses. The total amount claimed against 012 Smile is estimated by the plaintiff to be approximately NIS 64 million. In February 2019, the Court approved the request to certify the claim as a class action with certain changes. In March 2019, the Company filed an appeal of this decision. In February 2020, the Supreme Court dismissed the appeal request that was filed and the claim was reverted back to the District Court.
4. On January 4, 2016, a claim and a motion to certify the claim as a class action were filed against the Company. The claim alleges that Partner charges its customers the full price of telecommunication packages that are intended for use abroad despite the fact that the packages are not fully utilized and does not allow customers to transfer the balance to the next trip abroad or to receive a credit for the balance. The total amount claimed against Partner is estimated by the plaintiff to be approximately NIS 234 million. The claim is still in its preliminary stage of the motion to be certified as a class action.
5. On October 24, 2017, a claim and a motion to certify the claim as a class action were filed against the Company and another cellular operator. The claim alleges that Partner harms the privacy of its customers by unlawfully using their location data. The total amount claimed against Partner is estimated by the plaintiff to be approximately NIS 1 billion. The claim is still in its preliminary stage of the motion to be certified as a class action.
6. On November 17, 2019, a claim and a motion to certify the claim as a class action were filed against the Company and two additional cellular operators. The claim alleges that the Company, as well as the other respondents collected money from its customers for content services for third parties, by using the means of payment that were given to the Company for the purpose of the cellular invoice payment for content services, without receiving consent from these customers prior to the charge, and/or without having documentation with respect to the customers' consent, unlawfully and against its license provisions and/or without the Company first ensuring that the customers received a document that complies with the Consumer Protection Law regarding the specific transaction for which it intends to collect money from them. The total amount claimed from each of the respondents if the lawsuit is recognized as a class action is NIS 400 million in addition to compensation in the amount of NIS 500 for each one of the group members for non-monetary damages which were allegedly caused to them. The group on whose behalf the claim was filed is all Partner subscribers who made such payments from September 2003 until the date that Partner is found to have stopped charging customers for such content services (from this group a group of customers charged for certain content services were excluded in light of other court decisions). The claim is still in its preliminary stage of the motion to be certified as a class action.

With respect to the following claims that have previously been reported, the Company has reached settlement agreements or agreed upon withdrawals (as noted below, some settlement agreements are still subject to Court approval).

1. On September 7, 2010, a claim and a motion to certify the claim as a class action were filed against the Company. The claim alleges that the Company unlawfully charges its customers for services of various content providers, which are sent through text messages (SMS). The total amount claimed from the Company was estimated by the plaintiffs to be approximately NIS 405 million. The claim was certified as a class action in December 2016. In January 2017, the plaintiffs filed an appeal to the Supreme Court, regarding the definition of the group of customers. In November 2018, the Supreme Court dismissed the appeal and the claim was reverted back to the District Court. In February 2020, a settlement agreement was filed with the Court.
2. On February 24, 2016, a claim and a motion to certify the claim as a class action were filed against the Company. The claim alleges that the Company harasses recipients by sending advertising messages without receiving their prior approval. In addition, the content of the advertisements does not comply with the legal provisions, among others, with respect to the fact that the Company does not enable the advertisement recipients an option to easily remove themselves from the mailing list or send a refusal notice. The total amount claimed against the Company if the lawsuit is certified as a class action was not stated by the plaintiff. In January 2019, the parties filed a settlement agreement which was approved by the Court in December 2019.
3. On September 19, 2017, a claim and a motion to certify the claim as a class action were filed against the Company. The claim alleges that Partner breaches its license with respect to coordination of technician visits for internet malfunction repairs. The plaintiff noted that it cannot estimate the total amount claimed in the lawsuit, should the lawsuit be certified as a class action. In November 2019, the parties filed an agreed upon remunerated withdrawal request that was approved by the Court in December 2019.
4. On March 28, 2018, a claim and a motion to certify the claim as a class action were filed against the Company and 012 Smile. The claim alleges that there is a malfunction in the telephony system of the Company and 012 Smile, according to which when a call recipient activates a follow-me service to a number abroad (directly or via intermediate destination, from which a follow-me service is also diverted to a number overseas) and the call is diverted abroad via 012 Smile, the call segment charge from Israel to overseas applies to the caller, as if he placed an international call, rather than to the recipient of the call that activated the follow-me service, thereby violating the provisions of the law and the agreements with their customers. The plaintiff noted that it cannot estimate the total amount claimed in the lawsuit, should the lawsuit be certified as a class action. The parties filed an agreed upon remunerated withdrawal request that was approved by the Court in April 2019.
5. On May 3, 2018, a claim and a motion to certify the claim as a class action were filed against the Company and against additional cellular operators. The claim alleges that the Company breached legal provisions by not providing customers with requested copies of call recordings with customer service representatives and allowing them only to listen to the recordings at the Company's service centers. The plaintiff noted that it cannot estimate the total amount claimed in the lawsuit, should the lawsuit be certified as a class action. The parties filed an agreed upon remunerated withdrawal request that was approved by the Court in January 2020.
6. On September 5, 2018, a claim and a motion to certify the claim as a class action were filed against the Company. The claim alleges that the collection notices that the Company sends to its customers through its computerized system, constitute unlawful "spam" messages. The total amount claimed from the Company was estimated by the plaintiff to be approximately NIS 125 million. In June 2019, the motion was dismissed without prejudice in accordance with the plaintiff's request.

7. On March 3, 2019, a claim and a motion to certify the claim as a class action were filed against the Company and Partner Land-Line. The claim alleges that the Company unlawfully charges its customers for anti-virus services that are not part of an internet or cellular service plan. The plaintiff noted that it cannot estimate the total amount claimed in the lawsuit, should the lawsuit be certified as a class action. The parties filed an agreed upon withdrawal request that was approved by the Court in December 2019.
8. On July 14, 2010, a claim and a motion to certify the claim as a class action were filed against the Company. The claim alleges that Partner is breaching its contractual and/or legal obligation and/or is acting negligently by charging V.A.T for roaming services that are consumed abroad. The plaintiff demands to return the total amount of V.A.T that was charged by Partner for roaming services that were consumed abroad. The plaintiff also pursued an injunction that will order Partner to stop charging V.A.T for roaming services that are consumed abroad. In August 2014, the claim was dismissed and in October 2014, the plaintiff filed an appeal with the Supreme Court. The hearing was held in May 2016 before an expanded panel of seven judges and the Supreme Court accepted the appeal in July 2017 and dismissed the District Court's decisions. The claim was reverted back to the District Court. In March 2020, a settlement agreement was filed for the Court's approval.
9. On September 29, 2016, a claim and a motion to certify the claim as a class action were filed against the Company. The claim alleges that Partner refunded its customers, in cases where it was apparent that they were overcharged, not in accordance with legal provisions. In addition, the claim alleges that Partner charges some of its customers that subscribe to the "One" service for the provision of this special service even though it was terminated. The plaintiff noted that it cannot estimate the total amount claimed in the lawsuit, should the lawsuit be certified as a class action. In March 2020, the parties filed an agreed upon remunerated withdrawal request that was approved by the Court the same day it was filed.

The litigations described below involve claims for which requests for certification as class actions were filed and which do not claim any specific aggregate amount of damages to the relevant group in the claim.

1. On August 8, 2012, a claim and a motion to certify the claim as a class action were filed against 012 Smile and another Internet Service Provider. The claim alleges that the defendants breached certain provisions of their licenses by not offering their services at a unified tariff to the same type of customers. The total amount claimed against 012 Smile, if the lawsuit is certified as a class action, was not stated by the plaintiff. In December 2019, the Court dismissed the motion and in January 2020, an appeal was filed with the Supreme Court.
2. On May 4, 2015, a claim and a motion to certify the claim as a class action were filed against the Company. The claim alleges, that Partner discriminated between its cellular customers, including between new customers and existing customers, by offering the same type of customers, different terms, an action which would not be in accordance with the provisions of its license. The plaintiff noted that it cannot estimate the total amount claimed in the lawsuit, if the lawsuit is certified as a class action. In December 2019, the Court dismissed the motion and in January 2020, an appeal was filed with the Supreme Court.
3. On April 21, 2016, a claim and a motion to certify the claim as a class action were filed against 012 Smile. The claim alleges that the infrastructure included in the 012 Smile's plans does not support data speeds that the Company publishes to its customers. The total amount claimed against the Company if the lawsuit is certified as a class action was not stated by the plaintiff. The claim is still in its preliminary stage of the motion to be certified as a class action.

4. On November 1, 2016, a claim and a motion to certify the claim as a class action were filed against the Company. The claim alleges that the Company sends text messages regarding the volume rate of data packages, which unlawfully include advertisement content, intended to encourage purchasing another data package. The total amount claimed against the Company if the lawsuit is certified as a class action was not stated by the plaintiff. In September 2018, the Court dismissed the claim and in November 2018, the plaintiffs filed an appeal with the Supreme Court. The Supreme Court dismissed the appeal in March 2020.
5. On September 11, 2016, a claim and a motion to certify the claim as a class action were filed against 012 Smile and two other international long distance operators. The claim alleges that the defendants charged excessive tariffs from occasional customers for each long distance call minute, contrary to the Telecommunications Law (Telecommunications and Broadcasting), that allows a licensee to charge reasonable payment for a telecommunication service that it provides. The total amount claimed against 012 Smile if the lawsuit is certified as a class action was not stated by the plaintiff. In July 2019, the Court dismissed the motion and in October 2019, an appeal was filed with the Supreme Court.
6. On September 24, 2017, a claim and a motion to certify the claim as a class action were filed against the Company and Partner Land-Line. The claim alleges that the infrastructure included in the Company's plan does not support data speeds that the Company publishes to its customers. The plaintiff noted that it cannot estimate the total amount claimed in the lawsuit, should the lawsuit be certified as a class action. The claim is still in its preliminary stage of the motion to be certified as a class action.
7. On April 11, 2019, a claim and a motion to certify the claim as a class action were filed against the Company and additional telecommunication service companies. The claim alleges that the Company, as well as the other respondents, breached their obligations under the law and their license and does not inform its customers as required regarding a free content filtering service and prioritizes a paid service over a free service and the filtering service does not meet the legal requirements and those of the license and is ineffective. The total amount claimed against the respondents if the lawsuit is recognized as a class action, was not stated by the applicants. The claim is still in its preliminary stage of the motion to be certified as a class action.
8. On July 4, 2019, a claim and a motion to certify the claim as a class action were filed against the Company and two additional cellular operators. The claim alleges that the Company charges its customers for voicemail service without receiving their prior express consent for this service and for its charge and without a contractual right. The total amount claimed against the respondents if the lawsuit is recognized as a class action, was not stated by the applicants. The claim is still in its preliminary stage of the motion to be certified as a class action.
9. On August 18, 2019, a claim and a motion to certify the claim as a class action were filed against the Company. The claim alleges that the Company unlawfully charges customers that terminate their engagement with the Company, for speakers and/or tablets and/or other accessories they received from the Company as gifts while they were subscribers of the Company, and at a full and excessive price. The total amount claimed against the respondents if the lawsuit is recognized as a class action, was not stated by the applicants. The claim is still in its preliminary stage of the motion to be certified as a class action.
10. On August 6, 2018, a claim and a motion to certify the claim as a class action were filed against the Company and 012 Smile and at a later date, following a revision to the motion, also against Partner Land-Line. The claim alleges that the respondents unlawfully charge its customers different and higher rates for international calls that are not included in their tariff plans, than those set forth in its customer tariff chart on the 012 Smile website. The plaintiff noted that it cannot estimate the total amount claimed in the lawsuit, should the lawsuit be certified as a class action. The claim is still in its preliminary stage of the motion to be certified as a class action.

Finally, as we reported on March 19, 2019, the Israeli Tax Authority ("ITA") is conducting an investigation that involves document collection and the questioning of among others, several current and former Company employees. The investigation is seeking to determine whether there have been violations of the Eilat Free Trade Zone Law regarding the sale of cellular phones in the city of Eilat. The Company is fully cooperating with the ITA. At this stage, the Company is unable to estimate the impact of the investigation on the Company, its results and its condition, if any.

As of December 31, 2019, no criminal proceedings were pending against us concerning the erection of network sites without building permits or against our office holders and directors. We are currently negotiating with the relevant local authorities to reach a settlement regarding the relocation of affected sites or obtaining building permits for those sites. Settlements of previous criminal proceedings brought against us resulted in Partner, but not its office holders or directors, admitting guilt and paying a fine, and also resulted in the imposition of demolition orders for the relevant sites, the execution of which have been stayed for a period of time to allow us to obtain the necessary permits or to relocate the relevant network site.

8A.2 DIVIDEND DISTRIBUTION POLICY

Our Articles of Association allow for our Board of Directors to approve all future dividend distributions, without the need for shareholder approval, subject to the provisions governing dividends under the Israeli Companies Law.

No dividends have been distributed since 2013. For risks relating to future payments of dividends, see "Item 3D.2x There can be no assurance that dividends will be declared or, if they are, at what level. No dividends have been distributed since 2013."

We intend to pay any dividends which may be declared in shekels. Under current Israeli regulations, any dividends or other distributions paid in respect of ordinary shares may be freely repatriated in non-Israeli currencies at the rate of exchange prevailing at the time of conversion, provided that Israeli income tax has been paid on or withheld from such dividends. Because exchange rates between the shekel and the US dollar fluctuate continuously, a holder of ADSs will be subject to currency fluctuation generally and, particularly, between the date when dividends are declared and the date dividends are paid.

8B. Changes

No significant change has occurred since December 31, 2019, except as otherwise disclosed in this Annual Report. See also "Item 3D.2e The novel coronavirus disease COVID-19 has had a limited impact on our business and operations to the date of approval of this Annual Report. However, should these trends continue, this may have a material harmful effect on our results of operations and financial position for 2020.", "Item 3D.2f HOT Telecommunications and its controlling shareholder, Altice Europe N.V., have offered to acquire 100% of our shares, but there can be no assurance as to the final terms of such transaction or that the proposed transaction will be consummated. As a result, the market price of our shares and ADRs may fluctuate, and our business, revenues and results of operations may be materially harmed." and "Item 5D.2 Outlook".

ITEM 9. THE OFFER AND LISTING

9A. Offer and Listing Details

Our capital consists of ordinary shares, which are traded on the Tel Aviv Stock Exchange under the symbol "PTNR". American Depositary Shares ("ADSs"), each representing one of the Company's ordinary shares, are quoted on the NASDAQ Global Select Market under the symbol "PTNR". The ADSs are evidenced by American Depositary Receipts ("ADRs"). Citibank serves as our depositary for ADSs.

9B. Plan of Distribution

Not applicable.

9C. Markets

Our ADSs are quoted on the NASDAQ Global Select Market under the symbol "PTNR". Our ordinary shares are traded on the Tel Aviv Stock Exchange under the symbol "PTNR".

9D. Selling Shareholders

Not applicable.

9E. Dilution

Not applicable.

9F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10A. Share Capital

Not applicable.

10B. Memorandum and Articles of Association

10B.1 PURPOSES AND OBJECTS OF THE COMPANY

We are a public company registered under the Israeli Companies Law as Partner Communications Company Ltd., registration number 52-004431-4.

Pursuant to our Articles of Association, we were formed for the purpose of participating in the auction for the granting of a license to operate cellular radio telephone services in Israel, to provide such services, and without derogating from the above, we are also empowered to hold any right, obligation or legal action and to operate in any business or matter approved by the Company.

Pursuant to section three of our Articles of Association, our purpose is to operate in accordance with business considerations to generate profits; provided, however, that the Board of Directors is entitled to donate reasonable amounts to worthy causes, even if such donation is not within the frame of these business considerations.

Pursuant to section four of our Articles of Association, our objective is to engage in any legal business.

10B.2 THE POWERS OF THE DIRECTORS

The power of our directors to vote on a proposal, arrangement or contract in which the director is personally interested is limited by the relevant provisions of the Israeli Companies Law and our Articles of Association. In addition, the power of our directors to vote compensation to themselves or any members of their body, requires the approval of the compensation committee, the Board of Directors and the general meeting of shareholders. Generally, the Annual Meeting of the Shareholders must be convened to elect directors and a shareholders meeting could terminate the term of office of directors. In addition, our Articles of Association provide that, in certain circumstances relating to our compliance with the license, our Board of Directors may remove any director from the Board of Directors by a resolution passed by 75% or more of the directors present and voting at the relevant meeting. See also "Item 6C Board Practices".

10B.3 RIGHTS ATTACHED TO SHARES

Our registered share capital consists of a single class of 235 million ordinary shares, par value NIS 0.01 per share, of which 190,523,866 ordinary shares were issued and 183,622,247 shares (does not include treasury shares) and 182,248,029 shares (does not include treasury shares and unearned shares held by trustee on behalf of employees under share based payment plan) were issued and outstanding as of March 1, 2020. All issued and outstanding ordinary shares are validly issued and registered. The rights attached to our ordinary shares are described below.

Dividend Rights

Holders of ordinary shares are entitled to the full amount of any cash or share dividend subsequently declared. The Board of Directors may propose and approve distribution of a dividend with respect to any fiscal year or quarter only out of profits, subject to the provisions of the Israeli Companies Law. See “Item 10E Taxation.”

Shares which are treated as dormant under section 44.6 of our Articles of Association (under circumstances relating to compliance with our license) retain the rights to receive dividends or other distributions to shareholders, and to participate in rights offerings, but no other rights. See “Item 4B.12f Our Mobile Telephone License”.

One year after a dividend has been declared and is still unclaimed, the Board of Directors is entitled to invest or utilize the unclaimed amount of the dividend in any manner to the benefit of the Company until it is claimed. We are not obligated to pay interest or linkage on an unclaimed dividend.

Voting Rights

Holders of issued and outstanding ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders either in person or by proxy. Such voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future. The quorum required for a general meeting of shareholders consists of at least two shareholders present in person or by proxy who hold or represent, in the aggregate, at least one third of the voting rights of the issued share capital. In the event that a quorum is not present within thirty minutes of the scheduled time, the shareholders’ meeting will be adjourned to the same day of the following week, or the next business day thereafter, at the same time and place, or such time and place as the Board of Directors may determine. If at such reconvened meeting a quorum is not present after the lapsing of 30 minutes from the time appointed for holding the meeting, one or more shareholders present in person or by proxy holding or representing in the aggregate at least 10% of the voting rights in the Company will generally constitute a quorum. Any shareholder seeking to vote at a general meeting of our shareholders must first notify us if any of the shareholder’s holdings in the Company requires the consent of the Ministry of Communications. The instructions of a shareholder will not be valid unless accompanied by a declaration by the shareholder as to whether or not the shareholder’s holdings in the Company or the shareholder’s vote requires the consent of the Ministry of Communications due to a breach by the shareholder of the restrictions on transfer or acquisition of means of control, or provisions regarding cross-ownership with other mobile telephone operators or shareholdings or agreements which may reduce or harm competition. If the shareholder does not provide such certification declaration, his instructions will be invalid and his vote not counted.

An ordinary resolution, such as a resolution for the election of directors (excluding external directors), or the appointment of auditors, requires approval by the holders of a majority of the voting rights represented at the meeting, in person or by proxy, and voting thereon. Under our Articles of Association, resolutions such as a resolution amending our Articles of Association or approving any change in the share capital, liquidation, changes in the objectives of the company, or the name of the company, or other changes as specified in our Articles of Association, requires approval of a special majority, representing the holders of no less than 75% of the voting rights represented at the meeting, in person or by proxy, and voting thereon.

Under our Articles of Association our directors are generally elected by an ordinary majority of the shareholders at each duly convened annual meeting, and serve until the next annual meeting, and our external directors are elected in accordance with applicable law and/or relevant stock exchange rules applicable to us; or until their respective successors are elected and qualified, whichever occurs first, or in the case of Israeli directors who are appointed by the founding Israeli shareholders, generally upon a written notice signed by at least two of the founding Israeli shareholders who are the record holders of (i) at least 50% of minimum Israeli holding shares or (ii), who hold in the aggregate the highest number of minimum Israeli holding shares among the Israeli founding shareholders. Any Israeli founding shareholders who have specified connections to a competing mobile radio telephone operator (as defined in the license) of the Company are prohibited from participation in any such appointment. The notice is addressed to the Company’s company secretary indicating his appointment, until their respective successors are elected upon such notice. In each annual meeting the directors that were elected at the previous annual meeting are deemed to have resigned from their office, excluding the external directors, who according to the Israeli Companies Law, are elected for a period of three years and the Israeli director whose appointment is terminated generally by a written notice by himself or by the founding Israeli shareholders. A resigning director may be reelected. Each ordinary share represents one vote. No director may be elected or removed on the basis of a vote by dormant shares. The ordinary shares do not have cumulative voting rights in the election of directors.

Under our Articles of Association our shareholders discuss our annual consolidated financial statements, at the annual general meeting of shareholders.

Directors may be appointed also in certain circumstances by an extraordinary general meeting and by the Board of Directors upon approval of a simple majority of the directors. Such director, excluding the external directors, shall serve for a term ending at the next annual general meeting.

Rights in the Company's Profits

Our shareholders have the rights to share in our profits distributed as a dividend and any other permitted distribution. See "Item 10B.3 Rights Attached to Shares--Dividend Rights."

Rights in the Event of Liquidation

All of our ordinary shares confer equal rights among them with respect to amounts distributed to shareholders in case of liquidation.

Rights in the Event of Reorganization

Upon the sale of the property of the Company, the Board of Directors or the liquidators (in case of a liquidation) may receive and, if the Company's profits so permit, distribute among the shareholders fully or partially paid up shares, bonds or securities of another company or any other property of the Company without selling them or depositing them with trustees on behalf of the shareholders, provided, however, that they have received the prior authorization adopted by a special majority of the shareholders of the Company (representing at least 75% of the votes of shareholders participating and voting in the relevant general meeting). Such special majority may also decide on the valuation of such securities or property, unless the Company is in or beginning a liquidation process.

Limitations on Ownership and Control

Ownership and control of our ordinary shares are limited by the terms of our licenses and our Articles of Association. See "Item 4B.12f Our Mobile Telephone License-*License Conditions*" and "*Revoking, limiting or altering our license.*"

In order to comply with the conditions and restrictions imposed on us by the Ministry of Communications or under our licenses in relation to ownership or control over us, under certain events specified in our Articles of Association, the Board of Directors may determine that certain ordinary shares are dormant shares. According to our Articles of Association, dormant shares bear no rights as long as they are dormant shares, except for the right to receive dividends and other distributions to shareholders. Consequently, we have received an exemption from the requirement set out in NASDAQ's Marketplace Rule 4351 that voting rights of existing shareholders of publicly traded common stock registered under Section 12 of the US Securities Exchange Act cannot be disparately reduced or restricted through any corporate action or issuance. In addition, the Board of Directors shall not register a person as a holder of a share before receipt of their declaration that they are not a "relevant person" as defined in our Articles of Association.

Our Compensation Policy allows us to allocate in addition to shares, restricted shares. For rights attached to restricted shares see "Item 6E.2 EQUITY INCENTIVE PLAN".

10B.4 CHANGING RIGHTS ATTACHED TO SHARES

According to our Articles of Association, in order to change the rights attached to any class of shares, the general meeting of the shareholders must adopt a resolution to change such rights by a special majority, representing at least 75% of the votes of shareholders participating and voting in the general meeting, and in case of changing the rights attached to certain class of shares, the approval by special majority of each class meeting, is required.

10B.5 ANNUAL AND EXTRAORDINARY GENERAL MEETINGS

The Board of Directors must convene an annual general meeting of shareholders at least once every calendar year, within fifteen months of the last annual general meeting. In accordance with our Articles of Association, notice of a general meeting must be sent to each registered shareholder no later than five days after the record date set by the Board of Directors for that meeting, unless a different notice time is required under applicable law. An extraordinary meeting may be convened by the Board of Directors, as it decides or upon a demand of any two directors or 25% of the directors, whichever is lower, or of one or more shareholders holding in the aggregate at least 5% of our issued capital and at least 1% of the voting rights of the Company; or (ii) at least 5% of the voting right of the Company, can seek to convene a shareholders meeting or as otherwise permitted by the Israeli Companies Law. See “Item 10B.3 RIGHTS ATTACHED TO SHARES–*Voting Rights*.”

One or more shareholders holding (alone or in the aggregate), 1% or more of the share capital of the Company may request that the Board of Directors include an issue on the agenda of a general meeting of shareholders (including the nomination of a candidate to the board of directors), provided that such issue is suitable to be discussed in the general meeting of shareholders. Pursuant to an amendment to regulations promulgated under the Israeli Companies Law, effective from July 2014, said shareholder request should be submitted to the company within three or seven days (depending on the type of resolution dealt with in the convened meeting) following publication of the Company’s notice with respect to its general meeting of shareholders, or, if the Company publishes a preliminary notice stating its intention to convene such meeting and the agenda thereof, within fourteen days of such preliminary notice. Any such proposal must further comply with the information requirements and time frames under Israeli law.

10B.6 LIMITATIONS ON THE RIGHTS TO OWN OUR SECURITIES

For limitations on the rights to own our securities see “Item 4B.12f Our Mobile Telephone License– *License Conditions*,” “– *Our Permit Regarding Cross Ownership*” and “Item 10B.3 Rights Attached to Shares – *Limitations on Ownership and Control*.”

10B.7 LIMITATIONS ON CHANGE IN CONTROL AND DISCLOSURE DUTIES

For limitations on change in control see “Item 4B.12f Our Mobile Telephone License– *License Conditions*” and “– *Our Permit Regarding Cross Ownership*”.

10B.8 CHANGES IN OUR SHARE CAPITAL

Changes in our share capital are subject to the approval of the shareholders at a general meeting of shareholders by a special majority of 75% of the votes of shareholders participating and voting in the general meeting of shareholders.

10B.9 OUR LICENSE PREVAILS IN CASE OF AN INCONSISTENCY

If any article of our Articles of Association is found to be inconsistent with the terms of our mobile telephone license granted by the Ministry of Communications (see “Item 4B.12f Our Mobile Telephone License”) or of any other telecommunications license we hold, the provisions of such Article shall be deemed null and void.

10C. Material Contracts

Network sharing agreement. In April 2015, the Ministry of Communications approved the 15- year Network Sharing Agreement that we entered into with HOT Mobile. Pursuant to the Network Sharing Agreement, the parties created a 50-50 limited partnership, the purpose of which is to operate and develop a cellular network to be shared by both parties, starting with a pooling of both parties' radio access network infrastructures to create a single shared radio access network. The limited partnership began operations in August 2015. See "Item 4B.8 OUR NETWORK".

i-Phone Agreement. Following the expiration of a previous agreement, in June 2016, we entered into a non-exclusive agreement with Apple Distribution International for the purchase and resale of iPhone handsets in Israel. Pursuant to the agreement, we agreed to purchase a minimum quantity of iPhone handsets per year, for a period of three years. The agreement has been extended until May 2020, while the parties are negotiating the renewal of the agreement. These purchases will represent a significant portion of our expected handset purchases and sales over that period.

Network upgrade and deployment of fourth generation network. In October 2010, we entered into an agreement with Ericsson for the upgrade of our existing networks and the deployment of our fourth generation network in Israel for an initial term that ended at the end of 2014. We extended with certain modifications, the maintenance period by additional periods until the end of 2019. See "Item 4B.8g Suppliers".

TI Sparkle Israel (formerly Med Nautilus) Agreement. We have an agreement with TI Sparkle for the provision of international capacity services through submarine infrastructure, which connects countries bordering the Mediterranean Sea to all major Western European countries and from there to the rest of the world until 2023 with an option to extend the agreement until 2030.

Upgrade of LTE network. In January 2019, we entered into an agreement with Mavenir Systems Limited for the upgrade and improvement of the performance of our LTE network moving into virtualized architecture of the network, alongside new functionalities and capabilities, and preparation for 5G. See "Item 4B.8g Suppliers".

10D. Exchange Controls

There are no Israeli government laws, decrees or regulations that restrict or that affect our export or import of capital or the remittance of dividends, interest or other payments to non-resident holders of our securities, including the availability of cash and cash equivalents for use by us and our wholly-owned subsidiaries, except or otherwise as set forth under "Item 10E Taxation."

Under Israeli law (and our Memorandum and Articles of Association), persons who are neither residents nor nationals of Israel may freely hold, vote and transfer ordinary shares in the same manner as Israeli residents or nationals.

10E. Taxation

Israeli Tax Considerations

The following discussion is not intended, and should not be construed, as legal or professional tax advice and should not be relied on any specific case since it does not exhaust all possible tax considerations.

The following is a summary of the current tax laws of the State of Israel as they relate to us and to our shareholders (in relation to their investments in the Company) and also includes a discussion of the material Israeli tax consequences for persons purchasing our ordinary shares or ADSs, both referred to below as the "Shares". To the extent that the discussion is based on legislation yet to be subject to judicial or administrative interpretation, there can be no assurance that the views expressed herein will accord with any such interpretation in the future. This discussion is not intended and should not be construed as legal or professional tax advice and does not cover all possible tax considerations.

Potential investors are urged to consult their own tax advisors as to the Israeli or other tax consequences of the purchase, ownership and disposition of our Shares, including, in particular, the effect of any foreign, state or local taxes.

Israeli Tax Reforms

The “Tax Burden Distribution Law” legislation amendments (2011) that were published in December 2011, which became effective on January 1, 2012, abolished the reduction of income tax rates for corporations and individuals and increased, amongst other things, the corporate tax rate and the tax rates on individual’s dividend income. On July 27, 2013 following the Tax Burden Distribution Law, the Israeli Parliament approved The Law For the Change in National Priorities (Legislation Amendment to Achieving Budget Goals for years 2013 and 2014), 2013 (the “2013 Amendment”). On January 4, 2016, the Israeli Parliament approved an amendment for the Israeli tax Ordinance (Number 216), according to which corporate tax rate will be updated for 2016 (the “2016 Amendment”). On December 29, 2016, the Israeli Parliament passed the Israeli Economic Recuperation Law (legislated amendments to achieve implementation of the Economic Policy for the budget years 2017-2018), which, amongst other things, reduced the regular corporate tax rate, and changed the requirement regarding surplus tax.

General Corporate Tax Structure

Israeli companies are generally subject to corporate tax on their taxable income (including capital gains). In general, the regular corporate tax rate in Israel for 2014 and 2015 was 26.5%, for 2016 was 25%, for 2017 was 24% and 23% for 2018 and thereafter.

Tax on Capital Gains of Shareholders

- **General.**

Israeli law generally imposes a capital gains tax on the sale of capital assets by residents of Israel as defined for Israeli tax purposes, and on the sale of capital assets located in Israel or the sale of direct or indirect rights to assets located in Israel, including on the sale of our Shares by some of our shareholders (see discussion below). The Israeli Income Tax Ordinance distinguishes between “Real Capital Gain” and “Inflationary Surplus”. Real Capital Gain is the excess of the total capital gain over Inflationary Surplus computed on the basis of the increase in the CPI between the date of purchase and the date of sale. In 2019, the real capital gain accrued on the sale of our Shares was generally taxed at a rate of 23% for corporations (26.5% for 2014 and 2015, 25% for 2016, 24% for 2017 and 23% for 2018 and thereafter) and a rate of up to 25% for individuals. Additionally, if such individual shareholder is considered a “Significant Shareholder” at any time during the 12-month period preceding such sale (i.e., if such individual shareholder holds directly or indirectly, along with others, at least 10% of any means of control in the company, 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), the tax rate will be up to 30%.

However, the foregoing tax rates will not apply to (i) dealers in securities, whose income from the sale of securities is considered “business income”; and (ii) shareholders who have acquired their shares prior to an initial public offering (that may be subject to a different tax arrangement). Inflationary surplus that accrued after December 31, 1993, is exempt from tax.

Generally, a semi-annual detailed return, including a computation of the tax due should be submitted to the Israeli Tax Authorities and a tax advance amounting to the tax liability arising from the capital gain is payable. At the sale of traded securities, the aforementioned detailed return may not be submitted and the tax advance should not be paid, if all tax due was withheld at source according to applicable provisions of the Israeli Tax Ordinance and regulations promulgated thereunder.

Capital gains are also reportable on annual income tax returns.

- **Taxation of Israeli Residents**

The following is a summary of the most significant Israeli capital gains tax implications arising with respect to the sale of our Shares by shareholders who are not engaged in the business of trading in securities.

Individuals

As of January 1, 2012, a shareholder will generally be subject to tax at up to 25% rate on realized real capital gain (if the shareholder is a Significant Shareholder, as defined above, the tax rate will be up to 30%). To the extent that the shareholder claims a deduction of financing expenses, the gain will be subject to tax at a rate of 30% (until otherwise stipulated in bylaws that may be published in the future).

Please note that an individual Israeli tax resident may be required to pay up to 47% (from 2017 and thereafter) on his yearly taxable income, subject to certain exceptions. In addition, as of January 1, 2013, an individual Israeli tax resident is required to pay an additional tax at the rate of 2% on his yearly taxable combined income from any source exceeding NIS 810,720 for 2015 and 803,520 for 2016. From 2017 the additional tax rate is 3% from an amount exceeding NIS 640,000, NIS 641,880 in 2018, NIS 649,560 in 2019 and NIS 651,600 in 2020.

Corporations

Shareholders who are corporations will be generally subject to tax at the corporate tax rate on the realized capital gain as described in “General Corporate Tax Structure” in Item 10E above.

Different taxation rules may apply to shareholders who purchased the Shares prior to January 1, 2009, or prior to the listing on the Tel Aviv Stock Exchange or the Nasdaq Global Market. Such Shareholders should consult with their own tax advisors for the tax consequences upon sale.

In general, a partnership will be a transparent entity for Israeli tax purposes and its partners will be subject to tax with respect to their share in accordance with each of their applicable tax status and rates.

In general, under the Israel Tax Ordinance, public institutions are exempt from tax.

- **Taxation of Non-Israeli Residents**

As mentioned above, Israeli law generally imposes a capital gains tax on sales of capital assets, including securities and any other direct or indirect rights to capital assets located in Israel. This tax is also applicable to non-Israeli residents of Israel as follows:

Under Israeli law, the capital gain from the sale of shares by non-Israeli residents is tax exempt in Israel as long as our Shares are listed on the NASDAQ Global Select Market or any other stock exchange recognized by the Israeli Ministry of Finance (this condition shall not apply to shares purchased on or after January 1, 2009) and provided that certain other conditions are met, the most relevant of which are: (A) the capital gain is not attributed to the foreign resident’s permanent establishment in Israel, (B) the shares were acquired by the foreign resident after the company’s shares had been listed for trading on the foreign exchange, and (C) if the seller is a corporation, less than 25% of its means of control are held by Israeli residents. It should be noted that with respect to shares which are listed on the Israeli stock exchange market, a tax exemption may apply under certain different conditions.

In addition, the sale of shares may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty (for example, please refer to the discussion below with respect to the Convention Between the Government of the United States of America and the Government of the State of Israel with Respect to Taxes on Income).

Different taxation rules may apply to shareholders who purchased their shares prior to the listing on the Tel Aviv Stock Exchange. Such shareholders should consult with their tax advisors for the precise treatment upon sale.

- **Taxation of Investors Engaged in a Business of Trading Securities**

Individual and corporate dealers in securities in Israel are taxed at tax rates applicable to business income.

• **Withholding at Source from Capital Gains from Traded Securities**

The purchaser, the Israeli stockbrokers and any financial institution through which the sold securities are held, are obliged, subject to certain exemptions, to withhold tax on the amount of consideration paid with respect to such sale (or on the capital gain realized on the sale, if known) at the Israeli corporate tax rate as described in “General Corporate Tax Structure” in Item 10E above.

Where the seller is an individual, the applicable withholding tax rate would be 25%, or 30% where the seller is a significant shareholder.

Dividends

The following Israeli tax consequences shall apply in the event of actual payment of any dividends on the Shares.

As of January 1, 2012, dividends, other than bonus shares (stock dividends), paid to Israeli resident individuals who purchased our Shares will generally be subject to income tax at a rate of 25% for individuals, or 30% if the dividend recipient is a Significant Shareholder (as defined above) at any time during the 12-month period preceding such distribution. Dividends paid to Israeli resident companies will not be included in their tax liability computation.

Non-residents of Israel (both individuals and corporations) are subject to income tax on income accrued or derived from sources in Israel, including dividends from Israeli corporations. The distribution of dividend income, other than bonus shares (stock dividends), to non-residents of Israel will generally be subject to income tax at a rate of 25% (or 30% for a shareholder that is considered a Significant Shareholder (as defined above) at any time during the 12-month period preceding such distribution), unless a lower rate is stipulated by a double tax treaty between the State of Israel and the shareholder's country of residence. In addition, an additional tax at a rate of 3% may be imposed upon individual shareholders whose annual income from all sources that are taxable in Israel exceed a certain amount.

In the event of actual payment of any dividends on our Shares the following withholding rates will be applied: (i) Israeli resident corporations – 0%, (ii) Israeli resident individuals – 25% (iii) non-Israeli residents – 25%, subject to a reduced tax rate under an applicable double tax treaty; (iv) Israeli resident individual who is a Significant Shareholder – 30%; and (v) non-Israeli resident who is a Significant Shareholder – 30%, subject to a reduced tax rate under an applicable double tax treaty. Nevertheless, if the Shares are held through a Nominee Company, as defined in the Israel Securities Act, the withholding tax rate for shareholders under (iv) and (v) above shall be 25% (subject to a reduced tax rate under an applicable double tax treaty for non-Israeli residents).

A non-resident of Israel that has received a dividend income derived from an Israeli corporation, from which tax was withheld at the source, is generally exempt from the duty to file tax returns in Israel in respect of such income, provided that such income was not connected to or derived from a trade or business conducted in Israel by such a person and provided the person has no other taxable sources of income in Israel with respect to which a tax return is required to be filed.

Repatriation

Non-residents of Israel who acquire any of the Shares of the Company will be able to repatriate dividends, liquidation distributions and the proceeds from the sale of such shares in non-Israeli currencies at the rate of exchange prevailing at the time of repatriation provided that any applicable Israel income tax has been paid, or withheld, on such amounts. US holders should refer to the “United States Federal Income Considerations” section below with respect to the US federal income tax treatment of foreign currency gain or loss.

The foregoing discussion is intended only as a summary and does not purport to be a complete analysis or listing of all potential Israeli tax effects of holding of our shares. We recommend that shareholders consult their tax advisors concerning the Israeli and non-Israeli tax consequences to them of holding our shares.

Taxation of Residents of the United States under the US Treaty

Residents of the United States generally will be subject to withholding tax in Israel on dividends paid, if any, on Shares (including ADSs). Generally, under the Convention Between the Government of the United States of America and the Government of the State of Israel with Respect to Taxes on Income (the “US Treaty”), the maximum rate of withholding tax on dividends paid to a holder of Shares (including ADSs) who is a resident of the United States (as defined in the US Treaty) will be 25%. Under the US Treaty, the withholding tax rate on dividends will be reduced to 12.5% if (i) the shareholder is a U.S. resident corporation which holds during the portion of the taxable year which precedes the date of payment of the dividend, and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting stock of the Israeli resident paying corporation and (ii) not more than 25% of the gross income of the Israeli resident paying corporation for such prior taxable year consists of certain types of interest or dividends.

The US Treaty exempts from taxation in Israel any capital gains realized on the sale, exchange or other disposition of Shares (including ADSs) provided that the following cumulative conditions are met: (a) the seller is a resident of the United States for purposes of the US Treaty; (b) the seller owns, directly or indirectly, less than 10% of our voting stock at all times during the 12-month period preceding such sale, exchange or other disposition; (c) the seller, being an individual, is present in Israel for a period or periods of less than 183 days during the taxable year; and (d) the capital gain from the sale was not generated through a permanent establishment of the seller in Israel.

Subject to the exemptions from capital gains prescribed in the Israeli Income Tax Ordinance (as described above), purchasers of Shares (including ADSs) who are residents of the United States and who hold 10% or more of the outstanding Shares at any time during such 12-month period will be subject to Israeli capital gains tax. However, under the US Treaty, residents of the United States (as defined in the US Treaty) generally would be permitted to claim a credit for this tax against US federal income tax imposed on the sale, exchange or other disposition, subject to the limitations in US laws applicable to the utilization of foreign tax credits generally.

The application of the US Treaty provisions to dividends and capital gains described above is conditioned upon the fact that such income is not effectively connected with a permanent establishment (as defined in the US Treaty) maintained by the non-Israeli resident in Israel.

United States Federal Income Tax Considerations

The following discussion is a summary of certain material US federal income tax considerations applicable to a US holder (as defined below) regarding the acquisition, ownership and disposition of Shares or ADSs. This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the “Code”), existing and proposed US Treasury regulations, administrative pronouncements, rulings and judicial decisions as of the date of this Annual Report. All of these authorities are subject to change, possibly with retroactive effect, and to change or changes in interpretation. In addition, this summary does not discuss all aspects of US federal income taxation that may be applicable to investors in light of their particular circumstances or to investors who are subject to special treatment under US federal income tax law, including US expatriates, insurance companies, banks, regulated investment companies, securities broker-dealers, financial institutions, tax-exempt organizations, persons holding Shares or ADSs as part of a straddle, hedging or conversion transaction, persons subject to the foreign tax credit splitting events rules, persons subject to the alternative minimum tax, persons who acquired their Shares or ADSs pursuant to the exercise of employee stock options or otherwise as compensation, US holders having a functional currency other than the US dollar, persons owning (directly, indirectly or by attribution) 10% or more of our outstanding share capital or voting stock and persons not holding the Shares or ADSs as capital assets. This discussion also does not address the consequences of the Medicare tax on net investment income or any aspect of state, local or non-US tax law or any other aspect of US federal taxation other than income taxation.

As used herein, the term “US holder” means a beneficial owner of an ordinary share or an ADS who is eligible for benefits as a US resident under the limitation on benefits article of the US Treaty (as defined above in “–Taxation of Residents of the United States under the US Treaty”), and is:

- a citizen or individual resident of the United States for US federal income tax purposes;
- a corporation (or an entity taxable as a corporation for US federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to US federal income taxation regardless of its source; or
- a trust if (A) a US court is able to exercise primary supervision over the trust’s administration and (B) one or more US persons have the authority to control all of the trust’s substantial decisions.

If a partnership, or other entity or arrangement treated as a partnership for US federal income tax purposes, holds Shares or ADSs, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partnership or a partner in a partnership that holds Shares or ADSs is urged to consult its own tax advisor regarding the specific tax consequences of owning and disposing of Shares or ADSs.

For US federal income tax purposes, US holders of ADRs will be treated as owners of the ADSs evidenced by the ADRs and the Shares represented by the ADSs. Furthermore, deposits or withdrawals by a US holder of Shares for ADSs, or of ADSs for Shares, will not be subject to US federal income tax. The statement of US federal income tax law set forth below assumes that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms. US holders should review the summary above under "Israeli Tax Considerations" and "Taxation of Residents of the United States under the US Treaty" for a discussion of the Israeli taxes which may be applicable to them.

Holders of Shares or ADSs should consult their own tax advisors concerning the specific Israeli, US federal, state and local tax consequences of the ownership and disposition of the Shares or ADSs in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction. In particular, US holders are urged to consult their own tax advisors concerning whether they will be eligible for benefits under the US Treaty.

Dividends

A US holder generally will be required to include in gross income as ordinary dividend income the amount of any distributions paid on the Shares and ADSs, including the amount of any Israeli taxes withheld in respect of such dividend. Dividends paid by us will not qualify for the dividends-received deduction applicable in certain cases to US corporations.

The amount of any distribution paid in NIS, including the amount of any Israeli withholding tax thereon, will be included in the gross income of a US holder of Shares in an amount equal to the US dollar value of the NIS calculated by reference to the spot rate of exchange in effect on the date the distribution is received by the US holder or, in the case of ADSs, by the Depositary. If a US holder converts dividends paid in NIS into US dollars on the day such dividends are received, the US holder generally should not be required to recognize foreign currency gain or loss with respect to such conversion. If the NIS received in the distribution are not converted into US dollars on the date of receipt, any foreign currency gain or loss recognized upon a subsequent conversion or other disposition of the NIS will be treated as US source ordinary income or loss. Special rules govern and special elections are available to accrual method taxpayers to determine the US dollar amount includible in income in the case of taxes withheld in a foreign currency. Accrual basis taxpayers are urged to consult their own tax advisors regarding the requirements and the elections applicable in this regard. Dividends paid with respect to Shares may be subject to rules applicable where US persons own or are treated as owning 50% or more (by vote or value) of a foreign corporation, and such rules could adversely affect the US shareholders' ability to use US foreign tax credits.

Any dividends paid by us to a US holder on the Shares or ADSs will be treated as foreign source income and generally will be categorized as "passive income" for US foreign tax credit purposes. Subject to the limitations in the Code, as modified by the US Treaty, a US holder may elect to claim a foreign tax credit against its US federal income tax liability for Israeli income tax withheld from dividends received in respect of Shares or ADSs. US holders who do not elect to claim the foreign tax credit may instead claim a deduction for Israeli income tax withheld, but only for a year in which the US holder elects to do so with respect to all foreign income taxes. A deduction does not reduce US tax on a dollar-for-dollar basis like a tax credit. The deduction, however, is not subject to the limitations applicable to foreign tax credits. The rules relating to the determination of the foreign tax credit are complex. Accordingly, if you are a US holder of Shares or ADSs, you should consult your own tax advisor to determine whether and to what extent you would be entitled to the credit.

Certain US holders (including individuals) are eligible for reduced rates of US federal income tax in respect of "qualified dividend income". For this purpose, qualified dividend income generally includes dividends paid by a non-US corporation if, among other things, the US holders meet certain minimum holding period requirements and the non-US corporation satisfies certain requirements, including that either (i) the shares (or ADSs) with respect to which the dividend has been paid are readily tradable on an established securities market in the United States, or (ii) the non-US corporation is eligible for the benefits of a comprehensive US income tax treaty (such as the US Treaty) which provides for the exchange of information. We currently believe that dividends paid with respect to our Shares and ADSs should constitute qualified dividend income for US federal income tax purposes. We anticipate that our dividends will be reported as qualified dividends on Forms 1099-DIV delivered to US holders. In computing foreign tax credit limitations, non-corporate US Holders may take into account only a portion of a qualified dividend to reflect the reduced US tax rate applicable to such dividend. Individual US holders of Shares or ADSs are urged to consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of their own particular situation and regarding the computations of their foreign tax credit limitation with respect to any qualified dividend income paid by us, as applicable.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition of Shares or ADSs, a US holder generally will recognize capital gain or loss equal to the difference between the US dollar value of the amount realized on the sale, exchange or other taxable disposition and the US holder's adjusted tax basis, determined in US dollars, in the Shares or ADSs. Any gain or loss recognized upon the sale, exchange or other taxable disposition of the Shares or ADSs will be treated as long-term capital gain or loss if, at the time of the sale, exchange or other taxable disposition, the holding period of the Shares or ADSs exceeds one year. In the case of individual US holders, capital gains generally are subject to US federal income tax at preferential rates if specified minimum holding periods are met. The deductibility of capital losses by a US holder is subject to significant limitations. US holders should consult their own tax advisors in this regard.

In general, gain or loss recognized by a US holder on the sale, exchange or other taxable disposition of Shares or ADSs will be US source income or loss for US foreign tax credit purposes. Pursuant to the US Treaty, however, gain from the sale or other taxable disposition of Shares or ADSs by a holder who is a US resident, for US Treaty purposes, and who sells the Shares or ADSs within Israel may be treated as foreign source income for US foreign tax credit purposes.

US holders who hold Shares or ADSs through an Israeli stockbroker or other Israeli intermediary may be subject to an Israeli withholding tax on any capital gains recognized if the US holder does not obtain approval of an exemption from the Israeli Tax Authorities. See "Israeli Tax Considerations" above. US holders are advised that any Israeli tax paid under circumstances in which an exemption from such tax was available will not give rise to a deduction or credit for foreign taxes paid for US federal income tax purposes. US holders are advised to consult their Israeli stockbroker or intermediary regarding the procedures for obtaining an exemption.

If a US holder receives NIS upon the sale of Shares, that US holder may recognize ordinary income or loss as a result of currency fluctuations between the date of the sale of the Shares and the date the sales proceeds are converted into US dollars.

Passive Foreign Investment Company Rules

A non-US corporation will be classified as a Passive Foreign Investment Company (a "PFIC") for any taxable year if (i) at least 75% of its gross income consists of passive income (such as dividends, interest, rents, royalties (other than rents or royalties derived in the active conduct of a trade or business and received from an unrelated person) and gains on the disposition of certain minority interests) or (ii) at least 50% of the average value of its assets consist of assets that produce or are held for the production of, passive income. We currently believe that we were not a PFIC for the year ended December 31, 2019. However, this conclusion is a factual determination that must be made at the close of each year and is based on, among other things, a valuation of our Shares, ADSs and assets, which will likely change from time to time. If we were characterized as a PFIC for any taxable year, a US holder would suffer adverse tax consequences. These consequences may include having the gains that are realized on the disposition of Shares or ADSs treated as ordinary income rather than capital gains and being subject to punitive interest charges with respect to certain dividends and gains and on the sale or other disposition of the Shares or ADSs. Furthermore, dividends paid by a PFIC are not eligible to be treated as "qualified dividend income" (as discussed above). In addition, if a US holder holds Shares or ADSs in any year in which we are treated as a PFIC, such US holder will be subject to additional tax form filing and reporting requirements.

Application of the PFIC rules is complex. US holders should consult their own tax advisors regarding the potential application of the PFIC rules to the ownership of our Shares or ADSs.

Dividend payments with respect to Shares or ADSs and proceeds from the sale, exchange or other disposition of Shares or ADSs may be subject to information reporting to the Internal Revenue Service (the “IRS”) and possible US backup withholding at a current rate of 24%. Backup withholding will not apply, however, to a holder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification or who is otherwise exempt from backup withholding. US persons who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Non-US holders generally will not be subject to US information reporting or backup withholding. However, such holders may be required to provide certification of non-US status (generally on IRS Form W-8BEN or IRS W-8BEN-E) in connection with payments received in the United States or through certain US-related financial intermediaries.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder’s US federal income tax liability, and a holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS and furnishing any required information in a timely fashion.

In addition, certain US holders who are individuals that hold certain foreign financial assets as defined in the Code (which may include Shares or ADSs) are required to report information relating to such assets, subject to certain exceptions.

10F. Dividends and Paying Agents

Not applicable.

10G. Statement By Experts

Not applicable.

10H. Documents on Display

Reports and other information of Partner filed electronically with the US Securities and Exchange Commission may be found at www.sec.gov. They can also be inspected without charge and copied at prescribed rates at the public reference facilities maintained by the SEC in Room 1024, 450 Fifth Avenue, N.W., Washington, D.C. 20549.

10I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

11A. General

We are exposed to market risk, including movements in foreign currency exchange and inflation-indexed interest rates. We do not enter into any derivative transactions to hedge underlying exposure to foreign currencies. As a matter of policy, we do not enter into transactions of a speculative or trading nature. Interest rate and foreign exchange exposures are monitored by tracking actual and projected commitments and through the use of sensitivity analysis.

The following table provides information derived from the financial statements about these liabilities as of December 31, 2018 and 2019.

Non-Derivative Instruments

	As of December 31, (NIS equivalent in millions, except percentages)			
	2018		2019	
	Fair Value	Book Value	Fair Value	Book Value
NIS-denominated debt linked to the CPI				
Trade payables (1)			17	17
Lease liabilities			619	613
NIS-denominated debt not linked to the CPI				
Long-term variable interest Notes payable series D due 2021	332	327	219	218
Weighted average interest rate payable		1.36%		1.53%
Long-term fixed Notes payable series F due 2024	786	794	1,040	1,021
Weighted average interest rate payable		2.16%		2.16%
Long-term fixed Notes payable series G due 2027			383	350
Weighted average interest rate payable				4%
Long-term borrowing bearing fixed interest	120	118	90	89
Weighted average interest rate payable		2.38%		2.38%
Long-term borrowing bearing fixed interest	127	125	105	102
Weighted average interest rate payable		2.5%		2.5%
Trade payables and others (1)	645	645	577	577
Debt denominated in foreign currencies (1)				
Trade payables denominated in USD	126	126	194	194
Trade payables denominated in other foreign currencies (mainly Euro)	14	14	12	12
Lease liabilities denominated in USD			4	4
Total	2,151	2,149	3,260	3,197

(1) Book value approximates fair value.

11B. Foreign Exchange and Inflation

Substantially all of our revenues and a majority of our operating expenses are denominated in NIS. However, in 2019, approximately one quarter of our operating expenses (excluding depreciation), including a substantial majority of our device and equipment purchases related to end sales to customers, were linked to non-NIS currencies, mainly the US dollar. We do not enter into derivative transactions and thus we are exposed to the aforementioned foreign currency fluctuations. We do not hold or issue derivative financial instruments for trading purposes. In addition, a substantial amount of our capital expenditures are incurred in, or linked to, non-NIS currencies, mainly the US dollar. See note 6 to the consolidated financial statements for description of the market risks.

As of December 31, 2019, most of our operating leases are linked to the CPI. We may not be able to raise our tariffs pursuant to our license in a manner that would fully compensate for a significant increase in the CPI. Therefore, a significant increase in the rate of inflation may also have a material adverse impact upon us by increasing our lease payments without an offsetting increase in revenue. In 2019, the CPI effective as of December 31, 2019, increased by 0.3%, compared to the CPI effective as of December 31, 2018, which caused expenses of approximately NIS 2 million in finance costs, net. See note 24 to the consolidated financial statements.

Sensitivity analysis

A change of the USD exchange rate as at December 31, 2019, would increase (decrease) equity and profit in 2019 by the amounts shown below as regards assets and liabilities as of December 31, 2019, and expected capital expenditure purchases in 2020. The analysis below does not take into account the effect of any change in USD with respect to possible future commitments and other future expected purchases in US dollars, since the Company believes that it will be able to adjust NIS prices for goods and services it sells in the Israeli market to reflect any significant increases in cost resulting from changes in the NIS-USD exchange rate. This analysis assumes that all other variables remain constant.

	<u>Change</u>	<u>Equity</u>	<u>Profit</u>
		<u>New Israeli Shekels</u>	
		<u>in millions</u>	
December 31, 2019			
Increase in the USD of	10%	(12)	(12)
Decrease in the USD of	(10)%	12	12

A change of the CPI as at December 31, 2019, would increase (decrease) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	<u>Change</u>	<u>Equity</u>	<u>Profit</u>
		<u>New Israeli Shekels</u>	
		<u>in millions</u>	
December 31, 2019			
Increase in the CPI of	2%	(10)	(10)
Decrease in the CPI of	(2)%	10	10

11C. Interest rates

Since one of our notes payable bears variable interest rate, changes in interest rates cause cash flow risks. As of December 31, 2019, our Notes payable series D in a principal amount of NIS 218 million bear variable interest rate.

Sensitivity analysis

An increase (decrease) of 1% in the interest rate during 2019 in respect of our notes payable bearing variable interest would have resulted in an annual increase (decrease) in interest expenses (income) of NIS 3 million. This analysis assumes that all other variables remain constant.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Fees and charges payable by ADR holders

Citibank serves as the depositary (the “Depositary”) for our American Depositary Receipt (“ADR”) program. Pursuant to the deposit agreement between the Company, the Depositary and owners and holders of ADRs (the “Deposit Agreement”), ADR holders may be required to pay various fees to the Depositary. In particular, the Depositary, under the terms of the Deposit Agreement, may charge the following fees: (i) Issuance Fee: to any person depositing shares or to whom ADSs are issued upon the deposit of shares, a fee not in excess of \$5.00 per 100 ADSs (or fraction thereof) (excluding issuances as a result of distributions described in paragraph (iv) below); (ii) Cancellation Fee: to any person surrendering ADSs for cancellation and withdrawal of deposited securities or to any person to whom deposited securities are delivered, a fee not in excess of \$5.00 per 100 ADSs (or fraction thereof) surrendered; (iii) Cash Distribution Fee: to any holder of ADS(s), a fee not in excess of \$5.00 per 100 ADSs (or fraction thereof) held for the distribution of cash dividends or other cash distributions (i.e., sale of rights and other entitlements); (iv) Stock Distribution/Rights Exercise Fee: to any holder of ADS(s), a fee not in excess of \$5.00 per 100 ADSs (or fraction thereof) held for (a) stock dividends or other free stock distributions or (b) exercise of rights to purchase additional ADSs; (v) Other Distribution Fee: to any holder of ADS(s), a fee not in excess of \$5.00 per 100 ADSs (or fraction thereof) held for the distribution of securities other than ADSs or rights to purchase additional ADSs (i.e., spin-off shares); and (vi) Depositary Services Fee: to any holder of ADS(s), a fee not in excess of \$5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depositary. The parties agreed to allow Citibank to charge an additional \$1.00 per 100 ADSs (a fee not in excess of \$6.00 in aggregate) in the event that the Company does not pay cash or stock dividends.

Owners, beneficial owners, persons depositing shares and persons surrendering ADSs for cancellation and for the purpose of withdrawing deposited securities shall be responsible for the following charges: (a) taxes (including applicable interest and penalties) and other governmental charges; (b) such registration fees as may from time to time be in effect for the registration of shares or other deposited securities on the share register and applicable to transfers of shares or other deposited securities to or from the name of the custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively; (c) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing or withdrawing shares or owners and beneficial owners of ADSs; (d) the expenses and charges incurred by the Depositary in the conversion of foreign currency; (e) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Shares, deposited securities, ADSs and receipts; and (f) the fees and expenses incurred by the Depositary, the Custodian, or any nominee in connection with the delivery or servicing of deposited securities.

Amounts received from the Depositary

During 2019, the Company received from Citibank payments in the amount of approximately \$140,485.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) *Disclosure Controls and Procedures.* Our management, including our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2019. Disclosure controls and procedures means controls and other procedures designed to ensure that information required to be disclosed in the reports that we file under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Nevertheless, our disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures in place as of December 31, 2019, were effective.

(b) Management's Report on Internal Control over Financial Reporting. Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended. The 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. Internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of our records that in reasonable detail accurately and fairly reflect our transactions during the year;
- provide reasonable assurance that our transactions are recorded as necessary to permit the preparation of our financial statements in accordance with generally accepted accounting principles;
- provide reasonable assurance that our receipts and expenditures are made only in accordance with authorizations of our management and Board of Directors (as appropriate); and
- provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. In addition, 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, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019, based on the framework for Internal Control-Integrated Framework (2013) set forth by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2019.

Our internal control over financial reporting as of December 31, 2019, has been audited by Kesselman & Kesselman, an independent registered public accounting firm in Israel and a member of PricewaterhouseCoopers International Limited, as stated in their report which is included under Item 18.

(c) Attestation report of the registered public accounting firm. The attestation report of Kesselman & Kesselman, an independent registered public accounting firm in Israel and a member of PricewaterhouseCoopers International Limited, regarding the Company's internal control over financial reporting is included under Item 18.

(d) Changes in Internal Control Over Financial Reporting. During the year ended December 31, 2019, no changes materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except for the addition of controls for the application of IFRS 16.

ITEM 16.

16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that Mr. Barry Ben-Zeev, Mr. Jonathan Kolodny and Mr. Arik Steinberg are "audit committee financial experts" as defined in Item 16A of Form 20-F. All the members of the audit committee are "independent directors" as defined in the SEC requirements applicable to us.

16B. CODE OF ETHICS

In 2019, we reviewed and updated our Code of Ethics. As previously, the revised Code of Ethics applies to our directors, office holders and employees. The principal modifications to our Code of Ethics adopted in 2019 include: our commitment to community and environment protection, rules of conduct on social media, an updated statement setting forth the values underlying the Code of Ethics and an updated detailed guide to appropriate behavior toward interested parties, including customers, suppliers, employees, directors, shareholders, franchisers and the community in which the Company operates.

A copy of our Code of Ethics is posted on our website at www.partner.co.il under “Investor Relations-Corporate Governance-Code of Ethics”.

16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Kesselman & Kesselman, our independent registered public accounting firm in Israel and a member of PricewaterhouseCoopers International Limited (“PwC”), have served as our independent public accountants for each of the fiscal years in the three-year period ended December 31, 2019, for which audited financial statements appear in this Annual Report on Form 20-F.

The following table presents the aggregate fees for professional services rendered by PwC to Partner in 2018 and 2019.

	2018 (NIS thousands)	2019 (NIS thousands)
Audit Fees (1)	2,260	2,200
Audit-related Fees (2)	868	210
Tax Fees (3)	753	491
TOTAL	3,881	2,901

- (1) Audit Fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor can reasonably provide, and include the group audit; statutory audits; comfort letters and consents; and assistance with and review of documents filed with the SEC.
- (2) Audit-related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and include consultations concerning financial accounting and reporting standards, as well as the purchase of an accounting data base.
- (3) Tax Fees include fees billed for tax compliance services, including the preparation of tax returns and claims for tax refund; tax consultations, such as assistance and representation in connection with tax audits and appeals, and requests for rulings or technical advice from taxing authority.

Audit Committee Pre-approval Policies and Procedures

Our audit committee’s specific responsibilities in carrying out its oversight of the quality and integrity of the accounting, auditing and reporting practices of the Company include the approval of audit and non-audit services to be provided by the external auditor. The audit committee approves in advance the particular services or categories of services to be provided to the Company during the following yearly period and also sets forth a specific budget for such audit and non-audit services. Additional non-audit services may be pre-approved by the audit committee.

16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASES

Not applicable

16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

16G. CORPORATE GOVERNANCE

See “Item 6C.5 NASDAQ Corporate Governance Rules and Our Practices”, and also “Item 10B Memorandum and Articles of Association”.

ITEM 17. FINANCIAL STATEMENTS

The company has responded to “Item 18. Financial Statements” in lieu of responding to this item.

ITEM 18. FINANCIAL STATEMENTS

The following financial statements are filed as part of this Annual Report.

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ITEM 19. EXHIBITS

Pursuant to the rules and regulations of the Securities and Exchange Commission, we have filed certain agreements as exhibits to this Annual Report on Form 20-F. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof and should not be relied upon.

Exhibit No.	Description
1.1	Articles of Association last updated and approved on September 28, 2016 (incorporated by reference to Annex D from the Company's Report on Form 6-K filed on August 17, 2016)
**1.2	Partner's Certificate of Incorporation
**1.3	Partner's Memorandum of Association
**2.(a).1	Form of Share Certificate
^^2.(a).2	[Reserved]
^^^2.(a).3	Amended and Restated Deposit Agreement Between Partner and Citibank N.A.
^2.(b).1	[Reserved]
>>>>2.(b).2	[Reserved]
>>>>2.(b).3	[Reserved]
^4.(a).1	Restatement of the Relationship Agreement dated April 20, 2005
>>>>4.(a).1.1	[Reserved]
	[Reserved]
4.(a).2	Integrated version of the General License for the Provision of Mobile Radio Telephone Services using the Cellular Method (MRT) in Israel issued by the Ministry of Communications on April 8, 1998.
++*4.(a).2.1	General Unified License of Partner Land-Line Communications Solutions Limited Partnership dated February 11, 2016 as amended through January 11, 2017.
4.(a).2.2	[Reserved]
4.(a).2.3	[Reserved]
4.(a).2.4	Reserved]
**4.(a).4	[Reserved]
+>4.(a).4.1	[Reserved]
4.(a).4.2	[Reserved]
**4.(a).5	Brand Support/Technology Transfer Agreement dated July 18, 1999
**4.(a).6	Agreement with Ericsson Radio Systems AB dated May 28, 1998
#++4.(a).7	Agreement with LM Ericsson Israel Ltd. dated November 25, 2002
**4.(a).9	Lease Agreement with Mivnei Taasia dated July 2, 1998
^^4.(a).13	Asset Purchase Agreement with Med-1 dated as of January 22, 2006
4.(a).14-60	[Reserved]
+++4.(a).65	[Reserved]
#>>>4.(a).67	Swap Agreement with LM Ericsson Israel Ltd. dated December 20, 2007
4.(a).68	[Reserved]
>>>>4.(a).69	[Reserved]
4.(a).70	[Reserved]
4.(a).71	[Reserved]
>>>>>4.(a).72	012 Smile Share Purchase Agreement
>>>>>4.(a).73	English translation of the original Hebrew language 012 Smile Credit Facility, dated January 31, 2010
4.(a).74-97	[Reserved]
#>>>>>4.(b).1	Addendum to Lease Agreements from November 1, 2002 and Lease Agreements in Beit Ofek
>>>>4.(b).2	[Reserved]
+>>>>4.(b).3	[Reserved]
+>>>6.	See note 2x to the consolidated financial statements for information explaining how earnings (loss) per share information was calculated.
8.	List of Subsidiaries (see "Item 4C – Organizational Structure").
10.1	Consent of Kesselman & Kesselman
10.2	Consent of BDO Ziv Haft Consulting & Management Ltd.
12.(a).1	Certification by CEO pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
12.(a).2	Certification by CFO pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
13.(a).1	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
+>>>>>15.(a).1	Amended and Restated 2004 Equity Incentive Plan as approved by the Board of Directors on March 13, 2016
15.(b).1	Compensation Policy adopted on October 29, 2019 (incorporated by reference to Annex D from the Company's Report on Form 6-K filed on August 28, 2019)

**	Incorporated by reference to our registration statement on Form F-1 (No. 333-10992).
++	Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2002.
+++	Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2003.
^	Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2004.
^^	Incorporated by reference to our registration statement on Form F-6 (No. 333-132680).
^^^	Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2005.
^^^^	Incorporated by reference to our registration statement on Form F-6 (No. 333-177621).
>>	Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2007.
>>>>	Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2009.
>>>>>	Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2010.
+>	Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2011.
+>>	Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2012.
+>>>	Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2013.
+>>>>>	Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2015.
++**	Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2016
#	Confidential treatment requested.

Confidential material has been redacted and has been separately filed with the Securities and Exchange

SIGNATURES

The Company 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.

Partner Communications Company Ltd.

By: /s/ Isaac Benbenisti

Isaac Benbenisti

Chief Executive Officer

March 26, 2020

By: /s/ Tamir Amar

Tamir Amar

Chief Financial Officer

March 26, 2020

PARTNER COMMUNICATIONS COMPANY LTD.

(An Israeli Corporation)

2019 ANNUAL REPORT

PARTNER COMMUNICATIONS COMPANY LTD.

(An Israeli Corporation)
2019 ANNUAL REPORT

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The amounts are stated in New Israeli Shekels (NIS) in millions.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the board of directors and shareholders of PARTNER COMMUNICATIONS COMPANY LTD.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Partner Communications Company Ltd. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, 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 December 31, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 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 2(o) to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

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 Report on Internal Control over Financial Reporting*" appearing under Item 15b. 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 audits. 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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits 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 audits 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 audits 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide 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 25, 2020

We have served as the Company's auditor since 1998.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		New Israeli Shekels		Convenience translation into U.S. dollars (note 2b3)
		December 31,		
		2018	2019**	2019**
	Note	In millions		
CURRENT ASSETS				
Cash and cash equivalents		416	299	87
Short-term deposits	6		552	160
Trade receivables	7	656	624	180
Other receivables and prepaid expenses		33	39	11
Deferred expenses – right of use	12	51	26	7
Inventories	8	98	124	36
		1,254	1,664	481
NON CURRENT ASSETS				
Trade receivables	7	260	250	72
Deferred expenses – right of use	12	185	102	30
Lease – right of use	19		582	168
Property and equipment	10	1,211	1,430	414
Intangible and other assets	11	617	538	156
Goodwill	13	407	407	118
Deferred income tax asset	25	38	41	12
Prepaid expenses and other assets		4	1	*
		2,722	3,351	970
TOTAL ASSETS		3,976	5,015	1,451

* Representing an amount of less than 1 million.

** See Note 2 regarding the adoption of IFRS 16 - Leases.

The financial statements were authorized for issue by the board of directors on March 25, 2020.

Isaac Benbenishti
Chief Executive Officer

Tamir Amar
Chief Financial Officer

Barry Ben-Zeev (Woolfson)
Director

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		New Israeli Shekels		Convenience translation into U.S. dollars (note 2b3)
		December 31,		
		2018	2019**	2019**
	Note	In millions		
CURRENT LIABILITIES				
Current maturities of notes payable and borrowings	6,15	162	367	106
Trade payables		711	716	206
Payables in respect of employees		96	103	30
Other payables (mainly institutions)		10	23	7
Income tax payable		35	30	9
Lease liabilities	19		131	38
Deferred revenues from HOT mobile	9,22	31	31	9
Other deferred revenues	22	41	45	13
Provisions	14	64	43	12
		1,150	1,489	430
NON CURRENT LIABILITIES				
Notes payable	6,15	1,013	1,275	369
Borrowings from banks	6,15	191	138	40
Financial liability at fair value	6,15		28	8
Liability for employee rights upon retirement, net	16	40	43	12
Lease liabilities	19		486	141
Deferred revenues from HOT mobile	9,22	133	102	30
Provisions and other non-current liabilities	14,22	43	37	11
		1,420	2,109	611
TOTAL LIABILITIES		2,570	3,598	1,041
EQUITY		21		
Share capital – ordinary shares of NIS 0.01 par value: authorized – December 31, 2018 and 2019 – 235,000,000 shares; issued and outstanding -				
		2	2	1
December 31, 2018 – -***162,628,397 shares				
December 31, 2019 – ***162,915,990 shares				
Capital surplus		1,102	1,077	311
Accumulated retained earnings		563	576	167
Treasury shares, at cost –				
December 31, 2018 – ****8,560,264 shares				
December 31, 2019 – ****8,275,837 shares		(261)	(238)	(69)
Non-controlling interests				
		*		
TOTAL EQUITY		1,406	1,417	410
TOTAL LIABILITIES AND EQUITY		3,976	5,015	1,451

* Representing an amount of less than 1 million.

** See Note 2 regarding the adoption of IFRS 16 - Leases.

*** Net of treasury shares.

**** Including shares held by trustee under the Company's Equity Incentive Plan, see note 21(a), such shares will become outstanding upon completion of vesting conditions, see note 21(b).

The accompanying notes are an integral part of the financial statements.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF INCOME

		New Israeli Shekels			Convenience translation into U.S. dollars (note 2b3)
		Year ended December 31,			
		2017	2018	2019**	2019**
	Note	In millions (except earnings per share)			
Revenues, net	5,22	3,268	3,259	3,234	936
Cost of revenues	5,22	2,627	2,700	2,707	783
Gross profit		641	559	527	153
Selling and marketing expenses	22	269	293	301	87
General and administrative expenses	22	144	148	149	43
Credit losses	7	52	30	18	5
Income with respect to settlement agreement with Orange	18	108			
Other income, net	23	31	28	28	8
Operating profit		315	116	87	26
Finance income	24	4	2	7	2
Finance expenses	24	184	55	75	22
Finance costs, net	24	180	53	68	20
Profit before income tax		135	63	19	6
Income tax expenses	25	21	7	*	*
Profit for the year		114	56	19	6
Attributable to:					
Owners of the Company		114	57	19	6
Non-controlling interests			(1)	*	*
Profit for the year		114	56	19	6
Earnings per share					
Basic	27	0.70	0.34	0.12	0.04
Diluted	27	0.69	0.34	0.12	0.04

* Representing an amount of less than 1 million.

** See Note 2 regarding the adoption of IFRS 16 - Leases.

The accompanying notes are an integral part of the financial statements.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	New Israeli Shekels			Convenience translation into U.S. dollars (note 2b3)
		Year ended December 31,			
		2017	2018	2019**	2019**
		In millions			
Profit for the year		114	56	19	6
Other comprehensive income, items that will not be reclassified to profit or loss					
Remeasurements of post-employment benefit obligations	16	(2)	1	(2)	(1)
Income taxes relating to remeasurements of post-employment benefit obligations	25	1	*	*	*
Other comprehensive income (loss) for the year, net of income taxes		(1)	1	(2)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>113</u>	<u>57</u>	<u>17</u>	<u>5</u>
Total comprehensive income attributable to:					
Owners of the Company		113	58	17	5
Non-controlling interests			(1)	*	*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>113</u>	<u>57</u>	<u>17</u>	<u>5</u>

* Representing an amount of less than 1 million.

** See Note 2 regarding the adoption of IFRS 16 - Leases.

The accompanying notes are an integral part of the financial statements.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital		Capital surplus	Accumulated earnings	Treasury shares NIS In millions	Total	Non-controlling interests	Total equity
	Number of Shares**	Amount						
New Israeli Shekels:								
BALANCE AT JANUARY 1, 2017	156,993,337	2	1,034	358	(283)	1,111		1,111
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2017								
Total comprehensive income for the year				113		113		113
Issuance of shares to shareholders (see note 21)	10,178,211	*	***190			190		190
Exercise of options and vesting of restricted shares granted to employees	1,072,365		(60)		60			
Employee share-based compensation expenses		*		20		20		20
BALANCE AT DECEMBER 31, 2017	168,243,913	2	1,164	491	(223)	1,434		1,434
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2018								
Profit for the year				56		56	(1)	55
Other comprehensive income for the year, net of income taxes				1		1		1
Exercise of options and vesting of restricted shares granted to employees	886,072		(62)		62			
Employee share-based compensation expenses				15		15		15
Acquisition of treasury shares (note 21)	(6,501,588)				(100)	(100)		(100)
Non-controlling interests on acquisition of subsidiary							1	1
BALANCE AT DECEMBER 31, 2018	162,628,397	2	1,102	563	(261)	1,406	*	1,406
Adoption of IFRS 16 (notes 3 and 19)				(21)		(21)		(21)
BALANCE AT JANUARY 1, 2019	162,628,397	2	1,102	542	(261)	1,385	*	1,385
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2019								
Profit for the year				19		19	*	19
Other comprehensive income for the year, net of income taxes				(2)		(2)		(2)
Exercise of options and vesting of restricted shares granted to employees	287,593		(23)		23			
Employee share-based compensation expenses				17		17		17
Transactions with non-controlling interests			(2)			(2)	*	(2)
BALANCE AT DECEMBER 31, 2019	162,915,990	2	1,077	576	(238)	1,417	-	1,417
Convenience translation into U.S. Dollars (note 2b3):								
BALANCE AT DECEMBER 31, 2018	162,628,397	1	319	163	(76)	407	*	407
Adoption of IFRS 16 (notes 3 and 19)				(6)		(6)		(6)
BALANCE AT JANUARY 1, 2019	162,628,397	1	319	157	(76)	401	*	401
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2019								
Profit for the year				6		6	*	6
Other comprehensive loss for the year, net of income taxes				(1)		(1)		(1)
Exercise of options and vesting of restricted shares granted to employees	287,593		(7)		7			
Employee share-based compensation expenses				5		5		5
Transactions with non-controlling interests			(1)			(1)	*	(1)
BALANCE AT DECEMBER 31, 2019	162,915,990	1	311	167	(69)	410	-	410

* Representing an amount of less than 1 million.

** Net of treasury shares.

*** Net of issuance costs.

The accompanying notes are an integral part of the financial statements.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS

		New Israeli Shekels			Convenience translation into U.S. dollars (note 2b3)
		Year ended December 31,			
		2017	2018	2019**	2019**
	Note	In millions			
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash generated from operations (Appendix)		1,002	627	838	241
Income tax paid		(29)	(2)	(1)	*
Net cash provided by operating activities		973	625	837	241
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property and equipment		(223)	(343)	(462)	(134)
Acquisition of intangible and other assets		(153)	(159)	(167)	(48)
Acquisition of a business, net of cash acquired				(3)	(1)
Proceeds from (investment in) short-term deposits, net		302	150	(552)	(159)
Interest received	24	2	1	1	*
Consideration received from sales of property and equipment	23	*	3	2	1
Payment for acquisition of subsidiary, net of cash acquired			(3)		
Net cash used in investing activities		(72)	(351)	(1,181)	(341)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Lease principal payments	19			(139)	(39)
Lease interest payments	19			(20)	(6)
Share issuance	21	190			
Acquisition of treasury shares	21		(100)		
Proceeds from issuance of notes payable, net of issuance costs	6,15	650	150	562	164
Proceeds from issuance of option warrants exercisable for notes payables	15			37	11
Interest paid	24	(165)	(69)	(37)	(11)
Non-current borrowings received	6,15	350			
Repayment of non-current borrowings	15	(1,332)	(382)	(52)	(15)
Repayment of current borrowings				(13)	(4)
Repayment of notes payable	15	(443)	(324)	(109)	(32)
Transactions with non-controlling interests				(2)	(1)
Net cash provided by (used in) financing activities		(750)	(725)	227	67
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
		151	(451)	(117)	(33)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
		716	867	416	120
CASH AND CASH EQUIVALENTS AT END OF YEAR					
		867	416	299	87

* Representing an amount of less than 1 million.

** See Note 2 regarding the adoption of IFRS 16 - Leases.

The accompanying notes are an integral part of the financial statements.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS

Appendix – Cash generated from operations and supplementary information

		New Israeli Shekels			Convenience translation into U.S. dollars (note 2b3)
		Year ended December 31,			
		2017	2018	2019**	2019**
	Note	In millions			
Cash generated from operations:					
Profit for the year		114	56	19	6
Adjustments for:					
Depreciation and amortization	10,11	540	545	723	209
Amortization of deferred expenses - Right of use	12	40	47	28	8
Employee share based compensation expenses	21	20	15	17	5
Liability for employee rights upon retirement, net	16	(1)	1	1	*
Finance costs, net	24	(2)	(7)	5	1
Lease interest payments	19			20	6
Interest paid	24	165	69	37	11
Interest received	24	(2)	(1)	(1)	*
Deferred income taxes	25	(13)	16	4	1
Income tax paid	25	29	2	1	*
Capital loss from property and equipment		*	*	(2)	(1)
Changes in operating assets and liabilities:					
Decrease (increase) in accounts receivable:					
Trade	7	283	124	42	12
Other		6	16	(1)	*
Increase (decrease) in accounts payable and accruals:					
Trade		69	(69)	63	18
Other payables		(3)	(18)	12	3
Provisions	14	(2)	(11)	(21)	(6)
Deferred income with respect to settlement agreement with Orange	18	(108)			
Deferred revenues from HOT mobile	9	(31)	(31)	(31)	(9)
Other deferred revenues		3	*	4	1
Increase in deferred expenses - Right of use	12	(113)	(107)	(51)	(15)
Current income tax	25	5	(15)	(5)	(1)
Decrease (increase) in inventories	8	3	(5)	(26)	(8)
Cash generated from operations:		1,002	627	838	241

* Representing an amount of less than 1 million.

** See Note 2 regarding the adoption of IFRS 16 - Leases.

Supplementary information

At December 31, 2017, 2018 and 2019, trade and other payables include NIS 165 million, NIS 157 million and NIS 115 million (US\$ 33 million), respectively, in respect of acquisition of intangible assets and property and equipment; payments in respect thereof are presented in cash flows from investing activities.

For non-cash movements in lease liabilities and lease right of use assets see note 19.

These balances are recognized in the cash flow statements upon payment. Cost of inventory used as fixed assets during 2018 and 2019 were NIS 8 million and NIS 24 million (US\$ 7 million), respectively.

See note 9 with respect to Company's share in PHI's statement of financial position items.

The accompanying notes are an integral part of the financial statements.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

a. Reporting entity

Partner Communications Company Ltd. ("the Company", "Partner") is a leading Israeli provider of telecommunications services (cellular, fixed-line telephony, internet and television services) under the Partner brand, and cellular services also under the 012 Mobile brand. The Company is incorporated and domiciled in Israel and its principal executive office's address is 8 Amal Street, Afeq Industrial Park, Rosh-Ha'ayin 48103, Israel.

The Company's share capital consists of ordinary shares, which are traded on the Tel Aviv Stock Exchange Ltd. ("TASE") under the symbol "PTNR". American Depositary Shares ("ADSs"), each representing one of the Company's ordinary shares, are quoted on the NASDAQ Global Select Market™, under the symbol "PTNR". See also note 21 (a).

Regarding the Company's principal shareholder and holdings of approved Israeli shareholders in the Company, see note 26.

These consolidated financial statements of the Company as of December 31, 2019, are comprised of the Company and its subsidiaries and consolidated partnerships (the "Group"). See the list of subsidiaries and consolidated partnerships and principles of consolidation in note 2(c)(1). See also 2(c)(2) with respect to investment in PHI.

b. Operating segments

The operating segments were determined based on the reports reviewed by the Chief Executive Officer (CEO) who is responsible for allocating resources and assessing performance of the operating segments, and therefore is the Chief Operating Decision Maker ("CODM"), and supported by budget and business plans structure, different regulations and licenses (see (c) below). The CEO considers the business from two operating segments, as follows (see also note 5):

(1) Cellular segment:

Services in the cellular segment include basic cellular telephony services, text messaging, internet browsing and data transfer, content services, roaming services, and services provided to other operators that use the Company's cellular network. The two payment methods offered to our customers are pre-paid and post-paid. Pre-paid services are offered to customers that purchase credit in advance of service use. Post-paid services are offered to customers with bank and credit arrangements. Most of the cellular tariff plans are bundles which include unlimited volumes of calls time and text messaging (with fair use limits), as well as limited data packages. Cellular content and value-added services offered include multimedia messaging, cyber protection, cloud backup, ringtones, and a range of advanced business services.

International roaming services abroad for the Company's customers include airtime calls, text messaging and data services on networks with which the Company has a commercial roaming relationship. Partner also provides inbound roaming services to the customers of foreign operators with which the Company has a commercial roaming relationship.

Optional services such as equipment extended warranty plans and international calling plans are also provided for an additional monthly charge or included in specific tariff plans. We also provide cellular phone repair services for our customers and for independent merchants.

In addition, the cellular segment includes wholesale cellular services provided to virtual operators who use the Partner cellular network to provide services to their customers.

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL (continued)

b. Operating segments (continued)

(2) Fixed-line segment

Services in the fixed-line segment include: (a) Internet services that provide access to the internet through both fiber optics and wholesale broadband access, ISP services and internet Value Added Services ("VAS") such as cyber protection, anti-virus and anti-spam filtering; and fixed-line voice communication services provided through Voice Over Broadband ("VOB"); (b) For business customers, SIP voice trunks, Network Termination Point Services ("NTP") – under which the Group supplies, installs, operates and maintains endpoint network equipment and solutions, including providing and installing equipment and cabling within a subscriber's place of business or premises, hosting services, transmission services, Primary Rate Interface ("PRI") and other fixed-line communications solution services; (c) International Long Distance services ("ILD"): outgoing and incoming international telephony, hubbing, roaming and signaling and calling card services; (d) Television services over the Internet ("TV").

The cellular segment and the fixed-line segment also include sales and leasing of telecommunications, audio visual and related devices: mainly cellular handsets, tablets (handheld computers), laptops, landline phones, modems, datacards, domestic routers, servers and related equipment, integration project hardware and a variety of digital audio visual devices and small household appliances including smart watches, car dashboard cameras, televisions, digital cameras, games consoles, audio accessories and other devices.

Each segment is divided into services and equipment revenues, and the related cost of revenues. The operating segments include the following measures: revenues, cost of revenues, operating profit and segment Adjusted EBITDA (see note 5(2)). The CODM does not examine assets or liabilities for the segments separately for the purposes of allocating resources and assessing performance of the operating segments and they are not therefore presented in note 5 segment information.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL (continued)

c. Group licenses

The Group operates under the following licenses that were received from the Israeli Ministry of Communications ("MOC") and from the Israeli Civil Administration ("CA"):

	Type of services	Area of service	License owner	Granted by	Valid through	Guarantees made (NIS millions)
(1)	Cellular	Israel	Partner Communications Company Ltd.	MOC	Feb, 2022	80
(2)	Cellular	West Bank	Partner Communications Company Ltd.	CA	Feb, 2022	4
(3)	Cellular infrastructure	Israel	P.H.I Networks (2015) Lp.	MOC	Aug, 2025	
(4)	ISP	Israel	Partner Communications Company Ltd.	MOC	Mar, 2023	
(5)	ISP	West Bank	Partner Communications Company Ltd.	CA	Mar, 2023	
(6)	Fixed (incl. ISP, ILD, NTP)	Israel	Partner Land-line Communication Solutions - Limited Partnership	MOC	Jan, 2027	5
(7)	Fixed (incl. ISP, ILD, NTP)	West Bank	Partner Land-line Communication Solutions - Limited Partnership	CA	Jan, 2027	0.25

The Group also has a trade license that regulates issues of servicing and trading of equipment, and a number of encryption licenses that permits dealing with means of encryption within the framework of providing radio telephone services to the public.

With respect to license (1) and (2), the Company is entitled to request an extension of the license for additional periods of six years^(*), at the discretion of the MOC and CA. Should the licenses not be renewed, the new license-holder is obliged to purchase the communications network and all the rights and obligations of the subscribers for a fair price, as agreed between the parties or as determined by an arbitrator. For a renewal the MOC is to consider, among other things: if the Company has met the regulatory requirements, provided improved and technology updated services, Company's actions did not harm or restrict competition, is able to continue provide quality service and make the investments required for it, and made efficient use of its cellular frequencies. The Company has made an annual examination of the estimated useful life of the license. Based on Company's judgment described above, the Company expects that the license will be renewed at a high level of certainty: 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 the additional term of 6 years^(*). Following this examination, the estimated useful life of the 2G and 3G frequencies was re-evaluated for an additional period of 6 years, thereby ending on February 1, 2028^(*). See also note 2(f).

^(*) It should be noted that the MOC's frequencies tender's documents include a draft amendment of the license that amends the additional extension periods from 6 years to 10 years. In case the amendment shall become final, the estimated useful life of the 2G and 3G frequencies will be revised to end by February 1, 2032.

Other licenses may be extended for various periods, at the discretion of the MOC or CA, respectively.

See also note 17(5) as to additional guarantees made to third parties.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the financial statements

(1) Basis of preparation

The consolidated financial statements of the Company ("the financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB).

The principal accounting policies set out below have been consistently applied to all periods presented unless otherwise stated.

(2) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, and requires management to exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Foreign currency translations

(1) Functional and presentation currency

The consolidated financial statements are measured and presented in New Israeli Shekels ("NIS"), which is the Group's functional and presentation currency as it is the currency of the primary economic environment in which the Group operates. The amounts presented in NIS millions are rounded to the nearest NIS million.

(2) Transactions and balances

Foreign currency transactions are translated into NIS using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement in finance costs, net.

(3) Convenience translation into U.S. Dollars (USD or \$ or dollar)

The NIS figures at December 31, 2019 and for the period then ended have been translated into dollars using the representative exchange rate of the dollar at December 31, 2019 (USD 1 = NIS 3.456). The translation was made solely for convenience, is supplementary information, and is distinguished from the financial statements. The translated dollar figures should not be construed as a representation that the Israeli currency amounts actually represent, or could be converted into, dollars.

c. Interests in other entities

(1) Subsidiaries

The consolidated financial statements include the accounts of the Company and entities controlled by the Company. Control exists when the Company has the power over the investee; has exposure, or rights, to variable returns from involvement in the investee; and has the ability to use its power over the investee to affect its returns. Subsidiaries and partnerships are fully consolidated from the date on which control is transferred to the Company.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated in preparing the consolidated financial statements.

Non-controlling interests in the results and equity of a subsidiary are shown separately in the consolidated statements of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

List of wholly owned Subsidiaries and partnerships:

- 012 Smile Telecom Ltd.
- 012 Telecom Ltd.
- Partner Land-Line Communication Solutions - Limited Partnership
- Partner Future Communications 2000 Ltd. ("PFC")
- Get Cell Communication Products Limited Partnership
- Partner Business Communications Solution - Limited Partnership – not active
- Iconz Holdings Ltd.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Interests in other entities (continued)

(2) Investment in PHI

In November 2013, the Company and Hot Mobile Ltd. entered into a network sharing agreement ("NSA") and a right of use agreement. Pursuant to the NSA, the parties created a 50-50 limited partnership - P.H.I. Networks (2015) Limited Partnership ("PHI"), which operates and develops a radio access network shared by both parties, starting with a pooling of both parties' radio access network infrastructures creating a single shared pooled radio access network. PHI began its operations in July 2015, managing the networks.

Through December 31, 2018 the Company did not control PHI nor did it have joint control over it. The investment in PHI was accounted for using the equity method of accounting. Under the equity method, the investment was initially recognized at cost, and adjusted thereafter to recognize the investor's share of the post-establishment profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Unrealized gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

From January 1, 2019 following a change in the governance of PHI the Company accounts for PHI as a joint operation. Therefore, the Company recognizes its direct right to the assets, liabilities, revenues and expenses of PHI and its share of any jointly held or incurred assets, liabilities, revenues and expenses. See note 9 with respect to a change in the governance of PHI that caused from January 1, 2019, and for information about transactions and balances with respect to the investment in PHI – as a related party.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Inventories

Inventories of equipment: cellular handsets and fixed telephones, tablets, laptops, datacards, servers, spare parts, ISP modems, related equipment, accessories and other inventories are stated at the lower of cost or net realizable value. Cost is determined on the "first-in, first-out" basis. The Group determines its allowance for inventory obsolescence and slow moving inventory based upon past experience, expected inventory turnover, inventory ageing and current and future expectations with respect to product offerings.

e. Property and equipment

Property and equipment are initially stated at cost.

Costs are included in the assets' carrying amounts or recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance that do not meet the above criteria are charged to the statement of income during the financial period in which they are incurred.

Costs include expenditures that are 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 asset to a working condition for its intended use, and until December 31, 2018, the costs of dismantling and removing the items and restoring the site on which they are located. From January 1, 2019 the costs of dismantling and removing the items and restoring the site on which they are located are included in the lease-right of use asset under IFRS16, see notes 3 and 2(o).

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Property and equipment is presented less accumulated depreciation, and accumulated impairment losses. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see (i)). The useful economic lives of the Group's non-financial assets are reviewed annually, see note 4(1).

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Property and equipment (continued)

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

	years
Communications network:	
Physical layer and infrastructure	10 - 25 (mainly 15, 10)
Other Communication network	3 - 15 (mainly 5, 10, 15)
Computers, software and hardware for information systems	3-10 (mainly 3-5)
Office furniture and equipment	7-15
Optic fibers and related assets	7-25 (mainly 25)
Subscribers equipment and installations	2 - 4
Property	25

Leasehold improvements are depreciated by the straight-line method over the term of the lease (including reasonably assured option periods), or the estimated useful life (between 5 to 10 years) of the improvements, whichever is shorter.

f. Licenses and other intangible assets

(1) Licenses costs and amortization (see also note 1(c)):

- (a) The licenses to operate cellular communication services were recognized at cost. Borrowing costs which served to finance the license fee - incurred until the commencement of utilization of the license - were capitalized to cost of the license.
- (b) Partner Land-line Communication solutions – limited partnership's license for providing fixed-line communication services is stated at cost.

The other licenses of the Group were received with no significant costs.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Licenses and other intangible assets (continued)

Change in an accounting estimate:

Management has updated an accounting estimate as follows: The estimated useful life of the cellular license was determined in the past to end by February 1, 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 MOC published a tender during 2019 for the award of frequencies, including frequencies for 5G services. Following the tender published, Management made an annual examination of the estimated useful life of the license in the fourth quarter of 2019 with the expectation that conditions necessary to obtain renewal of the license will be satisfied and that the cost of renewal will not be significant. The tender includes 2x30 MHz in the 700 MHz Band, 2x60 MHz in the 2,600MHz band and 300 MHz in the 3,500-3,800 MHz band. The frequencies in the 700 MHz band will be awarded for a period of 15 years and the rest of the frequencies offered in the tender will be awarded for a period of 10 years.

Based on Company's judgment described above, the Company expects that the license will be renewed at a high level of certainty: 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 the additional term of 6 years. Following this examination, the estimated useful life of the 2G and 3G frequencies was re-evaluated for an additional period of 6 years(*), thereby ending on February 1, 2028(*).

The effect of these changes on the consolidated financial statements, in current and future years is as follows: the amortization expenses of the cellular license were reduced by NIS 15 million in the fourth quarter of 2019, and are expected to be reduced by an annual amount of approximately NIS 60 million in 2020 and 2021. See also note 4(1).

(*) It should be noted that the tender's documents include a draft amendment of the license that amends the additional extension periods from 6 years to 10 years. In case the amendment shall become final, the estimated useful life of the 2G and 3G frequencies will be revised to end by February 1, 2032.

The other licenses are amortized by the straight-line method over their useful lives (see note 1(c)) which exclude any ungranted possible future extensions that are not under the Group's control.

The amortization expenses are included in the cost of revenues.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Licenses and other intangible assets (continued)

(2) Computer software:

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and to bring to use the specified software.

Development costs, including employee costs, that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the capitalization criteria under IAS 38 are met. Other development expenditures that do not meet the capitalization criteria, such as software maintenance, are recognized as expenses as incurred.

Computer software costs are amortized over their estimated useful lives (3 to 10 years) using the straight-line method, see also note 11.

(3) Customer relationships:

The Company has recognized as intangible assets customer relationships that were acquired in a business combination and recognized at fair value as of the acquisition date. Customer relationships are amortized to selling and marketing expenses over their estimated useful economic lives (5 to 10 years) based on the straight line method.

(4) Capitalization of costs to obtaining customers contracts:

Costs of obtaining contracts with customers are recognized as assets when the costs are incremental to obtaining the contracts, and it is probable that the Group will recover these costs. The assets are amortized to selling and marketing expenses in accordance with the expected service period (mainly over 2-3 years), using the portfolio approach, see also notes 4(1) and 11. Other costs incurred that would arise regardless of whether a contract with a customer was obtained are recognized as an expense when incurred.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Deferred expenses - Right Of Use (ROU)

Right of use (ROU) of international fiber optic cables was acquired in a business combination, subsequent additions and right of use in PHI's assets are recognized at cost. The ROU with respect of fiber optic cables is presented as deferred expenses (current and non-current) and is amortized to cost of revenues on a straight line basis over a period beginning each acquisition of additional ROU in this framework and until 2030 (including expected contractual extension periods). See also notes 12 and 17(4). Until December 31, 2018 other costs of right to use PHI's assets are presented as deferred expenses and amortized on a straight line basis over the assets' useful lives, see note 9.

h. Goodwill

Goodwill acquired in a business combination represents the excess of the consideration transferred over the net fair value of the identifiable assets acquired, and identifiable liabilities and contingent liabilities assumed. The goodwill has an indefinite useful economic life and is not subject to amortization; rather is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to a group of cash-generating units (CGUs) under the fixed line segment that is expected to benefit from the synergies of the combination. The group of CGUs represents the lowest level within the entity which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment loss would be recognized for the amount by which the carrying amount of goodwill exceeded its recoverable amount. The recoverable amount is the higher of value-in-use and the fair value less costs to sell. Value-in-use is determined by discounting expected future cash flows using a pre-tax discount rate. Any impairment is recognized immediately as an expense and is not subsequently reversed. See also note 13(1) with respect to impairment tests.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Impairment tests of non-financial assets with finite useful economic lives

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indications exist an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Value-in-use is determined by discounting expected future cash flows using a pre-tax discount rate.

An impairment loss recognized for an asset (or CGU) other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's (or CGU's) recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset (or CGU) shall be increased to its recoverable amount. The increased carrying amount of an asset (or CGU) other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the statement of income.

j. Financial instruments

From January 1, 2018 the Group applies IFRS 9 and classifies its financial instruments in the following categories: (1) amortized cost (AC), (2) at fair value through profit or loss (FVTPL: Financial liability at fair value (see note 15) and embedded derivatives), see note 3(1). The classification depends on the business model for managing the financial instruments and the contractual terms of the cash flows. See note 6(c) as to classification of financial instruments to the categories.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets are classified as current if they are expected to mature within 12 months after the end of the reporting period; otherwise they are classified as non-current.

Financial liabilities are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current liabilities. See also note 15.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial instruments (continued)

(1) FVTPL category:

Gains or losses arising from changes in the fair value of embedded derivative financial instruments and financial liability at fair value are presented in the income statement within "finance costs, net" in the period in which they arise. These financial instruments are classified into 3 levels based on their valuation method (see also notes 6(c), 6(a)(2)(c)):

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices).

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for financial liability at fair value.

(2) Amortized cost category:

The Group classifies its financial assets, such as trade receivables, at amortized cost only if both of the following criteria are met: (1) the asset is held within a business model whose objective is to collect the contractual cash flows, and (2) the contractual terms give rise to cash flows that are solely payments of principal and interest. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from trade receivables is included in the income statement under other income, net (see note 23) using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in finance income/expense together with foreign exchange gains and losses. Impairment expenses (credit losses) are presented as separate line item in the statement of profit or loss.

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, which include short-term bank deposits (up to 3 months from date of deposit) that are not restricted as to withdrawal or use.

Short term deposits, are deposits in commercial banks for periods of more than 3 months from date of deposit.

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial instruments (continued)

Financial assets at amortized cost are presented net of impairment losses:

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired based on the expected credit loss model. The assets that are subject to the expected credit loss model are mainly the trade receivables. While cash and cash equivalents, short-term deposits and contract assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

From January 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets the Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and period of payments and period past due. The expected loss rates are based on the payment profiles of sales, and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

Financial liabilities, such as borrowings and notes payable, are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost. Any difference between the fair value (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Offsetting:

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the Group has currently a legal enforceable right to offset the recognized amounts and has an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Employee benefits

(i) Post-employment benefits

1. Defined contribution plan

According to Section 14 of the Israeli Severance Pay Law the Group's liability for some of the employee rights upon retirement is covered by regular contributions to various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. These plans are defined contribution plans, since the Group pays fixed contributions into a separate and independent entity. The Group has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current or prior periods. The amounts funded as above are not reflected in the statement of financial position. Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of income when they are due.

2. Defined benefit plan

Labor laws, agreements and the practice of the Group, require paying retirement benefits to employees dismissed or retiring in certain other circumstances (except for those described in 1 above), measured by multiplying the years of employment by the last monthly salary of the employee (i.e. one monthly salary for each year of tenure), the obligation of the Group to pay retirement benefits is treated as a defined benefit plan.

The liability recognized in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at end of the reporting period less the fair values of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. According to IAS 19 *employee benefits*, the present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of deep market for high-quality corporate bonds.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Interest costs in respect of the defined benefit plan are charged or credited to finance costs.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Employee benefits (continued)

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably legally or constructively committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(iii) Short term employee benefits

1. Vacation and recreation benefits

The employees are legally entitled to vacation and recreation benefits, both computed on an annual basis. This entitlement is based on the term of employment. This obligation is treated as a short term benefit under IAS 19. The Group charges a liability and expense due to vacation and recreation pay, based on the benefits that have been accumulated for each employee, on an undiscounted basis.

2. Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses based on consideration of individual performance and the Group's overall performance. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3. Other short term benefits

The Group recognized expenses for other short term benefits provided by the collective employment agreement (see also note 22(e)).

l. Share based payments

The Group operates an equity-settled share-based compensation plan to its employees, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted, at the grant date. Non-market vesting conditions are included among the assumptions used to estimate the number of options expected to vest. The total expense is recognized during the vesting period, which is the period over which all of the specified vesting conditions of the share-based payment are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the vesting conditions, and recognizes the impact of the revision of original estimates, if any, in the statement of income, with corresponding adjustment to accumulated earnings.

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will require settling the obligation, and the amount has been reliably estimated. See note 14.

- (1) In the ordinary course of business, the Group is involved in a number of lawsuits and litigations. The costs that may result from these lawsuits are only accrued for when it is probable 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, and events arising during the course of legal proceedings that may require a reassessment of this risk, and where applicable discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Group's assessment of risk is based both on the advice of legal counsel and on the Group's estimate of the probable settlements amount that are expected to be incurred, if any. See also note 20.
- (2) The Company 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. The dismantling costs are calculated according to best estimate of future expected payments discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as finance costs.
- (3) Provisions for equipment warranties include obligations to customers in respect of equipment sold. Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any item included in the same class of obligations may be small.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Revenues

The revenue recognition standard IFRS 15, *Revenue from Contracts with Customers*, and its clarifications ("IFRS 15", "The Standard") outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes IAS 18, *Revenue*, and IAS 11, *Construction contracts* (the "previous standards"). The model includes five steps for analyzing transactions so as to determine when to recognize revenue and at what amount:

- 1) Identifying the contract with the customer.
- 2) Identifying separate performance obligations in the contract.
- 3) Determining the transaction price.
- 4) Allocating the transaction price to separate performance obligations.
- 5) Recognizing revenue when the performance obligations are satisfied.

(1) Identifying the contract with the customer

Two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) are accounted for as a single contract if one or more of the following criteria are met:

- a. The contracts are negotiated as a package with a single commercial objective;
- b. The amount of consideration to be paid in one contract depends on the price or performance of the other contract;
- c. The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

(2) Identifying performance obligations

The Group assesses the goods or services promised in the contract with the customer and identifies as 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.

Goods or services are identified as being distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. 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 options grant the customer a material right it would not have received without the original contract.

The performance obligations are mainly services, equipment and options to purchase additional goods or services that provide a material right to the customer.

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Revenues (continued)

(3) Determining the transaction price

The transaction price is the amount of consideration that the Group expects to receive for the transfer of the goods or services specified in a contract with the customer, taking into account rebates and discounts, excluding amounts collected on behalf of third parties, such as value added taxes.

The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component (such as sales of equipment with non-current credit arrangements, mainly in 36 monthly installments) and for any consideration payable to the customer. The Group applies a practical expedient in the standard and does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the Group expects the period between customer payment and the transfer of goods or services to be one year or less. The financing component is recognized in other income-net over the period which is calculated according to the effective interest method. See also note 23 – unwinding of trade receivables and note 7(a).

(4) Allocating the transaction price to separate performance obligations

In a transaction that constitutes a revenue arrangement with multiple performance obligations, the transaction price is allocated to separate performance obligations based of their relative stand-alone selling prices.

(5) Satisfaction of performance obligations

The Group recognizes revenue when it satisfies performance obligations by transferring control over the goods or services to the customers.

Revenues from services and from providing rights to use the Group's assets, (see note 1(b)) (either month-by-month or long term arrangements) are recognized over time, as the services are rendered to the customers, since the customer receives and uses the benefits simultaneously , and provided that all other revenue recognition criteria are met.

Revenue from sale of equipment (see note 1(b)) is recognized at a point of time when the control over the equipment is transferred to the customer (mainly upon delivery) and all other revenue recognition criteria are met.

(6) Principal – Agent consideration

The Group determines whether it is acting as a principal or as an agent for each performance obligation. The Group is acting as a principal if it controls a promised good or service before they are transferred to a customer. Indicators for acting as a principal include: (1) the Group is primarily responsible for fulfilling the promise to provide the specified good or service, (2) the Group has inventory risk in the specified good or service and (3) the Group has discretion in establishing the price for the specified good or service. On the other hand, the Group is acting as an agent or an intermediary, if these criteria are not met. When the Group is acting as an agent, revenue is recognized in the amount of any fee or commission to which the Group expects to be entitled in exchange for arranging for the other party to provide its goods or services. A Group's fee or commission might be the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party. The Group determined that it is acting as an agent in respect of certain content services provided by third parties to customers; therefore the revenues recognized from these services are presented on a net basis in the statement of income.

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Revenues (continued)

(7) Recognition of receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized when the control over the goods or services is transferred to the customer, and at the amount that is unconditional because only the passage of time is required before the payment is due. The Group holds the trade receivables with the objective to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest. Therefore they are subsequently measured at amortized cost using the effective interest method. See also note 7 and also note 6(a)(3) regarding trade receivables credit risk.

(8) Recognition of contract assets and contract liabilities

A contract asset is a Group's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the Group's future performance).

A contract liability is a Group's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer; therefore the Group records contract liabilities for payments received in advance for services, such as transmission services and pre-paid calling cards, as deferred revenues until such related services are provided.

Contract assets and contract liabilities arising from the same contract are offset and presented as a single asset or liability.

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Revenues (continued)

(9) Other practical expedients implemented:

The Group applies IFRS 15 practical expedient to the revenue model to a portfolio of contracts with similar characteristics if the Group reasonably expects that the financial statement effects of applying the model to the individual contracts within the portfolio would not differ materially.

The Group applies a practical expedient in the standard and measures progress toward completing satisfaction of a performance obligation and recognizes revenue based on billed amounts if the Group has a right to invoice a customer at an amount that corresponds directly with its performance to date; for which, or where the original expected duration of the contract is one year or less, the Group also applies the practical expedient in the standard and does not disclose the transaction price allocated to unsatisfied, or partially unsatisfied, performance obligations, such as constrained variable consideration.

The Group applies in certain circumstances where the customer has a material right to acquire future goods or services and those goods or services are similar to the original goods or services in the contract and are provided in accordance with the same terms of the original contract, a practical alternative to estimating the stand-alone selling price of the customer option, and instead allocates the transaction price to the optional goods or services by reference to the goods or services expected to be provided and the corresponding expected consideration.

(10) Capitalization of contract costs

The main effect of the Group's application of IFRS 15 is the accounting treatment for the incremental costs of obtaining contracts with customers, which in accordance with IFRS 15, are recognized as assets under certain conditions, see notes 2(f)(4), 11. Contract costs that were recognized as assets are presented in the statements of cash flows as part of cash flows used in investing activities.

(11) Use of judgments and estimates

Implementation of the accounting policy described above requires management to exercise discretion in estimates and judgments, see note 4.

See additional information with respect to revenues in note 22(a).

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Leases

Group as lessee:

Through December 31, 2018 the Group applied IAS 17 to account for leases whereby a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Therefore the Group's leases were primarily operating leases which were charged to income statements on a straight-line basis over the lease term, including extending options which were reasonably certain.

The Group has adopted IFRS 16 Leases retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019. The transition is disclosed in notes 3(a) and 19.

On adoption of IFRS 16 on January 1, 2019, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' and corresponding right-of-use assets. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

The Group applied the following practical expedients:

- **Non-lease components:** practical expedient by class of underlying asset not to separate non-lease components (services) from lease components and, instead, account for each lease component and any associated non lease components as a single lease component.
- **Discount rate:** The lease payments are discounted using the lessee's incremental borrowing rate, since the interest rate implicit in the lease cannot be readily determined. The lessee's incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. However, the Group is using the practical expedient of accounting together a portfolio of leases with similar characteristics provided that it is reasonably expected that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this Standard to the individual leases within that portfolio. And using a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment). The discount rates were estimated by management with the assistance of an independent external expert.
- **Low-value leases:** The low-value leases practical expedient is applied and these leases are recognized on a straight-line basis as expense in profit or loss.

The practical expedient for short-term leases is not applied.

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Leases (continued)

Group as lessee (continued):

Lease liabilities measurement:

Lease liabilities were initially measured on a present value basis of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate (such as CPI)
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option (see also note 4(7)), and
- lease payments (principal and interest) to be made under reasonably certain extension options (see also note 4(7))

The lease liability is subsequently measured according to the effective interest method, with interest costs recognized in the statement of income as incurred. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group is exposed to potential future changes in lease payments based on linkage to the CPI index, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are presented in the statement of cash flows under the cash used in financing activities. Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets measurement:

Right-of-use assets were measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs (except for initial application), and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term (including reasonably certain extension periods) on a straight-line basis, and adjusted for any remeasurements of lease liabilities. As of the adoption date of IFRS 16, the average remaining amortization period is as follows: Cell sites 4.5 years, buildings 6 years, vehicles 2 years. The right-of-use assets are also subject to impairment, see note 2(i).

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Leases (continued)

Group as lessor:

The cellular segment and the fixed-line segment also include leasing of telecommunications, audio visual and related devices (see note 1(b)). Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting IFRS 16.

p. Tax expenses

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted as of the end of the reporting period. Management periodically evaluates positions taken with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between that tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from initial recognition of goodwill. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets are presented as non-current, see also note 25. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity where there is an intention to settle the balances on a net basis.

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Share capital

Ordinary shares are classified as equity.

Company's shares acquired by the Company (treasury shares) are presented as a reduction of equity, at the consideration paid, including any incremental attributable costs, net of tax. Treasury shares do not have a right to receive dividends or to vote. See also note 21(a).

r. Earnings Per Share (EPS)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all dilutive potential ordinary shares. The instruments that are potential dilutive ordinary shares are equity instruments granted to employees, see note 21(b). A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options (see also note 27).

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

(1) The following relevant new standards, amendments to standards or interpretations have been issued, and were effective for the first time for financial periods beginning on or after January 1, 2019.

(a) IFRS 16, *Leases*. It results in almost all leases, where the Group is the lessee, being recognized on the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay lease payments are recognized on the statement of financial position. The only exceptions for lessees are short-term (not applied) and low-value leases (applied) which are recognized on a straight-line basis as expense in profit or loss. The statement of income is also affected because operating expense is replaced with interest and depreciation. Operating cash flows is higher as cash payments of the lease liability are classified within financing activities. The accounting for lessors did significantly change and therefore the Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16. The main lease contracts that affected the financial statements are operating leases where the Group leases offices, retail stores and service centers, cell sites, and vehicles, see also notes 2(o), 4(7) and 19.

Transition to IFRS 16:

The Group applied the standard from its mandatory adoption date January 1, 2019. The Group applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. Right-of-use assets for certain property leases were measured on transition as if the new rules had always been applied. All other right-of-use assets were measured at the amount equal to the lease liability on adoption (adjusted for any prepaid or accrued lease expenses, dismantling and restoring obligations).

As of the transition date, the group applied the following practical expedients:

- the lease liability was measured for leases previously classified as an operating leases under IAS 17 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application;
- accounting together a portfolio of leases with similar characteristics provided that it is reasonably expected that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this Standard to the individual leases within that portfolio. And using a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- rely on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
- not reassess whether a contract is, or contains, a lease at the date of initial application, and therefore IFRS 16 was not applied to contracts that were not previously identified as containing a lease.
- initial direct costs were excluded from the measurement of the right-of-use asset at the date of initial application;
- use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTE 3 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

(1) The following relevant new standards, amendments to standards or interpretations have been issued, and were effective for the first time for financial periods beginning on or after January 1, 2019 (continued):

(a) IFRS 16, *Leases* (continued):

Quantitative information with respect to transition to IFRS16:

The tables below summarize the effects of IFRS 16 on the consolidated statement of financial position as at January 1, 2019 and on the consolidated statements of income and cash flows for the year for the year ended December 31, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 2.43%. See also note 19.

Effect of change on consolidated statement of financial position:

	New Israeli Shekels in millions		
	As at January 1, 2019		
	Previous accounting policy	Effect of change	According to IFRS16 as reported
Non-current assets - Lease – right of use	-	656	656
Non-current assets - Deferred income tax asset	38	6	44
Current liabilities - Lease liabilities	-	137	137
Non-current liabilities - Lease liabilities	-	546	546
Equity	1,406	(21)	1,385

Measurement of lease liability as of January 1, 2019:

	New Israeli Shekels in millions
Operating lease commitments (undiscounted) disclosed as at December 31, 2018	372
Discounted using the lessee's incremental borrowing rate as of the date of initial application	328
Group's share in PHI's lease liability (see note 9)	355
Lease liability recognized as at January 1, 2019	683
Of which are:	
Current lease liabilities	137
Non-current liabilities	546

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

(1) The following relevant new standards, amendments to standards or interpretations have been issued, and were effective for the first time for financial periods beginning on or after January 1, 2019 (continued):

(b) Annual Improvements to IFRS Standards 2015-2017 Cycle amended IFRS 11 *Joint arrangements* and clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. The amendment is effective from January 1, 2019. See note 9 with respect to change in PHI's governance at the beginning of January 2019 and that from then the Company accounts for its rights in the assets of PHI and obligations for the liabilities and expenses of PHI as a joint operation, recognizing its share (50%) in the assets, liabilities, and expenses of PHI, instead of the equity method.

(c) Interpretation 23 *Uncertainty over Income Tax Treatments*. The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The amendment is effective from January 1, 2019. Its effect on the financial statements was not material.

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Critical accounting estimates and assumptions

(1) Assessing the useful lives of non-financial assets:

The useful economic lives of the Group's non-financial assets are an estimate determined by management. The Group defines useful economic life of its assets in terms of the assets' expected utility to the Group. This estimation is based on assumptions of future changes in technology or changes in the Group's intended use of these assets, and experience of the Group with similar assets, and legal or contract periods where relevant. The assets estimated economic useful lives are reviewed, and adjusted if appropriate, at least annually. See also note 2(e) and note 2(f).

Change in accounting estimate: The Company has made an annual examination of the estimated useful life of the license. Based on Company's judgment described above, the Company expects that the license will be renewed at a high level of certainty: 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(*). Following this examination, the estimated useful life of the 2G and 3G frequencies was re-evaluated for an additional period of 6 years(*), thereby ending on February 1, 2028(*). The effect of these changes on the consolidated financial statements, in current and future years is as follows: the amortization expenses of the cellular license were reduced by NIS 15 million in the fourth quarter of 2019, and are expected to be reduced by an annual amount of approximately NIS 60 million in 2020 and 2021. See also notes 2(f)(1) and note 11.

(*) It should be noted that the MOC's frequencies tender's documents include a draft amendment of the license that amends the additional extension periods from 6 years to 10 years. In case the amendment shall become final, the estimated useful life of the 2G and 3G frequencies will be revised to end by February 1, 2032.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Critical accounting estimates and assumptions (continued)

(2) Assessing the recoverable amount for impairment tests of assets with finite useful lives:

The Group is required to determine at the end of each reporting period whether there is any indication that an asset may be impaired. If indicators for impairment are identified the Group estimates the assets' recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculations require management to make estimates of the projected future cash flows. Determining the estimates of the future cash flows is based on management past experience and best estimate for the economic conditions that will exist over the remaining useful economic life of the Cash Generating Unit (CGU). See also note 2(i).

No indicators for an impairment or reversal of impairment of assets with finite useful lives were identified in 2019.

Trends in the economic and financial environment, competition and regulatory authorities' decisions, or changes in competitors' behavior in response to the economic environment may affect the estimate of recoverable amounts in future periods. See also note 2(i).

Continued increases in the level of competition for cellular and fixed-line services may bring further downward pressure on prices which may require us to perform further impairment tests of our assets. Such impairment tests may lead to recording additional significant impairment charges, which could have a material negative impact on our operating and profit.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Critical accounting estimates and assumptions (continued)

(3) Assessing the recoverable amount of goodwill for impairment tests:

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The recoverable amount of the fixed-line segment to which goodwill has been allocated has been determined based on value-in-use calculations. For the purpose of the goodwill impairment tests as of December 31, 2017, 2018 and 2019 the recoverable amount was assessed by management with the assistance of external independent experts (BDO Ziv Haft Consulting & Management Ltd.) based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections covering a five-year period. Cash flows beyond the five-year period to be generated from continuing use are extrapolated using estimated growth rates. The growth rate represents the long-term average growth rate of the fixed-line communications services business.

The key assumptions used in the December 31, 2019 test were as follows:

Terminal growth rate	1.0%
After-tax discount rate	8.0%
Pre-tax discount rate	9.6%

The impairment test as of December 31, 2019 was based on assessments of financial performance and future strategies in light of current and expected market and economic conditions. Trends in the economic and financial environment, competition and regulatory authorities' decisions, or changes in competitors' behavior in response to the economic environment may affect the estimate of recoverable amounts. See also note 13(1) and note 2(h). No impairment charges were recognized with respect to goodwill in 2017, 2018 and 2019.

Sensitivity Analysis:

The headroom of the fixed line segment recoverable amount over the carrying amount as of December 31, 2017, 2018 and 2019 was approximately 23%, 21% and 42% respectively. Sensitivity analysis was performed for the recoverable amount as of December 31, 2019 for a change of the after-tax discount rate within the range of $\pm 10\%$ multiplied by the variable 8% (7.2% to 8.8%), assuming all other variables constant. Sensitivity analysis was also performed for a change of the terminal permanent growth rate within the range of $\pm 1\%$ of the variable 1.0% (0% to 2%), assuming all other variables constant. Results showed that no impairment charge is required for both analyses.

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NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Critical accounting estimates and assumptions (continued)

(4) Assessing impairment of financial assets:

The allowance for credit losses for financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The other receivables are assessed collectively, grouped based on shared credit risk characteristics and the days past due.

From January 1, 2018, upon the implementation of IFRS 9 the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets with and without significant financing components, the Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and period past due. The expected loss rates are based on the payment profiles of sales, and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables. See notes 7, 6(a)(3), 2(j), 3(1).

(5) Considering uncertain tax positions:

The assessment of amounts of current and deferred taxes requires the Group's management to take into consideration uncertainties that its tax position will be accepted and of incurring any additional tax expenses. This assessment is based on estimates and assumptions based on interpretation of tax laws and regulations, and the Group's past experience. It is possible that new information will become known in future periods that will cause the final tax outcome to be different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. See also notes 2(p) and note 25.

(6) Considering the likelihood of contingent losses and quantifying possible legal settlements:

Provisions are recorded when a loss is considered probable and can be reasonably estimated. Judgment is necessary in assessing the likelihood that a pending claim or litigation against the Group will succeed, or a liability will arise, quantifying the best estimate of final settlement. These judgments are made by management with the support of internal specialists, or with the support of outside consultants such as legal counsel. Because of the inherent uncertainties in this evaluation process, actual results may be different from these estimates. See notes 2(m), 14 and 20.

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NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Critical accounting estimates and assumptions (continued)

(7) Determining leases term and discount rate:

Commencing January 1, 2019 the Group implements IFRS 16 Leases. See also note 2(o), note 3 and note 19.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management determined that most extension options are reasonably certain to be exercised and termination options are reasonably certain not to be exercised. The assessment of reasonable certainty is only revised if a significant event or significant changes in circumstances occur, which affects this assessment, and that is within the control of the lessee.

The lease payments are discounted using the lessee's incremental borrowing rate, since the interest rate implicit in the lease cannot be readily determined. The lessee's incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. However, the Group is using the practical expedient of accounting together a portfolio of leases with similar characteristics provided that it is reasonably expected that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this Standard to the individual leases within that portfolio, and using a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment). The discount rates were estimated by management with the assistance of an independent external expert.

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NOTE 5 – SEGMENT INFORMATION

New Israeli Shekels				
Year ended December 31, 2019*				
In millions				
	Cellular segment	Fixed-line segment	Elimination	Consolidated
Segment revenue - Services	1,783	777		2,560
Inter-segment revenue - Services	15	148	(163)	
Segment revenue - Equipment	571	103		674
Total revenues	2,369	1,028	(163)	3,234
Segment cost of revenues - Services	1,367	810		2,177
Inter-segment cost of revenues - Services	147	16	(163)	
Segment cost of revenues - Equipment	464	66		530
Cost of revenues	1,978	892	(163)	2,707
Gross profit	391	136		527
Operating expenses ⁽³⁾	334	134		468
Other income, net	20	8		28
Operating profit	77	10		87
Adjustments to presentation of segment				
Adjusted EBITDA				
–Depreciation and amortization	542	209		
–Other ⁽¹⁾	16	(1)		
Segment Adjusted EBITDA ⁽²⁾	635	218		

		New Israeli Shekels
		Year ended December 31, 2019*
		In millions
Reconciliation of segments subtotal Adjusted EBITDA to profit for the year		
Segments subtotal Adjusted EBITDA ⁽²⁾		853
Depreciation and amortization		(751)
Finance costs, net		(68)
Income tax expenses		**
Other ⁽¹⁾		(15)
Profit for the year		19

* See Note 2(o) regarding the adoption of IFRS16, *Leases*. For 2019 the impact of the adoption of IFRS 16 was an increase of NIS 141 million in the cellular segment Adjusted EBITDA and an increase of NIS 16 million in the fixed-line segment Adjusted EBITDA.

** Representing an amount of less than NIS 1 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – SEGMENT INFORMATION (continued)

New Israeli Shekels				
Year ended December 31, 2018				
In millions				
	Cellular segment	Fixed-line segment	Elimination	Consolidated
Segment revenue - Services	1,827	697		2,524
Inter-segment revenue - Services	16	155	(171)	
Segment revenue - Equipment	643	92		735
Total revenues	2,486	944	(171)	3,259
Segment cost of revenues - Services	1,435	696		2,131
Inter-segment cost of revenues - Services	154	17	(171)	
Segment cost of revenues - Equipment	509	60		569
Cost of revenues	2,098	773	(171)	2,700
Gross profit	388	171		559
Operating expenses ⁽³⁾	343	128		471
Other income, net	23	5		28
Operating profit	68	48		116
Adjustments to presentation of segment				
Adjusted EBITDA				
–Depreciation and amortization	442	150		
–Other ⁽¹⁾	14			
Segment Adjusted EBITDA ⁽²⁾	524	198		

	New Israeli Shekels
	Year ended December 31, 2018
	In millions
Reconciliation of segments subtotal Adjusted EBITDA to profit for the year	
Segments subtotal Adjusted EBITDA ⁽²⁾	722
Depreciation and amortization	(592)
Finance costs, net	(53)
Income tax expenses	(7)
Other ⁽¹⁾	(14)
Profit for the year	56

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – SEGMENT INFORMATION (continued)

New Israeli Shekels				
Year ended December 31, 2017				
In millions				
	Cellular segment	Fixed-line segment	Elimination	Consolidated
Segment revenue - Services	1,960	622		2,582
Inter-segment revenue - Services	18	155	(173)	
Segment revenue - Equipment	610	76		686
Total revenues	2,588	853	(173)	3,268
Segment cost of revenues - Services	1,470	613		2,083
Inter-segment cost of revenues- Services	154	19	(173)	
Segment cost of revenues - Equipment	490	54		544
Cost of revenues	2,114	686	(173)	2,627
Gross profit	474	167		641
Operating expenses ⁽³⁾	367	98		465
Income with respect to settlement agreement with Orange	108			108
Other income, net	29	2		31
Operating profit	244	71		315
Adjustments to presentation of segment				
Adjusted EBITDA				
–Depreciation and amortization	445	135		
–Other ⁽¹⁾	21	1		
Segment Adjusted EBITDA ⁽²⁾	710	207		

	New Israeli Shekels
	Year ended December 31, 2017
	In millions
Reconciliation of segments subtotal Adjusted EBITDA to profit for the year	
Segments subtotal Adjusted EBITDA ⁽²⁾	917
Depreciation and amortization	(580)
Finance costs, net	(180)
Income tax expenses	(21)
Other ⁽¹⁾	(22)
Profit for the year	114

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – SEGMENT INFORMATION (continued)

- (1) Mainly amortization of employee share based compensation.
- (2) Adjusted EBITDA as reviewed by the CODM represents Earnings before Interest (finance costs, net), Taxes, Depreciation and Amortization (including amortization of intangible assets, deferred expenses-right of use and impairment charges) and Other expenses (mainly amortization of share based compensation). Adjusted EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies. Adjusted EBITDA may not be indicative of the Group's historic operating results nor is it meant to be predictive of potential future results. The usage of the term "Adjusted EBITDA" is to highlight the fact that the Amortization includes amortization of deferred expenses – right of use and amortization of employee share based compensation and impairment charges.
- (3) Operating expenses include selling and marketing expenses, general and administrative expenses and credit losses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a. Financial risk factors

The Group is exposed to a variety of financial risks: credit, liquidity and market risks as part of its normal course of business. The Group's risk management objective is to monitor risks and minimize the possible influence that results from this exposure, according to its evaluations and expectations of the parameters that affect the risks. The Group did not enter into hedging transactions in 2017, 2018 or 2019.

1. Risk Management

Risk management is carried out by the financial division under policies and/or directions resolved and approved by the audit committee and the board of directors.

2. Market risks

(a) Description of market risks

Cash flow risk due to interest rate changes and CPI changes

The Group is exposed to fluctuations in the Israeli Consumer Price index (CPI). See also note 19.

Furthermore, the Group's notes payable bearing variable interest rate cause cash flow risks. Based on simulations performed, an increase (decrease) of 1% interest rates during 2019 in respect of the abovementioned financial instruments would have resulted in an annual increase (decrease) in interest expenses of NIS 3 million.

Foreign exchange risk

The Group's operating profit and cash flows are exposed to currency risk, mainly due to trade receivables and trade payables denominated in USD.

PARTNER COMMUNICATIONS COMPANY LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk factors (continued)

2. Market risks (continued)

(a) Description of market risks (continued)

Data regarding the US Dollar and Euro exchange rate and the Israeli CPI:

	Exchange rate of one Dollar	Exchange rate of one Euro	Israeli CPI*
At December 31:			
2019	NIS 3.456	NIS 3.878	224.67 points
2018	NIS 3.748	NIS 4.292	223.33 points
2017	NIS 3.467	NIS 4.153	221.57 points
Increase (decrease) during the year:			
2019	(7.8)%	(9.6)%	0.6%
2018	8.1%	3.3%	0.8%
2017	(9.8)%	2.7%	0.4%

* Index for each reporting period's last month, on the basis of 1993 average = 100 points.

Sensitivity analysis:

An increase (decrease) of 2% in the CPI as at December 31, 2019 would have decreased (increased) equity and profit by NIS 10 million, for the year ended December 31, 2019, assuming all other variables remain constant. At December 31, 2018 the company had no material liabilities linked to the CPI.

An increase (decrease) of 5% in the USD exchange rate as at December 31, 2018 and 2019 would have decreased (increased) equity and profit by NIS 3 million and NIS 5 million, for the years ended December 31, 2018 and 2019 respectively, assuming that all other variables remain constant.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk factors (continued)

2. Market risks (continued)

(b) Analysis of linkage terms of financial instruments balances

	December 31, 2019				
	In or linked to USD	In or linked to other foreign currencies (mainly EURO)	NIS unlinked	Linked to the CPI	Total
	New Israeli Shekels in millions				
Current assets					
Cash and cash equivalents	35		264		299
Short term deposits			552		552
Trade receivables**	45	12	567		624
Other receivables			15		15
Non- current assets					
Trade receivables			250		250
Total assets	80	12	1,648	-	1,740
Current liabilities					
Current maturities of notes payable and borrowings			366		366
Trade payables**	194	12	493	17	716
Payables in respect of employees			79		79
Other payables			12		12
Lease liabilities	1			130	131
Non- current liabilities					
Notes payable			1,276		1,276
Borrowings from banks			138		138
Financial liability at fair value			28		28
Lease liabilities	3			483	486
Total liabilities	198	12	2,392	630	3,232
			In or linked to foreign currencies		
			New Israeli Shekels in millions		
**Accounts that were set-off under enforceable netting arrangements					
Trade receivables gross amounts				126	
Set-off				(69)	
Trade receivables, net				57	
Trade payables gross amounts				275	
Set-off				(69)	
Trade payables, net				206	

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NOTE 6 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk factors (continued)

2. Market risks (continued)

(b) Analysis of linkage terms of financial instruments balances (continued)

	December 31, 2018			
	In or linked to	In or linked to	NIS unlinked	Total
	USD	other foreign currencies (mainly EURO)		
	New Israeli Shekels in millions			
Current assets				
Cash and cash equivalents	*	*	416	416
Trade receivables**	54	14	588	656
Other receivables			11	11
Non- current assets				
Trade receivables			260	260
Total assets	54	14	1,275	1,343
Current liabilities				
Current maturities of notes payable and borrowings			161	161
Trade payables**	126	14	571	711
Payables in respect of employees			73	73
Other payables			1	1
Non- current liabilities				
Notes payable			1,012	1,012
Borrowings from banks			191	191
Total liabilities	126	14	2,009	2,149

* Representing an amount of less than 1 million.

	In or linked to foreign currencies
	New Israeli Shekels in millions
**Accounts that were set-off under enforceable netting arrangements	
Trade receivables gross amounts	141
Set-off	(73)
Trade receivables, net	68
Trade payables gross amounts	213
Set-off	(73)
Trade payables, net	140

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk factors (continued)

2. Market risks (continued)

(c) Details regarding financial liability at fair value

The notional amounts of financial liability at fair value (see note 15 (5)) with respect to Notes series G option warrants as at December 31, 2019 is NIS 201 million. The following table describes the changes in the liability during 2019:

	New Israeli Shekels in millions
Balance as at January 1, 2019	-
Issuance	37
Finance costs	7
Exercise	(16)
Balance as at December 31, 2019	28

3. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables, from cash and cash equivalents, short-term deposits and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group conducts credit evaluations on receivables of certain types over a certain amount, and requires collaterals against them. The impairment requirements are based on an expected credit loss model that replaces the IAS 39 incurred loss model. Accordingly, the financial statements include appropriate allowances for expected credit losses. See also note 2(j)(2) and note 4(4).

The face amount of financial assets represents the maximum credit exposure, see note 6(c).

The cash and cash equivalents and short-term deposits are held in leading Israeli commercial banks, rated by Standard & Poor's Maalot at iLAAA/stable.

Short term deposits are unlinked, were deposited for periods of between 6 months to 18 months, and bear annual fixed interest of between 0.5% and 1.0%.

The trade receivables are significantly widespread, and include individuals and businesses, and therefore have no representing credit rating.

See also note 7 as to the assessment by aging of the trade receivables and related allowance for credit losses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk factors (continued)

4. 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, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's policy is to ensure that it has sufficient cash and cash equivalents to meet expected operational expenses and financial obligations.

Maturities of financial liabilities as of December 31, 2019:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 to 2024</u>	<u>2025 and thereafter</u>	<u>Total</u>
	New Israeli Shekels in millions					
Principal payments of long term indebtedness:						
Notes payable series D	109	109				218
Notes payable series F	204	204	204	409		1,021
Notes payable series G			35	70	245	350
Borrowing P	30	30	29			89
Borrowing Q	23	23	23	33		102
Expected interest payments of long term borrowings and notes payables	41	33	27	34	24	159
Lease liabilities (undiscounted)	141	118	99	165	162	685
Trade and other payables	800					800
Total	<u>1,348</u>	<u>517</u>	<u>417</u>	<u>711</u>	<u>431</u>	<u>3,424</u>

Trade payables as of December 31, 2019 include balances in respect of reverse factoring of NIS 41 million that are due between January 2020 and March 2020.

See note 15 in respect of borrowings and notes payable.

b. Capital risk management

Credit rating: According to Standard & Poor's Maalot ("S&P Maalot") credit rating, of August 5, 2019, S&P Maalot has reaffirmed the Company's iIA+ credit rating and updated the Company's rating outlook to "Negative".

See note 15(6) regarding financial covenants.

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NOTE 6 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

c. Fair values of financial instruments

As detailed in note 2(j) the financial instruments are categorized as following:

Fair Value through Profit or Loss (FVTPL); Amortized Cost (AC). See also note 15 in respect of borrowings and notes payable and note 7 with respect to trade receivables.

The financial instruments that are categorized FVTPL are mandatorily measured at FVTPL are derivative financial instruments and financial liability at fair value. Their fair values are calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using forward rates for a similar instrument at the measurement date. All significant inputs in this technique are observable market data and rely as little as possible on entity specific estimates, see also note 6(a)(2)(c).

There were no transfers between fair value levels during the year.

Carrying amounts and fair values of financial assets and liabilities, and their categories:

		December 31, 2018			December 31, 2019		
	Category	Carrying amount	Fair value	Interest rate used (***)	Carrying amount	Fair value	Interest rate used (***)
New Israeli Shekels in millions							
Assets							
Cash and cash equivalents	AC	416	416		299	299	
Short term deposits	AC				552	552	
Trade receivables	AC	916	916	4.52%	874	876	4.00%
Other receivables (**)	AC	11	11		16	16	
Liabilities							
Notes payable series D	AC	327	332	Market quote	218	219	Market quote
Notes payable series F	AC	794	786	Market quote	1,021	1,040	Market quote
Notes payable series G	AC				350	383	Market quote
Financial liability at fair value	FVTPL						
	Level 3				28	28	
Trade and other payables (**)	AC	785	785		800	800	
Borrowing P	AC	118	120	1.54%	89	90	1.42%
Borrowing Q	AC	125	127	2.05%	102	105	1.42%
Lease liabilities	AC				617	623	2.12%
Derivative financial instruments	FVTPL						
	Level 2	*	*		*	*	

(*) Representing an amount of less than NIS 1 million.

(**) The fair value of these financial instruments equals their carrying amounts, as the impact of discounting is not significant.

(***) The fair values of the notes payable quoted market prices at the end of the reporting period are within level 1 of the fair value hierarchy. The fair values of other instruments under AC categories were calculated based on observable weighted average of interest rates derived from quoted market prices of the Group's notes payable and bank quotes of rates of similar terms and nature, are within level 2 of the fair value hierarchy.

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NOTE 7 – TRADE RECEIVABLES

(a) Composition:

	New Israeli Shekels	
	December 31	
	2018	2019
	In millions	
Trade (current and non-current)	1,130	1,061
Deferred interest income (note 2(n))	(26)	(25)
Allowance for credit loss	(188)	(162)
	916	874
Current	656	624
Non – current	260	250

Non-current trade receivables bear no interest. These balances are in respect of equipment sold in installments (13-36 monthly payments (mainly 36)). The amount is computed on the basis of the interest rate relevant at the date of the transaction (2018: 4.22% - 4.53%) (2019: 4.00% - 4.66%).

See also note 2(j) and note 4(4).

(b) Impairment of financial assets:

The changes in the allowance for credit losses for the years ended December 31, 2017, 2018 and 2019 are as follows:

	New Israeli Shekels		
	Year ended		
	2017	2018	2019
	In millions		
Balance at beginning of year	190	193	188
Receivables written-off during the year as uncollectible	(49)	(35)	(44)
Charge or expense during the year*	52	30	18
Balance at end of year	193	188	162

(*) Equivalent to net impairment losses on financial and contract assets, as presented in the statement of income as Credit losses.

See note 6(a)(3) regarding trade receivables credit risk.

Allowance for credit losses resulting from services provided under operating lease are not separately disclosed due to immateriality.

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NOTE 7 – TRADE RECEIVABLES (continued)

(b) Allowance for credit losses (continued)

The aging of gross trade receivables and their respective allowance for credit losses as at December 31, 2018 and 2019 were as follows:

	New Israeli Shekels			New Israeli Shekels		
	December 31, 2018			December 31, 2019		
	In millions			In millions		
	Average expected loss rate	Gross	Allowance	Average expected loss rate	Gross	Allowance
Not passed due	2%	900	19	2%	860	20
Less than one year	56%	94	53	54%	107	58
More than one year	85%	136	116	89%	94	84
		<u>1,130</u>	<u>188</u>		<u>1,061</u>	<u>162</u>

NOTE 8 – INVENTORY

	New Israeli Shekels	
	December 31	
	2018	2019
	In millions	
Handsets and devices	60	73
Accessories and other	6	10
Spare parts	23	26
ISP modems, routers, servers and related equipment	9	15
	<u>98</u>	<u>124</u>
Write-offs recorded	4	6
Cost of inventory recognized as expenses and included in cost of revenues for the year ended	586	539
Cost of inventory used as fixed assets	8	24

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NOTE 9 – INVESTMENT IN PHI

Network sharing agreement and right of use

On November 8, 2013 the Company and Hot Mobile Ltd. ("Hot Mobile") (together: "the Parties") entered into a 15-year network sharing agreement ("NSA"), which was approved by the Antitrust Commissioner, subject to certain conditions, and by the Ministry of Communications. Pursuant to the NSA, the Parties created a 50-50 limited partnership - P.H.I. Networks (2015) Limited Partnership (hereinafter "PHI"), which operates and develops a radio access network shared by the Parties, starting with a pooling of the Parties radio access network infrastructures creating a single shared pooled radio access network (the "Shared Network"). The Parties also established a 50-50 company limited by shares under the name Net 4 P.H.I Ltd., to be the general partner of the limited partnership.

In February 2016, HOT Mobile exercised its option under the NSA to advance the payment date of a onetime amount of NIS 250 million ("Lump Sum"), which was received by the Group in 2016. Therefore in accordance the NSA from April 2016 onward (i) each party bears half of the expenditures relating to the Shared Network, and (ii) the bearing of the operating costs of the Shared Network is according to a pre-determined mechanism, according to which one half of the operating costs is shared equally by the Parties, and one half is divided between the Parties according to the relative volume of traffic consumption of each party in the Shared Network (the "Capex-Opex Mechanism"). The Lump Sum is treated by the Group as payments for rights of use of the Group's network and therefore recognized as deferred revenue which is amortized to revenues in the income statement over a period of eight years, which is determined to be the shorter of the expected period of the arrangement or the expected life of the related assets, see note 22(a).

The NSA term will be automatically extended for consecutive terms of five years each, unless either party provided the other party with prior notice of at least two years prior to the commencement of the respective extended term. At any time after the eighth anniversary of the NSA's effective date (i.e. following April 2023), either party may provide the other party with two years termination notice, and terminate the NSA, without cause, effective as of the end of the said two-year period. On the expiry of the NSA, other than following a material breach, the Parties shall divide the network between themselves according to a mechanism provided by the NSA, based on the Parties then-respective interests in PHI, with priority that each party shall first receive its own assets.

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NOTE 9 – INVESTMENT IN PHI (continued)

The associates of the Group as of December 31, 2018, of which the Group holds 50% of ownership interests are: P.H.I. Networks (2015) Limited Partnership ("PHI"), and Net 4 P.H.I Ltd. (see also note 2(c)(2)). Both are incorporated and operate in Israel. As of December 31, 2018 the board of directors of Net 4 P.H.I Ltd. consisted of 3 directors nominated by the Company, 3 directors nominated by Hot Mobile and one independent director who acts as a chairman. Net 4 P.H.I Ltd controls PHI. This governance provides that the Company does not control PHI nor does it have joint control over it, and the Company accounts for its investment in PHI according to the equity method. Set out below is summarized financial information for the associates.

	As at December 31, 2018
	NIS in millions
<u>PHI's accounts 100%:</u>	
Current assets	137
Non-current assets	312
Current liabilities	135
Non-current liabilities	312
Net assets	2
Supplemental information relating to associates:	
Commitments for operating leases and operating expenses	781
Commitments to purchase fixed assets	6
Guarantees made to third parties	1
	Year ended December 31, 2018
	NIS in millions
<u>PHI's accounts 100%:</u>	
Summarized statement of income	
Revenue	495
Pre-tax Profit	-
After-tax profit	-
Total comprehensive income	-
Reconciliation to carrying amount:	
Opening net assets of PHI	2
Profit for the period	-
Closing net assets of PHI	2
Carrying amount in PHI's net assets: Group's share (50%)	1

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NOTE 9 – INVESTMENT IN PHI (continued)

Balances and transactions with PHI – related party:

		New Israeli Shekels	
		Year ended December 31	
		2017	2018
		In millions	
Cost of revenues		45	70

		New Israeli Shekels	
		December 31,	
		2017	2018
		In millions	
Deferred expenses - Right of use		95	131
Current assets (liabilities)		(43)	(51)
Non-current investment in PHI		1	1
Other non-current assets (liabilities)		(7)	(14)

The Company provided a guarantee to PHI's debt in an amount of NIS 50 million.

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NOTE 9 – INVESTMENT IN PHI (continued)

Change in PHI's governance

At the beginning of January 2019 an amendment to the NSA agreement between the Company and Hot Mobile was signed and communicated to the MoC and Anti-trust regulator which, among other things, cancelled the position of the independent director mentioned above who acted as a chairman, and no consideration was transferred between the Parties in relation to this matter. The amendment did not change ownership shares, nor the CAPEX-OPEX mechanism described above. As a result of the amendment the control over PHI thereafter is borne 50-50 by the Company and Hot Mobile, each nominates an equal number of directors (3 directors). Since, thereafter, decisions about the Relevant Activities of PHI require the unanimous consent of the Parties, PHI is considered a joint arrangement controlled by the Company and Hot Mobile (joint control).

The activities of the joint arrangement are primarily designed for the provision of output to the Parties. The joint arrangement terms give the Parties rights to the assets, and obligations for the liabilities and expenses of PHI. Furthermore the Parties have rights to substantially all of the economic benefits of PHI's assets. PHI's liabilities are in substance satisfied by the cash flows received from the Parties, as the Parties are substantially the source of cash flows contributing to the continuity of the operations of PHI. Starting January 1, 2019 the Company accounts for its rights in the assets of PHI and obligations for the liabilities and expenses of PHI as a joint operation, recognizing its share in the assets, liabilities, and expenses of PHI, instead of the equity method. Starting January 1, 2019 payments with respect to rights to use PHI's fixed assets (see note 2(g)) are presented in the statement of cash flows as cash used in investing activities instead of cash payments for deferred expenses used in operating activities.

The following table presents the Company's share (50%) in PHI's statement of financial position items that are consolidated to the financial statements as the Company's share in a joint operation:

	New Israeli Shekels in millions		
	January 1, 2019		
	Company's share (50%) in PHI's accounts**	Intercompany elimination	Total
CURRENT ASSETS			
Cash and cash equivalents	*		*
Current assets	69	(62)	7
NON CURRENT ASSETS			
Property and equipment and intangible assets	142		142
Lease – right of use	355		355
CURRENT LIABILITIES			
Current borrowings from banks	13		13
Trade payables and other current liabilities	55		55
Lease liabilities	65		65
NON CURRENT LIABILITIES			
Lease liabilities	290		290
Deferred revenues	142	(142)	-
EQUITY	1	(1)	-

* Representing an amount of less than NIS 1 million.

** Certain intercompany balances were eliminated in the presentation of Company's share in PHI's accounts.

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NOTE 10 – PROPERTY AND EQUIPMENT

	Communication network	Computers and information systems	Optic fibers and related assets	Subscribers equipment and installations	Property, leasehold improvements, furniture and equipment	Total
New Israeli Shekels in millions						
Cost						
Balance at January 1, 2017	2,003	207	508	29	134	2,881
Additions in 2017	55	7	97	109	6	274
Disposals in 2017	165	60	1		3	229
Balance at December 31, 2017	1,893	154	604	138	137	2,926
Additions in 2018	48	11	122	146	10	337
Disposals in 2018	322	17	11	4	24	378
Balance at December 31, 2018	1,619	148	715	280	123	2,885
Share in PHI P&E included as of Jan 1, 2019	171	2				173
Additions in 2019	91	3	146	172	6	418
Disposals in 2019	193	12	1	8	7	221
Balance at December 31, 2019	1,688	141	860	444	122	3,255
Accumulated depreciation						
Balance at January 1, 2017	1,224	146	218	7	79	1,674
Depreciation in 2017	204	22	36	24	15	301
Disposals in 2017	165	60	1		3	229
Balance at December 31, 2017	1,263	108	253	31	91	1,746
Depreciation in 2018	174	13	39	66	12	304
Disposals in 2018	321	17	11	3	24	376
Balance at December 31, 2018	1,116	104	281	94	79	1,674
Share in PHI P&E included as of Jan 1, 2019	33	1				34
Depreciation in 2019	170	13	45	99	9	336
Disposals in 2019	192	11	1	8	7	219
Balance at December 31, 2019	1,127	107	325	185	81	1,825
Carrying amounts, net						
At December 31, 2017	630	46	351	107	46	1,180
At December 31, 2018	503	44	434	186	44	1,211
At December 31, 2019	561	34	535	259	41	1,430

For depreciation and amortization presentation in the statement of income see note 22.

	New Israeli Shekels		
	Year ended December 31		
	2017	2018	2019
	In millions		
Cost additions include capitalization of salary and employee related expenses	33	38	39

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NOTE 11 – INTANGIBLE AND OTHER ASSETS

Intangible assets with finite economic useful lives:

	Licenses	Costs of obtaining contracts with customers⁽²⁾	Trade name	Customer relationships	Subscriber acquisition and retention costs	Computer software⁽¹⁾	Total
	New Israeli Shekels in millions						
Cost							
At January 1, 2017	2,123	-	73	276	13	634	3,119
Transition to IFRS 15 ⁽²⁾		2			(13)		(11)
Additions in 2017		84				59	143
Disposals in 2017			73			128	201
At December 31, 2017	2,123	86	-	276	-	565	3,050
Additions in 2018		91	3			68	162
Disposals in 2018		2				141	143
At December 31, 2018	2,123	175	3	276	-	492	3,069
Share in PHI's accounts included as of Jan 1, 2019						5	5
Additions in 2019		95		6		59	160
Disposals in 2019						61	61
At December 31, 2019	2,123	270	3	282	-	495	3,173
Accumulated amortization							
At January 1, 2017	1,676	-	62	237	11	340	2,326
Transition to IFRS 15 ⁽²⁾					(11)		(11)
Amortization in 2017	88	15	11	18		107	239
Disposals in 2017			73			128	201
At December 31, 2017	1,764	15	-	255	-	319	2,353
Amortization in 2018	88	49		18		86	241
Disposals in 2018		2				140	142
At December 31, 2018	1,852	62	-	273	-	265	2,452
Share in PHI's accounts included as of Jan 1, 2019						2	2
Amortization in 2019 ⁽³⁾	73	79	*	2		87	241
Disposals in 2019						60	66
At December 31, 2019	1,925	141	*	275	-	294	2,635
Carrying amounts, net							
At December 31, 2017	359	71	-	21	-	246	697
At December 31, 2018	271	113	3	3	-	227	617
At December 31, 2019	198	129	3	7	-	201	538

* Representing an amount of less than 1 million.

	New Israeli Shekels		
	Year ended December 31		
	2017	2018	2019
	In millions		
(1) Cost additions include capitalization of salary and employee related expenses	44	54	57

(2) See adoption of IFRS 15 Revenues from Contracts with Customers in note 2(n) and note 2(f)(4).

(3) Change in accounting estimate: the useful life of the cellular license was extended to end by February 1, 2028, see notes 2(f)(1) and 4(1).

For depreciation and amortization in the statement of income see note 22.

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NOTE 12 – DEFERRED EXPENSES – RIGHT OF USE

	New Israeli Shekels in millions
Cost	
Balance at January 1, 2017	516
Additional payments in 2017	113
Balance at December 31, 2017	629
Additional payments in 2018	107
Balance at December 31, 2018	736
Share in PHI's accounts included as of Jan 1, 2019	(169)
Additional payments in 2019	51
Balance at December 31, 2019	618
Accumulated amortization and impairment	
Balance at January 1, 2017	413
Amortization in 2017	40
Balance at December 31, 2017	453
Amortization in 2018	47
Balance at December 31, 2018	500
Share in PHI's accounts included as of Jan 1, 2019	(38)
Amortization in 2019	28
Balance at December 31, 2019	490
Carrying amount, net at December 31, 2017	176
Carrying amount, net at December 31, 2018	236
Current	51
Non-current	185
Carrying amount, net at December 31, 2019	128
Current	26
Non-current	102

See also note 2(g) and note 17(4).

The amortization and impairment charges are charged to cost of revenues in the statement of income.

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NOTE 13 – IMPAIRMENT TESTS

(1) Goodwill impairment tests in the fixed-line segment

Goodwill in the fixed-line segment is allocated to a single group of CGUs which constitute all the operations of the fixed-line segment, in an amount of NIS 407 million.

For the purpose of the goodwill impairment tests in the fixed-line segment as of December 31, 2017, 2018 and 2019 the recoverable amount was assessed by management with the assistance of an external independent experts (BDO Ziv Haft Consulting & Management Ltd.) based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections covering a five-year period. Cash flows beyond the five-year period to be generated from continuing use are extrapolated using estimated growth rates. The growth rate represents the long-term average growth rate of the fixed-line communications services business. The key assumptions used are as follows:

	As of December 31,		
	2017	2018	2019
Terminal growth rate	0.9%	1.0%	1.0%
After-tax discount rate	9.3%	9.5%	8%
Pre-tax discount rate	11.2%	11.5%	9.6%

The impairment tests in the fixed-line segment as of December 31, 2017, 2018 and 2019 were based on assessments of financial performance and future strategies in light of current and expected market and economic conditions. Trends in the economic and financial environment, competition and regulatory authorities' decisions, or changes in competitors' behavior in response to the economic environment may affect the estimate of recoverable amounts. As a result of the impairment tests, the Group determined that no goodwill impairment existed as of December 31, 2017, 2018 and 2019. See also note 4(3) and note 2(h).

(2) Impairment tests of assets with finite useful lives

No indicators for impairment or reversal of impairment of assets with finite useful lives were identified in 2017, 2018 and 2019.

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NOTE 14 – PROVISIONS

	Legal claims (see note 20)	Equipment warranty	Dismantling and restoring sites obligation	Group's share in PHI's provisions (see note 9)
	New Israeli Shekels in millions			
Balance as at January 1, 2019	62	2	13	14
Share in PHI's accounts included as of January 1, 2019			14	(14)
Additions during the year	3	3	*	
Finance costs			*	
Decrease during the year	(23)	(4)	(4)	
Balance as at December 31, 2019	42	1	23	-
Non-current			23	-
Current	42	1		
Balance as at December 31, 2018	62	2	13	14
Non-current			13	14
Current	62	2		

* Representing an amount of less than NIS 1 million

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NOTE 15 –BORROWINGS AND NOTES PAYABLE

(1) Borrowings and Notes Payable

The Group's long term debt as of December 31, 2019 consists of borrowings from leading Israeli commercial banks and notes payable. The Group may, at its discretion, execute an early repayment of the borrowings, subject to certain conditions, including that the Group shall reimburse the lender for losses sustained by it as a result of the early repayment. The reimbursement is mainly based on the difference between the interest rate that the Group would otherwise pay and the current market interest rate on the early repayment date.

The notes payable are unsecured, non-convertible and listed for trade on the TASE.
The notes payable have been rated ilA+, on a local scale, by Standard & Poor's Maalot.

Composition as of December 31, 2019:

	<u>Annual interest rate</u>
Notes payable series D	'Makam' ^(*) plus 1.2%
Notes payable series F ^(**)	2.16% fixed
Notes payable series G ^(***)	4% fixed
Borrowing P (received in 2017)	2.38% fixed
Borrowing Q (received in 2017)	2.5% fixed

(*) 'Makam' is a variable interest that is based on the yield of 12 month government bonds issued by the Government of Israel. The interest is updated on a quarterly basis.

The interest rates paid (in annual terms, and including the additional interest of 1.2%) for the period from October 1, 2019 to December 30, 2019 was 1.398%.

(**) See also note 15 (2) and 15 (4).

(***) See also note 15 (2) and 15 (5).

See note 6(a)(4) as to the balances and maturities of the borrowings and the notes payable.
See note 6(c) as to the fair value of the borrowings and the notes payable.
See note 15(6) regarding financial covenants.

As of December 31, 2019, PHI has a short term credit facility with a leading Israeli commercial bank in the amount of NIS 100 million. The Group's share in this facility is 50%. The facility is restricted for use by PHI only. As of December 31, 2019 no funds were drawn from this facility.

NOTE 15 –BORROWINGS AND NOTES PAYABLE (continued)

The following table details the changes in financial liabilities, including cash flows from financing activities:

		Movement in 2018		
			Non cash movements	
	As at December 31, 2017	Cash flows used in financing activities, net	CPI adjustments and other finance costs	As at December 31, 2018
		New Israeli Shekels in millions		
Non-current borrowings, including current maturities	625	(382)		243
Notes payable, including current maturities	1,298	(174)	(1)	1,123
Interest payable	21	(69)	48	*
	1,944	(625)	47	1,366

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NOTE 15 – BORROWINGS AND NOTES PAYABLE (continued)

(2) Notes payable issuance

In December 2018, following an agreement from September 2017 with certain Israeli institutional investors, the Company expanded Series F Notes in a principal amount of NIS 150 million under the same conditions of the original series.

In January 2019, the Company issued a new Series G Notes, in a principal amount of NIS 225 million, payable as follows: 4 annual installments of NIS 22.5 million each, payable in June of each of the years 2022 through 2025, NIS 45 million payable in June 2026 and NIS 90 million payable in June 2027. The principal bears fixed annual interest of 4%, payable annually on June 25 of each year.

Regarding exercise of option warrants which are exercisable for Series G Notes see note 15 (5).

(3) Borrowings early repayments

In March 2018 the Company early repaid borrowings O and L in a total principal amount of NIS 300 million. In addition, the Company early repaid borrowing K in June 2018, in a principal amount of NIS 75 million.

The early repayments resulted in additional finance costs of NIS 18 million recorded in December 2017 and NIS 9 million recorded in March 2018.

(4) Notes payable issuance commitments

In December 2017, the Company entered into an agreement with certain Israeli institutional investors, according to which the Company undertook to issue to the institutional investors, and the institutional investors undertook to purchase from the Company, in the framework of a private placement, in an aggregate principal amount of NIS 126.75 million of additional Series F Notes in December 2019.

In January 2018, the Company entered into an agreement with certain Israeli institutional investors, according to which the Company undertook to issue to the institutional investors, and the institutional investors undertook to purchase from the Company, in the framework of a private placement, in an aggregate principal amount of NIS 100 million of additional Series F Notes in December 2019.

In December 2019, the Company issued the aforementioned additional Series F Notes in a principal amount of NIS 226.75 million.

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NOTE 15 – BORROWINGS AND NOTES PAYABLE (continued)

(5) Private placement of option warrants

In April 2019, the Company issued in a private placement two series of untradeable option warrants that are exercisable for the Company's Series G Notes. The exercise period of the first series is between July 1, 2019 and May 31, 2020 and of the second series is between July 1, 2020 and May 31, 2021. The exercise price is NIS 88 for each Series G notes principal amount of NIS 100. The Series G Notes that will be allotted upon the exercise of an option warrant will be identical in all their rights to the Company's Series G Notes immediately upon their allotment, and will be entitled to any payment of interest or other benefit, the effective date of which is due after the allotment date. The Notes that will be allotted as a result of the exercise of option warrants will be registered on the TASE. The total amount received by the Company on the allotment date of the option warrants was NIS 37 million.

In July 2019, following partial exercise of option warrants from the first series, the Company issued Series G Notes in a principal amount of NIS 38.5 million.

In November 2019, following partial exercise of option warrants from the first series, the Company issued Series G Notes in a principal amount of NIS 86.5 million.

In February 2020, following partial exercise of option warrants from the first series, the Company issued Series G Notes in a principal amount of NIS 15.1 million.

The total remaining consideration expected to be received (after the exercises described above), excluding consideration received for the allotment of the options, in respect of full exercise (and assuming that there will be no change to the exercise price) is approximately NIS 163 million.

(6) Financial covenants

Regarding Series F Notes, Series G Notes and borrowings P and Q, the Company is required to comply with a financial covenant that the ratio of Net Debt to Adjusted EBITDA shall not exceed 5. Compliance will be examined and reported on a quarterly basis. For the purpose of the covenant, Adjusted EBITDA is calculated as the sum total for the last 12 month period, excluding adjustable one-time items. As of December 31, 2019, the ratio of Net Debt to Adjusted EBITDA was 1.1.

Additional stipulations mainly include:

Shareholders' equity shall not decrease below NIS 400 million and no dividends will be declared if shareholders' equity will be below NIS 650 million regarding Series F notes and borrowing P. Shareholders' equity shall not decrease below NIS 600 million and no dividends will be declared if shareholders' equity will be below NIS 750 million regarding Series G notes. The Company shall not create floating liens subject to certain terms. The Company has the right for early redemption under certain conditions. With respect to notes payable series F and series G: the Company shall pay additional annual interest of 0.5% in the case of a two-notch downgrade in the Notes rating and an additional annual interest of 0.25% for each further single-notch downgrade, up to a maximum additional interest of 1%; the Company shall pay additional annual interest of 0.25% during a period in which there is a breach of the financial covenant; debt rating will not decrease below BBB- for a certain period. In any case, the total maximum additional interest for Series F and G, shall not exceed 1.25% or 1%, respectively.

The Group was in compliance with the financial covenant and the additional stipulations for the year 2019.

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NOTE 16 - LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT

Israeli labor laws and agreements require payment of severance pay upon dismissal of an employee or upon termination of employment in certain other circumstances. See also note 2 (k).

(1) Defined contribution plan

The Group had contributed NIS 17 million, NIS 20 million and NIS 23 million for the years 2017, 2018 and 2019 respectively, in accordance with Section 14 of the Israeli Severance Pay Law. See also note 2(k)(i)(1).

(2) Defined benefit plan

Liability for employee rights upon retirement, net is presented as non-current liability.

The amounts recognized in the statement of financial position, in respect of a defined benefit plan (see note 2(k)(i)(2)) and changes during the year in the obligation recognized for post-employment defined benefit plans were as follows:

	New Israeli Shekels in millions		
	Present value of obligation	Fair value of plan assets	Total
At January 1, 2018	139	(99)	40
Current service cost	11		11
Interest expense (income)	3	(1)	2
Employer contributions		(8)	(8)
Benefits paid	(11)	7	(4)
Remeasurements:			
Experience loss	2		2
Return on plan assets		(3)	(3)
At December 31, 2018	144	(104)	40
Current service cost	12		12
Interest expense (income)	4	(2)	2
Employer contributions		(9)	(9)
Benefits paid	(14)	10	(4)
Remeasurements:			
Experience loss	4		4
Return on plan assets		(2)	(2)
At December 31, 2019	150	(107)	43

Remeasurements are recognized in the statement of comprehensive income.

The expected contribution to the defined benefit plan during the year ending December 31, 2020 is approximately NIS 7 million.

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NOTE 16 - LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT (continued)

(2) Defined benefit plan (continued)

The principal actuarial assumptions used were as follows:

	December 31	
	2018	2019
Interest rate weighted average	3.29%	2.33%
Inflation rate weighted average	1.62%	1.49%
Expected turnover rate	9%-56%	9%-56%
Future salary increases	1%-6%	1%-6%

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	December 31, 2019	
	NIS in millions	
	Increase of 10% of the assumption	Decrease of 10% of the assumption
Interest rate	(0.6)	0.4
Expected turnover rate	0.1	(0.1)
Future salary increases	0.5	(0.4)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The defined benefit plan exposes the Group to a number of risks, the most significant are asset volatility, and a risk that salary increases will be higher than expected in the actuarial calculations. The assets are invested in provident funds, managed by managing companies and are subject to laws and regulations, and supervision (including investment portfolio) of the Capital Markets, Insurance and Saving Division of the Israeli Ministry of Finance.

Expected maturity analysis of undiscounted defined benefits as at December 31, 2019:

	NIS in millions
2020	25
2021	22
2022	12
2023 and 2024	20
2025 and thereafter	84
	<u>163</u>

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NOTE 17 – COMMITMENTS

- (1) Under the Telegraph Regulations the Company is committed to pay an annual fixed fee for each frequency used. For the years 2017, 2018 and 2019 the Company recorded expenses in a total amount of approximately NIS 63 million, NIS 76 million and NIS 79 million, respectively. Under the above Regulations should the Company choose to return a frequency, such payment is no longer due. Commencing August 2016, the total amount of frequency fees of both the Company and Hot Mobile under the regulations are divided between the Company and Hot Mobile, through PHI, according to the OPEX-CAPEX mechanism (see also note 9).
- (2) At December 31, 2019, the Group is committed to acquire property and equipment and software elements for approximately NIS 36 million.
- (3) At December 31, 2019, the Group is committed to acquire inventory in an amount of approximately NIS 136 million.
- (4) Right of Use (ROU)

The Group signed long-term agreements with service providers to receive indefeasible Rights of Use (ROU) of international capacities through submarine infrastructures (see note 12), most extendable until 2030. As of December 31, 2019, the Group is committed to pay for capacities over the following years an amount of NIS 153 million (excluding maintenance fees) as follows:

	New Israeli Shekels in millions
2020	51
2021	49
2022	47
2023	6
	<u>153</u>

In addition, under the terms of the ROU agreements, as of December 31, 2019 the Group is committed to pay annual maintenance fees during the usage period. The total aggregated expected maintenance fee for the years 2020 to 2023 is approximately NIS 23 million. Some payments under the ROU agreements are linked to the USD.

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NOTE 17 – COMMITMENTS (continued)

(5) Liens and guarantees

As of December 31, 2019, the Group has provided bank guarantees in respect of licenses (see note 1(c)) in an amount of NIS 89 million, in addition to bank guarantees in favor of other parties in an aggregate amount of approximately NIS 22 million. Therefore, the total bank guarantees provided by the Group as of December 31, 2019 is NIS 111 million. In addition, the Company provided a guarantee to PHI's credit facility in an amount of NIS 50 million. PHI's credit facility is not used as at December 31, 2019 (see also notes 9 and 15).

(6) Covenants and negative pledge – see note 15(6).

(7) See note 15(4) with respect of notes payable issuance commitments.

(8) Operating leases – see note 19.

(9) See note 9 with respect to network sharing and PHI's commitments.

NOTE 18 – DEFERRED INCOME WITH RESPECT TO SETTLEMENT AGREEMENT WITH ORANGE

In June 2015, the Company announced that it had entered into a settlement agreement with Orange Brand Services Ltd ("Orange") which created a new framework for their relationship and provided both Partner and Orange the right to terminate the brand license agreement which had been in force since 1998. In accordance with the terms of the settlement agreement, the Company received advance payments in a total of €90 million during 2015.

As set forth in the settlement agreement, the advance payments were recognized and reconciled evenly on a quarterly basis over a period until the second quarter of 2017, against contingent marketing, sales, customer services and other expenses that were incurred over this period. The income was recorded in the Company's income statement under "Income with respect to settlement agreement with Orange". For 2015, 2016 and 2017, the Company recognized income with respect to the settlement agreement in an amount of NIS 61 million, NIS 217 million and NIS 108 million, respectively. Based on a legal opinion obtained by the Company, the advance payments are considered compensation payments and are therefore not subject to VAT charges.

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NOTE 19 – LEASES

The Group leases the following assets (as a lessee) (see also notes 2(o) and 3):

- (1) **Buildings:** The Group leases its headquarter facilities in Rosh Ha-ayin, Israel, with a total of approximately 51,177 gross square meters (including parking lots). The lease term is until the end of 2024. The rental payments are linked to the Israeli CPI.

The Group also leases call centers, retail stores and service centers. The leases for each site have different lengths and specific terms. The lease agreements are for periods of two to ten years. The Group has options to extend some lease contract periods for up to twenty years (including the original lease periods). Substantially all of the rental payments are linked to the Israeli CPI and a few are linked to the dollar. Some of the extension options include an increase of the lease payment in a range of 2%-10%.

- (2) **Cell sites:** Lease agreements in respect of cell sites and switching stations throughout Israel are for periods of two to ten years. The Company has an option to extend some of the lease contract periods for up to ten years (including the original lease periods). Substantially all of the rental payments are linked to the Israeli CPI and a few are linked to the dollar. Some of the extension options include an increase of the lease payment mostly in a range of 2%-10%. During 2018 and 2019 significant portion of cell sites were assigned to PHI.

- (3) **Vehicles:** The Group leases vehicles are for periods of up to three years. The rental payments are linked to the Israeli CPI.

The extension options are negotiated by management to provide flexibility in managing the leased asset portfolio and align with the Group's business needs. Management exercised judgment and generally determined that the extension options are reasonably certain to be exercised. Generally, the Group's obligations under its leases are secured by the lessor's title to the leased assets. Set out below are the carrying amounts of right of use assets and lease liabilities recognized and the movements during the year:

	New Israeli Shekels in millions			
	Lease right of use asset			Lease liability
	Buildings	Cell sites	Vehicles	
Balance as at January 1, 2019	252	362	42	683
Amortization charges	(41)	(78)	(27)	
Accretion of interest				20
Non-cash movements	11	46	15	73
Lease payments (principal) cash outflow				(139)
Lease payments (interest) cash outflow				(20)
Balance as at December 31, 2019	222	330	30	617
Current				131
Non-Current	222	330	30	486

In 2017 and 2018 rent expenses in amounts of NIS 178 million and NIS 169 million respectively were recorded according to the previous accounting policy under IAS 17.

See note 6(a)(4) for maturity analysis of undiscounted lease liability as of December 31, 2019.

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NOTE 19 – LEASES (continued)

Non-cancelable minimum operating lease rentals (undiscounted) in respect of the Company's leases were payable including option periods which are reasonably certain in previous years according to the previous accounting policy under IAS 17:

	New Israeli Shekels
	December 31, 2018
	In millions
2019	76
2020-2021	114
2022-2023	87
2024-2025	51
2026-2027	18
2028 and thereafter	26
	<u>372</u>

	New Israeli Shekels
	December 31, 2017
	In millions
2018	158
2019	100
2020	77
2021	59
2022-2023	100
2024-2025	52
2026-2027	13
2028 and thereafter	19
	<u>578</u>

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NOTE 20 – LAWSUITS AND LITIGATIONS

A. Claims

Total provision recorded in the financial statements in respect of all lawsuits against the Group amounted to NIS 42 million at December 31, 2019.

Described below are the main litigation and claims against the Group:

1. Consumer claims

This category includes class actions and motions for the recognition of these lawsuits as class actions with respect to, among others, alleged claims regarding charges and claims regarding alleged breach of the Consumer Protection Law, the Privacy Protection Law, the Communications Law (Telecommunications and Broadcasting), license provisions, other legal provisions and engagement agreements with customers.

Described hereunder are the outstanding consumer class actions and motions for the recognition of these lawsuits as class actions, detailed according to the amount claimed, as of the date of approval of these financial statements:

Claim amount	Number of claims	Total claims amount (NIS million)
Up to NIS 100 million	17	430
NIS 101 - 400 million	4	1,050
NIS 401 million - NIS 1 billion	2	1,405
Unquantified claims	10	-
Total	33	2,885

With respect to five claims mentioned in the table above in a total amount of NIS 104 million, the parties filed requests to approve settlement agreements.

With respect to six additional claims, the court approved settlement agreements and withdrawals. Provision regarding these claims is included in the above-mentioned provision.

With respect to four claims mentioned above, the court approved these claims as class actions:

1. On September 7, 2010, a claim and a motion to certify the claim as a class action were filed against Partner. The claim alleges that Partner unlawfully charged its customers for services of various content providers which are sent through text messages (SMS). The total amount claimed from Partner was estimated by the plaintiffs to be approximately NIS 405 million. The claim was certified as a class action in December 2016. In January 2017, the plaintiffs filed an appeal to the Supreme Court, regarding the definition of the group of customers. In November 2018, the Supreme Court dismissed the appeal and the claim was reverted back to the District Court. In February 2020 a settlement agreement was filed for the Court's approval in an immaterial amount. Partner estimates that even if the claim will be decided in favor of the approved group of customers (as defined by the District Court), the damages that Partner will be required to pay will be immaterial.

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NOTE 20 – LAWSUITS AND LITIGATIONS (continued)

A. Claims (continued)

1. Consumer claims (continued)

2. On April 3, 2012, a claim and a motion to certify the claim as a class action were filed against Partner. The claim alleges that Partner breached its license conditions in connection with benefits provided to customers that purchased handsets from third parties. The amount claimed in the lawsuit was estimated by the plaintiffs to be approximately NIS 22 million. In September 2014, the Court approved the motion and recognized the lawsuit as a class action. In July 2017, the parties filed a request to the Court to approve a settlement agreement. In December 2019, the Court approved the settlement agreement which Partner is currently implementing. The damages that Partner is required to pay are immaterial.
3. On November 12, 2015, a claim and a motion to certify the claim as a class action were filed against Partner. The claim alleges that Partner required their customers to purchase a router and/or a call adaptor and/or terminal equipment as a condition for using its fixed-line telephony services, an action which would not be in accordance with the provisions of its licenses. The total amount claimed against Partner is estimated by the plaintiff to be approximately NIS 116 million. In February 2019, the Court approved the request to certify the claim as a class action with certain changes. In March 2019, Partner filed an appeal of this decision. In February 2020, the Supreme Court dismissed the appeal request that was filed and the claim was reverted back to the District Court. Partner estimates that even if the claim will be decided in favor of the approved group of customers, the damages that Partner will be required to pay will be immaterial.
4. On November 12, 2015, a claim and a motion to certify the claim as a class action were filed against 012 Smile. The claim alleges that 012 Smile required their customers to purchase a router and/or a call adaptor and/or terminal equipment as a condition for using its fixed-line telephony services, an action which would not be in accordance with the provisions of its licenses. The total amount claimed against 012 Smile is estimated by the plaintiff to be approximately NIS 64 million. In February 2019, the Court approved the request to certify the claim as a class action with certain changes. In March 2019, the Company filed an appeal of this decision. In February 2020, the Supreme Court dismissed the appeal request that was filed and the claim was reverted back to the District Court. The Company estimates that even if the claim will be decided in favor of the approved group of customers, the damages that the Company will be required to pay will be immaterial.

2. Employees and other claims

This category includes 1 claim: In March 2014, a claim and a motion to certify the claim as a class action were filed against the Company. The claim alleged that the Company did not include in the severance pay calculation for its employees various components that constitute an addition to the salary for the severance pay calculation and thereby acted unlawfully. The total amount claimed from Partner was estimated by the plaintiff to be approximately NIS 100 million. In November 2015, the plaintiff filed an amended claim and a motion to certify the claim as a class action. In November 2017, the parties filed a revised settlement agreement which was approved by the Court in July 2018.

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NOTE 20 – LAWSUITS AND LITIGATIONS (continued)

A. Claims (continued)

1. Consumer claims (continued)

In 2019 Partner completed its obligations in accordance with the settlement agreement. The damages that Partner was required to pay were immaterial.

In addition to all the above mentioned claims the Group is a party to various claims arising in the ordinary course of its operations.

B. Contingencies in respect of building and planning procedures

Section 197 of the Building and Planning Law states that a property owner has the right to be compensated by a local planning committee for reductions in property value as a result of a new building plan.

In January 2006, the Non-ionizing Radiation Law was published, amending the Planning and Building Law so that local Planning and Building committees must require indemnification letters against reduction in property value from the cellular operators requesting building permits.

Accordingly, on January 3, 2006, the National Council for Planning and Building published an interim decision conditioning the issuance of building permits for cell site permits by local planning and building councils upon provision of a 100% indemnification undertaking by the cellular operators. This decision shall remain in effect until it is replaced with an amendment to the National Zoning Plan 36. Between January 3, 2006 and December 31, 2019 the Company provided the local authorities with 459 indemnification letters as a pre-condition for obtaining building permits.

In case the Company shall be required to make substantial payments under the indemnity letters, it could have an adverse effect on the Company's financial results.

According to the company's management estimation and based on its legal counsel, a provision in the financial statement was not included.

The Company assumes that the requirement to provide indemnification letters might require it to change locations of sites to different, less suitable locations and to dismantle some of its sites. These changes in the deployment of the sites might have an adverse effect on the extent, quality and capacity of the network coverage.

C. Investigation by the Israeli Tax Authority

The Israeli Tax Authority is conducting an investigation that involves document collection and the questioning of among others, several Company employees, both past and current. The investigation is seeking to determine whether there have been violations of the Eilat Free Trade Zone (Tax Exemptions and Reductions) - 1985 Law regarding the sale of cellular phones in the city of Eilat. The Company is fully cooperating with the Israeli Tax Authority. At this stage, the Company is unable to estimate the impact of the investigation on the Company, its results and its condition, if any.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 – EQUITY AND SHARE BASED PAYMENTS

a. Share capital:

The Company's share capital consists of ordinary shares, which are traded on the Tel Aviv Stock Exchange Ltd. under the symbol "PTNR", and are quoted on the NASDAQ Global Select Market™, in the form of American Depositary Shares ("ADSs"), each representing one of the Company's ordinary shares, under the symbol "PTNR", according to the dual listing regulations. The ADSs are evidenced by American Depositary Receipts ("ADRs"). Citibank, N.A. serves as the Company's depository for ADSs. The holders of ordinary shares are entitled vote in the general meetings of shareholders and to receive dividends as declared.

Under the provisions of the Company's licenses (note 1(c)), restrictions are placed on transfer of the Company's shares and placing liens thereon. The restrictions include the requirement of advance written consent of the Minister of Communications be received prior to transfer of 10% or more of the Company's shares to a third party. The restrictions require that the "founding shareholders or their approved substitutes", as defined in the cellular license, hold at least 26% of the means of control in the Company, including 5% which must be held by Israeli shareholders (Israeli citizens and residents), who were approved as such by the Minister of Communications.

Through December 31, 2008 the Company purchased its own 4,467,990 shares at the cost of NIS 351 million, and during 2018 the Company purchased its own 6,501,588 shares at the cost of NIS 100 million (upon repurchase were recorded as "treasury shares"). In accordance with the Israeli Companies Law, the treasury shares are considered dormant shares as long as they are held by the Company, and as such they do not bear any rights (including the right to vote in general meetings of shareholders and to receive dividends) until they are transferred to a third party. Some of the treasury shares were offered to employees under a share based compensation plan: Company's Equity Incentive Plan as restricted shares awards ("RSAs") (see (b) below).

As of December 31, 2019 a total of 8,275,837 treasury shares remained, of which 1,247,583 were allocated to a trustee on behalf of the employees under the plan. The RSAs offered under the plan are under the control of the Company until vested under the plan and therefore are not presented in the financial statements as outstanding shares until vested.

In June 2017, the Company issued 10,178,211 shares of the Company to the public and to institutional investors, following a tender under a shelf offering, and by way of a private placement. The total net consideration received was approximately NIS 190 million. The offering expenses totaled NIS 7 million.

In January 2020, the Company issued 19,330,183 shares of the Company to institutional investors, following a tender under a shelf offering, and by way of a private placement. The total net consideration received was approximately NIS 276 million. The offering expenses totaled NIS 10 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 – EQUITY AND SHARE BASED PAYMENTS (continued)

b. Share based compensation to employees

(1) Description of the Equity Incentive Plan

Share options and restricted shares were granted to employees in accordance with Company's Equity Incentive Plan (the "Plan"). It includes allocation of restricted shares ("RSAs") to the Company's employees and officers and determines the right to vote at the general meetings of shareholders and the right to receive dividends distributed with respect to the restricted shares. The committee may set performance targets as a vesting criterion (independently or in combination with other criteria).

The total number of Company's shares reserved for issuance upon exercise of all options or upon the earning of the restricted shares granted under the Plan is 26,917,000, of which 7,442,763 remained ungranted as of December 31, 2019. The vesting of the options and the earning of the restricted shares are subject to vesting/restriction periods. The vesting of the options and the earning of the restricted shares granted after June 2014 are also subject to performance conditions set by the Company's organs. The Company expects that the performance conditions will be met. The Plan's principal terms of the options include:

- Exercise price adjustment: The exercise price of options shall be reduced in the following events: (1) dividend distribution other than in the ordinary course: by the gross dividend amount so distributed per share, and (2) dividend distribution in the ordinary course: the exercise price shall be reduced by the amount of a dividend in excess of 40% of the Company's net income for the relevant period per share, or by the gross dividend amount so distributed per share ("Full Dividend Mechanism"), depending on the date of granting of the options.
- Cashless exercise: Most of the options may be exercised only through a cashless exercise procedure, while holders of other options may choose between cashless exercise and the regular option exercise procedure. In accordance with such cashless exercise, the option holder would receive from the Company, without payment of the exercise price, only the number of shares whose aggregate market value equals the economic gain which the option holder would have realized by selling all the shares purchased at their market price, net of the option exercise price.

(2) Information in respect of options and restricted shares granted under the Plan:

	Through December 31, 2019	
	Number of options	Number of RSAs
Granted	35,072,795	5,509,554
Shares issued upon exercises and vesting	(6,528,031)	(2,695,053)
Cancelled upon net exercises, expiration and forfeitures	(19,524,075)	(1,584,037)
Outstanding	9,020,689	1,230,464
Of which:		
Exercisable	5,623,921	
Vest in 2020	1,632,797	678,379
Vest in 2021	1,145,182	371,076
Vest in 2022	618,789	181,009

As of December 31, 2019 the Company expects to record a total amount of compensation expenses of approximately NIS 14 million during the next three years with respect to options and restricted shares granted through December 31, 2019.

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NOTE 21 - EQUITY AND SHARE BASED PAYMENTS (continued)

b. Share based compensation to employees (continued)

(3) Options and RSAs status summary as of December 31, 2017, 2018 and 2019 and the changes therein during the years ended on those dates:

	Year ended December 31					
	2017		2018		2019	
	Number	Weighted average exercise price NIS	Number	Weighted average exercise price NIS	Number	Weighted average exercise price NIS
Share Options:						
Outstanding at the beginning of the year	11,285,901	29.14	8,708,483	29.67	9,697,266	28.19
Granted during the year	1,201,358	19.45	2,536,362	18.59	1,232,226	16.21
Exercised during the year	(1,906,991)	17.38	(778,616)	17.11	(70,824)	16.62
Forfeited during the year	(988,566)	22.91	(307,055)	18.79	(235,150)	18.74
Expired during the year	(883,219)	43.10	(461,908)	28.17	(1,602,829)	46.64
Outstanding at the end of the year	8,708,483	29.67	9,697,266	28.19	9,020,689	23.62
Exercisable at the end of the year	5,190,586	36.66	6,266,965	33.39	5,623,921	27.11
Shares issued during the year due exercises	319,259		94,276		3,166	
RSAs:						
Outstanding at the beginning of the year	1,955,414		1,344,297		1,209,521	
Granted during the year	507,146		813,310		397,476	
Vested during the year	(753,106)		(791,796)		(284,427)	
Forfeited during the year	(365,157)		(156,290)		(92,106)	
Outstanding at the end of the year	1,344,297		1,209,521		1,230,464	
				Options granted in 2017	Options granted in 2018	Options granted in 2019
Weighted average fair value of options granted using the						
Black & Scholes option-pricing model – per option (NIS)				5.43	4.36	3.34
The above fair value is estimated on the grant date based on the following weighted average assumptions:						
Expected volatility				37.6%	34.14%	33.52%
Risk-free interest rate				0.53%	0.79%	0.57%
Expected life (years)				3	3.16	3
Dividend yield				*	*	*

* Due to the Full Dividend Mechanism the expected dividend yield used in the fair value determination of such options was 0% for the purpose of using the Black & Scholes option-pricing model.

The expected volatility is based on a historical volatility, by statistical analysis of the daily share price for periods corresponding the option's expected life. The expected life is expected length of time until expected date of exercising the options, based on historical data on employees' exercise behavior and anticipated future condition. The fair value of RSAs was evaluated based on the stock price on grant date.

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NOTE 21 - EQUITY AND SHARE BASED PAYMENTS (continued)

b. Share based compensation to employees (continued)

(4) Information about outstanding options by expiry dates:

Share options outstanding as of December 31, 2019 have the following expiry dates and exercise prices:

Expire in	Number of share options	Weighted average exercise price in NIS
2020	2,218,316	37.35
2021	1,828,653	20.27
2022	607,657	23.50
2023	728,040	19.40
2024	2,405,797	18.60
2025	1,232,226	16.21
	9,020,689	23.62

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NOTE 22 – INCOME STATEMENT DETAILS

(a) Revenues:

The aggregate amount of transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied as of December 31, 2019, in addition to deferred revenues (see table below), is approximately NIS 183 million (mainly services). Of which the Group expects that approximately 31% will be recognized as revenue during 2020, approximately 17% will be recognized as revenue during 2021, and the rest in later years. The above excludes contracts that are for periods of one year or less or are billed based on time incurred, as permitted under IFRS 15 the transaction price allocated to these unsatisfied contracts is not disclosed.

The table below describes significant changes in contract liabilities:

	New Israeli Shekels in millions	
	Deferred revenues from Hot mobile *	Other deferred revenues*
Balance at January 1, 2018	195	46
Revenue recognized that was included in the contract liability balance at the beginning of the year	(31)	(21)
Increases due to cash received, excluding amounts recognized as revenues during the year	-	20
Balance at December 31, 2018	164	45
Revenue recognized that was included in the contract liability balance at the beginning of the year	(31)	(19)
Increases due to cash received, excluding amounts recognized as revenues during the year	-	27
Balance at December 31, 2019	133	53

* Current and non-current deferred revenues.

Disaggregation of revenues:

	Year ended December 31, 2019			
	New Israeli Shekels in millions			
	Cellular segment	Fixed-line segment	Elimination	Consolidated
Segment revenue - Services to private customers	990	513	(87)	1,416
Segment revenue - Services to business customers	808	412	(76)	1,144
Segment revenue - Services revenue total	1,798	925	(163)	2,560
Segment revenue - Equipment	571	103		674
Total Revenues	2,369	1,028	(163)	3,234

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NOTE 22 – INCOME STATEMENT DETAILS (continued)

Year ended December 31, 2018				
New Israeli Shekels in millions				
	Cellular segment	Fixed-line segment	Elimination	Consolidated
Segment revenue - Services to private customers	1,045	418	(95)	1,368
Segment revenue - Services to business customers	798	434	(76)	1,156
Segment revenue - Services revenue total	1,843	852	(171)	2,524
Segment revenue - Equipment	643	92		735
Total Revenues	2,486	944	(171)	3,259

Year ended December 31, 2017				
New Israeli Shekels in millions				
	Cellular segment	Fixed-line segment	Elimination	Consolidated
Segment revenue - Services to private customers	1,126	320	(98)	1,348
Segment revenue - Services to business customers	852	457	(75)	1,234
Segment revenue - Services revenue total	1,978	777	(173)	2,582
Segment revenue - Equipment	610	76		686
Total Revenues	2,588	853	(173)	3,268

Revenues from services are recognized over time. For the years 2017, 2018 and 2019 revenues from equipment are recognized at a point of time, except for NIS 11 million, NIS 16 million and NIS 17 million, respectively, which were recognized over time. Revenues from equipment for the years 2017, 2018 and 2019 include revenues from operating leases according to IAS 17 and IFRS 16, in an amount of NIS 11 million, NIS 16 million and NIS 17 million, respectively.

Revenues from services for the years 2017, 2018 and 2019 include revenues from operating leases according to IAS 17 and IFRS 16 in an amount of NIS 10 million, NIS 37 million and NIS 57 million, respectively. See also note 7 with respect to payment terms of sales of equipment, trade receivables and allowance for expected credit losses.

(b) Cost of revenues

New Israeli Shekels			
Year ended December 31,			
	2017	2018	2019
	In millions		
Transmission, communication and content providers	738	742	746
Cost of equipment and accessories	519	543	500
Depreciation and amortization	477	457	603
Wages, employee benefits expenses and car maintenance	293	310	312
Costs of handling, replacing or repairing equipment	75	73	71
Operating lease, rent and overhead expenses	184	184	73
Network and cable maintenance	97	109	99
Internet infrastructure and service providers	95	143	173
IT support and other operating expenses	61	56	57
Amortization of deferred expenses - rights of use	40	47	28
Other	48	36	45
Total cost of revenues	2,627	2,700	2,707

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NOTE 22 – INCOME STATEMENT DETAILS (continued)

(c) Selling and marketing expenses

New Israeli Shekels			
Year ended December 31,			
2017	2018	2019	
In millions			
Wages, employee benefits expenses and car maintenance	106	111	102
Advertising and marketing	44	46	44
Selling commissions, net	29	27	28
Depreciation and amortization	54	77	106
Operating lease, rent and overhead expenses	23	19	4
Other	13	13	17
Total selling and marketing expenses	269	293	301

(d) General and administrative expenses

New Israeli Shekels			
Year ended December 31,			
2017	2018	2019	
In millions			
Wages, employee benefits expenses and car maintenance	79	76	85
Professional fees	22	21	21
Credit card and other commissions	14	14	13
Depreciation	9	11	14
Other	20	26	16
Total general and administrative expenses	144	148	149

(e) Employee benefit expense

New Israeli Shekels			
Year ended December 31,			
2017	2018	2019	
In millions			
Wages, employee benefits expenses and car maintenance, before capitalization	503	543	543
Less: expenses capitalized (notes 10, 11)	(77)	(92)	(96)
Service costs: defined benefit plan (note 16(2))	15	11	12
Service costs: defined contribution plan (note 16(1))	17	20	23
Employee share based compensation expenses (note 21(b))	20	15	17
	478	497	499

In March 2019 the Company signed a new collective employment agreement with the employees' representatives and the Histadrut New General Labor Organization (hereinafter - the "Parties") that includes an economic chapter, for the years 2019-2021 ("the Collective Employment Agreement"). The Collective Employment Agreement grants Partner employees, among other things: an immediate salary increase for employees with a seniority of 1.5 years or more; an additional salary increase contingent upon the Company's performance; sharing of the Company's profits and the terms of eligibility for these grants in the years 2019-2021. In addition, the Parties negotiated a salary increase mechanism for the year 2020 and will renegotiate another increase for the year 2021 towards the end of the year 2020.

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NOTE 23 – OTHER INCOME, NET

New Israeli Shekels			
Year ended December 31,			
	2017	2018	2019
	In millions		
Unwinding of trade receivables	27	25	23
Other income, net	4	3	5
	<u>31</u>	<u>28</u>	<u>28</u>

NOTE 24 – FINANCE COSTS, NET

New Israeli Shekels			
Year ended December 31,			
	2017	2018	2019
	In millions		
Net foreign exchange rate gains	2	*	4
Interest income from cash, cash equivalents and deposits	2	2	3
Finance income	<u>4</u>	<u>2</u>	<u>7</u>
Interest expenses	171	47	40
CPI linkage expenses	4	3	*
Interest for lease liabilities			20
Finance charges for financial liability			9
Other finance costs	9	5	6
Finance expenses	<u>184</u>	<u>55</u>	<u>75</u>
	<u>180</u>	<u>53</u>	<u>68</u>

* Representing an amount of less than 1 million

NOTE 25 – INCOME TAX EXPENSES

a. Corporate income tax rates applicable to the Group

The Group is taxed according to the regular corporate income tax in Israel.

In December 2016, the Economic Efficiency Law (Legislative Amendments for Implementing the Economic Policy for the 2017 and 2018 Budget Year), 2016 was published, enacting that the corporate tax rate will be 24% in 2017 and 23% in 2018 and thereafter.

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NOTE 25 - INCOME TAX EXPENSES (continued)

b. Deferred income taxes

Balances of deferred tax asset (liability) in NIS millions are attributable to the following items:

Balance of deferred tax asset (liability) in respect of	As at January 1, 2017	Charged to the income statement	Charged to other comprehensive income	As at December 31, 2017	Charged to the income statement	Charged to other comprehensive income	As at December 31, 2018	Charged to the income statement	Charged to other comprehensive income	Charged to retained earnings upon implementation of IFRS 16	As at December 31, 2019
Allowance for credit losses	45	*		45	(2)		43	(4)			39
Provisions for employee rights	14	*	1	15	2	*	17	1	*		18
Depreciable fixed assets and software	(35)	8		(27)	8		(19)	8			(11)
Lease - Right-of- use assets	-			-			-	17		(151)	(134)
Leases liabilities	-			-			-	(15)		157	142
Intangibles, deferred expenses and carry forward losses	9	7		16	(24)		(8)	(11)			(19)
Options granted to employees	6	*		6	(1)		5	1			6
Other	2	(2)		*	*		*	*			*
Total	41	13	1	55	(17)	*	38	(3)	*	6	41

* Representing an amount of less than NIS 1 million.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25 - INCOME TAX EXPENSES (continued)

b. Deferred income taxes (continued)

	New Israeli Shekels	
	December 31,	
	2018	2019
	In millions	
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	69	173
Deferred tax assets to be recovered within 12 months	52	85
	121	258
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	64	164
Deferred tax liabilities to be recovered within 12 months	19	53
	83	217
Deferred tax assets, net	38	41

- c. Following is a reconciliation of the theoretical tax expense, assuming all income is taxed at the regular tax rates applicable to companies in Israel (see (a) above), and the actual tax expense:

	New Israeli Shekels		
	Year ended December 31,		
	2017	2018	2019
	In millions		
Profit before taxes on income, as reported in the income statements	135	63	19
Theoretical tax expense	32	14	4
Increase in tax resulting from disallowable deductions	8	9	5
Taxes on income in respect of previous years	(10)	(15)	(7)
Temporary differences and tax losses for which no deferred income tax asset was recognized	(9)	(1)	(2)
Income tax expenses	21	7	*

* Representing an amount of less than NIS 1 million.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25- INCOME TAX EXPENSES (continued)

d. Taxes on income included in the income statements:

	New Israeli Shekels		
	Year ended December 31,		
	2017	2018	2019
	In millions		
For the reported year:			
Current	44	6	3
Deferred, see (c) above	(4)	17	4
In respect of previous year:			
Current	(10)	(15)	(7)
Deferred, see (c) above	(9)	(1)	
	21	7	*

* Representing an amount of less than NIS 1 million.

e. Tax assessments:

- 1) In 2017, the Company received final income tax assessments for the years 2014 and 2015.
- 2) In 2018, a Group's subsidiary received final income tax assessments for the years 2013 through 2016.
- 3) As a general rule, income tax self-assessments filed by two other subsidiaries through the year ended December 31, 2014 are, by law, now regarded as final.

f. Tax losses carried forward to future years:

At December 31, 2019, the Company had carry forward tax losses of approximately NIS 92 million. The losses can be carried forward indefinitely and have no expiry date. The Company recognized deferred tax asset regarding the tax losses.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a. Key management compensation

Key management personnel are the senior management of the Company and the members of the Company's Board of Directors.

	New Israeli Shekels		
	Year ended December 31		
	2017	2018	2019
Key management compensation expenses comprised	In millions		
Salaries and short-term employee benefits	21	22	27
Long term employment benefits	3	3	3
Employee share-based compensation expenses	11	9	12
	35	34	42

	New Israeli Shekels	
	December 31,	
	2018	2019
Statement of financial position items - key management	In millions	
Current liabilities:	9	10
Non-current liabilities:	10	10

- b. In the ordinary course of business, key management or their relatives may have engaged with the Company with immaterial transactions that are under normal market conditions.
- c. Principal shareholder: S.B. Israel Telecom, an affiliate of Saban Capital Group LLC, a private investment firm, based in Los Angeles, California, specializing in the media, entertainment and communications industries, is the registered owner of the shares in the Company's share register. On November 11, 2019, S.B. Israel Telecom filed an amendment to its Schedule 13D with the SEC stating that it had no sole or shared voting or dispositive power over any shares of the Company, and that as a result of the Receiver Appointment (as defined in the filed amendment), as of November 12, 2019, the Reporting Persons (as defined in the filed amendment) ceased to beneficially own any ordinary shares of the Company. On November 12, 2019, the District Court of Tel Aviv ("the Court") issued a court order ("the Court Order") under which attorney Ehud Sol (the "Receiver") was appointed as receiver for 49,862,800 of the Company's shares, representing as of March 1, 2020, approximately 27.16% of our issued and outstanding share capital and the largest block of shares held by a single shareholder. The shares (the "Pledged Shares") had been purchased by S.B. Israel Telecom Ltd. ("S.B. Israel Telecom") from Advent Investments Pte Ltd ("Advent") in 2013; in connection with the purchase, S.B. Israel Telecom assumed certain debt owed to Advent, and agreed that such debt would be secured by, among other things, the Pledged Shares. S.B. Israel Telecom defaulted on the payment, and on November 11, 2019, consented to enforcement and foreclosure proceedings with respect to the Pledged Shares.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

The Court Order was issued due to an application filed by Advent ("Advent's Application") and granted the Receiver substantial rights related to the Pledged Shares, including the right to participate in our shareholders' meetings, to vote the Pledged Shares, to receive dividends, and any contractual right related to the Pledged Shares, although as noted below, the Receiver may not sell or transfer the Pledged Shares without the Court's approval. Without derogating from those rights of the Receiver, S.B. Israel Telecom remains the holder of legal title to the Pledged Shares. On December 9, 2019, the Ministry of Communications granted, within its powers, a permit to the Receiver to exercise means of control of the Company by himself. As a result, the Receiver has the power to substantially influence the nomination of the Company's Board of Directors and to play a preponderant if not decisive role in other decisions taken at meetings of our shareholders. For example, to the extent that the Company's discussions with Hot Telecom result in the entry into the Proposed Transaction, the Receiver would have the power to block approval of the Proposed Transaction, which requires approval by holders of at least 75% of the Company's shares, since the Receiver has the right to vote over 27% of the shares. The Receiver is expected to hold such rights until the Pledged Shares are sold or transferred to Advent, actions that would require the Court's approval according to the Court Order and Advent's Application. S.B. Israel Telecom has agreed that it will not raise an objection to such a transfer to Advent if it occurs within 9 months of November 11, 2019, the date of its consent; following such period, S.B. Israel Telecom may object to such transfer, particularly if it believes that the value of the Pledged Shares as of the proposed transfer date exceeds the amount of its defaulted debt to Advent. The Receiver is to exercise the rights associated with the Pledged Shares based on its judgment and subject to the Court's orders and approvals. The Receiver is not obligated to exercise such rights in the best interests of the Company or its shareholders.

- d. Holdings of approved Israeli shareholders in the Company: The provisions of the Company's cellular license require, among others, that the "founding shareholders or their approved substitutes", as defined in the cellular license, hold at least 26% of the means of control in the Company, including 5% which must be held by Israeli shareholders (Israeli citizens and residents), who were approved as such by the Minister of Communications. The controlling stake of the Phoenix Group (One of the Company's approved Israeli shareholders) has been sold to foreign entities. On November 12, 2019, the Israeli Ministry of Communications issued a temporary order (ending on November 1, 2020) amending the Company's cellular license and reducing the percentage that the approved Israeli shareholders are required to hold by the amount of shares now held by the foreign entities (from 5% down to 3.82% of the means of control in the Company). This temporary order will allow the Ministry and the Company to resolve the issue of holdings of approved Israeli shareholders in the Company until the temporary order expires.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27 – EARNINGS PER SHARE

Following are data relating to the profit and the weighted average number of shares that were taken into account in computing the basic and diluted EPS:

	Year ended December 31,		
	2017	2018	2019
Profit used for the computation of basic and diluted EPS attributable to the owners of the Company (NIS in millions)	114	57	19
Weighted average number of shares used in computation of basic EPS (in thousands)	162,733	165,979	162,831
Add - net additional shares from assumed exercise of employee stock options and restricted shares (in thousands)	1,804	983	777
Weighted average number of shares used in computation of diluted EPS (in thousands)	164,537	166,962	163,608
Number of options and restricted shares not taken into account in computation of diluted earnings per share, because of their anti-dilutive effect (in thousands)	5,650	9,609	8,952

NOTE 28 – SUBSEQUENT EVENT – CORONAVIRUS DISEASE COVID-19

From March 2020, the novel coronavirus disease COVID-19 began to have a harmful effect on our business, revenues and results from operations. In particular, the significant fall in the volume of international travel by our customers has begun to cause a decrease in revenues from roaming services, and the closure of shopping malls and changes in general consumer behavior have begun to affect the volume of sales of equipment.

As of the date of approval of these financial statements, the impact has been limited, since the crisis only began at the beginning of March 2020. In addition, the impact has been mitigated by a number of actions taken by the Company, including cutting costs and sending a large quantity of employees on unpaid leave. However, should these trends continue, this may have a material harmful effect on our results of operations and financial position for 2020.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 – SUBSEQUENT EVENT – OFFER TO BUY 100% OF SHARE CAPITAL BY HOT TELECOMMUNICATION SYSTEMS LTD.

HOT Telecommunication Systems Ltd. and its controlling shareholder, Altice Europe N.V, (the "Potential Acquiror") have proposed to acquire 100% of the issued share capital of the Company (the "Proposed Transaction"). The Potential Transaction is the subject of discussions between the Company and the Potential Acquiror and entry into the Potential Transaction would require approval by the Board of Directors of the Company.

*Translation from Hebrew
The Binding version is the Hebrew version*

**State of Israel
Ministry of Communications**

General License

For Partner Communications Company Ltd.

**For the Provision of Mobile Radio Telephone Services
Using the Cellular Method (MRT) in Israel**

Jerusalem

April 7, 1998

Integrated Version – for convenience only

Translation from Hebrew
The Binding version is the Hebrew version

State of Israel
Ministry of Communications

General License

For Partner Communications Company Ltd.

Award of The License

By virtue of my authority pursuant to The Telecommunication Law, 1982, The Wireless Telegraphy Ordinance (New Version), 1972, and all my other authorities pursuant to all law, I award a License to **Partner Communications Company Ltd.** for the establishment of a Mobile Radio Telephone System using the cellular method, its subsistence, maintenance and operation, and for the provision of Mobile Radio Telephone services to the public in Israel through it, as set out in this License.

The License is issued for the period set out in the License and is subject to the following conditions:

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¹ Amendment No. 91

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Chapter A - General

Section A - Definitions and Interpretation

1. Definitions

1.1 In this License, the following words and expressions will have the meaning appended to them, unless another meaning is implicit in the text or its context.

"Type approval"	-	Approval given by the Ministry in accordance with the Law and Ordinance for a model of MRT Terminal Equipment.
"Means of Control"	-	In a corporation, each of the following: (1) Voting rights in the corporation's general meeting or in an equivalent body in another corporation; (2) The right to appoint a director or managing director; (3) The right to participate in the corporation's profits; (4) The right to share in the corporation's remaining assets after payment of debts when the corporation is wound-up;
"Telecommunications"	-	Broadcasting, transmission or reception of signs, signals, text, visual forms, voices or information through wire, wireless, an optic system or other electromagnetic systems;
² "Franchisee"	-	As defined in section 6L(1) of the Law;
³ "Cellular Licensee Infrastructure Licensee"	-	Whoever receives a license for establishment, existence and operation of a radio infrastructure for an MRT operator;
⁴ "2 nd Generation"	-	A network which allows mainly the provision of voice and message services, using basic MRT technology of GSM or CDMA and all of their updates, such as GPRS, EDGE, etc.;

² Amendment No. 14

³ Amendment No. 83

⁴ Amendment No. 83

⁵ 3rd Generation	-	A network, which in addition to 2 nd Generation services, allows for the provision of data services at a medium pace (a few dozen megabits per second) using basic MRT technology of UMTS and CDMA2000 and all of their updates, such as HSPA, HSPA+, etc.;
⁶ 4th Generation	-	A network, which in addition to 3 rd Generation services, allows for the transfer of data at a high pace (approximately 100 megabits per seconds) using basic MRT technology in accordance with the 3GPP TS 36.104 last release standard, for supplying all of the Licensee's services under its license, such as LTE technology;
"Interested Party"	-	Whoever holds, either directly or indirectly, 5% of a specific type of Means of Control; for the purpose of this definition, "holding", includes holding as an agent;
"The Licensee"	-	Partner Communications Company Ltd., which was awarded this License;
"A Licensee"	-	The body to which the Minister has awarded, in accordance with the Law, a general or special License;
⁷ General Licensee	-	A person who has received a general license to effect telecommunications activities and to provide telecommunications services;
⁸ Roaming Licensee -	-	A person who has won tender 12/2010- a combined license for the provision of cellular mobile radio telephone (MRT) services in Israel –an expansion of the existing license and the grant of a new license;
⁹ Broadcast Licensee	-	as defined in the Law;

⁵ Amendment No. 83

⁶ Amendment No. 83

⁷ Amendment No. 14

⁸ Amendment No. 59

⁹ Amendment No. 14

“Access Fee”	-	Payment for use of other telecommunication systems, including payment for connection, transmission and collection;
“Technical Requirements and Grade of Service”	-	Standards of availability and grade of service, standards for Telecommunication Installations and installation instructions, operation and maintenance, all in accordance with the Engineering Plan and the Annexes to this License, and as the Director will order from time to time regarding the Licensee's services;
¹⁰ “Subscriber Agreement”	-	a contract that serves as an agreement between the Licensee and a subscriber, for the provision of all or part of the Licensee's services;
“The Bid”	-	The Licensee's bid in the Tender;
“The Bezeq Corporation”	-	Bezeq, Israel Telecommunication Corporation Ltd.
¹¹ “Bill” or “Telephone Bill”	-	A bill that the Licensee submits to a subscriber for services that it itself provided to the subscriber or for Goods that it sold or rented to the subscriber;
“The Law”	-	The ¹² Communications (Telecommunication and Broadcasts) Law, 5742-1982;
¹³ “Goods”	-	As defined in section 3 of the Interpretation Law, 5741 – 1981;
¹⁴ “Holding”	-	for the purposes of Means of Control, directly or indirectly, whether alone or jointly , including by way of another, and including by way of a trustee or agent, or by a right granted under any agreement, including an option to hold which does not arise from convertible securities, or any other means;

¹⁰ Amendment No. 41

¹¹ Amendment No. 87

¹² Amendment No. 14

¹³ Amendment No. 87

¹⁴ Amendment No. 14

¹⁵ “ Transfer ”	-	for the purposes of Means of Control, directly or indirectly, for valuable consideration or otherwise, in perpetuity or for a fixed period, at once or in portions;
¹⁶ “ Jointly with Others ”	-	cooperation on a permanent basis; and the following shall be deemed to be in cooperation on a permanent basis: in respect of an individual – the individual, a person related to him, and a corporation that either of them controls; and in respect of a corporation – the corporation, the person who controls it and a person controlled by either of them;”
“ The Security Forces ”	-	The Israel Defense Forces, The Israel Police, the General Security Force and the Institution of Intelligence and Special Operations;
¹⁷ “ Applicant ”	-	whoever asks to engage in an engagement agreement or a purchase agreement with the Licensee;
“ The Index ”	-	The Consumer Price Index that is published by the Central Bureau of Statistics, from time to time, or any other index which will be substituted for it;
“ Cellular Radio Base ”	-	A wireless installation operating on the operating frequencies of the MRT System and used for establishing radio contact between subscribers’ MRT Terminal Equipment units in its area of coverage and the MRT exchange;
“ Interface ”	-	The physical connection, including optic or wireless, meeting between various operational telecommunications installations; ¹⁸
“ Telecommunication Installation ”	-	An installation or device which is primarily designated for telecommunications purposes, including Terminal Equipment; ¹⁹
“ ²⁰ 4th Generation Tender ”	-	Tender No. 2014/021 – a combined license for the provision of mobile radio telephony communications by way of the cellular method in Israel (MRT): expansion of an existing license or granting a new license;

¹⁵ Amendment No. 14

¹⁶ Amendment No. 14

¹⁷ Amendment No. 87

¹⁸ Amendment No. 14

¹⁹ Amendment No. 14

²⁰ Amendment No. 83

²¹ “ Tender No. 1/01 ”	-	The tender published by the Ministry on 4 Nissan 5761 (28 March 2001), including clarifications given by the Ministry during the tender, and following which this License has been amended;
“ The Tender ”	-	Tender No. 7/97, published by the Ministry on July 15, 1997, including clarifications provided by the Ministry during the course of the Tender, following which this License has been awarded;
“ The Director ”	-	The Director General of the Ministry of Communications or his appointee in the matter of this License, wholly or partly;
“ Subscriber ”	-	Whoever has signed a subscriber agreement with the Licensee for obtaining MRT services as a terminal user. ²² ;
“Business Subscriber” ²³	-	a Subscriber that is one of the following: a corporation, as defined in the Interpretations Law, 1981; government offices and other quasi-governmental offices; a licensed dealer except for an exempt dealer; a body that was incorporated in a law or by-law.
²⁴ “ Split Business Subscriber ”	-	a user of the Terminal Equipment, when his Telephone Bill is split between himself and a Business Subscriber or when he is charged for the entire Telephone Bill;
²⁵ “ Non-Business Subscriber ”	-	a Subscriber that is not a Business Subscriber and that is not a Split Business Subscriber;

²¹ Amendment No. 14

²² Amendment No. 41

²³ Amendment No. 45

²⁴ Amendment No. 87

²⁵ Amendment No. 87

"Dormant Subscriber" ²⁶	-	<p>a subscriber that fulfills all of the following conditions: Has not received and not made use of MRT services for at least one year, as of 1 January 2008; Does not pay the Licensee any fixed tariffs; Does not have an agreement with the Licensee for a fixed period program.</p> <p>a subscriber that fulfills all of the following conditions: Has not received and not made use of MRT services for at least one year, as of 1 January 2008; Does not pay the Licensee any fixed tariffs; Does not have an agreement with the Licensee for a fixed period program.</p> <p>a subscriber that fulfills all of the following conditions: Has not received and not made use of MRT services for at least one year, as of 1 January 2008; Does not pay the Licensee any fixed tariffs; Does not have an agreement with the Licensee for a fixed period program.</p> <p>a subscriber that fulfills all of the following conditions: Has not received and not made use of MRT services for at least one year, as of 1 January 2008; Does not pay the Licensee any fixed tariffs; Does not have an agreement with the Licensee for a fixed period program.</p> <p>a subscriber that fulfills all of the following conditions: Has not received and not made use of MRT services for at least one year, as of 1 January 2008; Does not pay the Licensee any fixed tariffs; Does not have an agreement with the Licensee for a fixed period program.</p> <p>a subscriber that fulfills all of the following conditions: Has not received and not made use of MRT services for at least one year, as of 1 January 2008; Does not pay the Licensee any fixed tariffs; Does not have an agreement with the Licensee for a fixed period program.</p>
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²⁶ Amendment No. 46

		<p>a subscriber that fulfills all of the following conditions: Has not received and not made use of MRT services for at least one year, as of 1 January 2008; Does not pay the Licensee any fixed tariffs; Does not have an agreement with the Licensee for a fixed period program.</p> <p>a subscriber that fulfills all of the following conditions: Has not received and not made use of MRT services for at least one year, as of 1 January 2008; Does not pay the Licensee any fixed tariffs; Does not have an agreement with the Licensee for a fixed period program.</p> <p>a subscriber that fulfills all of the following conditions: Has not received and not made use of MRT services for at least one year, as of 1 January 2008; Does not pay the Licensee any fixed tariffs; Does not have an agreement with the Licensee for a fixed period program.</p> <p>a subscriber that fulfills all of the following conditions: Has not received and not made use of MRT services for at least one year, as of 1 January 2008; Does not pay the Licensee any fixed tariffs; Does not have an agreement with the Licensee for a fixed period program.</p>
"International Communication System"	-	<p>a telecommunications installations system , connected or intended to be connected to a Public Telecommunications Network through an International Network Termination Point (NTP), which serves or intends to serve for the transmission of telecommunications messages between an international switch located in Israel and a Telecommunications Installation located outside of Israel, including a satellite ground station and other Telecommunications Installations (hereinafter: "Components of the System"), and including transmission facilities between Components of the System;²⁷</p>

²⁷ Amendment No. 14

"One-time Transaction"	-	A transaction that is not a Continuous Transaction;
"Continuous Transaction"	-	An engagement agreement to purchase Licensee services continuously and ongoing, including any change to the agreement or addition to it that do not constitute a new transaction, and all whether the engagement agreement is for a set period or whether not for a set period;
"The MRT System"	-	The MRT through which the Licensee provides its services;
²⁸ "DO (Domestic Operator)"	-	a holder of a general license for the provision of wireless domestic telecommunications services;
Mobile Radio Telephone System (MRT)"	-	A wireless installation system built according to the cellular method and other installations, through which Mobile Radio Telephone Services are provided to the public, including an MRT exchange, Cellular Radio Bases and wireless or physical transmission channels which connect Cellular Radio Bases, Cellular Radio Bases and an MRT exchange, and between MRT exchanges;
"International Operator"	-	An operator which provides International Communication Services to the public in Israel in accordance with a general License awarded by the Minister;
²⁹ "MRT Operator"	-	A holder of a general license for the provision of mobile radio telephone services;
³⁰ "MRT Operator on Another Network"	-	a Licensee for the Provision of MRT Services that involves the use of all or a portion of an MRT System of an MRT Operator and at least of the Access Network of the said MRT System;

²⁸ Amendment No. 14

²⁹ Amendment No. 14

³⁰ Amendment No. 87

³¹ “Competing MRT Operator”	-	An MRT Operator that is not the Licensee;
“Domestic Operator”	-	An operator who provides communication services (infrastructure, transmission and telephony) to the public in Israel in accordance with a general license from the Minister.
“Exchange”	-	A Telecommunication Installation in which switching and transmission means are operated, which allows the establishment of contact between various Terminal Equipment units connected to it, and transmission of telecommunication messages between them, including control and monitoring installations and other installations which enable provision of various services to the Licensee’s subscribers or to the subscribers of another Licensee.
“The Ministry”	-	The Ministry of Communications;
³² “Transfer Switch”	-	A Telecommunications Installation which contains and operates switching, routing and transmission devices which enable the creation of a connection between various switching centers connected thereto, and the transmission of telecommunications messages between them, including monitoring and routing installations;
³³ “National Roaming” (NR)”	-	The expansion of the services of another MRT Operator (hereinafter-“another operator”) to coverage areas of the Licensee through the Licensee's MRT system, as detailed in section 67E.
“Officer”	-	³⁴ a person serving as a director, general manager, chief executive officer, deputy general manager, vice general manager, or a person acting as a replacement of one of the above in a company even under a different title as well as any other manager directly subordinate to the general manager of the company;

³¹ Amendment No. 14

³² Amendment No. 14

³³ Amendment No. 59

³⁴ Amendment No. 14

“Appendices”	-	³⁵ The First Annex and the Appendices set out in the Second Annex to the License;;
NTP - (Network Termination Point)”	-	An interface to one end of which a Public Telecommunication Network is connected, and to the other, Terminal Equipment, a private network, a mobile telephone network or another Public Telecommunications Network, as the case may be;
“International NTP”	-	An interface to one end of which a Public Telecommunication Network is connected, and to the other, an International Communication Network;
“Telecommunication Activity”	-	Operation of a Telecommunication Installation, its installation, construction or its subsistence, all with the objective of telecommunication;
“The Ordinance”	-	The Wireless Telegraphy Ordinance (New Version) 1972;
Terminal Equipment”	-	Telecommunication equipment connected or designated to be connected to the Public Telecommunication Network, through an NTP or a private network, including telephones, modems, facsimile machines or private exchanges;
MRT Terminal Equipment”	-	Hand-held, mobile Terminal Equipment, or Terminal Equipment designated for permanent installation in motor vehicles or ships, designated to be connected to the MRT System by radio communication through Cellular Radio Bases.
“PTP Line (Point to Point)”	-	A line which serves for telecommunications, both ends of which are located on an NTP which is not in a public telecommunication network, in which a call or other form of communication which initiates at one end may terminate only in the other end.
³⁶ “Interconnection”	-	a physical or logical connection between the Public Telecommunications Network of one licensee and the Public Telecommunications Network of another licensee, enabling the transfer of telecommunications messages between the subscribers of both licensees or the provision of services by one licensee to the subscribers of another licensee;

³⁵ Amendment No. 14

³⁶ Amendment No. 14

“Relative”	-	A spouse, parent, son, daughter, brother or sister and their spouses;
“The License”	-	This License and all its Appendices as well as any document or condition which has been determined in the License as constituting an integral part of the License or of its conditions;
“the Network”	-	The Licensee's MRT system;
“Public Telecommunication Network”	-	a system of Telecommunications Installations serving or designated to serve as a provider of Telecommunications Services to the entire public around the country, or at least in an area of service that includes exchanges and transmission switches, transmission equipment and an access network including an MRT system and an International Telecommunications System, and with the exception of a private network, Terminal Equipment and MRT Terminal Equipment;
“Wireline Public Telecommunications Network”	-	A public domestic telecommunications network, with the exception of an MRT system and an International Telecommunications System;
“Access Network”	-	Components of a Public Telecommunications Network used to connect a switching center and a network termination point (NTP) using wireline infrastructure, wireless infrastructure or a combination of the two;”
“The Bezeq Corporation Network”	-	The Public Telecommunication Network which serves The Bezeq Corporation for provision of services in accordance with the general License which it was awarded, as well as other Telecommunication Services provided, in accordance with the Law, either by The Bezeq Corporation or by another body;
“Use”	-	Access to a Telecommunications Installation of the Licensee, including to its Public Telecommunications Network or Access Network, in whole or in part, and the ability to use such , for the implementation of Telecommunications Activity and to provide Telecommunications Services thereby, including the installation of a Telecommunications Installation of another licensee on the Licensee's telecommunications facility or premises;

“ Telecommunication Service ”	-	Operation of telecommunication activities for the public;
“ International Communication Service ”	-	Telecommunication Service provided for the public in Israel, in accordance with a License granted by the Minister, through an international communications system of an International Operator;
“ Basic Telephone Service ”	-	Switched or routed bi-directional transmission , including via modem, speech or speech-like telecommunications messages, such as facsimile signals;
“ Telephony Service ”	-	Basic Telephone Service and Accompanying Services to such service;
“ ³⁷ International Roaming Service ”	-	An MRT Service provided overseas and in the territories under the Civil Administration of the Palestinian Council via the MRT system of a foreign MRT operator (hereinafter: a “ Foreign Operator ”), whereby the Subscriber pays the Licensee for the service; and similarly – an MRT Service provided in Israel via the Licensee’s MRT system, whereby the Licensee provides a service to a Foreign Operator for the subscribers of such operator; for this purpose, the “ Palestinian Council ” – as defined in the Law for Implementation of the Interim Agreement regarding the West Bank and Gaza Strip Law (Jurisdictional Powers and Other Provisions) ((Legislative Amendments), 5756-1998 [sic]
“ Accompanying Service ”	-	A service as set out in the First Annex to the License, provided on the basis of a Basic Telephone Service, which by its nature can only be provided by the provider of the basic service;
“ Added Value Service ”-	-	A service provided based on a Basic Telephone Service, which by its nature can also be granted by another licensee who is not the supplier of the basic service; for the purposes of the services of the Licensee, such service as set out in the First Annex of the License;

³⁷ Amendment No. 64

“Infrastructure Service”	-	an Interconnection or the ability of Use given to another licensee, a Franchisee or to a broadcast licensee;”
“Wireline Domestic Telecommunications Services”	-	Infrastructure Service, transmission, data communications and telephony services
“The Licensee’s Services”	-	MRT Services, Telecommunications Services and other services that the Licensee is entitled to provide to its subscribers, to other licensees, to broadcast licensees, to Franchisees and to the Security Forces under this License;
“MRT Services”	-	Telecommunication Services provided through the MRT Terminal Equipment and through the MRT System;
Control”	-	<p>The ability to direct the activity of a corporation, either alone or jointly with others, either directly or indirectly, including the ability that derives from the Articles of the corporation, by virtue of an agreement, either written or oral, by virtue of holding the Means of Control in the corporation or in another corporation or which derives from another source, and excluding the ability deriving solely from holding the office of director or any other office in the company; any person controlling a subsidiary company or another corporation held directly by him/her, will be deemed as controlling another corporation, controlled by the corporation which is held directly, as aforesaid; it should be presumed that an individual or corporation shall control the corporation if one of the following conditions exist:</p> <p>A. If he or it holds, either directly or indirectly, fifty percent (50%) or more of any Means of Control in the corporation;</p> <p>B. If he or it holds, either directly or indirectly, a percentage of any Means of Control in the corporation which is the greatest part in relation to the holdings of the other Interested Parties in the corporation.</p> <p>C. If he or it has the ability to prevent taking business decisions in the corporation, with the exception of decisions in the matter of issuance of means of control in a corporation or 38decisions in the matters of sale or liquidation of most businesses of the corporation, or fundamental change of these businesses;</p>

³⁸ Amendment No, 52

"The Minister"	-	The Minister of Communication, including a person to whom the Minister has delegated his authority in the matter of this License, either in whole or in part;
"The Engineering Plan"	-	The Engineering Plan, including the Maintenance Organization and Grade of Services for the Subscribers, attached in the Appendices of the Second Annex to the License;
"Numbering Plan"	-	As defined in section 5A(b) of the Law;
"Billing Period"	-	A cyclical time period, with a set period, at the end of which a bill is presented to the subscriber for payment for the Licensee's services and for content services that were provided to the subscriber during that period.
"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 telecommunications network of the Licensee.
" ³⁹ Post- paid"	-	Payment for services that is collected from the subscriber after the Bill Period;
" ⁴⁰ Pre-paid"	-	Payment for services that is collected from the subscriber before or at the beginning of the provision of the services;
⁴¹		

1.2 Words and expressions in the License that are not defined in Paragraph 1.1, will be interpreted as in the Law, Ordinance and Regulations which have been enacted in accordance with them, The Law of Interpretations, 1981, or as specified in appropriate paragraphs in the License, unless a different meaning is implicit in the text or in its context.

³⁹ Amendment No. 84

⁴⁰ Amendment No. 84

⁴¹ Amendment No. 83

2. Paragraph Headings

The paragraph headings in this License are provided for ease of reading only, and they must not be used for purposes of interpretation or explanation of the content of one or all of the Terms of the License.

3. The “Blue Pencil” Principle

Revocation or a decision in the matter of the nullification of a condition of this License or a part thereof will only apply to that condition or the part thereof, as the case may be, and they themselves will not prejudice the binding validity of the License or any other condition it contains.

Section B - Legal and Administrative Provisions

4. Observation of Laws and Provisions

4.1 In all matters pertaining to the establishment of the MRT network, its subsistence, operation and maintenance and also for the provision of MRT services through it, the Licensee will act in accordance with the instructions of any law, and without derogating from the generality of the above, will strictly observe the following:

- 1) The instructions of the Telecommunication Law and the regulations pursuant thereto;
- 2) The Wireless Telegraphy Ordinance and the regulations pursuant thereto;
- 3) Administrative instructions;
- 4) International conventions to which Israel is a signatory, in the matter of telecommunications and radio;
- 5) Any other law or convention applicable to telecommunication and radio, even though they have become valid after the award of the License.

4.2 The Licensee will act in accordance with the laws and provisions as set out in Paragraph 4.1 according to their validity from time to time during the License Period, including the remedies for breaching them, and they will be deemed to be an integral part of the Terms of the License.

5. The Obligation of Permit according to all other Laws

The award of this License does not exempt the Licensee from the obligation to obtain, for execution of the License, any License, permit, approval or consent according to all other laws.

6. Contradiction between the License Provisions

In any case of apparent contradiction between the provisions of the License, the Minister will decide on the interpretation of the provisions, or how to settle the contradiction between them, after the Licensee has been given an opportunity to voice its arguments.

Chapter B - The License - Its Scope, Validity and Revocation

Section A - The Scope of the License and the License Period

7. The Scope of the License

- 7.1 The Licensee is permitted, according to this License and subject to all its instructions and conditions, to establish, sustain, maintain and operate an MRT System, and through it provide MRT services; for this purpose, the Licensee is permitted to do the following:
- a) To establish, sustain, maintain and operate Cellular Radio Bases and connect them to MRT exchanges, and also to connect between MRT exchanges through wireless or physical transmission channels;
 - b) To connect the MRT System to another Public Telecommunication system in Israel;
 - c) To enter an agreement with subscribers for the provision of MRT Services;
 - d) To supply MRT Terminal Equipment to subscribers;
 - e) To supply its customers with MRT services as set forth in the First Annex to the License;
 - f) To supply its customers with services that were approved to the Licensee in accordance with Article 67C of the License.⁴²

7.1a The Licensee's services to its subscribers will be provided solely through MRT terminal equipment.

7.2 The Licensee is not permitted to provide any MRT or other Telecommunication Service that it is not explicitly permitted to provide within the framework of this License or another License awarded it by the Minister.

8. ~~42~~No Exclusivity

8.1 The Licensee shall not have any form of exclusivity whatsoever in the provision of its services.

8.2 The Minister may at any time grant a license for the provision of MRT Services to additional operators.

8.3 Should the Minister publish a tender for the provision of MRT Services, the Licensee may submit a bid in the tender, however, the Minister may determine, as part of the conditions of such tender, that if the Licensee wins the tender, the receipt of a license shall be conditional upon the Licensee transferring its MRT System to another as the Minister may order, and on such conditions as he may prescribe, and that the Licensee shall cease to provide MRT Services.

⁴² Amendment No. 64

⁴³ Amendment No. 14

9. The License Period

- 9.1 The validity of this License is for a period of ten (10) years, that will begin on the day the License is awarded (hereinafter "The License Period").
- 9.2 The License Period may be extended by six (6) additional years in accordance with Paragraph 10 (hereinafter "The Additional Period").
- 9.3 This License may be renewed for one or more Additional Periods of six (6) years, over and above the License Period or the Additional Period, in accordance with Paragraph 11.
- 9.4 During the entire License Period or the Additional Period or with renewal of the License, the License will be subject to the authority of the Minister in accordance with Paragraphs 13 to 15 regarding changes to the License, its limitation, suspension or revocation.
- 9.5 ⁴⁴Notwithstanding the above ⁴⁵in the context of extension of the License, following the winning by the Licensee of Tender No. 1/01, the validity of this License shall be for a period of twenty (20) years that will begin on 19 Shvat 5762 (1 February 2002).

10. Extending the License Period

- 10.1 The Minister may, at the Licensee's request, extend the License Period by six (6) additional years, after examining the following:
- (A) The Licensee has observed the provisions of the Law, the Ordinance, the regulations therein and the provisions of the License;
 - (B) The Licensee has acted to constantly improve the MRT Services, their scope, availability and quality and also the technological updating of the MRT System, and there was no act or omission in the Licensee's activity that harmed or limited competition in the MRT branch;
 - (C) The Licensee is able to continue to provide MRT Services of a high standard and is able to implement the required investments in the technological updating of the MRT System for improving the scope of the MRT Services, their availability and quality;
 - (D) The Licensee has efficiently used the frequency bands allocated to it, compared to alternative applications;
- 10.2 The Licensee will submit its request for extending the License Period in the course of the forty-five (45) days that precede the period of the eighteen (18) months prior to the termination date of the License Period.

⁴⁴ Amendment No. 13

⁴⁵ Amendment No. 14

- 10.3 The Licensee will append the following to its request:
- (A) A report summarizing all the annual reports submitted by the Licensee according to this License between the commencement date of the License and the submission date of its request;
 - (B) A comparison of the data in the report with regard to each year with the data of the preceding year, and also explanations of extraordinary variations in the data;
 - (C) A review of the means, actions and investments undertaken or implemented by the Licensee for the improvement of the quality of the MRT Services, their scope and availability, for the development and technological updating of the MRT System.
- 10.4 The Concluding Report in accordance with Paragraph 10.3 will contain precise up-to-date details and will be drafted in the form of an affidavit.
- 10.5 For the purpose of examining the Licensee's request to extend the license period, and without derogating from the Minister's authorities to demand information under any law, the Minister may require the Licensee to appear before him and present the engineering plan that describes its plans for the technological update of the MRT system during the additional period.⁴⁶
- 10.6 ⁴⁷Should the Licensee be required to appear before the Minister, either the chairman of the board of the company holding the License, the General Manager of the company, or a person authorized in writing for this purpose, will appear.
- 10.7 ⁴⁸If the Licensee's does not comply with the request as set forth in section 10.5 and 10.6, at least twice, the Minister may reject its request for an extension of the license period.
- 10.8 The Minister will inform the Licensee of his decision in the matter of its request to extend the validity of the License no later than one year before the termination of the License Period.
- 10.9 The conditions of this License will apply to the Additional Period, including and changes in them.
- 10.10 The instructions of Paragraph 100 in the matter of confidentiality will apply, with the required modifications, to information provided by the Licensee in accordance with the instructions of this paragraph, to the Minister or his appointee.

⁴⁶ Amendment No. 98

⁴⁷ Amendment No. 98

⁴⁸ Amendment No. 98

11. Renewing the License

- 11.1 At the end of the License Period or the Additional Period, the Minister may, at the Licensee's request, renew the License for one or more Additional Periods of six (6) years, as he decides.
- 11.2 The Licensee will submit its request for renewal of the License Period in the course of the forty-five (45) days that precede the period of the eighteen (18) months prior to the termination date of the License Period or of the Additional Period.
- 11.3 The Minister will inform the Licensee within thirty (30) days from the date its request for renewal of the License was received, whether he intends to take steps to renew the License and the required proceedings for doing so, including proceedings and considerations in accordance with Paragraph 10, or that proceedings will be undertaken for a tender for the provision of the services which are the subject of this License.

12. Termination of the License Period

- 12.1 If the License Period has ended in accordance with Paragraph 9.5 or the Additional Period in accordance with Paragraph 10.1 or the License Period after its renewal in accordance with Paragraph 11.1, and the License has not been extended or renewed, the Minister may instruct the Licensee to continue operating the MRT System for a fixed period (hereinafter "the Service Termination Period") until a License is awarded to another by law for the provision of the services which are the subject of this License (hereinafter "the Alternative Licensee"), and the proceeding have been completed for transfer of the system according to it, or until a License is awarded to another by law for alternative services; the Service Termination Period will, in any event, be no greater than two years from the date of expiry of the License.
- 12.2 During the Service Termination Period, and no later than ten (10) months from the day on which a License was awarded to an Alternative Licensee, the Licensee and the Alternative Licensee will enter negotiations for the acquisition of the MRT System at its economic worth and the assignment of rights and obligations of the subscribers to the Alternative Licensee; should the said Licensees not reach complete agreement within ten (10) months as stated above, the price will be determined by an arbitrator appointed by the Chairman of the Chartered Accountants Association, whose decision will be final.
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Section B - Changing the Conditions of the License, its Enforcement and Revocation

13. Changing the Conditions of the License

- 13.1 The Minister may change the conditions of the License, add to them or detract from them, in accordance with the provisions of Paragraph 4 of the Law and, *inter alia*, if he finds that one of the following exists:
- (A) A change has occurred in the suitability of the Licensee to implement the actions and services that are the subject of the License;
 - (B) A change in the License is required in order to ensure effective and fair competition in the Telecommunication field;
 - (C) A change in the License is required in order to ensure the Grade of Service provided in accordance with it;
 - (D) Changes in Telecommunication technology justify modifying the License;
 - (E) Changes have occurred in the electromagnetic spectrum needs that justify, in the Minister's opinion, changes in the License;
 - (F) Considerations of public interest justify modifying the License;
 - (G) A change in government policy in the telecommunications sector demands a modification of the License;
 - (H) A change is required in the License by reason of its breach by the Licensee, as set out in Paragraph 15.
- 13.2 The Minister will act in accordance with his authority, as set out in Paragraph 13.1, after giving the Licensee a reasonable opportunity to voice its claims.

14. Revocation of the License

- 14.1 The Minister may revoke the License before the end of its period if one or more of the causes set out in Paragraph 6 of the Law exists, or in any one of the following cases:
- (A) The Licensee did not disclose required information to the Tender Committee or gave it incorrect information;
 - (B) The Licensee was required and refused to give the Minister or his appointee required information that is in its possession, and which it had to divulge by virtue of the provisions of this License or by law, or the Licensee gave false information to the Minister or his appointee;
 - (C) The Licensee has not observed the instructions of the Law, the Ordinance or the regulations therein;
 - (D) The Licensee has committed a substantial breach of the License conditions and without derogating from the generality of the above, including the following:
 - (1) The Licensee does not comply with the coverage or quality requirements set out in this License;
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- (2) The Licensee has not paid all the royalties and frequency fees, or one of these, on the date stipulated in this License;
- (E) The Licensee has not commenced provision of services in accordance with the stipulations of this License or has illegally ceased, limited or delayed any one of its services;
- (F) The Licensee has not invested the required sums in the establishment and operation of the MRT System at the coverage and quality standards determined by the Ministry in accordance with the written undertaking (Appendix I);
- (G) Should one or more of the attributes that made the Licensee fit for participation in the Tender for MRT services or to be a Licensee, cease to exist, including the following:
 - (1) The Licensee has ceased to be a company registered in Israel;
 - (2) Cancelled⁴⁹
 - (3) The majority of the directors of the company that is the Licensee are not Citizens or Residents of Israel;
 - (4) The General Manager of the company that is the Licensee or a director therein, has been convicted of an infamous offense and continues to serve in office;
 - (5) The General Manager of the company that is the Licensee is not a Citizen or Resident of Israel ;
 - (6) Prior to the expiry of five (5) years from the date of the award of the License, the voting rights of the MRT Operator or of a Controlling Corporation in an MRT Operator (hereinafter, with regard to this clause - "Controlling Corporation"), at the general meeting or the right to appoint a director or general manger in the company that is the Licensee, decreased to less than twenty-five percent (25%); the rate of holdings of an MRT Operator or of a Controlling Corporation will be calculated according to the provisions of Paragraph 23.6; However, the holdings of an MRT Operator or a Controlling Corporation that has direct or indirect holdings in the Licensee will be taken into account, with regard to this clause, only if all of the following exist:
 - (1) Each body in the chain of holdings is controlling the body held by it as aforesaid, down to the body that directly holds the Licensee;
 - (2) The rate of holding in the Licensee of the MRT Operator or a Controlling Corporation, either directly or indirectly, will not be less than twenty-five percent (25%);
 - (3) The MRT Operator undertook to the Licensee to put at its disposal all the information in its possession that is required for the establishment and operation of the MRT System, for the provision of MRT Services, their marketing and sale.

⁴⁹Amendment No. 31

- (7) Subject to what is set out in Clause 9, one of the following exists in the Licensee:
- The Licensee, an Office Holder or Interested Party in the company that is the Licensee or an Office Holder in an Interested Party thereof is an Interested Party in a Competing MRT Operator without obtaining permission to do so from the Minister as set out in Paragraph 23.8, or has not fulfilled one of the conditions included in the permit it obtained from the Minister as stated above;
 - An Office Holder, Interested Party or an Office Holder in an Interested Party in the company that is the Licensee is an Office Holder in a Competing MRT Operator or in an Interested Party in a Competing MRT Operator, without having obtained permission to do so from the Minister; as stated in Paragraph 23.2, or has not fulfilled one of the conditions included in the permit it obtained from the Minister as stated above;
- (8) If one of the following exists in an Interested Party in the company that is the Licensee, that is a trust fund, an insurance company, an investment company or a pension fund:
- It holds, either directly or indirectly, more than five percent (5%) of any Means of Control in a Competing MRT Operator, without having obtained permission to do so from the Minister;
 - It holds, either directly or indirectly, more than five percent (5%) of any Means of Control in a Competing MRT Operator in accordance with a permit from the Minister, and in addition it has a representative or appointee who is an Office Holder in a Competing MRT Operator, unless it has been legally required to do so;
 - It holds, either directly or indirectly, more than ten percent (10%) of any Means of Control in a Competing MRT Operator, even if it has received permission to hold up to ten percent (10%) of the said Means of Control;
- (8a) If one of the following exists in an Interested Party in a Competing MRT Operator, that is a trust fund, an insurance company, an investment company or a pension fund:
- It holds, either directly or indirectly, more than five percent (5%) of any Means of Control in the Licensee, without having obtained permission to do so from the Minister;
 - It holds, either directly or indirectly, more than five percent (5%) of any Means of Control in the Licensee in accordance with a permit from the Minister, and in addition it has a representative or appointee who is an Office Holder in the Licensee, unless it has been legally required to do so;
 - It holds, either directly or indirectly, more than ten percent (10%) of any Means of Control in the Licensee, even if it has received permission to hold up to ten percent (10%) of the said Means of Control;
- (9) The Licensee, an Office Holder or an Interested Party in the Licensee, or an Office Holder in an Interested Party in the Licensee, controls a Competing MRT Operator, is controlled by a Competing MRT Operator, by an Office Holder or an Interested Party in a Competing MRT Operator, by an Office Holder in an Interested Party in a Competing MRT Operator, or by a person or corporation that controls a Competing MRT Operator;
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- (H) The Means of Control in the Licensee or control of it have been transferred in contravention of Paragraph 21;

Notwithstanding the above-mentioned, a transfer or purchase of a percentage of the Means of Control in the Licensee, either directly or indirectly, that requires consent in accordance with Articles 21.1 or 21.3 (other than a transfer or purchase that results in a transfer of control), without first receiving the Minister's prior written consent as required according to these articles, shall not constitute a cause to revoke the License if the Minister's consent was given in writing in advance for a public offering of the Tradable Means of Control or for registration for trading of the Tradable Means of Control, on the securities exchange in Israel or overseas, under which the Means of Control in the Licensee may be transferred in a percentage that requires consent in accordance with Articles 21.1 or 21.3 (other than a transfer or purchase that results in a transfer of control), and it shall all be subject to the conditions to be set by the Minister when he gives his consent. The contents of this article are in addition to and do not derogate from the provisions of Article 21.8 of the License. For the purpose of this Article, "Tradable Means of Control" - as defined in Article 21.5 of the License.⁵⁰

- (I) There was an act or omission in the Licensee's activity that harmed or limited competition in the MRT branch;
- (J) A receiver or temporary liquidator was appointed for the company that is the Licensee, an order was issued for its winding-up or it decided to be voluntarily wound-up;
- (K) Cancelled;
- (L) The Licensee requested revocation of the License.
- (M) The Licensee breached on of the provisions in Article 22A.⁵¹

- 14.1 A. With regard to sub-clause 14.1 (e⁵²), limitation of service due to technological circumstances that is implemented after an advance written and reasoned notice was sent to the Director and after its approval by the Director, will not be viewed as an illegal limitation of service.
- 14.1 B. With regard to sub-clause 14.1 (G) (6), "MRT Operator" is an operator of an MRT system abroad, through which MRT services are provided to at least five hundred thousand (500,000) subscribers.
- 14.2 Should the Minister consider that the cause of revocation, under the circumstances of the matter, does not require revocation of the License, the Minister will give the Licensee a fair opportunity to correct the act or omission that constitute a cause for revocation.

⁵⁰ Amendment No. 25

⁵¹ Amendment No. 31

⁵² Amendment No. 4

- 14.3 The Minister will give prior notice to the Licensee regarding his intention of revoking the License, and in the notice will note the cause and enable the Licensee, within a period determined in the notice, to voice its claims regarding the cause of revocation, either in writing or orally, according to circumstances.
- 14.4 The Minister may invite the Licensee to appear before him and he is permitted to require the Licensee to answer questions, present documents or to provide him with information and documents insofar as this is required for the purpose of clarifying the cause of revocation.
- 14.5 Should the Licensee be required or invited as stated above, it will fulfill the requirement or respond to the invitation on the set date.
- 14.6 Should the Licensee not respond, at least twice, to the Minister's requirement or invitation within the period determined by the Minister in the requirement or invitation, the Minister may revoke the License through a notice sent to the Licensee (hereinafter "Notice of Revocation").
- 14.7 In the Notice of Revocation the Minister will determine the date on which revocation of the License will take effect, and he may instruct the Licensee to continue to provide the services in accordance with this License until a License is awarded to another, or until the appointment of a trustee, or until the appointment of a receiver by law for management and operation of the MRT System, as the case may be.
- 14.8 The Licensee will continue to provide the services up to the date set by the Minister in his notice and will observe the instructions of this License and every instruction given to it by the Minister in this matter.

15. Other Remedies

In addition to his authority to revoke the License as set out in Paragraph 14, the Minister may, if the causes set out in Paragraph 14.1 exist, limit or suspend the License, or change its conditions or foreclose the guarantees given by the Licensee to ensure the fulfillment of the License conditions, wholly or in part; the detailed proceedings in the matter of revocation of the License will be applied, with the necessary changes, to limitation of the License, its suspension, and the foreclosure of the guarantees.

Chapter C: Ownership, Assets and Means of Control

Section A: Limitations in Respect of the Transfer of the License and its Assets

16. Deleted⁵³.

17. Ownership of the MRT System

17.1 The Licensee shall be the owner and operator of the MRT System.

17.2 Notwithstanding Article 17.1, the Licensee may make use of:

- (a) physical or wireless transmission lines of another licensee;
- (b) the radio infrastructure, that is functioning and operating by way of a Cellular Radio Infrastructure Licensee, in the framework of a usage agreement, as defined in Clause 19.3C, and after receiving the Director General's prior written agreement, and in accordance with the terms determined by the Director General.

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18. Limits on the Transfer of License Assets

18.1 The Licensee is not allowed to sell, lease or mortgage any of the assets that serve for the implementation of the License (hereinafter: "the License Assets"), unless given the Minister's prior written consent, in accordance with the terms set by the Minister.

18.2 Without derogating from the generality of what is set out in Paragraph⁵⁵ 18.1, the Minister will give his approval to give title to rights in the License assets to a third party, if he is satisfied that the Licensee has ensured that in any event, the realization of the rights by the third party will not cause any damage to the provision of services according to this License, as long as the Licensee must provide these services according to the provisions of this License.

18.3 Despite what is stated in Paragraph 18.1, the Licensee may mortgage any of the License's assets in favor of a banking corporation that is legally active in Israel, for the purpose of obtaining bank credit, on condition that advance notice of the intended mortgage was given to the Director, and in the mortgage agreement there is a clause that ensures that realization of the rights by the banking corporation will not cause any damage to the provision of services in accordance with this License; with regard to this clause, "Banking Corporation" - as defined in the Banking Law (Licensing) 1981, with the exception of "External Corporation" as defined in the same Law.

18.4 The provisions of Paragraph 18.1 will not apply to the sale of items of equipment during an upgrading process, including the sale of equipment, as aforesaid, as part of a trade-in.

⁵³ Amendment No. 64

⁵⁴ Amendment No. 83

⁵⁵ Amendment No. 64

- ⁵⁶18.4A For purposes of sale, lease, mortgage or transfer of the license assets to a Cellular Radio Infrastructure Licensee, whom the Licensee is his client, the provisions of this Article shall not apply.
19. **Agreement with another**
- 19.1 In the event that the Licensee wishes to provide any of the services in accordance with the License, wholly or partly, through another party on its behalf, it will request the Director's approval; the Licensee will append to its request the agreement⁵⁷ between it and the other party; the provision of this Paragraph will not apply to an agreement between the Licensee and a distributor of MRT Terminal Equipment or whoever acts on behalf of the Licensee for the marketing of its services.
- 19.2 The Director may approve the request, reject it or make his approval contingent on conditions that must be fulfilled, including the amendment of the agreement; the Director will consider, *inter alia*, to what extent the terms of the agreement with the other party ensure maintaining a fair competition, the grade of service for the public, the fulfillment of the License provisions and the Licensee's obligations in accordance with it; the Director will not approve an agreement with another party that contradicts the Licensee's obligations in accordance with this License.
- 19.3 The agreement with another party will not detract from the Licensee's obligations and its responsibility for the implementation of any of the services which are the subject of this License, wholly or partly, according to the provisions of the License, and will not detract from the powers of the Minister, Director, or anyone on their behalf.

Section A1- Mutual Relations with a Cellular Radio Infrastructure Licensee

19A Definitions

19A.1 In this section:

19A.1	"Confidential Commercial Information"	-	Data regarding the Licensee that is not public, and that relates to one of the following: (1) Amount and volume of telecommunication 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 Licensee by the MRT licensee, or other business activity, the information regarding which was classified by the MRT licensee 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.
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⁵⁶ Amendment No. 83

⁵⁷ Amendment No. 41

	"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 ⁵⁸)	-	Active cooperation of an antenna, including sharing of radio equipment and frequency that were allotted for use of the MRT licensee;
	"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 MRT licensee;

19B. **Cooperation with another mobile telephony communications license owner**

19B.1 The Licensee may enter into an agreement with another MRT licensee (hereinafter in this section: "Other Licensee") 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);

19B.2 Without derogating from the aforementioned in Article 19.3B:

- (a) The Licensee may enter into an agreement with other MRT licensee in various cooperation agreements in each of the 2nd, 3rd and 4th Generation 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 2nd or 3rd Generation shall be approved only if both cooperating licensee were allocated 4th Generation frequencies and if the cooperating licensee who is not an operator has an Active Cooperation of a Frequency (MOCN) in 4th Generation.

⁵⁸ **Multi Operator Core Network**

For the purpose of this sub-clause, "**Operator**" – a licensee who has completely laid out access network in 3rd Generation: Pelephone Communications Ltd., Cellcom Israel Ltd., Partner Communications Company Ltd.;

(b) Cancelled.

19B.3 If the Licensee and the Other Licensee reach a cooperation agreement of the types specified in Article 19.1B, the Licensee shall submit a written request to the Director General 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 Licensee and the Other Licensee;
- (b) Type of Cooperation Agreement as stated in Article 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 office holder of the Licensee 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 a License Owner for the Provision of MRT Services" 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 telecommunications and broadcasting area;
- (f) The date scheduled for the commencement of the implementation of the Agreement and its expiration;

19B.4 The Director General may approve the Request, deny it or condition its approval, including amending the Agreement.

19B.5 The Licensee may commence the implementation of the Cooperation Agreement only after the Director General approved the Request of the Licensee and the Other Licensee in writing.

19C Cooperation Agreement and Use Agreement

19C.1 If the Licensee files a request for an Active Cooperation of a Frequency Agreement (MOCN), the Director General shall consider the request, taking into account, *inter alia*, the existing competition level of MRT services and the potential harm to 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 telecommunication service level over time.

19C.2 The Active Cooperation of a Frequency Agreement (MOCN) shall include the following terms:

- (a) Cooperating licensees shall establish a joint corporation, and shall have equal control thereof. The joint corporation shall be required to obtain a cellular radio infrastructure license;
- (b) During the entire term of the Cooperation Agreement, the following provisions shall apply to each one of the cooperating licensees in regards to the Passive Component and the radio centers included in the joint access network:
 - 1) In the cellular radio centers – all cooperating licenses shall hold equally;
 - 2) In the Passive Component – each of the cooperating licensees 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 licensee to continue providing MRT 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-article (2) and the mutual requirement to allow for Passive Cooperation even after the termination.

19C.3 Without derogating from the aforementioned in Article 19.2C, the Licensee, the Other Licensee and the Cellular Radio Infrastructure Licensee shall enter into a usage agreement between them, which grants the Cellular Radio Infrastructure Licensee an indefeasible right of use (IRU) in the joint access network components, which are not owned by the Cellular Radio Infrastructure Licensee, 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 the generation which was agreed upon in the Cooperation Agreement.

19C.4 Any change in the Usage Agreement or in the Cooperation Agreement shall be presented to the Director General for approval no later than ten days from the date of signing the change; the Licensee shall forward to the Director General, upon request, a copy of the Usage Agreement or any change therein.

19C.5 The Cooperation Agreement or Usage Agreement (hereinafter in this Article – the "Agreement") shall not limit, directly or indirectly, the Licensee and the Other Licensee from reaching an agreement with an additional licensee or an MRT licensee 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.

- 19C.6 If the Licensee or the Other Licensee shall wish to make use of the radio infrastructure of the Cellular Radio Infrastructure Licensee, it shall contact the licensees who are parties to the agreement in order to formulate a Cooperation Agreement, and shall act as stated in Article 19B.
- 19C.7 Nothing in the contracting with the Cellular Radio Infrastructure Licensee may derogate from the duties of a licensee 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.
- 19C.8 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

- 19D.1 The Licensee shall maintain structural separation between itself and the Cellular Radio Infrastructure Licensee, as specified below:
- (a) Complete separation between its Management and the Management of the cellular radio infrastructure license owner; in this regard – "**Management**", with the exception of an office holder who is not a director of the Licensee, who is also a director of the Cellular Radio Infrastructure Licensee.
 - (b) Complete separation between its assets and the assets of the Cellular Radio Infrastructure Licensee, with the exception of the radio infrastructure of the Licensee;
 - (c) The Licensee shall not employ the employees of the Cellular Radio Infrastructure Licensee, and the Cellular Radio Infrastructure Licensee shall not employ employees of the Licensee;
 - (d) The Licensee shall not employ anyone who was a Management employee of the Cellular Radio Infrastructure Licensee for one year after the termination of his employment, without the approval of the Director General;
 - (e) The Licensee shall neither receive nor transfer to the Cellular Radio Infrastructure Licensee Confidential Commercial Information that is not required for the provision of the Cellular Radio Infrastructure Licensee's services to the Licensee.
- 19D.2 Regarding confidentiality of commercial information, the Licensee shall do as follows:
- a) The Licensee shall refrain from transferring Confidential Commercial Information to the Cellular Radio Infrastructure Licensee, except for information required for the provision of the services of the Cellular Radio Infrastructure Licensee to the Licensee;
 - b) The Licensee shall refrain from transferring Confidential Commercial Information to the Other Licensee, holding the same Cellular Radio Infrastructure Licensee or receives services therefrom;
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- c) The Licensee shall determine procedures and rules for maintaining Confidentiality of Commercial Information, and for the prevention of its transfer as stated in sub-articles (a) and (b). The procedures shall determine, *inter alia*, limitations regarding the distribution of the Confidential Commercial Information to the Licensee and the Cellular Radio Infrastructure Licensee, and the access to Confidential Commercial Information by employees who are not supposed to handle it in the framework of their positions.

19D.3 If the Minister becomes aware that there is a real concern to damage to competition in the telecommunications area or to the public interest, he may instruct that the provisions of this chapter, in whole or in part, shall apply to an affiliated company to the Licensee that has a license under the Communications Law.

19D.4 If the Minister becomes aware 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 telecommunications or broadcast area or to the public interest, he may, according to a written request from the Licensee, permit by way of a written approval, reservations to the structural separation obligation set forth in this section or according thereto, and he may determine conditions for it.

Section B: Means of Control - Changes and Limitations

20. Deleted⁵⁹

21. **Transfer of Means of Control**

21.1 A holding of ten percent (10%) or more of any of the Means of Control in the Licensee will not be transferred, either directly or indirectly, either all at once or in parts, unless given the Minister's prior written consent.

21.2 Any of the said Means of Control, or a part of them, in the Licensee, may not be transferred in any way, if as a result of the transfer, control in the Licensee will be transferred from one person to another, unless given the Minister's prior written consent.

21.3 No control shall be acquired, either direct or indirect, in the Licensee, and no person, whether on his/her own or together with his/her relative or with those acting with him/her on a regular basis, shall acquire in it ten percent (10%) or more of any of the Means of Control in the Licensee, whether all at once or in parts, unless given the Minister's prior written consent.

21.4 Deleted⁶⁰

21.5 ⁶¹Despite the provisions of sub-clauses 21.1 and 21.3 above, should there occur a transfer or purchase of a percentage of Tradable Means of Control in the Licensee requiring consent under clauses 21.1 and 21.3 (other than a transfer of purchase that results in a transfer of control), without the Minister's consent having been sought, the Licensee shall report this to the Minister in writing, and shall make an application to the Minister to approve the said transfer or purchase of the Means of Control in the Licensee, within 21 days of the date on which the Licensee became aware of such.

In this Clause 21, "**Tradable Means of Control**" – Means of Control, including Global or American Depository Shares (GDR's or ADR's), or similar certificates, registered for trading on the securities exchange in Israel or overseas, and offered to the public by prospectus, or held by the public in Israel or overseas.

21.6 Neither the entry into an underwriting agreement relating to the issue or sale of securities to the public, the registration for trading on the securities exchange in Israel or overseas, nor the deposit or registration of securities with a registration company or with a depository agent or a custodian for the purpose of registration of GDRs or ADRs or similar certificates relating to the issue or sale of securities to the public shall in and of themselves be considered as a transfer of Means of Control in the Licensee⁶².

⁵⁹ Amendment No. 98

⁶⁰ Amendment No. 52

⁶¹ Amendment No. 3

⁶² Amendment No. 4

- 21.7 (a) Irregular Holdings shall be noted in the Licensee's members register (the list of shareholders) stating the fact that they are irregular, immediately upon the Licensee's becoming aware of this, and a notice of theregistration shall be given by the Licensee to the holder of such Irregular Holding and to the Minister.
- (b) Irregular Holdings, noted as aforesaid in clause 21.7(a), shall not provide the holder with any rights, and shall be "dormant shares" as defined in Section 308 of the Companies Law 5759-1999, except in the case of the receipt of a dividend or any other distribution to shareholders (especially the right to participate in an allotment of rights calculated on the basis of holdings of Means of Control in the Licensee, although holdings accumulated as aforesaid shall also be considered as Irregular Holdings), and therefore no action or claim of the activation of a right by virtue of the Irregular Holdings shall have any force, except in the case of the receipt of a dividend or any other distribution as aforesaid.

Without derogating form the generality of the above:

- (1) A shareholder who takes part in a vote during a meeting of shareholders shall advise the Licensee prior to the vote, or in the case of documentary voting on the voting document, whether his holdings in the Licensee or his voting require consent under clauses 21 and 23 of the License or not; where a shareholder does not so advise, he may not vote and his vote shall not count.
- (2) No director of the Licensee shall be appointed, elected or transferred from office by virtue of an Irregular Holding; should a director be appointed, elected or transferred from office as aforesaid, the said appointment, election or transfer, as the case may be, shall be of no effect.
- (3) Irregular Holdings shall not provide voting rights in the general meeting;

For the purposes of this clause:

"Irregular Holdings" – the holding of Tradable Means of Control without the Minister's consent as required under clause 23, and all holdings of a person holding Tradable Means of Control acting contrary to the provisions of clause 24; for so long as the Minister's consent under clause 21 has been sought but not yet granted, or whilst there is a situation of breach of the provisions of clauses 23 or 24.

- (c) The provisions of clause 21.7 shall be included in the Articles of Association of the Licensee, including the provisions of clause 21.9, *mutatis mutandis*.
- 21.8 For so long as the Articles of Association of the Licensee provide as set out in clause 21.7, and the Licensee acts in accordance with the provisions of clauses 21.5 and 21.7, and for so long as none of the holdings of ⁶³Founding Shareholders or their Substitutes reduces to less than ⁶⁴26⁶⁵% of all Means of Control in the Licensee immediately prior to the listing of the shares for trade, and for so long as the Articles of Association of the Licensee provide that a majority of the voting power in the general meeting of the Licensee may appoint all members of the Board of Directors of the Licensee, other than external directors required by any law and/or the relevant Exchange Rules, the Irregular Holdings shall not, in and of themselves, give rise to a cause for the cancellation of the Licensee.

⁶³ Amendment No. 25

⁶⁴ Amendment No. 9

⁶⁵ Amendment No. 28

⁶⁶Amendment No. 31

'For the purpose of this article: "Founding Shareholders or their Substitutes" - Matbit Telecommunications Systems Ltd., Advent Investment Pte Limited, Matav Investments Ltd and Tapuz Cellular Systems limited Partnership as well as any other entity that one of them has transferred the Means of Control in the Licensee to, with the Minister's consent, before 4.7.2004 (each of the above entities shall be termed "Founding Shareholder"), as well as any other entity that a Founding Shareholder will transfer Means of Control in the Licensee to after 4.7.2004, provided that the Minister gave his written consent that the transferee be considered for this matter as the Founding Shareholder's substitute from the date to be determined by the Minister, including anyone that is an Israel Entity as defined in Article 22A.2, that purchased Means of Control from the Licensee and received the Minister's approval to be considered a founding shareholder or their substitute from the date set by the Minister⁶⁷. Such consent under this article does not exempt the Licensee from the obligation to receive the Minister's consent for every transfer of the Means of Control in the Licensee that requires the Minister's consent in accordance with any other article in the Licensee.⁶⁸

21.9 The provisions of clauses 21.5 through 21.8 shall not apply to the founding shareholders or their substitutes.⁶⁹.

22. Placing a Charge on Means of Control

Any shareholder in the company that holds the License, or a shareholder in an Interested Party in the same company, is not allowed to encumber his/her shares, in a way that the realization of the charge would cause a change in the ownership in ten percent (10%) or more of any of the Means of Control in the Licensee, unless the charge agreement includes a constraint, according to which the charge cannot be realized without prior consent, in writing, by the Minister.

22A. Israeli Requirement and Holdings of Founding Shareholders or their Substitutes⁷⁰

22A.1 The total cumulative holdings of the "Founding Shareholders or their Substitutes", as defined in Article 21.8, (including anyone that is an "Israeli Entity" as defined in Article 22.2A below, that purchased Means of Control from the Licensee and received the Minister's approval to be considered a founding shareholder or their substitute from the date set by the Minister), and are bound by an agreement for the fulfillment of the provisions of Article 22A of the License (in this Article they will all be considered "Founding Shareholders or their Substitutes") shall not be reduced to less than 26% of each of the Means of Control in the Licensee.

⁶⁷ Amendment No. 31

⁶⁸ Amendment No. 25

⁶⁹ Amendment No. 31

⁷⁰ Amendment No. 31-Amendment No. 31 will come into effect upon completion of all of the obligations set forth in article 22A and no later than 30 June 2005, in accordance with the Ministry of Communications document 62/05-4031 dated 13 March 2005

- 22A.2 The total cumulative holdings of "Israeli Entities", one or more, that are considered as one of the Founding Shareholders or their Substitutes, from the total holdings of Founding Shareholders or their Substitutes as set forth in Article 22A.1 above, shall not be reduced at all times to less than 5% of the total issued share capital and from each of the Means of Control in the Licensee. For this matter, the issued share capital of the Licensee shall be calculated by deducting the number of "Dormant Shares" held by the Licensee.

In this Article-

"**Israeli Entity**"- for an individual-an Israeli citizen or resident of Israel, For a corporation- a corporation that was incorporated in Israel and an individual that is a citizen and a resident of Israel, controls the corporation either directly or indirectly, as long as the indirect control shall be only through a corporation that was incorporated in Israel, one or more. However, for the matter of indirect holdings, the Prime Minister and the Minister of Communications may approve holdings through a corporation that has not been incorporated in Israel, as long as the corporation does not directly hold shares in the Licensee, and only if they are convinced that this will not derogate from the provisions of this article. For this matter, "Israeli citizen"- as defined in the Nationality Law, 5712-1952; "resident"-as defined in the Inhabitants Registry Law, 5725-1965.

For this matter, "**Dormant Shares**"- as defined in Article 308 of the Companies Law, 5759-1999.

- 22A.3 At least one tenth (10%) of the members of the Board of Directors of the Licensee shall be appointed by the Israeli Entities as set forth in Article 22A.2. Notwithstanding the above-mentioned, for this matter- if the Board of Directors of the Licensee shall consist of up to 14 members – at least one director shall be appointed by the Israeli entities as set forth in Article 22.2A above, if the Board of Directors of the Licensee shall consist of between 15 and 24 members-at least 2 directors shall be appointed by the Israeli entities as set forth in Article 22.2A above and so on and so forth.

- 22A.4 The Licensee's Board of Directors shall appoint from among its members that have security clearance and security compatibility to be determined by the General Security Service (hereinafter: "Directors with Clearance") a committee to be designated "the Committee for Security Matters", or CSM.

The CSM shall consist of at least 4 Directors with Clearance including at least one External Director. Security matters shall be discussed, subject to Article 22A.5, solely by the CSM. A resolution that was adopted or an action that was taken by the CSM, shall have the same effect as a resolution that was adopted or an action that was taken by the Board of Directors and shall be discussed by the Board of Directors only if necessary in accordance with Article 22A.5 and subject to Article 22A.5.

In this article—"security matters"—as defined in the Bezeq Order (Determination of Essential Service Provided by "Bezeq", the Israeli Telecommunications Company Ltd), 5757-1997, as of March 9, 2005.

22A.5 Security matters that the Board of Directors or the Audit Committee of the Licensee shall be required to consider in accordance with the mandatory provisions of the Companies Law, 5759-1999, or in accordance with the mandatory provisions of any other law that applies to the Licensee shall be discussed, if they need to be discussed by the Board of Directors or the Audit Committee, only in the presence of Directors with Clearance. Directors that do not have security clearance shall not be allowed to participate in this Board of Directors or Audit Committee meeting and shall not be entitled to receive information or to review documents that relate to this matter. The legal quorum for such meetings shall include only Directors with Clearance.

The Licensee may set out in its Articles of Association that an Office Holder, who in the capacity of his position or based on the provisions of the law or the Articles of Association, should have received information or participate in security matter meetings and this was denied him due to Article 22A.5, will be released from any liability for any claim of breach of duty of care towards the Licensee, if the breach of duty of care was a result of his or her inability to participate in the meetings or receive information.

22A.6 The shareholders at a general meeting shall not be entitled to assume, delegate, transfer or exercise any of the authorities granted to another organ in the company, regarding security matters

22A.7 (a) The Minister shall appoint an observer for the Board of Directors and committee meetings, that has security clearance and security compatibility that will be determined by the General Security Services.

(b) The observer shall be a government employee, qualified to serve as a director, in accordance with Chapter C of the Government Companies Law, 5735-1975.

(c) In addition, and without derogating from any duty imposed on him by any law, the observer shall be bound by confidentiality towards the Licensee, except as the matter may be required to fulfill his responsibilities as an observer. The observer shall not act as an observer or in any other capacity for any entity that deals with the provision of telecommunication services and directly competes with the Licensee, and shall refrain from any conflict of interest between his position as an observer and between the Licensee, excluding conflicts of interest that result from his being a government employee that is fulfilling his responsibilities as an observer with the Licensee. The observer shall undertake towards the Licensee not to serve as an observer or an office holder, and not to fulfill a position or be employed, directly or indirectly by any entity that directly competes with the Licensee or has a conflict of interest with the Licensee, excluding a conflict of interest that results from his being a government employee that is fulfilling his responsibilities as an observer with the Licensee throughout the duration of his position as an observer with the Licensee and for eighteen months after he completes this term.

In any case of a dispute regarding a conflict of interest of the observer, the matter shall be decided by the State Attorney General or a person on his behalf.

- (d) Notices to Board of Director and committee meetings, including the CSM, shall be sent to the observer and he shall be entitled to participate as an observer in each such meeting.
- (e) The observer's entitlement to receive information from the Licensee, shall be the same as a director. If the Licensee believes that certain information that is sensitive business information is not required by the observer in order to fulfill his duties, the Licensee may delay delivery of such information to the observer and shall inform him accordingly. If the observer believes that he should receive such information, the matter shall be decided by the head of the General Security Services.
- (f) If the observer believes that the Licensee adopted or is about to adopt a resolution regarding security matters, contrary to the provisions of the License, contrary to Article 13 of the Law or contrary to the provisions of Article 11 of the General Security Services Law, 5762-2002, he shall immediately notify the Licensee in writing. Such a notice shall be sent to the chairman of the Board of Directors and to the chairman of the CSM and adequate time shall be given, under the circumstances of the case, to remedy the breach or to change the resolution, if possible.

22A.8 The provisions of Article 22A of the License shall be adopted in the Articles of Association of the Licensee.

Section C: Cross-Ownership and Conflict of Interests

23. **Prohibition of Cross-Ownership**

- 23.1 The Licensee, an Office Holder or an Interested Party in the Licensee, as well as an Office Holder in an Interested Party in the Licensee, shall not hold, either directly or indirectly, five percent (5%) or more of any Means of Control in a Competing MRT Operator, and shall not serve as an Office Holder in a Competing MRT Operator or in an Interested Party in a Competing MRT Operator; for this matter, "Holding" includes holding as an agent.
- 23.2 Notwithstanding the provisions of Paragraph 23.1, the Minister may, based upon written request, permit an Office Holder in the Licensee to serve as an Office Holder in an Interested Party in a Competing MRT Operator, or permit an Office Holder in an Interested Party in the Licensee to serve as an Office Holder in a Competing MRT Operator or in an Interested Party in a Competing MRT Operator, if he is satisfied, that this will not harm the competition in MRT Services; the Minister may condition the granting of such permit on conditions that the Office Holder must fulfill for prevention of harm to the competition as aforesaid.
- 23.3 Notwithstanding the provisions of Paragraph 23.1, an Interested Party in the Licensee, which is a trust fund, an insurance company, an investment company or a pension fund, may hold up to ten percent (10%) of the Means of Control in a Competing MRT Operator, and an Interested Party in a Competing MRT Operator, which is a trust fund, an insurance company, an investment company or a pension fund, may hold up to ten percent (10%) of the Means of Control in the Licensee, provided it does not have a representative or an appointee on its behalf among the Office Holders of a Competing MRT Operator or of the Licensee, as the case may be, unless it is required to do so by law.
- 23.4 The Licensee, an Office Holder or an Interested Party in the Licensee, as well as an Office Holder in an Interested Party in the Licensee, will not control a Competing MRT Operator, and will not cause it, by any act or omission, to be controlled by a Competing MRT Operator or by an Office Holder or an Interested Party in a Competing MRT Operator, or by an Office Holder in an Interested Party in a Competing MRT Operator, or by a person or corporation that controls a Competing MRT Operator.
- 23.5 The rate of indirect holding in a corporation will be a product of the percentage of holdings in each stage of the chain of ownership, subject to what is set out in Paragraph 23.6; for example:
- (A) 'A' holds 40% in Company 'B';
 - (B) Company 'B' holds 40% in Company 'C';
 - (C) Company 'C' holds 25% in Company 'D';
 - (D) Therefore, Company 'A' holds, indirectly, 4% of Company 'D'.
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23.6 For the matter of this Paragraph and Paragraphs 14.1 (G) (6), (7), (8), (8a), (9) and 21.4, if a certain body (hereinafter: "the Controlling Body") controls another body that has holdings, directly or indirectly, in the Licensee (hereinafter: "the Controlled Body"), the Controlling Body, and also any other body controlled by the Controlling Body, will be attributed with the rate of holdings in the Licensee that the Controlled Body has, directly or indirectly; according to the following examples:

A. Direct holdings:

- (1) 'A' holds 50% in Company 'B', and controls it;
- (2) Company 'B' holds 50% in Company 'C', and controls it;
- (3) Company 'C' holds 10% in the Licensee and does not control it;
- (4) Therefore, notwithstanding that 'A's' holdings in the Licensee in accordance with the instructions of Paragraph 5.6 are 2.5%, 'A' and also any body controlled by 'A' will be deemed as an Interested Party holding 10% in the Licensee.

B. Indirect holdings:

- (1) 'A' holds 50% of Company 'B' and controls it;
- (2) Company 'B' holds 40% of Company 'C' and controls it;
- (3) Company 'C' holds 40% of Company 'D' and does not control it;
- (4) Company 'D' holds 40% of the Licensee and does not control it;
- (5) Therefore, 'A' and any body controlled by 'A' will be regarded as having a holding in the Licensee at the rate of holdings of Company 'C' in the Licensee, which is holdings of 16% (according to the method set out in Paragraph 23.5 for the calculation of the rate of indirect holdings in the absence of control), and in this manner, 'A' and any body controlled by 'A' is an Interested Party in the Licensee.

23.7 If a certain body has indirect holding in the Licensee, through two or more Interested Parties, then for the purpose of its definition as an Interested Party, and for the purpose of determining the rate of holding with regard to this Paragraph, the greatest indirect rate of holding will be taken into account, and also any rate of holding that derives from the chain of holdings through which the said holding body is attributed with the holdings of corporations controlled by it in accordance with the provisions of Paragraph 23.6; the rates of holdings that derive from two or more chains that will be taken into account as stated above, will be cumulative for the purpose of calculating the rate of holdings.

23.8 The Minister may, in response to a written request, permit an Interested Party in the Licensee to hold, either directly or indirectly, five percent (5%) or more in any of the Means of Control of a Competing MRT Operator, if the Minister is satisfied that this will not harm competition in the MRT field; ⁷¹the Minister may condition the granting of the said permit on a condition that the Interested Party in the Licensee or competing MRT Operator is an Interested Party merely by virtue of the provisions of Article 23.6 .

⁷¹ Amendment No. 10

24.1 Prohibition of Conflict of interests

The Licensee, any body in which the Licensee is an Interested Party, an Office Holder in the Licensee or an Interested Party in the company holding the License or an Office Holder in an Interested Party therein, will not be party to any agreement, arrangement or understanding with a Competing MRT Operator, or an Interested Party or an Office Holder in it, or an Office Holder in an Interested Party in a Competing MRT Operator, or any other body in which a Competing MRT Operator is an Interested Party, which are intended to or might reduce or harm competition in anything that pertains to MRT Services, MRT Terminal Equipment or any other Telecommunications Services.

24.2⁷² Without derogating from the aforementioned in Article 24.1, the Licensee may reach a Cooperation Agreement as set forth in Article 19.1B.

⁷² *Amendment No. 83*

Chapter D: Establishment of the MRT System and its Operation

Section A: Establishment of the System

25. Definition

In this part:

“Milestones”- Stages in the establishment of the MRT System, according to the timetable specified in the Engineering Plan - Appendix B to the License.

26. Establishment according to the Engineering Plan

26.1 In all matters pertaining to the establishment of the MRT System (in this Paragraph: “the System”) and its operation, including the technical quality of its various components, the structure of the System and manner of its establishment, the Licensee will fulfill what is set out in the Engineering Plan - Appendix B of the Second Annex to the License, in accordance with the instructions in the Annexes to this License; in case of contradiction between the provisions of the Engineering Plan and the provisions of the License and the Annexes to the License, the License provisions shall override the provisions of the Annexes to the License, and the provisions of the First Annex shall override the provisions of the Second Annex to the License.

26.2 The Licensee will follow all the specifications of the Ministry of Communications and the standards related to the System, which were set out by standardization organizations in Israel and abroad as well as by other international organizations, both in the field of telecommunications and wireless and in any other field related to the establishment and operation of the System.

26A⁷³ Operation Approval

26A.1 The Licensee shall contact the Director General in writing for the receipt of his approval to commence the provision of 4th Generation services (hereinafter – “Operation Approval”). The Licensee may commence the provision of 4th Generation services only after receiving Operation Approval from the Director General.

26B⁷⁴ Obligation to Provide 4th Generation Service

26B.1 If the License has not begun providing 4th Generation Services within 12 months from the determining date, as stated in Article 2.1(b)(2)(a) to Appendix E, the frequencies allocation that it received for the provision of this service shall expire, and the license fees paid due to the award of the 4th Generation Tender shall not be returned.

The expiration of the frequencies allocation as stated shall be considered a change of the Cooperation Agreement or change of the Usage Agreement, as applicable.

⁷³ Amendment No. 83

⁷⁴ Amendment No. 83

27. Implementation Stages and Timetable

- 27.1 The rate of establishment of the MRT System, the milestones for its establishment and the date of the commencement of service provision in the various regions of the State, will be in accordance with the timetable set out in the Engineering Plan - Appendix B of the Second Annex to the License.
- 27.2 The Licensee may not deviate from the timetable unless permitted to do so by the Director, provided the Licensee requested the Director in writing to receive the latter's permission immediately after the Licensee became aware that there are difficulties preventing it from complying with the original timetable; delay in signing agreements with a third party or in receiving a permit from the planning and construction authorities, will be deemed reasonable causes for receiving the Director's permission to deviate from the timetable, only if the Director has been satisfied that the Licensee has taken every reasonable step in the prevailing circumstances, in order to reach an agreement with a third party or to receive permit from the planning and construction authorities.
- 27.3 The Director may approve the Licensee's request to deviate from the timetable, wholly or partly, and to make his approval contingent on certain conditions; the Director may authorize a deviation with respect to a certain milestone, provided that the Licensee will undertake to make up the delay in the planned rate of establishment within the next milestone.

28. Change of Plans during the Establishment

- 28.1 A Licensee may not deviate from the Engineering Plan unless permitted to do so by the Director according to the provisions of this Paragraph; however, locating a Cellular Radio Base at a site which is different from the site specified in the Engineering Plan will not be deemed as deviation if done within the Search Area; in this Paragraph, "Search Area" means an area defined in the Engineering Plan, at which the establishment of a Cellular Radio Base was planned, at a specific site in the area, and regarding which it was determined in the Engineering Plan that there might be a need to locate the base at another site in that area.
- 28.2 Should the Licensee realize, during the establishment of the MRT System, that there is a need to deviate from the Engineering Plan, the Licensee will approach the Director in writing in order to receive the latter's approval to the change in the plan; in its approach, the Licensee will specify in detail the substance and nature of the requested change and the reasons for it; the Licensee will append to the request the revised plan that it proposes.
- 28.3 The Director may reject the request or approve it, wholly or partly. The Director also may make his approval contingent on certain conditions, as long as such conditions are necessary in order to maintain the quality of the System and its performance standard. The Director will decide on the request and advise the Licensee of his decision, all within a reasonable period of time.
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29. Use of Infrastructures and their Construction

- 29.1 The Licensee may, for the purpose of establishment of the MRT System and its operation, and subject to any law, establish, maintain and operate physical or wireless transmission links, provided the said transmission links will serve only for the following:
- (A) Connection between the Cellular Radio Bases that comprise part of the Licensee's MRT System;
 - (B) Connection between the Licensee's Cellular Radio Bases and its MRT Exchanges;
 - (C) Connection between the MRT Exchanges themselves;
 - (D)⁷⁵ Connection between a component of the MRT system solely owned by the Licensee and a mutual component of the MRT system.
- 29.2 For the purpose of connection as specified in Paragraph 29.1, the Licensee also may make use of physical or wireless transmission links of the Bezeq Corporation or of another Licensee or franchise holder who was lawfully authorized to provide infrastructure services as aforesaid.
- 29.3 In order to remove all doubt, it is hereby made clear that the use of transmission links established by the Licensee is only for the purpose of operating an MRT System as set out in Paragraph 29.1, unless permitted by the Minister, by License, to make additional use of the same, and in accordance with the terms stipulated by the Minister.
- 29.4 The Minister will consider providing the Licensee with a permit to establish, by itself or by means of another party on its behalf, transmission links for connecting between the Licensee's MRT exchanges and the Telecommunication Networks of other General License Holders, if he or she finds that one of the following has transpired:
- (A) The Bezeq Corporation and other domestic operators have unreasonably delayed the installation of these facilities;
 - (B) The Bezeq Corporation and other domestic operators have set out unreasonable or discriminatory conditions for the installation of these facilities;
 - (C) The Minister is of the opinion that the interest in promoting competition in Telecommunications Services obliges him to do so.

30. Connection to other Telecommunications Systems

- 30.1 ⁷⁶ The Licensee shall act in order to effect the Interconnection of the Network with any other Public Telecommunications Network operating in the area in which the law, jurisdiction and administration of the State of Israel apply (including settlements, military sites and military installations in Judea, Samaria and the Gaza Strip), and including to any Wireline Public Telecommunications Network, International Telecommunications System and the MRT System of another MRT operator.

⁷⁵ Amendment No. 83

⁷⁶ Amendment No. 14

- 30.2 The Interconnection between the Network and the Public Telecommunications Network of another licensee shall be effected in such a way as to enable the following:
- (a) Transfer of telecommunications messages between Terminal Equipment connected to the Network and Terminal Equipment connected to the other Public Telecommunications Network;
 - (b) Proper and orderly provision of services by the Licensee to the subscribers of another licensee, and provision of services by the other licensee to subscribers of the Licensee.
- 30.3 Interconnection may be effected directly or indirectly, via the Public Telecommunications Network of another general licensee, provided that it allows for the provisions of clause 30.2.
- 30.4 In an Interconnection between the Network and a Wireline Public Telecommunications Network, the Licensee shall act to set up Interface points between the two Networks, for every type of service (infrastructure, transmission and data communications, telephony), with at least three main Transfer Switches; unless the Director has determined otherwise based upon a written application from the Licensee; the setting up of the above Interface points shall be effected under an agreement between the Licensee and the Domestic Operator; such an agreement shall contain, *inter alia*, the technical, operational and commercial particulars of the connection, and the number and location of connections.
- 30.5 In an Interconnection between the Network and an International Telecommunications System, the Licensee shall act in accordance with the provisions of Appendix J to the License.

30A. Rules regarding Effecting of Interconnection

The Licensee shall act to effect the Interconnection subject to all of the following:

- (a) The Licensee shall ensure that the technical and operational standards of the Network match the requirements for connection to the Public Telecommunications Network of the Domestic Operators, the other MRT operators and the international operators (hereinafter: "**an Other Operator**"), that the operations of the Network be properly integrated with the operations of the Public Telecommunications Network of the Other Operator and that the Interconnection shall not harm the proper operation of these systems or proper service to their subscribers;
 - (b) The Licensee shall provide the Interconnection service on equal terms to every Other Operator and shall avoid any discrimination in effecting such Interconnection, including in respect of:
 - (1) The supply of infrastructure installations and network connection services;
 - (2) the availability of connection facilities;
 - (3) methods, quality and durability of the connection;
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- (4) switching alterations and adjustments to installations , protocols and Network Interface points;
 - (5) payments for linterconnections;
 - (6) Billing and collection arrangements and transfer of information to Subscribers;
 - (7) commercial terms for effecting Interconnection;
 - (8) provision of information regarding the Network and changes therein which relate to Interconnection;
 - (c) The Licensee shall make available to the Other Operator any essential information that the Other Operator requires in order to provide its services via the Licensee's facilities; such information shall be provided subject to any law regarding protection of privacy or commercial confidentiality; where the parties do not reach an agreement as to the nature and scope of the essential information, the Minister shall rule on the matter;
 - (d) The Licensee shall provide the Other Operator with information on planned changes to its Network, which might affect Interconnection with the Public Telecommunications Network of the Other Operator, or Interconnection between the Public Telecommunications Networks of the Other Operators; the Licensee shall supply the said information in such a manner as to allow the Other Operator to be reasonably prepared for the implementation of the said changes;
 - (e) For the purposes of sub-clauses (c) and (d), the Licensee may make the provision of information to the Other Operator conditional upon execution of a reasonable confidentiality agreement, intended to protect the rights of the Licensee under any law, including commercial secrets, intellectual property rights and the like, relevant to the information regarding the change in the Network that is to be delivered to the Other Operator;
 - (f) The conditions for Interconnection between the Network and the Public Telecommunications Network of an Other Operator shall be arranged by an agreement between the Licensee and the Other Operator; where the parties fail to reach an agreement, the Minister shall rule on the matter;
 - (g)
 - (1) The Licensee shall allow its Subscribers to receive all of the services offered to them by the Other Operator, and may allow the subscribers of the Other Operator to receive all of the services from the Licensee, provided that receipt of such services is possible under any law.
 - (2) The Director may order the Licensee to allow subscribers of another licensee to receive the services given by the Licensee , provided that the receipt of such services as aforesaid is technically and legally possible.
 - (3) Notwithstanding the provisions of paragraph (1), the Director may, upon a written application from the Licensee, exempt the Licensee from the obligation of providing its Subscribers with the possibility of receiving services from the Other Operator for technical, economic or other justifiable reasons.
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- (h) The Licensee shall provide the Director with a signed copy of any agreement between the Licensee and the Other Operator regarding Interconnection;
- (i) The Licensee shall provide the Director, upon demand, with any information provided to the Other Operator pursuant to sub-clauses (c) and (d), and a copy of any confidentiality agreement pursuant sub-clause (e);
- (j) The Licensee shall act in accordance with any other instructions that the Minister may prescribe.

30B. Payment for Traffic Completion and Interconnection

Where the Minister has not prescribed payment for Interconnection or payment deriving from Interconnection, the Licensee may charge a reasonable and non-discriminatory sum for these.

30C. Prohibition Against Delaying Interconnection

The Minister shall give the Licensee a reasonable opportunity to make claims regarding the Minister's intention to instruct the Licensee regarding the manner of effecting Interconnection and the scope thereof, activities, services and Accompanying Services for effecting Interconnection, and payment for Interconnection; where the Minister has instructed the Licensee in respect of such matters, the Licensee shall not delay Interconnection to the Network in any manner, and shall fulfill its obligations in accordance with the instructions of the Minister, in good faith and properly, on the date prescribed for such and in full cooperation.

30D. Provision of Possibility of Use

- 30D.1 The Minister may instruct the Licensee regarding the provision of the possibility of use of its Telecommunications Installation in accordance with his powers under section 5 of the Law.
- 30D.2 The Licensee shall allow another licensee, in accordance with the instructions of the Minister, to provide Value Added Services via the Network; the Licensee shall ensure reasonable and equal conditions for any other licensee, in respect of the supply of Value Added Services by the other licensee to the Licensee's subscribers, including in respect of the matters set out in clause 30A, mutatis mutandis.
- 30D.3 For the purpose of provision of the possibility of Use, the provisions of clauses 30A through 30C shall apply, mutatis mutandis.

30E. Infrastructure Services to an Affiliated Company

- 30E.1 The Licensee shall avoid giving preference to a licensee that is an Affiliated Company over any other licensee, in the provision of Infrastructure Services, in terms of either payment or service, in terms of the conditions or availability of the service, or in any other manner.
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- 30E.2 (a) Upon the written request of the Licensee, the Director may permit limitations for the Licensee on the provisions of clause 30E.1 in respect of another licensee or broadcast licensee which is an Affiliated Company, provided that the following conditions apply:
- (1) such other licensee or Franchisee is not a Substantial Operator;
 - (2) the Director is of the opinion that the giving of such approval shall not substantially harm competition in the field of telecommunications
- (b) Limitations as aforesaid in sub-clause (a) might permit the Licensee to provide the Affiliated Company with Use of its Telecommunications Installations under preferred conditions and may be limited by time or any other condition.
- (c) In considering the permit under this clause, the Director shall take into account the existence of a valid agreement, executed prior to Amendment No. 14 of this License, between the Licensee and an Affiliated Company, as aforesaid, *inter alia* regarding limitation of the permit by time or other conditions.
- 30E.3** In this clause, “**Affiliated Company**”, “**Subsidiary**” and “**Substantial Operator**” – as defined in the Telecommunications Regulations, (Proceedings and Conditions for Receipt of a General License for the Provision of Domestic Wireline Telecommunications Services) 5760-2000.
- 30F. Numbering Plan**
- 30F.1 The Licensee shall act in accordance with the Numbering Plan, and in accordance with the instructions of the Director regarding the activation and implementation of the Numbering Plan.
- 30F.2 Should the Director give instructions regarding number portability such that every subscriber of another MRT licensee shall be able to become a subscriber of the Licensee or receive services from the Licensee without altering his number, and vice versa, the Licensee shall integrate facilities in its Public Telecommunications Network that will allow for the implementation of such feature, on the date and in the manner to be prescribed by the Director.
- 30G.⁷⁷ Address Allocation in IPv6 Protocol**
- 30.1G The Licensee will adapt the network and its components, so that they will completely support the IPv6 Protocol and in a manner that will allow access for subscribers to the internet service in IPv6 Protocol from any terminal equipment that supports the IPv6 Protocol, and will act to train personnel as necessary to support the IPv6 Protocol, by 12 months from the date of signature of this license amendment.
- 30.2G The Licensee will allocate IP addresses in the IPv6 Protocol for any new subscriber or existing subscriber that requests an address in the IPv6 Protocol, and own terminal equipment that supports the IPv6 Protocol.

⁷⁷ Amendment No. 96

- 30.3G The Licensee will transfer at its own initiative addresses in the IPv6 Protocol for new and existing subscribers that own terminal equipment that supports the IPv6 Protocol. The transfer of new and existing subscribers to addresses in the IPv6 Protocol will be done in accordance with the following milestones:
- a. Up to 24 months from the signature date of the license amendment, the Licensee will transfer at its own initiative 100% of the existing and new subscriber base to the IPv6 Protocol.⁷⁸
- 30.4G The Licensee will update the director of technology inspection in the Ministry on the execution of each of the milestones set out in clause 30.3G above.
- 30.5G All terminal equipment that is supplied by the Licensee will support the IPv6 protocol.
- 30.6G The transition from IPv4 to IPv6 may be executed by the following methods:
- a. Dual Stack
 - b. Tunneling
 - c. Translation
 - d. IPv6 Only
- 30.7G All data centers that subscribers have access to and through which service is provided to subscribers of the Licensee, including data centers for content sites must support protocol IPv6.
- 30.8G The support of protocol IPv6 will be implemented in network components and the fixed-line and wireless systems of the Licensee regarding the provision of data services and all the applications and various services that the Licensee provides and will include **at least** the following operations/components:
- a. Basic operations and definitions of the IP layer
 - b. Access privileges (RADIUS, AAA)
 - c. Address definitions according to IPv6 address architecture
 - d. IPsec
 - e. Information security layers
 - f. All IT systems of the Licensee that relate to the provision of access services and internet applications

⁷⁸ Except for subscribers that have private terminal equipment that does not support IPv6 Protocol and decided not to exchange it with equipment that supports the protocol. And only if the Licensee notifies them about the allocation of IPv6 addresses, explained to them the meaning of the decision not to exchange the equipment and signed them on a waiver of this allocation.

- g. All the systems, servers, routers, switches etc. in the core networks, aggregations and the access, that relate to the provision of access services and internet applications
- h. API, DHCP, DNS
- i. Different routing protocols
- j. Interconnections between different licensees over the internet
- k. Interconnections that are used for international links
- l. Multicasting
- m. Mobility (Mobile IP)
- n. Network protection (FW⁷⁹,APFW⁸⁰, IDS⁸¹,IPS⁸²)

30.9G The Licensee shall update its subscribers regarding its support of the IPv6 protocol in all of the following manners:

- a. By a written explanation of the company's website
- b. Through direct mailing to subscribers that will be attached to the invoice that will be sent to the subscriber in the first month after the beginning of the IPv6 protocol support begins.

31. Report on Establishment Work

- 31.1 The Licensee will submit to the Director, during the entire establishment period of the MRT System, quarterly reports which will comprise the establishment work that was carried out during the period covered by each report, according to the Milestones and timetables in the Engineering Plan; for the matter of this Paragraph, "the Establishment Period" is the period of forty eight (48) months from the date of License award or until the date of completion of the Establishment of the System to its full deployment according to the Engineering Plan - the earlier of the two. ⁸³During the erection period, this report shall be integrated into the outline engineering report, as set forth in Article 104.1(e).
- 31.2 The reports will include comparison of the actual implementation of the plans against planning, as of the date of each report, and explanations of any deviation or change in the implementation as compared to the design.

⁷⁹ **Firewall**

⁸⁰ **Application Firewall**

⁸¹ **Intrusion Detection System**

⁸² **Intrusion Protection System**

⁸³ Amendment No. 71

31.3 Each report will be submitted in three (3) copies in a format as instructed by the Director, bearing a date and signed by the Licensee or whoever was authorized by it particularly for this purpose.

31.4 The Director may require the Licensee to prepare special reports as well as redraft any report that was submitted to him, or complete it.

32. Submission of Information and Documents

32.1 The Licensee will submit to the Director, on his request, any information and document on the implementation of the establishment work on the MRT System, at the date and in the format and manner as instructed by the Director.

32.2 For the matter of this Paragraph and Paragraph 33, "a document" includes any information stored in a computer or in an information database.

33. Supervision of Establishment Work

33.1 The Director may supervise personally, or through another person acting on his behalf, the actions taken by the Licensee to carry out the establishment work. In order to carry out the supervision, the Director may enter, at any reasonable time, the work sites, facilities of the MRT System and the Licensee's offices, in order to conduct measurement and tests and to examine any plan or document pertaining to the implementation of the establishment work.

33.2 The Licensee will cooperate with the Director in everything that pertains to the conducting of supervision of the establishment work, and without derogating from the generality of the above, will allow him to enter the work site and its installations, allow examination of any document, plan and specifications and provide him with any required information that the Director may request.

34. Repair of Faults and Defects

34.1 The Director may advise the Licensee in writing of faults, defects and deviations that he found in the establishment work of the MRT System, on the basis of reports submitted by the Licensee, documents and information that it provided the Director, or on the basis of measurement and tests that he conducted.

34.2 Should the Licensee receive notification as set out in Paragraph 34.1, it will notify the Director, within fourteen (14) days from the date on which it was notified of the above, of its response to the notifications and the actions that it has taken or is about to take in order to remedy the faults, defects or deviations.

35. Safety and Security Precautions and Prevention of Hazards

35.1 The Licensee will carry out the establishment works while taking adequate safety precautions in order to prevent accidents to people and damage to property. It will refrain from causing disturbances and hazards to the public in the work area, and if required to conduct excavation at the site, it will make every effort to prevent damages to underground Systems, including Telecommunication Networks. For this purpose, it will ensure that it obtains every permit required by any law, including permit for excavation works according to Section 53B of the Law.

35.2 On completion of the establishment work, the Licensee will make sure that the work site is clean and restored to its previous condition.

36. Cancelled.

37. Crossing Electricity Lines and Telecommunication Systems

Where electricity lines or electric installations exist before the installation of the MRT System, the Licensee will be subject to the obligations according to the Telecommunication and Electricity Regulations (Proximity of and Crossing Between Telecommunication Lines and Electricity Lines), 1986.

38. Discovery of Antiquities and Preservation of Sites

38.1 Antiquities as interpreted by the Antiquities Law, 1978, which will be uncovered at a site where establishment work is conducted, are State assets, and the Licensee will take adequate precautions in order to avoid causing damage to them.

38.2 The Licensee will advise the Director of the Antiquities Authority of the discovery of an antiquity within fifteen (15) days of the date of discovery of the antiquity, and will comply with all instructions by the Authority Director in all matters pertaining to the manner of handling the antiquity.

38.3 During the establishment work, the Licensee will refrain, as far as possible, from causing damage to sites of historic or national value, tourist sites and landscape.

38.4 The Licensee will refrain, as far as possible, from causing damage to structures and trees in the sites where the establishment works are conducted.

39. Powers pertaining to Real Estate

- 39.1 The Minister may, upon request from the Licensee, grant it the powers set out in Chapter F of the Law, wholly or partly, subject to the provisions of Paragraph 39.2.
- 39.2 The Licensee will specify in its request the sites in which it requires powers as aforesaid, the scope of the required powers and the reasons for the request, including actions it has taken to find alternative sites without the need of powers in accordance with Chapter F of the Law.
- 39.3 If the Minister is satisfied that the Licensee should be granted powers in accordance with Chapter F of the Law, the Minister will publish his decision in “*Reshumot*”, the Official Gazette.
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Section B: Equipment Tests and Installation Approvals

40. Compatibility Tests

The Director may determine equipment items that are not to be installed in the MRT System before undergoing compatibility tests; for the matter of this paragraph, "Compatibility" - as implied by the provisions of Paragraph 41; should the Director decide as aforesaid, the items will not be installed before a compatibility test is conducted on them.

41. Responsibility for Compatibility

The Licensee is responsible for ensuring that equipment installed in the MRT System meets at least the condition of technical compatibility to the properties specified in the manufacturer's specifications relevant to the same equipment item, that were appended to the Engineering Plan.

42. Performance Testing Program, and its Approval

42.1 The Licensee will provide the Director, no later than 30 days before notifying of its end of establishment according to Paragraph 43, with an up-to-date, detailed testing program, for conducting the performance tests, related to the part of the MRT System that it wishes to operate (hereinafter: "Detailed Testing Program").

42.2 The Licensee will present to the Director the Detailed Testing Program; the Director may require the Licensee, within fifteen (15) days from the said presentation, to change the Detailed Testing Program or to complete it, if he deems it necessary for a full and accurate implementation of the performance testing, and the Licensee will carry out the tests as required by the Director.

43. Notice of Establishment Completion

When the Licensee completes the establishment of an exchange or a Cellular Radio Base in any area in a manner that allows to start providing MRT Services through it, the Licensee will advise the Director of the same in writing, in the format as instructed by the Director, complete with the results of the detailed tests that indicate the success of the establishment and operation.

44. Fitness and Operation Conditions

44.1 The Licensee must meet the following requirements and conditions within six (6) months from the date of License award, prior to the operation of the system and the provision of service to subscribers in return for payment:

(A) **Agreement with an equipment manufacturer** - the Licensee has valid agreements with a manufacturer of MRT System equipment and MRT Terminal Equipment, including:

(1) A know-how agreement which ensures that all know-how required for the establishment, operation and maintenance of the equipment and system will be at its disposal;

- (2) An agreement providing for supply of spare parts for the System equipment for a period of at least seven (7) years;
- (3) An agreement providing for technical support and software upgrades in the System components for a period of at least seven (7) years;
- (4) An agreement ensuring the supply of technical literature and full documentation of the System equipment, including upgrades;
- (B) **Workshop and test equipment** - the Licensee is operating an authorized workshop, or has a valid agreement with an authorized workshop, for conducting tests and repairs of the MRT Systems equipment; the workshop will include professional testing equipment for conducting the tests and repairs, including mobile testing equipment;
- (C) **Spare parts** - the Licensee maintains and runs a spare part warehouse for the MRT Systems equipment according to the recommendations of the equipment manufacturers;
- (D) **Maintenance System** - the Licensee maintains by itself or through another an efficient maintenance System, including maintenance personnel, vehicles and means of communication, which ensures an orderly on-going operation of the System and allows taking care of any fault within the response time required in this License, and also allows - in any event of a serious fault in the MRT System, causing radio interference or massive disconnection of subscribers, or constituting a safety hazard - to repair the fault within four (4) hours;
- (E) **Control System** - the Licensee itself maintains and operates a System of remote control that allows it to gauge System performances and the load on its components, including interconnections with other Telecommunication Networks, and make sure that these operate properly;
- (F) **Means of communication** - in the exchanges at the operations centers and in the service and maintenance centers, means of communication were installed, such as a wireless set, a telephone or a mobile telephone.
- (G) **Security** - the Licensee has met the requirements of the Security System, in accordance with the provisions of Paragraph 66.2, to an operation standard that satisfies the Director.

44.2 The Licensee will provide the Director, within seven (7) days before the first activation of the System, with certificates and documents indicating that it meets the requirements and terms set out in Paragraph 44.1; if the Director does not respond within five (5) working days from the date of delivery of the said documents, the Licensee will activate the MRT System and connect subscribers to it; if the Director instructs the Licensee, according to the findings in the documents, to change or repair the System, the Licensee will carry out the required change or repair and provide the Director with a certificate of implementation, and if the Director does not respond within three (3) working days, the Licensee may activate the System as aforesaid.

Section C: Use of Frequencies

45. Frequency Allocation

45.1 The Licensee may operate the Cellular Radio Bases of the MRT System while using the frequency bands as specified below:

(A) Frequency bands that were exclusively allocated for the use of the Licensee in the territory of the State of Israel:

902.2 MHz through to 910.2 MHz, and 947.2 MHz through to 955.2 MHz;

(B) Frequency bands that were not exclusively allocated for the use of the Licensee, according to rules and limitations that will be determined by the Director:

910.2 MHz through to 912.2 MHz, and 955.2 MHz through to 957.2 MHz

⁸⁴(B1) Frequency bands that have been non-exclusively allocated for its use as of February 25, 2010, in accordance with the rules and limitations that will be set by the Director: 912.6 MHz to 915 MHz and 957.6 MHz to 960 MHz⁸⁵.

⁸⁶(C) Frequency bands allocated exclusively for the Licensee's use as specified below :

(1) From 1 February 2002 to 1 January 2004, the following bands shall be allocated:

1732 to 1738.4 MHz, and the matching domain 1827 to 1833.4MHz;
1937 to 1942 MHz, and the matching domain 2127 to 2132 MHz;

(2) As of 1 January 2004, the following bands shall be allocated:

1730 to 1740 MHz and the matching domain 1825 to 1835 MHz;
1940 to 1950 MHz and the matching domain 2130 to 2140 MHz;

(3) As of 1 January 2005, the frequency domain 1910 to 1915 MHz shall be allocated.

(4) Notwithstanding the aforesaid, if the Licensee requests to postpone the date of the beginning of use of the bands set out in sub-clauses (1) to (3) or part of them, to a later date, the Director may suspend the band allocation until a date to be decided upon.

45.2 The Licensee may operate the Cellular Radio Bases of the MRT System while using additional frequency bands, if they are allocated by the Director, in accordance with the rules and limitations which will be determined.

45.3 The Licensee may select a frequency band narrower than the one stated above, within the framework of the frequency bands specified in Paragraphs 45.1 and 45.2.

⁸⁴ Amendment No. 68

⁸⁵ These frequency bands have been used by the Licensee since 1999.

⁸⁶ Amendment No. 14

45.4 The Director may, after the elapse of four (4) years from the date of the License award, reduce without compensation the frequency range in which the Licensee is permitted to operate its Cellular Radio Bases as specified above in Paragraph 45.1, if he or she realizes that a said reduction will bring about a better utilization of the frequency spectrum in Israel, considering the extent of frequency utilization by the Licensee, the number of its subscribers and the average traffic per subscriber, in comparison with the number of Subscribers and the average traffic per Subscriber of other MRT Systems. The Director will not decide to reduce the range of frequencies as aforesaid unless he has given the Licensee opportunity to voice its arguments.

45.5 The Director may limit the Licensee to operating certain frequencies in limited geographic areas and/or operating part of the frequencies in parallel to additional service providers and in coordination with them, in accordance with the Director's instructions.

46. Constraint on the Use of Frequencies

46.1 The Licensee will make use of the frequencies allocated to it as stated in Paragraph 45 for the sole purpose of providing services in accordance with this License.

46.2 ⁸⁷Without derogating from the aforementioned in Articles 45 and 46.1, and in accordance with the terms of the allocation provided to the other MRT licensee, the Licensee may make use of the frequencies allocated to the other MRT licensee in addition to the aforementioned in Article 45, provided that the frequencies serve as cellular radio centers of the Licensee through the cellular radio infrastructure licensee that provides it with its services.

47. Safety in Using Frequencies, and the Prevention of Interference

47.1 The Licensee will establish the MRT System and operate it in a manner that will ensure that each of its components does not emit radiation prohibited by the Pharmaceutical Regulations (Radioactive Elements and Their Products), 1980, and will do everything necessary, if required, to receive a permit in accordance with the said regulations; in this matter, the Licensee will act, *inter alia*, as follows:

- a) The Licensee will coordinate its activity with the official in charge of the environmental radiation, in the Ministry of the Environment (hereinafter: "the Official"), and will carry out his or her instructions;
- b) The Licensee will submit to the Official, before the construction of each site, a risk estimate report; the site will only be constructed after it receives the approval of the Official; after operating the site, the Licensee will carry out measurements in accordance with the Official's instructions; a site which will not meet the Official's requirements will not be operated;
- c) The Licensee will bear its relative share of the costs of preparation of a Country-wide MRT Installation Master Plan, in accordance with the provisions of the Law of Planning and Construction, 1965, jointly with the other MRT Operators.

⁸⁷ Amendment No. 83

- 47.2 The Licensee will coordinate the use of frequencies with the Director, who will base his guidelines, *inter alia*, on the national emergency plan or a special situation plan in the home front.
- 47.3 The Licensee will submit to the Director, at least 60 days before the operation of the Cellular Radio Bases, a detailed up-to-date plan of operation of the Cellular Radio Bases, of the radio links and of the expected use of frequencies; the plan will include, *inter alia*, the transmission and reception frequencies, gain and height of the antennas and transmission outputs; the Licensee will advise the Director of the actual implementation of the plan within seven (7) days from the date of operation.
- 47.4 The Licensee will establish the MRT System and operate it in a manner that will prevent interference with other telecommunication and wireless Systems that are operating lawfully; without derogating from the generality of the aforesaid, the Licensee will act in this matter, *inter alia*, as follows:
- a) Before operating any Cellular Radio Base, the Licensee will conduct tests and measurements in order to avoid electromagnetic interference;
 - b) In the event of discovering that electromagnetic interference is expected, or if electromagnetic interference is discovered during operation, the Licensee will act, immediately and no later than 24 hours from discovering the above, to coordinate a solution that will prevent this interference and prevent its recurrence; failing to find a solution, the Licensee will apply in writing to the Director or his or her appointee in order to find a reasonable solution for the problem;
 - c) The Licensee will cease the operation of any MRT System component that causes interference to another wireless System that operates lawfully, and will not reactivate it without the Director's permission; the Director may require from any of the parties - from the Licensee as well as from the owner of another wireless system - to make changes in the operation of the equipment or the use of frequencies, or to cease broadcasting on specific frequencies, in the entire country or in a particular region;
 - d) The Licensee will comply with all of the Director's requirements regarding the handling of interference and coordination with other operators, in Israel, in the territories of the Palestinian Authority and in neighboring countries, will submit to the Director any information required for this purpose, will carry out electromagnetic measurements in accordance with the Director's requirements, and will refrain from using frequencies that will be defined in sites determined by the Director; the Licensee will operate within the limits instructed by the Director regarding transmission in certain frequencies in certain sites, and the imposing of certain constraints regarding the height, type and direction of antennas; the coordination as aforesaid will be carried out by the Licensee, on its expense and under its responsibility, both in accordance with special instructions by the Director and in accordance with the instructions of international conventions and agreements to which Israel is a signatory.
- 47.5 The award of this License, as well as the approval of the Engineering Plan, shall not be deemed as providing protection against harmonies from other radiating bodies, whether operating lawfully or unlawfully, or spurious radiations from other radiating bodies, whether operating lawfully or unlawfully, or protection against other radiating bodies operating in frequency ranges identical to the frequency ranges that were allocated to the Licensee outside the territory of the State or in a territory over which the State has no control, however, the Director will make a reasonable effort to find a suitable solution for the required protection.
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48. ⁸⁸**Preparation to ensure the functional continuity during an emergency**
- 48.1 The Licensee will appoint a functionary (including a first deputy and a second deputy) that will be responsible during an emergency for maintaining contact with the Ministry.⁸⁹
- 48.2 The Licensee will be prepared to ensure the functional continuity during an emergency, as set forth in Appendix D- " **Preparation to ensure the functional continuity during an emergency**".

⁸⁸ Amendment No. 82
⁸⁹ Amendment No. 98

Section D: Tests and Maintenance⁹⁰

49. Definitions

In this part:

- “**Periodic Test**”- Test of the network or any part of it, that is conducted in accordance with the License provisions, at fixed intervals and at least annually;
- “**Special Test**” - Test of the network or any part of it, conducted due to a maintenance or repair activity, following an electromagnetic interference, a malfunction, complaint review technological change, modification of the Engineering plan; etc.
- “**Routine Test**”- Testing of the network or any part of it, conducted on a regular basis.

50. Execution of Tests

- 50.1 The licensee shall carry out periodic tests of the MRT system, and shall submit the results of the test upon the director’s request within 30 days from the day of the request.
- 50.2 The licensee shall establish and operate an inspection system for constant monitoring of the network’s performance and its intactness and shall conduct on a regular basis routine tests of the network or any part of it, as needed.
- 50.3 The licensee shall conduct routine tests regarding the quality of service as detailed in Annex E, and the relevant standards of the ITU-T, and shall provide the results of the tests upon the director’s request, within 30 days from the day of the request.
- 50.4 The director may instruct the licensee to conduct a special test; the licensee shall perform the said test in a manner and at a time to be advised by the director and shall submit the results to the director.
- 50.5 The director or anyone else authorized on his or her behalf shall be allowed to perform the test themselves, if in their opinion it is required, the licensee shall allow the director or anyone else authorized on his or her behalf, after prior coordination, access to installations and equipment and shall put at their disposal their testing equipment and professional manpower employed by the licensee.

51. Test, Fault and Maintenance Log

- 51.1 The licensee shall maintain a test, fault and maintenance log (hereinafter – “**maintenance log**”), in which details of the faults, the steps taken to rectify them⁹¹ and tests of the network shall be recorded.

⁹⁰ Amendment No. 41

⁹¹ Amendment No. 91

- 51.2 The licensee shall keep the maintenance log, shall allow the director or anyone authorized on his or her behalf to see the log at any time, to check it, copy it in any manner and to pass it to the director upon his demand.
52. **Repair of Faults and Defects**
- 52.1 The director may, after giving the licensee sufficient opportunity under the circumstances to present its arguments, notify the licensee in writing of faults and defects that he found and that harm the grade of service for subscribers, the level of survivability and back up of the network, damage to the level of security or interference with the other systems that operate properly, based on tracking the network's performance, including through subscriber complaints, tests he carried out or based on test reports, documents and information provided to him by the licensee.
- 52.2 The director may instruct the licensee of the dates that the defects and malfunctions must be repaired.
- 52.3 If the licensee receives such notification, it must notify the director within the time set forth in the director's notice of the repair of the defects and malfunctions, detailed as per the director's request.
53. deleted
54. deleted
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Chapter E - Provision of MRT Services to Subscribers

Section A - Agreement with Subscribers

⁹²55. **The subscriber agreement**

- 55.1 The licensee shall prepare a format for a subscriber agreement that it intends to offer its subscribers, and shall submit it to the director upon his demand.
- 55.2 The terms of the subscriber agreement shall not contradict, explicitly or implicitly the provisions of any law or the license; the aforesaid is not meant to prevent changes to the provisions of the subscriber agreement, that benefit the subscriber as compared to the provisions of the law or the license.
- 55.3 The subscriber agreement shall be in writing and shall be in a clear and easy manner to read and understand, and shall state clearly any condition or restriction regarding the subscriber's right to terminate the subscriber agreement or regarding the licensee's duties towards the subscriber; any stipulation in the subscriber agreement shall be stated clearly and not only by reference.
For this article- "writing"-including an electronic document that can be saved and reconstructed by the subscriber.
- 55.4 The subscriber agreement shall clearly include, among other things, the following:
- a) The first part of the engagement agreement must clearly and precisely specify the principal details of the tariffs and services plan pursuant to the engagement agreement (hereinafter – **"the Plan Basics"**). If the engagement agreement includes one type of services, the Licensee shall be allowed to specify the Plan Basics on a maximum of two pages. If the agreement includes a number of types of services (fixed-line telephone, mobile telephone, international services, internet, etc.), then, subject to that stated above, the Licensee shall be able to add one page for each additional type of service. The Plan Basics document must be printed, without any handwritten alterations or additions, apart from that stated in clause (1), and all as specified hereunder:⁹³
 - (1) The name of the Licensee or its logo, the details of the Licensee's representative that executed the agreement, the date and mode of execution of the transaction,⁹⁴ the subscriber's details including his name, I.D. number, type of subscriber,⁹⁵ address, e-mail address,⁹⁶ telephone number that the agreement pertains to, an additional telephone number of the subscriber to where notices regarding the usage amount of a services⁹⁷ plan as set forth in article 75D a change in tariffs as stated in article 78⁹⁸ and regarding disconnection of a Dormant Subscriber, as stated in clause 72.a.,⁹⁹ will be sent from the Licensee¹⁰⁰ and a description of Goods,¹⁰¹ if included in the agreement; the Licensee shall not be able to complete the execution of the transaction as long as the said additional telephone number is not indicated in the engagement agreement; insofar as the engagement agreement is for only one telephone number that is not being added to an existing account that includes one or more telephone numbers, and a Subscriber is not interested in providing an additional telephone number, then the Licensee shall list the Subscriber's telephone number in the engagement agreement as the additional telephone number¹⁰², notwithstanding the beginning of section (a) the aforementioned details in that sub-section , except for the Licensee's name or logo, can be handwritten;

⁹²Amendment No. 41-shall become effective no later than 30.4.2007

⁹³ Amendment No. 87

⁹⁴ A transaction at a service station of the Licensee or through peddling, as this term is defined in the Consumer Protection Law, 5741 – 1981, or a transaction via telephone conversation or a transaction via the internet. Amendment No. 87.

⁹⁵ Business Subscriber or Split Business Subscriber or Non-Business Subscriber. Amendment No. 87

⁹⁶ Amendment No. 87

⁹⁷ Amendment No. 87

⁹⁸ Amendment No. 90

⁹⁹ Amendment No. 87

¹⁰⁰ Amendment No. 87

¹⁰¹ Amendment No. 87

¹⁰² Amendment No. 90

- (2) The commitment period, if one exists, and the termination date. For this sub-section, "**commitment**"-as defined in section 56.1A;
- (3) ¹⁰³All of the tariffs according to which the Licensee bills the subscriber for the services that it asked to receive when executing the engagement, including video call services and multimedia messages, and the rate of any fixed payment or one-time payment, including a fixed payment or one-time payment that is other than within the scope of a telecommunications service, including connection fees, as this term is defined in clause 74.1(a), SIM card fees, as this term is defined in clause 74.1(a1) and plan switching fees.
Insofar as the Licensee does not charge for interconnect fees or smart card fees or plan transfer fees, it shall be noted accordingly.
- (3A) ¹⁰⁴Insofar as the engagement agreement includes international services, such as a minutes package or plan for calls abroad, the Licensee must act according to one of the following alternatives:
 - (1) It must specify its rates, the quota of minutes allocated in it, the international access code that must be dialed, the countries included in it, the type of targets in those countries (fixed-line, mobile) and the tariffs for exceeding the quota in the package;

¹⁰³ Amendment No. 87

¹⁰⁴ Amendment No. 90

- (2) It must specify its rates, the quota of minutes allocated in it, the international access code that must be dialed, the countries included in it, the type of targets in those countries (fixed-line, mobile) and a link to or the address of the landing page of the website of the international operator of the international telecommunications system through which the calls abroad are being made, which must at all times be valid and up-to-date, which displays the call tariffs to destinations abroad by type of target (fixed-line, mobile) and by type of customer (Subscriber, incidental). The Licensee must state what type of customer shall be charged, according to its tariffs, in respect of exceeding the quota in the package;
- (3) It must specify its rates, the quota of minutes allocated in it, the international access code that must be dialed, the type of targets in the destination countries (fixed-line, mobile) and a link to or the address of the landing page of the Licensee's website that includes only the destination countries and the tariffs for exceeding the quota in the package.
- (3b)¹⁰⁵ For cellular internet browsing packages as defined in section 75D-the unit tariff for the service not included in the package shall be displayed next to the chart in the same values as those in the chart;
- (3c) The quota of service units set by the Licensee for the service or for the bundle of services ("**Quota of Units**"), and the maximum duration of a call, if any.
- (3d) If the Licensee provides a service to subscribers that is given at a discount or for free for a defined period ("**Benefit**"), and subsequently, at full price, or if a credit is given to subscribers for terminal equipment that subscribers delivered to the Licensee, then the Licensee must specify the following in the Plan Basics:
 - (1) the monthly sum of the Benefit/credit;
 - (2) the duration of the period that the Benefit/credit is given;
 - (3) the type of date from which the period of the Benefit/credit shall begin to be counted;¹⁰⁶
 - (4) the tariff for the service upon the expiration of the Benefit.

That stated above shall also apply when at issue is a Benefit being given within the scope of the tariff plan, and not necessarily for a particular service included in a plan.

¹⁰⁵ Amendment No. 87

¹⁰⁶ For example: as of the date the plan comes into effect, as of the date that the subscriber activates the SIMcard.

- (3e) If a subscriber switches from one tariff plan to another, and the Licensee issues the new Plan Basics to the subscriber, the Plan Basics must also include the effective date of the new plan.
- (3f) Mode of provision of a cellular data service after the volume of the cellular data package has been fully utilized – suspension of the service or a slowdown of the speed, without any payment and without additional charge, until the end of the billing period or an allotment of additional paid packages, at the subscriber's choice on the execution date of the engagement. If the Licensee chose to slow down the speed, the maximum data download speed must be specified in the Plan Basics.
- (3g) Mode of provision of a voice and message service after the monthly Quota of Units for these services has been fully utilized – suspension of service until the end of the billing period or continuing to provide the services and charging the subscriber according to tariffs set by the Licensee in the Plan.¹⁰⁷
- (3h)¹⁰⁸ A Subscriber's deadline for activating the SIM card, or the number of days after the execution of the engagement during which a Subscriber may activate the SIM card, insofar as this is relevant to the engagement agreement.
- (4) A description of all Goods purchased or rented at the time of execution of the engagement and their inclusive price and, insofar as payment in installments for the Goods was agreed between the subscriber and the Licensee – the sum of each payment. Insofar as the Goods were given as a gift, this must be expressly stated;¹⁰⁹
- (5) Information about the cancellation of any Benefit due to a switch to another tariff plan;¹¹⁰
- (6) The calculation method of the amount that the subscriber will be required to pay for breaching the agreement as defined in article 56.1A;
- (7) For a business subscriber-information regarding the increase of tariffs during the commitment period, if such a possibility exists as part of the subscriber agreement conditions, including the date and amount of the tariff increase;
- (8) Information regarding the balance of payment ¹¹¹ for equipment purchased from the Licensee, in a previous agreement;
- (9) The Licensee's commitment to pay to the subscriber of another MRT licensee that became its subscriber, the payment that the said subscriber will be required to pay to the other MRT licensee for breach of this commitment to the other MRT operator and the distribution manner of said payment.

¹⁰⁷ Amendment No. 87

¹⁰⁸ Amendment No. 90

¹⁰⁹ Amendment No. 87

¹¹⁰ Amendment No. 87

¹¹¹ Amendment No. 87

For this matter- "**commitment**" -as defined in article 56.1A;

- (10) The subscriber's declaration that it read the Plan Basics document and received it at the time of execution of the agreement. The details of the representative on behalf of the Licensee who executed the engagement must be specified in the body of the declaration and the subscriber's original signature must appear at the end of the Plan Basics.¹¹²
- (11) ¹¹³With regard to sub-section (a) (1) to (10)- "subscriber"- whoever has signed a subscriber agreement with a Licensee for the receipt of MRT services for no more than twenty five telephone numbers except for Pre-Paid subscribers.
- (12) The Licensee must send the Plan Basics to a Split Business Subscriber via text message, with a link attached.¹¹⁴
- (13) The Licensee shall not include additional information or details in the Plan Basics beyond that specified in this clause, unless at issue are data in values of NIS or NIS per unit of consumption, which could have a direct impact on the height of the subscriber's bill.
- (14) The tariffs for all of the services and the payments, as specified in subclauses (3), (3b), (3c), (4) and (5) must be presented in a table with two columns – "description" and "tariffs."¹¹⁵
- (15) ¹¹⁶The Licensee must attach a separate letter to the two Telephone Bills of every existing private Subscriber, subsequent to 28 Sivan 5778 (June 11, 2018), bearing the Licensee's name or logo, which shall provide an explanation regarding the nature of the additional telephone number, as specified in clause 55.4(a)(1), and furthermore, it must ask a Subscriber to indicate on the form to be attached to the said letter, which also bears the Licensee's name or logo, his details, the additional telephone number and date and to sign it. On the said form, the Licensee must specify the address, facsimile number and electronic-mail address where the form may be sent after having been completed.

The Licensee must also enable the additional telephone number to be selected by telephone call to the telephone call center. The Licensee must indicate this possibility in the said separate letter and indicate the telephone number that may be called for the purpose of selecting the additional telephone number.

¹¹² Amendment No. 87

¹¹³ Amendment No. 58

¹¹⁴ Amendment No. 90

¹¹⁵ Amendment No. 90

¹¹⁶ Amendment No. 90

If a Subscriber selects the additional number using the form or by telephone call as stated, the Licensee must report the matter of the selection in the next Bill or in the subsequent Bill, while indicating the additional telephone number that was selected, in the space for notices to Subscribers, as specified in clause 8(d) in Annex E1.

Alternatively, the Licensee may indicate in the separate letter, in addition, that the selection of the additional telephone number may be done through the landing page on the Licensee's website, while performing reliable identification of the Subscriber, in lieu of using a form as stated, and shall refer Subscribers to the said page. Upon completing the selection on the website, the Licensee must issue an automatic confirmation of a Subscriber's selection, while indicating the additional telephone number that was selected.

In this clause, **"existing private Subscriber"** – a private Subscriber who engaged with the Licensee by 28 Sivan 5778 (June 11, 2018).

- (a1)¹¹⁷ (1) a separate page, printed, upon which the subscriber will be required to mark his choice regarding the accessibility of each phone number that the agreement refers to, services, as detailed in annex E 2 (hereinafter-**"service access form"** or **"form"**)¹¹⁸ and to sign at the bottom of the form . The form shall be attached to the Plan Basics;¹¹⁹
- (2) ^A new subscriber that did not mark its choice with regard to a particular service, whether blocked or open, in the place designated for this in the form, shall be blocked from receiving that service. A new subscriber that did not sign at the bottom of the form shall be blocked from all services appearing on the form. In this clause, **"new subscriber"** – a subscriber that engaged with the Licensee after 15 Iyar 5777 (May 11, 2017).¹²⁰
- (3) A subscriber may request from the Licensee at any time, in writing or orally as a human response only,¹²¹ to change its access¹²² to the services detailed in the form (hereinafter in this section-**"subscriber's request"**). A first change shall be done free of charge. The Licensee shall execute the subscriber's request only after he has identified the subscriber. The Licensee shall retain the request, as stated, in its possession and make it available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the submission date of the request.¹²³ The subscriber's request shall be executed within ¹²⁴one working day ¹²⁵ from the date of receipt of the request.

¹¹⁷ Amendment No. 57-shall become effective on September 13, 2011

¹¹⁸ Amendment No. 58

¹¹⁹ Amendment No. 87

¹²⁰ Amendment No. 87

¹²¹ Amendment No. 87

¹²² Amendment No. 87

¹²³ Amendment No. 87

- (4) The Licensee shall include in the Telephone Bill following the subscriber's request a notice regarding the execution of the request and the date of the execution. The Licensee shall retain the Telephone Bill, as stated, in its possession and make it available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the preparation date of the Bill;¹²⁶
- (5) ¹²⁷The Licensee shall include the form with the two (2) immediate Telephone Bills that will be sent after September 13, 2011, to a subscriber that is not a new subscriber.
- (6) (a)¹²⁸ ¹²⁹A subscriber that is not a new subscriber that did not submit his preferences regarding the form to the Licensee by Sept 13, 2011, shall be blocked from receiving the services detailed in section 3 of the form, within seven (7) working days from the said date;
- (b)¹³⁰ ¹³¹Notwithstanding, a subscriber who is not a new subscriber, that does not use the services set forth in section 3 of the form as of November 1, 2011 and did not relay his response to the licensee with respect to the form by December 1, 2011, the licensee may block the subscriber from receiving the said services as of December 1, 2011;
- (c)¹³² ¹³³a subscriber who is not a new subscriber, who relays his response to the licensee with respect to the form, shall be blocked or open for the receipt of the services in accordance with his request in the form, within one working day after receipt of the request;
- (d)¹³⁴ a subscriber that relayed his preferences in the form to the Licensee and did not mark his choice and signed next to the service that appears on the form as set forth in sub-section (1), shall be blocked from receiving that service;
- (e) The Licensee shall block the access to the services being provided pursuant to clause 2(e) in the service access form in relation to any existing subscriber that did not expressly choose, when completing the form, the option "open" to these services, and this, within seven (7) workdays of 15 Iyar 5777 (May 11, 2017).¹³⁵

¹²⁴ Amendment No. 58

¹²⁵ Amendment No. 61

¹²⁶ Amendment No. 87

¹²⁷ Amendment No. 58

¹²⁸ Amendment No. 87

¹²⁹ Amendment No. 58

¹³⁰ Amendment No. 87

¹³¹ Amendment No. 62

¹³² Amendment No. 87

¹³³ Amendment No. 61

¹³⁴ Amendment No. 87

- (6a) The Licensee shall notify the subscriber about the blocking in the first Telephone Bill after the blocking. The Licensee shall retain the Telephone Bill, as stated, in its possession and make it available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the preparation date of the Bill.¹³⁶
- (6b) If the subscriber marked its choice on the service access form, then the Licensee must act according to the subscriber's choice immediately after the form has been delivered to it.
- (6c) A subscriber shall be required to complete a new service access form with every switch from one tariff plan to another, only if its existing form is not in the format presented in Appendix E.2.¹³⁷
- (7) The Licensee shall publish the form on its internet site within seven (7) working days from ¹³⁸September 13, 2011.
- (7a) If the Director ordered an amendment to the version of the service access form, the Licensee must publish the updated service access form on its website within the timeframe specified by the Director on the signing date of the license amendment.¹³⁹
- (8)¹⁴⁰ For the purpose of sub-section (a1)(1) until (6)-"subscriber"-except for a subscriber in a pre-paid plan. Notwithstanding the mentioned, the Licensee shall block services in accordance with a pre-paid subscriber's request, if the request was received from the telephone number that the request pertains to or the said subscriber presented to the Licensee the handset using the number that the request pertains to, or in any other manner that satisfies the Licensee.
- (9) Insofar as at issue is a Split Business Subscriber, the Licensee must send the service access form to it, as marked by the Business Subscriber, via text message with a link attached; a Split Business Subscriber is allowed at any time to amend the service access form and to send it to the Licensee for its handling accordingly.¹⁴¹
- (a2)¹⁴² (1) a separate printed page, on which a Subscriber shall be required to mark his choice regarding the mode of receipt of the Bill and regarding the publication of his telephone number/s, which are billed in the Bill, on the internet and in the telephone directory, as specified in Annex E.3 (hereinafter – "**Questionnaire**"), to complete it as required and to sign at the bottom of the Questionnaire; the Questionnaire must be attached immediately behind the service access form.

¹³⁵ Amendment No. 87

¹³⁶ Amendment No. 87

¹³⁷ Amendment No. 87

¹³⁸ Amendment No. 58

¹³⁹ Amendment No. 87

¹⁴⁰ Amendment No. 58

¹⁴¹ Amendment No. 90

¹⁴² Amendment No. 90

- (2) With regard to a Split Business Subscriber, solely a Business Subscriber is allowed to complete the Questionnaire. The Licensee must forward the Questionnaire to a Split Business Subscriber as completed by a BusinessSubscriber.
- (3) The Licensee must attach the Questionnaire to the two (2) frequent Telephone Bills that shall be sent one day after [two months after the effective date of the License amendment that relates to the Questionnaire] to a Subscriber who is not a new Subscriber. The Licensee must specify in each of the two Bills as stated, in the space for notices to Subscribers as specified in clause 8(d) in Annex E.1, the nature of the Questionnaire.

Alternatively, the Licensee may, in addition, indicate in a notice as stated that the Questionnaire may be completed through the landing page on the Licensee's website, while performing reliable identification of Subscribers, in lieu of attaching it to the Bill as stated, and shall refer Subscribers to the said page. Upon completing the selection on the website, the Licensee must issue an automatic confirmation of the Subscriber's selection.

In this clause, "**new Subscriber**" – a Subscriber who engaged with the Licensee after 28 Sivan 5778 (June 11, 2018).

- (4) Subscribers shall be required to complete a Questionnaire when switching from one tariff plan to another, only if he did not complete a Questionnaire for the plan from which he is switching.
- (5) The Licensee must publish the Questionnaire on its website within seven (7) workdays of 28 Sivan 5778 (June 11, 2018).

(a3)¹⁴³

- (1) Solely for a business customer the engagement agreement will include a separate page, through which only a business customer may request from the Licensee to block a phone number(s) (included in the engagement agreement) for number portability as defined in the law ("**Blocking Request for Portability**"), as long as the numbering program for number portability ("**Portability Plan**") allows the blocking. The Blocking Request for Portability will appear after the questionnaire.
- (2) Only a business customer may direct a Blocking Request for Portability to the Licensee, provided that the Portability Plan allows the said blocking, and this will be done by the Licensee immediately upon receipt of the request, during the hours of operation of the service centers, free of charge; the business customer may request in the Blocking Request for Portability to block for portability all of the telephone numbers included in the engagement agreement or in the telephone bill without noting the numbers.

¹⁴³ Amendment No. 95

- (3) The Blocking Request for Portability will be directed to the Licensee in writing and will include the request date, telephone number(s) that should be blocked for portability and the name of the business customer; The Licensee will execute the blocking immediately, free of charge and will maintain such request in its possession and make it available for delivery or transfer to the Director upon his request within five (5) working days of the submission of the request.
 - (4) A business customer may request from the Licensee at any time to remove a portability blocking and this will be done by the Licensee immediately upon receipt of the request, during the hours of operation of the service centers, free of charge; the said request will be directed to the Licensee either orally or in writing by email without the need to fill out a designated form, and shall include the request date, the telephone number(s) that should be opened for portability and the name of the business customer; the business customer may request in the request to remove portability blocking all of the telephone numbers that are included in the engagement agreement or in the telephone bill without noting the numbers.
- (a4)¹⁴⁴ The service conditions for the subscriber, including gauges of quality of service to customers and subscribers as set forth in article 2 in Annex E;
 - (b) The conditions for disconnecting from the Licensee's services or the conditions for complete disconnection;¹⁴⁵
 - (c) The service tariffs of the licensee that the subscriber joined updated to the day of the agreement, including the date and conditions for the termination of the tariff plan;
 - (d) The limitation regarding the amount of interest for late payment, linkage differentials and collection expenses as set forth in article 80.3;
 - (e) The conditions for changing the tariff of a service that the subscriber has joined, as set forth in article 78.1;
 - (f) The details set forth in articles 61 and 61A regarding the Ombudsman¹⁴⁶;

¹⁴⁴ Amendment No. 57

¹⁴⁵ Amendment No. 90

¹⁴⁶ Amendment No. 58

- (g) A condition that states that in case of a contradiction between the provisions regarding the tariffs and the service packages that are detailed in the agreement and the provisions of the license regarding this matter, the provisions of the license shall prevail;
- (h) A notice regarding the director's authority to instruct the licensee to change the subscriber agreement, and clarification that the subscriber's signing a subscriber agreement with the licensee constitutes agreement to said changes.¹⁴⁷

55.5 ¹⁴⁸In an agreement in the presence of the Licensee's representative and the subscriber, the Licensee shall act as follows:

- (a) The Licensee's representative must perform a reliable identification of the Applicant pursuant to the procedure prescribed by the Licensee. The Licensee shall retain in its possession a copy of an identification certificate of the Applicant and a copy of an identification certificate of the payer of the Bill, which were issued to the Licensee's representative at the time of execution of the engagement.¹⁴⁹
- (a1) ¹⁵⁰Before signing the agreement, the representative shall present the Applicant¹⁵¹ with a printed copy of the subscriber agreement and shall allow him to review it;
- (b) Upon signing the agreement, the applicant and Licensee representative shall sign the originally copy of the subscriber agreement that was presented for the applicant's review. After the said signature the Licensee representative shall give the subscriber a copy of the subscriber agreement upon which the Licensee representative's and applicant's original signatures appear;
- (c) After execution of the aforesaid in sub-section (a) and (b), the Licensee representative may ask the subscriber to sign an additional copy of the subscriber agreement identical to the one originally signed, by using electronic means;
- (d) The Licensee shall keep a signed copy of the subscriber agreement and make it available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the date of the engagement.¹⁵²
- (e) If the subscriber requests to make changes to the agreement conditions, including a request, to receive additional services, to expand a service,¹⁵³ or to join a service package- the subscriber shall receive at the time of the change, a printed notice that bears the Licensee's name or logo, which shall specify the request submission date, the¹⁵⁴ details of the change executed are listed, the date they become effective and the full name of the Licensee representative and the subscriber and their original signatures. That stated above shall also apply to a service other than a telecommunications service.¹⁵⁵The Licensee is not permitted to make any change, as stated, without receiving the express consent of the subscriber as stated above.

¹⁴⁷ Amendment No. 58

¹⁴⁸ Amendment No. 57-shall become effective September 13, 2011.

¹⁴⁹ Amendment No. 87

¹⁵⁰ Amendment No. 87

¹⁵¹ Amendment No. 87

¹⁵² Amendment No. 87

¹⁵³ Amendment No. 87

¹⁵⁴ Amendment No. 87

The Licensee shall retain the signed notice, as stated, in its possession and make it available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the submission date of the request.¹⁵⁶

55.6 cancelled¹⁵⁷

55.7 ¹⁵⁸Notwithstanding the afore-mentioned in Article 55.5, the Licensee may have a subscriber sign a subscriber agreement also by a computerized graphic signature, instead of an original signature, and for this matter the provisions of Appendix E shall apply instead of Article 55.5.

For this matter, "computerized graphic signature"-a signature that is digitally maintained as a graphic file."

¹⁵⁹**55A Remote Sale Transaction**

55A.1 In a remote sale transaction, as this term is defined in section 14.C. of the Consumer Protection Law, 5741 – 1981, which is being transacted via a telephone conversation, the Licensee shall act as follows:

- (a) The Licensee shall record the telephone conversation held between the Applicant and the Licensee's representative.
- (b) During the sale conversation, and before the Applicant expresses his consent to engage in an agreement with the Licensee, the Licensee's representative must ask for the Applicant's consent to send him the Plan Basics via electronic mail or SMS or facsimile, the service access form, the Questionnaire and the portability blocking request, insofar as there is one¹⁶⁰, and must inform him that he must confirm expressly, as specified below, that he is accepting the terms of the engagement agreement as a precondition to it coming into effect. Insofar as the Applicant expressly states that he is not interested in receiving the said documents in one of the three said ways during the sale conversation, then the Licensee shall be released from having to send them to the Applicant when conducting the sale conversation, and these shall be sent to him, together with the rest of the provisions of the engagement terms document, on the transaction execution date. If the Applicant asked to receive the said documents via one of the ways specified above, the Licensee's representative must send them to him in the manner requested during the sale conversation.

¹⁵⁵ Amendment No. 90

¹⁵⁶ Amendment No. 87

¹⁵⁷ Amendment No. 87

¹⁵⁸ Amendment No. 69

¹⁵⁹ Amendment No. 57-shall become effective September 13, 2011

¹⁶⁰ Amendment No. 95

- (c) In a service access form sent via electronic mail or SMS, every service must be computer-marked as “blocked” or as “open,” as the Applicant chose during the said telephone conversation; the Questionnaire that was sent as stated must also be marked and completed as the Applicant requested during the said conversation.
- (d) The electronic mail message or the SMS will ask the Applicant to confirm the execution of the transaction and the choices marked and the details in the service access form, in the Questionnaire and in the portability blocking request, insofar as there is one¹⁶¹. The Applicant must expressly confirm the terms of the transaction, without any stipulations or qualifications or changes in relation to the terms in the engagement terms document¹⁶².
- (d1)¹⁶³ For the purpose of the Applicant’s confirmation of the transaction, the Licensee must include a link in the electronic-mail message or in the text message, so that clicking on it shall lead to a landing page that contains two tabs: “I confirm” and “I do not confirm”; after the Applicant clicks on one of the two tabs, the Licensee must immediately send an electronic-mail message or a text message to the Applicant, which shall refer to the Applicant’s full name, indicating the confirmation or non-confirmation of the terms of the engagement, as the case may be, and the date (date and time) that it was issued (“**Confirmation Notice**”).
- (e) ¹⁶⁴If the Applicant asked to receive the Plan Basics, the service access form and the Questionnaire via facsimile, the Licensee’s representative shall send the said documents via facsimile, according to number given to the Licensee’s representative during the conversation.

The Applicant must expressly confirm the terms of the transaction, without any written stipulations or qualifications or changes in relation to the terms in the said documents, in his handwriting, his marking and his signature on the Plan Basics, on the service access form on the Questionnaire and on the portability blocking request, insofar as there is one,¹⁶⁵ and he must send the three said documents via facsimile to the facsimile number given to him by the Licensee’s representative during the conversation between them.
The Licensee shall send the rest of the provisions of the engagement terms document via regular post to the Applicant, on the transaction execution date.
- (f) A remote sale transaction via telephone shall be completed and shall come into effect and the Licensee shall be allowed to charge the Applicant pursuant to its terms, only after the Licensee has received the reply notice from the Applicant via electronic mail or SMS confirming the signing of the engagement agreement and the said documents via facsimile, being duly marked and signed.

¹⁶¹ Amendment No. 95

¹⁶² Amendment No. 90

¹⁶³ Amendment No. 90

¹⁶⁴ Amendment No. 90

¹⁶⁵ Amendment No. 95

- (f1)¹⁶⁶ Notwithstanding that stated above, if at issue is a transaction with a new Subscriber, in which the Licensee sends a SIM card to the Applicant, which the Applicant must activate via the Licensee's website, then the Licensee must send the Plan Basics, the service access form, the Questionnaire and the portability blocking request, insofar as there is one¹⁶⁷ to the Applicant, in the manner requested by the Applicant, immediately upon concluding the conversation between them, without him being asked to confirm the terms of the transaction. The Licensee must state in the Plan Basics that the transaction will come into effect only upon the activation of the SIM card.
- (g) The Licensee shall retain the following in its possession:
- (1) the recording of the telephone conversation between the Applicant and the Licensee's representative;
 - (2)¹⁶⁸ the electronic mail message or the SMS that the Licensee sent to the Applicant, including the Plan Basics, the service access form the Questionnaire and the portability blocking request, insofar as there is one¹⁶⁹ attached thereto;
 - (3)¹⁷⁰ the confirmation notice;
 - (4)¹⁷¹ if the transaction was executed via facsimile, the Licensee shall retain the Plan Basics bearing the Applicant's handwritten signature, the service access form, the Questionnaire and the portability blocking request, insofar as there is one¹⁷², bearing the Applicant's markings, the details that he completed and his signature;
 - (5) the rest of the provisions of the engagement terms document, updated to the agreement signing date with the Applicant.
- (h) The Licensee shall make the recordings and the documents specified in clause (g) available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the effective date of the transaction.
- (i) The rules specified in this clause shall also apply when at issue is the execution of a change in an existing plan.

For the purposes of this clause, "**change**" – the receipt of an additional service, the expansion of a service, subscribing to a service package.

¹⁶⁶ Amendment No. 90

¹⁶⁷ Amendment No. 95

¹⁶⁸ Amendment No. 90

¹⁶⁹ Amendment No. 95

¹⁷⁰ Amendment No. 90

¹⁷¹ Amendment No. 90

¹⁷² Amendment No. 95

The Licensee is not allowed to make any change, without receiving the subscriber's express consent, in the manner specified in clause 60.6(b)¹⁷³; that stated above also applies to a service other than a telecommunications service.¹⁷⁴

(j)¹⁷⁵ Cancelled

55A.2 In a remote sale transaction, as this term is defined in section 14.C of the Consumer Protection Law, 5741 – 1981, via the internet, the Licensee shall act as follows:

- (a) In its advertisement of a tariff plan on its website, the Licensee must clearly include all of the details specified in subclauses 55.4(a2) through 55.4(h), and the Plan Basics, the service access form, the Questionnaire¹⁷⁶ and the portability blocking request, insofar as there is one¹⁷⁷.
- (b) During the registration process for a tariff plan, as stated, the Licensee must include a presentation of the Plan Basics to the Applicant and a box that the Applicant must mark before completing his registration, as stated, whereby marking that box shall constitute a declaration that he read the information included in the Plan Basics. Insofar as the Applicant shall not mark the box as stated, it must not be possible to complete registration.
- (c) As part of the tariff plan registration process, as stated, the Licensee must include an online service access form that the Applicant can mark, and retrieve at any time, and change his choices on it as he wishes.¹⁷⁸
- (d) The Licensee shall send a copy of the engagement terms document to the subscriber who executed a “remote sale” transaction via the internet, immediately after executing the transaction. A copy of the engagement agreement signed between the subscriber and the Licensee must be sent to the subscriber via electronic mail message, which shall include the engagement agreement as an attached file.
- (e) The Licensee must retain the engagement terms document, as stated, in its possession, and make it available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the transaction execution date by the subscriber.
- (f) The rules specified in this clause shall also apply when at issue is the execution of a change in an existing plan or a replacement of an existing plan with a new plan.

For the purposes of this clause, “**change**” – the receipt of an additional service, the expansion of a service, subscribing to a service package.

¹⁷³ Amendment No. 87

¹⁷⁴ Amendment No. 90

¹⁷⁵ Amendment No. 87

¹⁷⁶ Amendment No. 90

¹⁷⁷ Amendment No. 95

¹⁷⁸ Amendment No. 87

The Licensee is not allowed to make any change, including a replacement of an existing plan with a new plan, without receiving the subscriber's express consent, in the manner specified in clause 60.6(b).¹⁷⁹

56. ¹⁸⁰If the Licensee publishes on its internet website a tariff plan, including tariff plans that include the purchase of MRT equipment, the said publication shall also include the subscriber agreement conditions regarding that tariff plan, including the details on the "main plan details page".

56A¹⁸¹. The Commitment Period in the Subscriber Agreement

- 56A.1 If the Licensee signs a Subscriber Agreement with a Subscriber that is not a Business Subscriber, that includes a commitment, the commitment period shall not exceed eighteen (18) months; For this article, "commitment of a Subscriber to meet the conditions regarding the scope of consumption of services, payment amount or payment conditions during the defined period, for which not meeting those conditions during that period entails a payment, including the return of a benefit or an exit fee.
- 56A.2 If the Licensee offers a Subscriber that is not a Business Subscriber, to sign a Subscriber Agreement that includes a commitment, the Licensee shall offer the Subscriber a subscriber agreement that does not include a commitment, that offers a reasonable alternative to the agreements that includes commitments. In this respect, a Subscriber Agreement that includes a "pre-paid plan" will not be considered a reasonable alternative to a Subscriber Agreement that includes a commitment. ¹⁸²The Licensee shall publish on its internet website the subscriber agreement that does not include a commitment, including "the main plan details page" of the said agreement.
- 56A.3 If the Director concludes that the Licensee has breached section 56A.2, he may instruct the Licensee to change the conditions of a Subscriber Agreement that does not include a commitment, without derogating from any other authority set forth in the License or by law. In this respect, the Director will examine, among other issues, the number of subscribers of the Licensee that have signed agreements without commitments.

57. Cancelled

58. Cancelled

59. The Obligation to Connect Applicants and the Prohibition of Conditional Agreement

- 59.1 Should the Licensee fulfill the conditions regarding the operation of the MRT System as stated in Paragraph 44.2, the Licensee will connect any applicant to the MRT System no later than the date determined in the Subscriber Agreement with the Subscriber unless the Director has given his approval to the Licensee not to connect an applicant for reason which he considers justifiable.

¹⁷⁹ Amendment No. 87

¹⁸⁰ Amendment No. 57-shall become effective September 13, 2011

¹⁸¹ Amendment No. 45

¹⁸² Amendment No. 57

- 59.2 Subject to the provisions of Paragraph 60.2, the Licensee may not condition the connection of an applicant, the provision of services or determining of tariffs, by unreasonable conditions that are discriminatory or unfair, and without derogating from the generality of the above:
- (A) The Licensee is not permitted to obligate a Subscriber to purchase Terminal Equipment from it or from its agent.
 - (B) The Licensee is not permitted to obligate the Subscriber to receive from it maintenance service or insurance for the Terminal Equipment in his or her possession.
 - (C) The Licensee is not permitted to limit supply of spare parts for Terminal Equipment that was purchased from it or from its agent, to Subscribers or to another provider of maintenance services.
-

Section B - Grade of Service for Subscribers

60. Obligation of Maintaining Service

60.1 The Licensee will offer its Subscribers the entire services detailed in the First Annex, in accordance with the conditions specified in the Annex, and will maintain its entire services throughout all days of the year during all the hours of the day and night, both in peacetime and in times of emergency, subject to Paragraph 48, in accordance with the technical requirements and the requirements regarding the quality of service, in an orderly and normal manner and of a quality that will not be inferior to the criteria of service quality specified in the First Annex to the License and in Appendix E of the Second Annex to the License; in case of contradiction between the First Annex and Appendix E of the Second Annex to the License, the provisions of Appendix E of the Second Annex will prevail.

60.2 ¹⁸³ Without derogating from the provisions of clause 75.3, the Licensee shall provide MRT Services and the Services Package, as defined in clause 73A, to every person so requesting, on equal and non-discriminatory terms, and at a non-discriminatory tariff.

60.3 Should the Director find that the Services Package might harm competition or consumers, he shall give notice of such to the Licensee noting the date on which the Licensee is to cease offering the Services Package to its subscribers.

60.4 If the Licensee provides any MRT Service to any person or body in return for payment, the service shall be available to every Subscriber in the entire coverage area of the system, while meeting the minimum requirements regarding quality of service, without discrimination, within 24 months of the commencement of provision of the service in return for payment.

60.5 Upon written application from the Licensee, the Director may permit the Licensee limitations on the provisions of clause 60.4, after being convinced that there is a real difficulty in supplying the service to all who request it, and that certain characteristics of the service give special and extraordinary grounds and justification for such.

60.6 (a) The Licensee shall not provide and shall not expand, whether for a consideration or for no consideration, any of its services that the subscriber has not expressly asked to receive or expand, apart from a service being provided for free to all subscribers, and it shall not enable the provision or expansion of a service by a service-provider that the subscriber has not expressly asked to receive from the Licensee or to expand.
For the purposes of this clause, “**service-provider**” – whoever provides a service through the network, and the payment in respect of the service is paid through the Telephone Bill.¹⁸⁴

- ¹⁸⁵(b) An express request shall be submitted in one of the following ways¹⁸⁶:
- (1) A signed document by the subscriber that is sent to the Licensee;
 - (2) An electronic mail sent by the subscriber to the Licensee;

¹⁸³ Amendment No. 14

¹⁸⁴ Amendment No. 87

¹⁸⁵ Amendment No. 57-shall become effective September 13, 2011

¹⁸⁶ Amendment No. 87

- (3) A telephone call between the subscriber and the Licensee representative;
- (4) An SMS sent by the subscriber to the Licensee;
- (5) ¹⁸⁷Service order on the Licensee's website or content provider. A service order shall be done in accordance with the provisions of Annex F of the License;
- (6) Internet chat calls with a representative of the Licensee;¹⁸⁸
- (7) ¹⁸⁹A telephone conversation from a telephone number on the Licensee's network to IVR¹⁹⁰ according to the following alternatives:
 - a) At the beginning of the conversation, the caller shall be asked to indicate whether the service is being requested for the telephone number used to make the call or for another telephone number of the caller on the Licensee's network, and if at issue is a service for another telephone number as stated, the caller must enter the other telephone number. At the end of the conversation, a text message containing the details of the service, or a text message with a link to the product page containing the details of the service, must be sent immediately from the Licensee's system to the telephone number from which the call was made. The said text message must also include the telephone number to which the service shall be provided, in the event that the service is intended for a telephone number other than the telephone number from which the call was made. For a call in which the service is intended for another telephone number as stated, a text message must also be sent from the Licensee's system to the other telephone number, during the conversation, which includes a random identification code that the caller shall have to enter in order to complete the submission of the request;
 - b) At the beginning of the conversation, the caller must be asked to indicate whether the service is being requested for the telephone number used to make the call or for another telephone number of the caller on the Licensee's network, and if at issue is a service for another telephone number as stated, the caller must enter the other telephone number. The caller shall be identified by entering his ID number and the four last digits of his means of payment, and it shall be possible to continue the process only if the data entered is identical to the said data as existing in the Licensee's system in relation to the telephone number for which the service is being requested. At the end of the conversation, a voice message shall be played indicating the name of the service, the price thereof and the telephone number to which the service shall be provided. The caller must be given an opportunity to choose to listen again to the said voice message. The caller must be asked to confirm the request to receive the service by clicking on a particular button.

¹⁸⁷ Amendment No. 60

¹⁸⁸ Amendment No. 87

¹⁸⁹ Amendment No. 90

¹⁹⁰ **Interactive Voice Response.**

- (c) The Licensee shall retain the documentation, as stated, in its possession and shall make it available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the date of the subscriber's express request.¹⁹¹

For this matter- "**documentation**" -

For sub-section (b)(1)-a copy of the document;

For sub-section (b)(2)-a copy of the electronic mail;

For sub-section (b)(3)-a recording of the telephone call;

For sub-section (b)(4)-a copy of the subscriber's telephone bill that lists under the "call details", the details of the SMS sent by the subscriber and a printout of its contents as received in the Licensee's system;¹⁹²

For purposes of sub-section (b)(5)-¹⁹³ a Log from the short message service center (SMSC) of the Licensee in which the sending of the 2 SMS from the Licensee to the subscriber are documented, as part of the procedure of ordering a service. If the service was ordered on the Licensee's website or cellular portal by using a user code and password as set forth in section 1.3 of Appendix F of the License-the Log from the internet server that indicates the execution of the service order procedure and the Log In of typing the user code and password by the subscriber.

For the purposes of clause (b)(6) – a printout of the calls via internet.¹⁹⁴

¹⁹⁵For the purposes of clause (b)(7)((a)) – details of calls as specified in clause 11 in Annex E.1, which includes the call requesting the service, a recording of the contents of the call, which is played for anyone requesting the service, documentation in the Licensee's system of the data entered by the Subscriber while listening to the text of the call, the contents of the text message sent to the Subscriber about the details of the service being requested and the contents of the additional text message sent to the Subscriber, insofar as the request was submitted from a different telephone line than the telephone line for which the service is being requested.

For the purposes of clause (b)(7)((b)) – details of calls as specified in clause 11 in Annex E.1, which includes the call requesting the service, a recording of the contents of the call, which is played for anyone requesting the service, and documentation in the Licensee's system of the data entered by the Subscriber while listening to the text of the call

Notes taken by the Licensee representative in the Licensee's information systems does not constitute documentation.

¹⁹¹ Amendment No. 87

¹⁹² Amendment No. 87

¹⁹³ Amendment No. 60

¹⁹⁴ Amendment No. 87

¹⁹⁵ Amendment No. 90

- 60.7 ¹⁹⁶The Licensee is not allowed to collect payment from the subscriber for a service or an expansion thereof¹⁹⁷ unless it has documentation regarding the subscriber's explicit request to receive the service or the expansion thereof.¹⁹⁸
- 60.8 ¹⁹⁹If the subscriber is charged for a service or for an expansion of a service²⁰⁰ and notifies the Licensee that he did not request the service or an expansion thereof,²⁰¹ the Licensee shall refund him the entire sum of that was charged for the service or the expansion thereof,²⁰² if the Licensee does not have the documentation regarding the subscriber's explicit request to receive the service or an expansion thereof.²⁰³ The manner of handling the subscriber's complaints granting the refund shall be executed in accordance with the provisions regarding "overcharging" detailed in article 83A of the license."

61. Ombudsman

- 61.1 The Ombudsman shall be directly subordinate to the CEO of the Licensee or to the board of directors, including to one of the board committees.
- 61.2 Subject to the provisions of clause 61A, relating to the settlement of disputes, the roles and authorities of the Ombudsman shall be as follows:
- (a) to clarify complaints of subscribers and Applicants concerning the Licensee's services;
 - (b) to clarify complaints of subscribers concerning Bills that the Licensee submitted to them and to decide them;
 - (c) to clarify disagreements arising between the Licensee and a subscriber concerning the interpretation or execution of the engagement agreement and to decide them.
- 61.3 The Licensee must display a link called "Ombudsman" on its website's home page, in a conspicuous way and location.²⁰⁴ Pressing on the said link must lead to a target page that specifies the roles and authorities of the Ombudsman, and details for four (4) options for sending a complaint to him as follows:
- (a) ordinary post;
 - (b) electronic mail address;
 - (c) online form on the Licensee's website, to which various types of files may be attached;
 - (d) facsimile.

¹⁹⁶ Amendment No. 57

¹⁹⁷ Amendment No. 87

¹⁹⁸ Amendment No. 87

¹⁹⁹ Amendment No. 57-shall become effective September 13, 2011

²⁰⁰ Amendment No. 87

²⁰¹ Amendment No. 87

²⁰² Amendment No. 87

²⁰³ Amendment No. 87

²⁰⁴ A link entitled "contact us" shall not be deemed a substitute for the said link.

- 61.4 The Licensee must specify the roles and authorities of the Ombudsman in every Bill that it submits to a subscriber, and the address, facsimile number and electronic mail address through which a subscriber can send a written complaint to him.
- 61.5 The Licensee must specify on its website and in every Bill that it submits to a subscriber, the details that a subscriber must complete in a complaint that it intends to send with reference to each of the four (4) options specified above.
- 61.6 If a complaint is sent to the Ombudsman via electronic mail or using an online form, an automatic notice acknowledging its receipt must be sent to the subscriber, immediately after receiving the complaint. The acknowledgement notice must include the number assigned to the complaint in the Licensee's system, the date of receipt of the complaint, the contents of the complaint as sent by the subscriber and the deadline by which a written response to the complaint shall be sent.
- 61.7 The Licensee must retain a copy of the complaint and of the written response sent to the subscriber in its possession, and make them available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the date of receipt of the complaint and of the date the response was sent.²⁰⁵

61A. Dispute Settlement

- 61A.1 The subscriber agreement shall state that all disagreements that arise between the Licensee and a subscriber, regarding the interpretation or implementation of the subscriber agreement, shall be assigned to arbitration to the Licensee's Ombudsman.²⁰⁶
- 61A.2. The subscriber agreement shall state that an application to the Ombudsman²⁰⁷ in accordance with article 61.1A, shall not:
- (a) prevent the subscriber from bringing the matter before the appropriate court;
 - (b) derogate from the authority of the Licensee to act in accordance with the provisions of article 72 regarding termination or termination of the engagement²⁰⁸ as a result of a breach of the subscriber agreement.

62. Obligation of Maintenance

- 62.1 The Licensee is responsible for the maintenance of the MRT System.
- 62.2 Should the Subscriber purchase MRT Terminal Equipment from the Licensee or its agents, and the purchase agreement should include maintenance services, the Licensee will be responsible for maintaining the above mentioned Terminal Equipment, however the Licensee will not be responsible for maintaining Terminal Equipment which was purchased, as stated, after the maintenance period undertaken by the manufacturer, unless otherwise agreed between it and the Subscriber; should the maintenance services include insurance services, the insurance service will be provided after receipt of the permits required by any law.

²⁰⁵ Amendment No. 87

²⁰⁶ Amendment No. 87

²⁰⁷ Amendment No. 87

²⁰⁸ Amendment No. 90

- 62.3 Should the Subscriber use, for the reception of MRT Service, MRT Terminal Equipment which was not purchased from the Licensee or its agents, the Licensee will not be obliged to maintain this Terminal Equipment, however the Licensee may enter into an agreement with the Subscriber for the provision of maintenance services for this said Equipment as well.
- 62.4 For the matter of maintenance obligation, as aforesaid, this should also mean the provision of spare parts and accessories for Terminal Equipment, including Terminal Equipment of the models offered to the public by the Licensee or its agents, even if the Licensee does not provide repair services for those models.
- 63.²⁰⁹ Telephone²¹⁰ Call Center**
- 63.1 The Licensee shall operate a staffed telephone call center to handle requests from its Subscribers, all as specified in Annex E.⁴²¹¹.
- 63.2 The Telephone²¹² Call Center will be staffed by a skilled and professional employee team, with the necessary qualifications to handle Subscriber calls. Should a call be received regarding a fault, the said team will act to locate the fault and will begin taking measures to immediately repair the fault.
- 63.3 The Licensee shall detail in the maintenance diary the details of the fault as set forth in Article 63.2 and the steps taken to rectify the fault, all as set forth in Article 51."
- 64. Terminal Equipment**
- 64.1 The Licensee will submit to the Director the specifications of the Terminal Equipment which are compatible with the MRT Network, and will assist, in accordance with the Director's requirements, in converting them to Israeli standards or the Ministry's standards, or to standards and specifications as aforesaid; the Director will present requirements which differ from those of European standards only for the purpose of adapting the specifications of the Licensee to Israeli standards, to the standards of the Ministry, in order to integrate the Hebrew language, to prevent interferences to other systems and interferences from other systems, and in order to achieve compatibility with the Telecommunication Networks in Israel.
- 64.2 The Licensee will carry out, free of charge, tests to verify that the Terminal Equipment meets the specifications of the MRT Network, in accordance with the Director's requirements; testing of Terminal Equipment as aforesaid will be finished within fourteen (14) days from the date of the Director's requirement.

²⁰⁹ Amendment No. 55

²¹⁰ Amendment No. 91

²¹¹ Amendment No. 91

²¹² Amendment No. 91

64.3 The Licensee may sell or lease its Subscribers MRT Terminal Equipment for connection to the MRT Network, provided all the following are fulfilled:

- (a) The Licensee has notified the Subscriber that he or she is entitled to purchase MRT Terminal Equipment both from any authorized dealer in Israel and from an overseas dealer, where the Equipment manufacturer confirmed that the Equipment is similar in its features and options to the Terminal Equipment marketed by the Licensee, and that the Subscriber is not obliged to purchase the Equipment from the Licensee in order to receive MRT Services;
- (b) The Licensee will not make the provision of maintenance services for MRT Terminal Equipment conditional to obtaining MRT Services from it, and will inform the Subscriber that he or she may receive Maintenance Service for Terminal Equipment from any person, including Terminal Equipment purchased or leased from the Licensee.
- (c) During a sale conversation through a telephone conversation for the purchase or rental of MRT Terminal Equipment, without a transaction being transacted with an Applicant for the purchase of MRT services (hereinafter – “**Purchase Agreement**”), and before the Applicant expresses his consent to engage in a Purchase Agreement with the Licensee, the Licensee's representative must ask for the Applicant's consent to send him a printed Purchase Agreement via electronic mail or SMS or facsimile, without any handwritten changes, and bearing the Licensee's logo, which provides a detailed description of the Terminal Equipment and the inclusive price and, insofar as payment in instalments for the Terminal Equipment was agreed upon between the purchaser and the Licensee – the number of payments and the rate of each payment, and which includes the date of the execution of the sale conversation and the details of the purchaser and of the Licensee's representative, who must inform the purchaser that he must confirm in writing that he is accepting the terms of the Purchase Agreement as a precondition to it coming into effect. Insofar as the Applicant expressly states that he is not interested in receiving the said document in one of the three said ways during the sale conversation, then the Licensee shall be released from having to send it to the Applicant when conducting the sale conversation, and it shall be sent to him on the transaction execution date. If the Applicant asked to receive the said document via one of the ways specified above, the Licensee's representative must send it to him in the manner requested.

The Licensee shall retain a copy of the Purchase Agreement in its possession, and shall make it available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the transaction execution date.

The Licensee shall record, in addition, the telephone conversation held with the Applicant, and shall make the recording available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the transaction execution date.

- (d) A notice shall be sent to the Applicant asking the Applicant to confirm the execution of the transaction. The Applicant must expressly confirm the terms of the transaction, without any handwritten stipulations or qualifications or changes in relation to the terms of the Purchase Agreement, either via return electronic mail message or return SMS or facsimile, which includes his full name and ID number.
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The Licensee shall retain a copy of the purchaser's confirmation in its possession, and shall make it available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the transaction execution date.

- (e) Immediately after the Applicant sends his confirmation, as stated, the Licensee shall send him a document pursuant to the law²¹³ in the mode by which the Purchase Agreement was sent to him.
- (f) When executing a transaction for the purchase of MRT Terminal Equipment in the presence of both parties, without executing a transaction for the purchase of MRT Services, and before the Applicant expresses his consent to engage in a Purchase Agreement with the Licensee, the Licensee's representative must submit a printed copy of the Purchase Agreement to the Applicant and enable him to peruse it.

When executing the transaction, the Applicant and the Licensee's representative must sign the Purchase Agreement submitted to the Applicant for his perusal by original signature.

After signing, as stated, the Licensee's representative must deliver the Purchase Agreement to the Applicant bearing the original signatures of the Licensee's representative and the Applicant, as well as the document specified in subclause (e).

After completing all that stated in this subclause, the Licensee's representative may obtain the Applicant's signature on a Purchase Agreement identical to the one signed with original signatures, while using electronic means.

The Licensee shall retain a copy of the Purchase Agreement and the document specified in subclause (e) in its possession, and shall make them available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the transaction execution date.

The Licensee's representative must perform a reliable identification of the Applicant pursuant to the procedure prescribed by the Licensee. The Licensee shall retain in its possession a copy of an identification certificate of the Applicant and a copy of an identification certificate of the payer of the Bill, which were issued to the Licensee's representative at the time of execution of the engagement.

- (g) Insofar as the subscriber and the Licensee agreed on payment in instalments for Goods that the subscriber purchased or rented from it, and the subscriber breached the engagement agreement before paying all of the payments for the said Goods, but rectified the breach within forty-five (45) days of the date the Licensee notified the subscriber of the breach, then the Licensee is not allowed to collect the balance of the payments from the subscriber for the Goods in a single payment, and the payment in instalments shall continue as agreed upon between the subscriber and the Licensee *ab initio*.²¹⁴

²¹³ A receipt

²¹⁴ Amendment 87

²¹⁵64A Cancelled.

21665. Public Emergency Services

65.1 ²¹⁷The Licensee will enable, at any time and free of charge, all its Subscribers free and rapid access to public emergency services, such as: Magen David Adom, the Israel Police Force and the Fire Department..

²¹⁸**65.2** The Licensee shall enable the public emergency service centers²¹⁹ to identify the telephone number of a subscriber that dials them²²⁰, free of charge and at any time, including a subscriber with an unlisted number, a subscriber that implemented barring a call and a subscriber that dials from a private switchboard, effective 5 April 2007 (hereinafter-"**the commencement date**");

The Licensee may implement the aforesaid through a licensee that routes the call to the public emergency service center.

No later than 2 days²²¹ from the commencement date, the Licensee shall notify all its subscribers, in writing, and in a clear manner, that as of the commencement date, the subscriber's number will be identifiable by the public emergency service centers, and shall also notify in writing all subscribers that request an "unlisted number"-that the number will not be unlisted for calls made to the public emergency service centers.

²²²65A. **Blocking Service for Harassing Subscribers**

65A.1 Notwithstanding the above-mentioned in Article 65.1, the Licensee shall block access to public emergency services for Harassing Subscribers; if the access to public emergency services only is not technically possible, the Licensee shall block the Harassing Subscriber's access to all MRT services. For this Article, "Harassing Subscriber"- a subscriber that calls a certain public emergency service, without a justified reason, more than 10 times during one day, through Terminal Equipment in his possession.

65A.2 Notice regarding a Harassing Subscriber shall be given in writing to the Licensee by a senior employee of a public emergency service ("the Employee"), verified by an affidavit signed by the Employee ("the Complaint"). The Complaint shall include, among other details, the name of the Harassing Subscriber, his phone number, as far as these details are known to the complainant, as well as details of the times of the calls of the Harassing Subscriber and the content of the calls that indicates that the calls were made without a justifiable reason. If the Complaint does not include the Harassing Subscriber's phone number, the Licensee shall act in a reasonable manner to identify the Harassing Subscriber based on the details in the Complaint.

²¹⁶ Amendment No. 87

²¹⁷ Amendment No. 19

²¹⁸ Amendment No. 40

²¹⁹ **Israel Police-100, Magen David Adom-101 and the Fire Department-102**

²²⁰ **Excluding a subscriber whose terminal equipment allows him to dial emergency centers only, for example a handset without a SIM card on a GSM network.**

²²¹ Amendment No. 42

²²² Amendment No. 19

- 65A.3 The Licensee shall block the Harassing Subscriber's access to the emergency services as set forth in Article 65A.1, after giving the Harassing Subscriber prior notice. The notice shall be given 3 working days before blocking the service, in one of the following manners:
- A call from the Licensee's service center to the Terminal Equipment of the subscriber;
 - Sending an SMS to the Terminal Equipment of the Subscriber;
 - Sending a registered letter to the Subscriber; except a Pre-Paid subscriber whose address is unknown.
- 65A.4 Blocking service, to a Harassing Subscriber that is a Pre-Paid subscriber whose address is unknown, shall be done no later than 24 hours from the receipt of the Complaint or identification as set forth in Article 65A.2.
- 65A.5 Notwithstanding the above-mentioned in Article 65A.1, the Licensee shall not block a subscriber's access to the public emergency services, if the circumstances of the calls made, based on the explanation the subscriber provides to the Licensee show that there was a justification for the calls and he should not be deemed a Harassing Subscriber; The Licensee shall provide the Director with the reasons for not blocking access for the Harassing Subscriber within 10 working days from receipt of the Complaint or identification as set forth in Article 65A.2.
- 65A.6 If the Licensee blocks the Harassing Subscriber's access to the emergency calls as set out above, he may collect from the subscriber all charges and may also be entitled to collect from him payment to remove the blockage.
- 65A.7 The Licensee is permitted to remove the blockage after the Harassing Subscriber provides him with a written undertaking that he will not repeat the harassment in the future.
- 65A.8 The Licensee shall record the manner of identification of the Harassing Subscriber, manner of notifying the Harassing Subscriber or alternatively where notice was not given to the Harassing Subscriber, the reason for not giving notice; In addition, he shall record the manner in which the blockage was removed.
- 65A.9 Deleted²²³
- ²²⁴65B. **Personal Message Service**
- 65B.1 The Licensee shall provide a personal message service (in this section, the **Service**"), at all times and free of charge, to all its subscribers, including to the subscribers of another licensee, users of handsets that support the Service (hereinafter in this section the **"Subscribers"**), and in accordance with the "personal service" service file.

²²³ Amendment No. 98

²²⁴ Amendment No. 73

In this section:

"**Another Licensee**" – another MRT licensee that receives service through national roaming or an MVNO that receives service through a hosting agreement on a licensee's network;

"**Personal Message**" – a message, warning and short explanation of the security forces that is sent immediately, selectively and focused to subscribers with MRT handsets that support the use of the cell broadcast ("CB") technology.

"**Security Forces**" – representatives of the Ministry of Defense and Home Front Command that are responsible for personal message system;

"**Service File "Personal Message"**" – a service file approved by the Director, including amendments that will be executed in the service file;

65B.2 In order to execute the above mentioned in Article 65B.1, the licensee shall act as set forth in the First Appendix and in the service file regarding this service and as follows:

- a) Adaption of the network and its components so that it will support the provision of the personal message service, excluding the network components that operate under the iDEN or CDMA technology;
- b) Assistance and resource allocation to execute the access of the personal message service of the Security Forces to the network;
- c) Operation and maintenance of the Service components in the network, in accordance with written directions that will be presented to the Security Forces; without derogating from the aforesaid, the Security Forces may instruct the Licensee to change the said instructions, however this will not derogate from the Licensee's responsibility to repair and access the network;
- d) The execution of technical trials to examine the integration between the system and the network and the exercise of the network and system operation, in accordance with the instructions of the Office and the Security Forces.

65B.3 The Licensee shall report to the Security Forces any gap in the ability to supply the Service and will act to restore the ability as soon as possible, in accordance with the written operation instructions that it will formulate and present to the Security Forces.

Without derogating from the aforesaid, the Security Forces may instruct the licensees to change the operation instructions if they find them to be lacking, however this provision does not limit the responsibility of the aforesaid licensee.

65B.4 The Licensee shall notify the Security Forces in advance of any change to the network that may affect availability for provision of the Service.

65B.5 The Licensee may not make commercial use of the CB characteristic without the Security Forces' prior knowledge of at least 30 days before operating the Service and the Security Forces may notify him in writing within 15 days of their objection to the provision of the service or conditions for providing the said Service. In this case, the Licensee will not operate the Service or will only be able to operate it in accordance with the conditions determined by the Security Forces, according to the merits.

The aforesaid does not detract from the License's obligation to receive the Director's approval to the said service.

65B.6 The Licensee will assist in launching the Service for its subscribers in all of the following manners:

- a) By written publicity on the company's website;
- b) By direct mail to subscribers through the monthly bills upon launch of the Service;
- c) ²²⁵By providing a response to subscriber inquiries to choose the necessary specifications on his handset; for cellular handset models that were not marketed by the Licensee, the Licensee will make a reasonable effort to give its subscribers an answer;
- d) The Licensee will allow the Security Forces to reasonably use its existing distribution channels in order to notify the subscribers of the Service.

66. Protection of Subscriber Privacy ²²⁶

66.1 Without derogating from the provisions of the Law, the Secret Monitoring Law, 5739-1979, the Protection of Privacy Law, 5741-1981, or any other law regarding protection of the privacy of a person, the Licensee shall not be entitled to listen to the telephone or any other communication of a Subscriber without the Subscriber's written consent, other than for the purpose of quality control of the service or the prevention of fraud.

66.2 Subject to the provisions of clause 66A, the Licensee, its employees, agents and any person acting on its behalf shall not be entitled to disclose lists or documents containing the name and address of a Subscriber or any other information regarding a Subscriber, including account details, call traffic, times and destinations to any person other than the Subscriber or a person authorized by the Subscriber for such.

66.3 Notwithstanding the provisions of clause 66.2, the Licensee may do the following:

- (a) provide details of the Subscriber to another licensee for the purpose of collection of monies owing from the Subscriber for services provided to it via the Network, provided that the details so provided are essential for the purpose of collecting money and accounting and that the other licensee has undertaken to maintain the privacy of the Subscribers;
- (b) provide the details of a Subscriber, to the extent that such details are in its possession, to another person under any power at law.

66A ²²⁷Services to the Security Forces

66A.1 The Licensee shall supply special services to the Security Forces, as set out in the Security Appendix (Confidential) attached to this License as Appendix K.

66A.2 The Licensee shall allow the Security Forces, as identified by the Director in writing, to exercise, subject to any law, their powers in respect of any telecommunications operation under the License, and shall be responsible for ensuring the existence, proper operation and technical adaptability of the equipment and infrastructure required to enable such performance, all in coordination with the Security Forces and as set out in Appendix K; the Security Forces shall bear payment under the provisions of section 13 of the Law.

²²⁵ Amendment No. 79

²²⁶ Amendment No. 14

²²⁷ Amendment No. 3

66A.3 The Licensee shall be exempt from the obligation to indemnify the State under the provisions of clause 91.2 of the License and/or under any law, for the provision of the special services to the Security Forces.

66B. Security Provisions

66B.1 The Licensee shall appoint a security officer in accordance with the provisions of the Security Arrangements in Public Bodies Law, 5758-1998, and shall strictly adhere to the security provisions set out in Annex L to the License.

66B.2 The Licensee shall set out appropriate provisions in its foundation documents and regulations and shall act so that no person shall be appointed to act in a position or role set out in Annex L to this License unless he meets the following conditions:

- (a) he is an Israeli citizen, as defined in the Citizenship Law, 5712-1952, and a resident of Israel;
- (b) he has been given a security clearance from the General Security Services, under which there is nothing to prevent his so acting.

66B.3 The Licensee shall act to keep the activities of the Security Services confidential and shall act in accordance with the security instructions of such Security Services, including with regard to the appropriate security classification for Officer and persons with roles at the Licensee and the classification of information regarding the activities relating to the Security Services.

66B.4 The Licensee shall take such steps as are required in order to protect the system, components of the system, and the databases serving for the provision of services, operation and control of the system against the activities of unauthorized persons, under the provisions set out in Annex L of this License.

67. Subscribers' Bills²²⁸

67.1 The bill the Licensee will present to the Subscriber will be clear, concise, legible and comprehensible; the bill will include precise details of the components of the required payments in accordance with the types of payments and the rules detailed in Chapter F.

67.2 ²²⁹Cancelled

67.3 The Licensee is entitled to collect payments for its services from the Subscriber through another party, including through the Bezeq Corporation.

67.4 (a) Without derogating from all other provisions of the License regarding the manner in which the Subscriber's bill shall be set out and the method of billing, the Licensee shall act in accordance with the Israeli Standard 5262, that concerns the credibility of the charge and full disclosure in phone bills (hereinafter in this article – "the Standard").

²²⁸ Amendment No. 14

²²⁹ Amendment No. 57

- (b) Cancelled.²³⁰
- (c) Despite the aforesaid in sub-section (a)-
- (1) With regard to the provisions of section 2.2.2 of the Standard, the rounding of numbers method shall be implemented in accordance with the following:
- ((a)) An amount in a bill will be rounded to the nearest number that ends with two digits after the decimal point of the Shekel, and an amount that ends with five tenths of an Agora (three digits after the decimal point), shall be rounded up.
- ((b)) An amount for payment of a single call shall be rounded to the nearest amount that ends with two²³¹ digits after the decimal point of the Shekel, and an amount that ends with five tenths²³² of an Agora (three²³³ digits after the decimal point), shall be rounded up.
- (2) Cancelled.²³⁴
- (3) The price of a phone call (voice) that includes a Variable Tariff, shall be presented in a bill to a subscriber as the average price per minute, that shall be calculated in accordance with the amount for payment for that call, divided by the total sum of minutes of the call.
- In this section, "Variable Tariff"- a tariff that changes during the course of the call based on different parameters, for example, a tariff that is reduced based on the higher the usage or a variable tariff as a result of changing from "peak time" to "off peak time" during the course of the call or vice versa.
- (4) In addition to the provisions at the end of section 2.2.4 of the Standard regarding the Basket of Services, the bill shall include a detailed list of the services that are included in the basket as well as the total tariff to be paid for the basket.
- In this section, "Basket of Services"-a number of services that are marketed to a subscriber as a package in exchange for an all inclusive tariff (and without detailing the payment for each individual service).

²³⁰ Amendment 87

²³¹ Amendment 87

²³² Amendment 87

²³³ Amendment 87

²³⁴ Amendment 87

- (d) (1) Chapter B of the Standard regarding full disclosure in phone bills shall become effective no later than Friday, 18 Tishrei, 5766 (14.10.2005).
- (2) Chapter C of the Standard regarding the credibility of the charge shall become effective no later than Sunday, 15 Tevet 5766 (14.1.2006).²³⁵

²³⁶67.5 A bill that is sent to a Non-Business Subscriber shall be in the format set forth in Annex E1 (hereinafter for this Article- "Bill Format for a Non-Business Subscriber"^{237,238}).

²³⁹67.5A A bill submitted to a business subscriber shall include the details set forth in sub-sections 9B (1) to 9B (4) in Appendix E1 of the License." In this section "business subscriber"-except for the subscribers detailed in sub-sections (b) and (d) of the definition of "business subscriber" in article 1 of the License.

67.6 A Business Subscriber may request that the Licensee send him a telephone bill in a Non-Business Subscriber Format (hereinafter in this Article-"Request"). If the subscriber makes such a request, the Licensee shall begin sending him bills in accordance with said format, no later than two bill periods from the date of the Request. The Licensee shall publish bi-annually, a notice in the telephone bill sent to Business Subscribers, that the Business Subscribers may request that the Licensee format their telephone bill in accordance with the Non-Business Subscriber Bill Format.²⁴⁰In addition, a business subscriber may request from the Licensee details in writing regarding the calculation manner of a "one time charge". The Licensee shall submit to the business subscriber the said details in writing regarding a "one time charge", within thirty (30) days of the date that the subscriber requested the matter from customer services or from the Ombudsman.²⁴¹

67.7 The subscriber shall receive the Bill, at its choice, via one of the following modes:

- (a) regular post;
- (b) electronic mail with an attached file;
- (c) SMS with an attached link;
- (d) the Licensee's website;
- (e) other electronic means at the choice of the Licensee.

The Licensee must present the five (5) said modes for the subscriber's choice on the Questionnaire. If the subscriber does not select one of the modes, then the Bill must be sent to him by regular post. The subscriber may change the mode for receiving the Bill at any time, by way of an oral or written request.

²³⁵ Amendment No. 33

²³⁶ Amendment No. 50

²³⁷ Amendment 87

²³⁸ Amendment No. 90

²³⁹ Amendment No. 57

²⁴⁰ Amendment No. 57

²⁴¹ Amendment 87

²⁴²A Split Business Subscriber may, at any time, whether orally or in writing, amend the Business Subscriber's application as completed in the Questionnaire.

The Licensee must document the subscriber's request, as stated, and make this documentation available for delivery or forwarding to the Director, at his request, and this, within five (5) workdays of the submission of the request.

If the subscriber submitted his request during the first half of the billing period, then the Licensee shall send him the Bill immediately following the date of his request in the mode selected by the subscriber. Otherwise, the Licensee shall send the subscriber the Bill in the mode selected by the subscriber after the upcoming Bill.

The Licensee is not allowed to demand any payment from the subscriber for issuing the Bill, which includes "itemized calls" either regularly or on a one-time basis, and sending it to him, at his request, through electronic means. The Licensee may demand reasonable payment in respect of "itemized calls" from any particular 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 subclause (a).²⁴³

67.8 ²⁴⁴If the payment detailed in the telephone bill is done by debit bank payment or credit card, the said payment shall not be done before ²⁴⁵ten (10)²⁴⁶ days have passed from the date that the telephone bill was sent to the subscriber.

67.9 ²⁴⁷In relation to subscribers receiving their Bills via regular post, once every calendar year at the most²⁴⁸, the Licensee may act as follows in relation to the sending of Bills:

(a) The Licensee shall send a letter to every such subscriber by regular post as an attachment to the Bill²⁴⁹ or via electronic mail message, asking the subscriber to choose, within thirty days (30) of the date the letter or the message was sent, the way by which his Bill will be sent to him, out of the following ways:

- (1) regular post;
- (2) electronic mail with an attached file;
- (3) SMS with an attached link;
- (4) the Licensee's website;
- (5) other electronic means at the choice of the Licensee.

²⁴² Amendment No. 90

²⁴³ Amendment No. 87

²⁴⁴ Amendment No. 57

²⁴⁵ Amendment No. 58

²⁴⁶ Amendment No. 87

²⁴⁷ Amendment No. 87

²⁴⁸ Amendment No. 90

²⁴⁹ Amendment No. 90

- (b) The Licensee must enable every subscriber, as stated, to respond to the letter to him via regular post, without payment, and via electronic mail and facsimile.
- (c) The Licensee is obligated to operate at least two electronic means out of that specified above in subclause (a).
- (d) The Licensee must specify in its letter to a Business Subscriber and to a Split Business Subscriber, in a framed notice, in boldface and at a font size of at least 16, that, insofar as it shall not choose the mode by which it shall receive the Bill, the Bill shall be sent to it in the mode to be decided by the Licensee, and this, without derogating from the provisions of section 13.B.(a) of the Consumer Protection Law, 5741 – 1981.
- (e) The Licensee must specify in the notice to a Non-business Subscriber, in a framed notice, in boldface and at a font size of at least 16, that, insofar as he shall not choose the mode by which he shall receive the Bill, the Bill shall be sent to him by regular post.
- (f) The Licensee is not allowed to send the Bill by way of an SMS to Terminal Equipment that is blocked to the receipt of SMSs and to Terminal Equipment that is not a smartphone.
- (g) The Licensee is not allowed to change the mode of sending the Bill to a Non-business Subscriber who did not respond to the request that the Licensee sent to him.
- (h) If the mode of sending the Bill to a subscriber was changed, the Licensee shall send a notice to the subscriber before sending the first Bill in the new mode, by way of SMS, which informs it of the details of the change. Any subscriber blocked from receiving SMSs must receive the said message in the Bill following the execution of the change.²⁵⁰

²⁵¹**67A. Information Service for Telephone Number Enquiries**²⁵²

- 67A.1 Without derogating from the aforesaid in Article 66, the Licensee shall provide, either by itself or through another on its behalf, an information service for the enquiry of telephone numbers of all subscribers of land line operators or MRT operators, except for classified subscribers (hereinafter- "information service"), as follows:
- (a) for the general public and cost free, through an internet site that will provide the service;
 - (b) for its subscribers, at a reasonable cost, through a telephone center to which the the access will be provided by a network access code to be determined by the Director;

²⁵⁰ Amendment No. 87

²⁵¹ Amendment No, 14

²⁵² Amendment No. 38

- (c) the information service shall be provided by all of the above methods based on the same information features that the subscriber will provide when he requests the service.

67A.2 Cancelled.²⁵³

67A.3 In addition to the above-mentioned in clause 67A.1²⁵⁴, the Licensee may offer, at a reasonable price, either by itself or another on its behalf, an information service, through any other method, including a national access code or through a short message system service (SMS).

67A.4 For the execution of the aforesaid in Article 67A.1 and 67A.3:

- (a) The Licensee may approach any database of a line operator or MRT operator (hereinafter in this article – "**another licensee**") with a question, or receive information from a database of another licensee through any other method and with the consent of the other licensee, all subject to the obligation regarding protection of the subscriber's privacy;
- (b) For the provision of the information service by another licensee in accordance with its general license, the Licensee shall allow any other licensee access to the Licensee's database;
- (c) The Licensee shall regularly update the database, so that every name, address or telephone number of a subscriber that has been added, changed or removed, shall be updated in the database within one working day after the implementation of the update in the Licensee's system for the provision of telephone services.

For this Article-

"**database**"- a pool of data that includes the name, address and telephone number of every subscriber that is not classified, including a subscriber that is a business.

67A.5 (a) The Licensee shall obtain through the Questionnaire the consent of every new subscriber in order to include their details in the database; if the subscriber consents to the aforesaid, the Licensee shall take action to include²⁵⁵ the subscriber's details in the database.

(a1) A Split Business Subscriber may, at any time, whether orally or in writing, amend the Business Subscriber's application as completed in the Questionnaire.

(b) The Licensee shall comply at no cost with every subscriber's initial request to remain classified.

In this Article, "**new subscriber**" –a subscriber that registered with the Licensee after the commencement date as set forth in Article 67A.7 below.

(c) The Licensee must take action to fulfill the Subscriber's request within one workday after having received it. The Licensee must document how it acted as stated and must make this documentation available for delivery or forwarding to the Manager within five (5) workdays of receiving the request.

²⁵³ Amendment No. 87

²⁵⁴ Amendment No. 87

²⁵⁵ Amendment No. 90

- 67A.6 The conditions for the provision of information service to enquire about telephone numbers in accordance with Article 67A shall be determined by the Licensee, provided that they are fair and non discriminatory, including presentation of the data to those requesting the service; the service shall be provided twenty four (24) hours a day, every day of the year, except for Yom Kippur; in this Article, "**presentation of the data**"- if the answer to a question of a person requesting the service consists of a number of different data, the data shall be presented in a coincidental manner;
- (a)
- (b) Cancelled.²⁵⁶
- (c) Information service for telephone number enquiries as set forth in Article 67A.1 (b) and Information Service through a telephone center to which the access shall be provided by a national access code as set forth in Article 67A.3 shall meet the following service standards:
- (1) at any time, except in cases of heavy traffic of calls requesting the service²⁵⁷, the amount of callers that will receive service shall not be less than 90%;
 - (2) the average waiting period of a caller until the start of receiving service²⁵⁸ shall not exceed 30 seconds;
 - (3) the maximum waiting period of a caller until the start of receiving service shall not exceed 60 seconds.
- 67A.7 Article 67A shall become effective on 8 February 2007 excluding Article 67A.1 (a) that will become effective on 15 March 2007 ("**commencement date**") but excluding Article 67A.2.²⁵⁹
- 67A.8 The Licensee, either itself or through another, including together with another licensee, shall publish any information service for telephone number enquiries that is being provided by the Licensee at no cost (hereinafter - "**free information service**");²⁶⁰ the publication shall include at least the following:
- (a) an internet site of the Licensee;
 - (b) every Telephone Bill of the subscriber.²⁶¹
 - (c) at least four (4) times during the first year after the commencement date, the Licensee shall publish large and prominent advertisements in at least 3 of the most common newspapers in Hebrew and the most common newspaper in Arabic, English and Russian as well as in the most common financial newspaper; these advertisements shall not include any other information. The first publication regarding cost free information services shall be in the above detailed newspapers, except for the financial newspaper, which shall be on the first Friday after the commencement date or the following one and in the financial newspaper on the first Tuesday after the commencement date of the following one.

²⁵⁶ Amendment No. 87

²⁵⁷ **Busy Hour Call Attempts**

²⁵⁸ **Start of receiving service-an answer by a telephone operator or by the IVR system that requests the information from the caller in order to locate the requested telephone number etc.**

²⁵⁹ Amendment No. 42

²⁶⁰ Amendment No. 87

²⁶¹ Amendment No. 87

Without derogating from the above-mentioned, the Minister may instruct the Licensee regarding the manner and format for the publication of the information services.

67B. ~~Deleted~~²⁶²

67C. Service File

- ²⁶³67C.1 If the licensee wishes to activate a service that is included in the list of services listed in the First Appendix and titled "future", it shall notify the director in writing no later than thirty (30) days before the date it intends to begin supplying the service.
- 67C.2 If the licensee wishes to activate a new service that is not included in the list of services listed in the First Appendix that it intends to supply to any of their service recipients, it shall notify the director in writing no later than thirty (30) days before the date it intends to begin supplying the new service.
- 67C.3 The director shall notify the licensee within thirty (30) days of receipt of the notice of the licensee as set forth in Articles 67C.1 and 67C.2, if it is allowed to begin supplying the service or if it needs to submit a service file for the director's approval, as a condition for beginning the service.
- 67C.4 The licensee shall submit a service file for the director's approval upon his demand; if the licensee shall not submit a service file upon the director's demand, or if the director does not approve the service file, the licensee shall not begin supplying the service.
- 67C.5 The director's decision regarding the service file submitted to him shall be given within sixty (60) days from the day that the licensee submitted to the director all the required documents and information for the approval of the service file. In special cases, the director may extend the dates set forth in this article, in a written and detailed notice to the licensee.
- 67C.6 The director may require the licensee to submit for his approval a service file for an existing service, that does not require a service file, and he may also require the licensee to submit for his approval a new service file for a service for which a service file has already been approved.
- 67C.7 The service file shall be submitted to the director in a format and at a time set forth by the director and shall include, among other things, provisions regarding the following: the name of the service, a detailed description of the service and the supply method, the service tariff, an engineering description, and all in accordance with the First Appendix; the director may advise of additional details that should be included in the service file.

²⁶² Amendment No. 41

²⁶³ Amendment No. 41

- 67C.8 If the service file is approved, the licensee shall supply the service in accordance with the conditions of the approved file and the approved service file shall be considered an integral part of the license.
- 67C.9 The licensee shall publish the approved service file, with the details and in a manner set forth by the director, and the director may publish it himself, as long as he does not do so until after the licensee begins supplying the service. The notice to the public shall not include information that are trade secrets, that have been noted by the licensee and attached as a separate annex marked as trade secrets to the service file.
- 67C.10 Each new service file that the licensee shall begin supplying in accordance with this article, will be considered part of the First Appendix; the director shall update the Appendix from time to time.
- 67.11C The provisions of this article shall apply with the necessary changes for tests by means of the network of the licensee.

67D²⁶⁴ Adult Voice Services

Adult Voice Services provided through the Network, shall be done in accordance with the provisions of Annex "M", in the Second Supplement .

For the purpose of this Article-

"Adult Voice Services"- as defined in Article 1 in Annex M, in the Second Supplement.

67D.1²⁶⁵ Premium Service

²⁶⁶67D1.1 The Licensee may provide Premium Services in one of the following manners:

- a) Premium Service, for which the payment is charged according to the Premium Tariff and is collected through the Telephone Bill shall be provided in accordance with the provisions of Appendix N.
- b) Premium Service, for which the payment is charged according to the Regular Tariff (hereinafter in this sub-section "the **Service**") will be provided as follows:
 - 1) As an internal network service through a network access code²⁶⁷;
 - 2) By dialing a Fixed-line telephone number to which the access will be possible for each subscriber of the subscriber of a General Licensee.

²⁶⁴ Amendment No. 22

²⁶⁵ Amendment No. 75

²⁶⁶ Amendment No. 76, 80

²⁶⁷ "Network access code" as defined in the numbering plan.

For this article,

"**Fixed-line telephone number**" - a number format of geographic numbers and national fixed line numbers or number format star 4 digits (*XXXX), in accordance with that defined in the numbering plan²⁶⁸.

"**Premium Service**" and "**Premium Tariff**" as defined in Appendix N

²⁶⁹**67E National Roaming**

67E.1 The Licensee shall supply National Roaming services through its network to a Roaming Licensee to the Roaming Licensee's subscribers to the network of the host operator, as detailed below.

67E.2 Preparation of the Licensee

The Licensee shall prepare for the execution of National Roaming in accordance with the following:

- a) The provisions of Appendix X in the Second Annex;
- b) The provisions of the law and the license regarding enabling use of its network and particularly Articles 30 through 30C, with the necessary changes.

67E.3 Operational arrangement

- a) If the Roaming Licensee shall notify the Licensee in writing, after notifying the Minister that it did not reach an agreement with any of the existing Licensees regarding the conditions for the provision of roaming services as set forth in Article 5B(b)(1) of the Law, that it has chosen that Licensee for the receipt of National Roaming services (in this section "**the notice**"), the Licensee and the roaming operator shall provide the Minister with the engineering and operational details that they have agreed upon between themselves regarding the implementation of National Roaming ("**operational arrangement**"), within three months from the date the notice is sent. In addition, the said operators shall include the required engineering and operational details in order to maintain National Roaming that were not included in the operational arrangement, due to disagreements, if there are any;
- b) Issues that are not agreed upon, as set forth in sub-section (a) above, if there are any, shall be decided by the Director. The directions of the Director for this matter shall form an integral part of the operational arrangement.

67E.4 Commencement date of National Roaming implementation

The host Licensee shall begin providing National Roaming services in accordance with the operational arrangement no later than three months from the date that the Roaming Licensee presented to the host Licensee the Minister's confirmation as set forth in section 5B(b)(2) of the Law.

²⁶⁸ **For example numbers in the format 03-XXXXXXX and 07Z-xxxxxxx or *XXXX**

²⁶⁹ Amendment No. 59

67F. International Roaming Service through the Network of the MRT Operator in the Neighboring Country

- 67F.1 The Licensee shall act so that in an area in which there is reception that allows the initiation of a proper call, from the network as well as from the network of the MRT operator in the neighboring country, the subscriber shall receive MRT service through the network. The Licensee shall perform the action itself without requiring any action on behalf of the subscriber.
- 67F.2 The Licensee shall block the possibility of the subscriber to receive international roaming service through the network of the MRT operator in the neighboring country ("**the Service**"), unless the subscriber explicitly requested to receive the Service, and after it was explained to him that as part of receipt of the Service, the handset in his possession may roam in the area of the border with the neighboring country, involuntarily, onto the network of the neighboring country, and that he was advised of the tariffs for the Service; if the subscriber requests to receive the said Service-
- a) The Licensee shall explain to him how he may manually select, through the handset in his possession, the MRT network from which he will receive service;
 - b) The Licensee shall allow the subscriber to select whether to block access for receipt of data communications service through the MRT network of the neighboring country.
- 67F.3 In this section, "**neighboring country**"-Jordan and Egypt;
- "**Proper call**"- a call that takes place in accordance with the minimal reception definitions set in the international standards according to which the network operates.

67G Offensive sites and content²⁷⁰

- 67G.1 The Licensee shall notify its subscribers with respect to offensive sites and content as defined in section 4i of the law, as set forth in section 4i(b)(1) of the law; said notification shall be done in the manner set forth in section 4i(c) of the law.
- 67G.2 The Licensee shall notify its subscribers with respect to the existence of internet content that is unsuitable for children and teenagers (for example pornographic sites), and will include a list of ways in which the access to such content by children and teenagers can be blocked; said notification shall be done in the manner set forth in section 4i(c) of the law.
- 67G.3 The Licensee shall offer its subscribers, in all of the ways set forth in section 4i(c) of the law, an effective service for filtering offensive sites and offensive content at no extra cost to the payment that he charges for the internet access service, and all as set forth in section 4i(d) of the law, as long as the said service shall be based on an analysis of the information and not a "black list" of only sites.

²⁷⁰ Amendment No. 65

- 67G.4²⁷¹ (a) In Addition, the Licensee will offer its subscribers when they join the internet access service, as well as subscribers who joined the internet access service however have not yet joined the filtering service described in the previous section ("**the Filtering Service**"), once every six (6) months by sending an SMS message ("**the Message**").
- (b) The Licensee shall send the Message to the number or telephone numbers for which the transaction was made and to the additional subscriber number set out in the contract agreement for the receipt of various notices from the Licensee.
- (c) The wording of the Message will be as follows:
"You are eligible to receive an abusive internet content filtering service for free from [here comes the marketing name of the Licensee as known to the customer]. The service is especially recommended for mobile devices for children and youth. To join the service, reply with the mobile number for which the service is required. For each number for which the service is requested, a separate message must be sent. For inquiries you can dial [here comes the Licensee's call center number]".
- (d) The subscriber or anyone holding the terminal equipment can reply to the message by SMS and confirm that they would like to receive the Filtering Service. The subscriber may reply for all phone numbers for which he has an agreement.
- (e) If a subscriber is not registered for the receipt of SMS service, contact will be done through the IVR to the subscriber according to a wording similar to the text of the message and the subscriber will be able to notify of his wish to join the service.
- (f) If the subscriber or the person that has the terminal equipment replies that they are interested in the service, the Licensee will provide them with the service as soon as possible and not later than one working day from the date of the request. At the time of connection to the service, the Licensee will send to the subscriber and to the phone number that joined the service (if not identical) a text message and update that they have been connected to the service. The Licensee shall also state that only the subscriber will be allowed to disconnect from the service at any time and will detail the methods to disconnect from the service.
- (g) If the Licensee is unable to remotely verify that the service was activated for a specific subscriber, the Licensee will reasonably verify with the subscriber within one working day from the date of the request that the subscriber is indeed able to connect to the service.

²⁷¹ Amendment No. 99

Section C - Suspension or Disconnection of Service and Termination of an Engagement²⁷²

68. Definitions

- | | |
|--------------------------------|--|
| “Termination of Service” | - permanent disconnection of any of the Licensee’s services to all of the subscribers; |
| “Suspension of Service” | - temporary halting of any of the Licensee’s services or of all of the Licensee’s services, which are being provided to a subscriber; |
| “Disconnection of Service” | - Permanent disconnection of any of the Licensee’s services, which are being provided to a subscriber; |
| “Termination of an Engagement” | - Disconnection of all of the Licensee’s services being provided to a subscriber, and termination of the engagement agreement with him. ²⁷³ |

69. Prohibition of Suspension or Disconnection of Service

The Licensee is not entitled to suspend or disconnect MRT Services and other services, which the Licensee is obliged to provide in accordance with this License, unless that which is stated in this part, or that stated in Paragraph 48 exists.

69A. Prohibition of Termination of Service

The Licensee is not allowed to terminate MRT Services and other services that the Licensee is obligated to provide pursuant to this License, unless that stated in this part or that stated in clause 48 have been fulfilled.

²⁷² Amendment No. 87
²⁷³ Amendment No. 87

69B. Suspension of Service at the Subscriber's Request

- 69B.1 A subscriber may request from the Licensee to suspend service in respect of all of the Licensee's services, once a year, for a period of between a minimum of thirty (30) days and a minimum of ninety (90) days²⁷⁴.
- 69B.2 A subscriber may submit a request to suspend a service in the following ways:
- (a) in writing, including by way of ordinary post, facsimile, electronic mail or online form on the Licensee's website, to which various types of files may be attached, and the Licensee may enable the submission of a request by way of internet chat calls;
 - (b) orally, during a call to the telephone call center or at a service station of the Licensee;
- 69B.3 The Licensee must document the subscriber's request and make this documentation available for delivery or forwarding to the Director, upon his request, and this, within five (5) workdays of the submission date of the request.
- 69B.4 The Licensee shall carry out a suspension of service, disconnection of service or termination of engagement by no later than one workday after the day on which the request was submitted; if the subscriber indicated a future date in its request for executing the suspension of service, disconnection of service or termination of engagement, the Licensee shall carry out the request on the date specified by the subscriber.
- 69B.5 The Licensee must document in its information systems the date and time of the execution of the subscriber's request.
- 69B.6 If a suspension of service was executed for a subscriber, the Licensee shall resume the provision of the service by no later than one workday after the day on which the subscriber's request was submitted, unless the subscriber requested a later date for resuming the provision of the service.
- 69B.7 If the subscriber requested a suspension of service for all of the Licensee's services, the Licensee shall save the subscriber's telephone number for him throughout the entire period of the suspension, and shall not transfer it to another party.
- 69B.8 The Licensee is not allowed to collect payment from the subscriber for suspension of service, for resuming the provision thereof, and is not allowed to collect payment from the subscriber for the period of the suspension of all of its services.
- 69B.9 After the provision of the service was resumed for the subscriber, the Licensee shall charge the subscriber according to the plan tariffs and conditions, pursuant whereto the subscriber had been charged prior to the suspension of the service, unless the plan tariff and rates were changed for all subscribers to that plan during the period of the suspension of service.

²⁷⁴ Amendment No. 90

69C. Disconnection of Service at the Subscriber's Request

- 69C.1 A subscriber may request disconnection of service from the Licensee; the subscriber may submit its request in writing or orally, as stated in clause 69B.2.
- 69C.2 The provisions of the above clauses 69B.3 through 69B.5 shall apply to a disconnection at a subscriber's request, and the Licensee is not allowed to collect payment from the subscriber for disconnection of the service.

69D. Termination of an Engagement at the Subscriber's Request

- 69D.1 A subscriber may notify the Licensee of termination of the engagement between them; the subscriber may deliver its notice in writing or orally, as stated in clause 69B.2.
- 69D.2 The provisions of the above clauses 69B.3 through 69B.5 shall apply to termination of an engagement at the subscriber's request.
- 69D.3 The Licensee shall send notice to the subscriber about the termination of the engagement within two workdays of the date of the subscriber's request to carry out the termination of the engagement. The notice must include, inter alia, the date of execution of the termination of the engagement and the deadline for sending the last final Bill, which relates to the last billing period of his being a subscriber of the Licensee ("**Final Bill**").
- 69D.4 A subscriber who terminated the engagement with the Licensee must receive a Final Bill on the closest possible date, and by no later than two months after the termination date of the engagement.
The Final Bill must specify the execution date of the termination of the engagement and it must bear the heading "Final Bill."
- 69D.5 That stated in this clause in no way derogates from a termination of engagement by way of number portability, according to a numbering plan relating to number portability – consolidated version, of 22.8.2005, inclusive of amendments thereto.

69E. Saving the Telephone Number upon Termination of an Engagement

- 69E.1 If a termination of an engagement between the Licensee and a subscriber was executed, whether at the initiative of the Licensee or at the subscriber's initiative, the Licensee shall save the telephone number for the subscriber, at no charge and without any conditions or restrictions, and shall not deliver it to another party and shall not return it to the pool of numbers designated for allotment, either of the Licensee or of another licensee that had initially allotted it, and this, for a period of fourteen (14) days after the termination date of the engagement.
- 69E.2 If the subscriber asked to retrieve his telephone number within the said timeframe, the Licensee shall carry out the subscriber's request immediately, and it is allowed to charge the subscriber for the timeframe between the termination of the engagement and its resumption with that same telephone number that was returned to him, according to the terms of the tariff plan he had subscribed to prior to the execution of the termination of the engagement, and to continue to charge him pursuant to the terms of the said tariff plan.
-

69F. Suspension or Disconnection of Service or Termination of an Engagement – General Provisions

- 69F.1 The Licensee must display a link called “**Suspending/Disconnecting of Service**”²⁷⁵ on the home page of its website, in a conspicuous manner and location, the pressing of which will redirect to the following three possibilities:
- (a) suspension of service;
 - (b) disconnection of service;
 - (c) termination of an engagement.
- 69F.2 The Licensee shall display the following details in each of the three said possibilities:
- (a) brief explanation of the selected possibility;
 - (b) the modes of communication for the purpose of submitting a request in each of the said possibilities, including the telephone number, address, facsimile number, electronic mail address, the online form and internet chat calls, insofar as the Licensee chose this possibility, through which a subscriber can submit such a request;
 - (c) the details that the subscriber must specify in his request, including the telephone number relevant to the request, the subscriber’s ID number, the last four (4) digits of the means of payment, electronic mail address, insofar as the subscriber uses electronic mail for the purpose of submitting his request, and the subscriber’s specified date for carrying out his request;
 - (d) the date of execution of the subscriber’s request, the termination date of the billing in the Telephone Bill and the deadline for sending a Final Bill to the subscriber in the instance of termination of an engagement.
- 69F.3 The Licensee shall publish on every Telephone Bill, the telephone number, address, facsimile number and electronic mail address through which the subscriber can submit requests as stated.
- 69F.4 If the subscriber submitted his request via electronic mail, the Licensee shall send, immediately upon receiving the request, a reply electronic mail notice acknowledging the receipt of the request. The notice shall include the number assigned to the subscriber’s request in the Licensee’s system, the receipt date of the request, and the contents of the request as sent by the subscriber.

²⁷⁵ A link called “contact us” shall not be deemed a substitute for the said link.

69F.5 If the subscriber submitted his request via online form, the Licensee shall display on the device screen through which the online form was sent (computer or compatible MRT Terminal Equipment) a notice acknowledging receipt of the request; the notice shall contain the details specified in clause 69F.4.

69F.6 If the subscriber's request, which was submitted via online form, included one of the details specified in subclause 69F.2(c) and it is erroneous, the Licensee shall mark the erroneous detail on the online form and the subscriber shall be requested to resubmit his request with the correct detail.²⁷⁶

70. ~~Cancelled~~²⁷⁷

71. ~~Cancelled~~²⁷⁸

71A.²⁷⁹ **Blocking of MRT Terminal Equipment and Services Due to Theft or Loss**²⁸⁰

71A.1 The Licensee shall retain the IMEI – International Mobile Equipment Identity number in its MRT System that the subscriber is using, apart from MRT Terminal Equipment operating with iDen technology (hereinafter in this clause – “**Terminal Equipment**”).²⁸¹

71A.2 If the subscriber notified the Licensee that his Terminal Equipment has been stolen or lost, the Licensee shall perform the following:

- (a) During the conversation with the subscriber when delivering his notice as stated, the Licensee shall take action to reliably identify the subscriber.
- (b) The Licensee shall raise the possibility to the subscriber of immediately filing a complaint at a police station about the theft or loss of the Terminal Equipment.
- (c) The Licensee shall request an alternate telephone number from the subscriber through which contact can be made with him.
- (d) The Licensee shall immediately perform a “suspension of service” at no charge for all of the services being provided for consumption, including international services, by blocking the subscriber's SIM card, apart from incoming calls, if the subscriber asked to not block these calls, immediately upon receiving the notice about the theft or loss of the Terminal Equipment, and shall notify the subscriber of this.
- (e) Notwithstanding that stated, the Licensee shall perform a “suspension of service” at no charge for all of the MRT services being provided to the subscriber, including incoming calls, after three (3) days have elapsed since the receipt date of the notice regarding the theft or loss of the Terminal Equipment.

²⁷⁶ Amendment No. 87

²⁷⁷ Amendment No. 87

²⁷⁸ Amendment No. 87

²⁷⁹ Amendment No. 46

²⁸⁰ Amendment No. 87

²⁸¹ Amendment No. 87

- (f) If the subscriber notified of the theft or loss of the Terminal Equipment while he is located abroad and is receiving international roaming services, the Licensee shall immediately perform and at no charge "suspension of service" for all of the MRT services being provided to the subscriber, by blocking the subscriber's SIMcard, including with regard to incoming calls, unless the subscriber asked to not block these calls.
- (g) The Licensee shall block the Terminal Equipment at no charge, by blocking the IMEI number of the said equipment, as last received in the Licensee's MRT System, and this, immediately after twelve (12) hours have elapsed since the time of the subscriber's notice about the theft or loss of the Terminal Equipment. The Licensee shall advise the subscriber, when receiving his notice about the theft or loss of the Terminal Equipment, that the blocking of the Terminal Equipment by blocking his IMEI number, shall be carried out at the time as stated.
- (h) The Licensee shall immediately remove and at no charge, the blocking from the Terminal Equipment, according to the request of an authorized party; "authorized party" for the purposes of this clause is a police officer who received authorization from a police officer at the rank of brigadier-general to contact the Licensee and to instruct him about removal of the blocking. The Licensee shall mark in its information system, using a special marketing, Terminal Equipment for which an "authorized party" requested removal of blocking, but shall not disclose any information about removal of the blocking, as stated.
- (i) The Licensee shall again block the Terminal Equipment after authorized to do so by the "authorized party."
- (j) The Licensee shall resume the provision of all of the services to the subscriber immediately upon delivering a new SIM card to the subscriber.
- (k) The Licensee shall specify in the subscriber's Telephone Bill immediately after the date it received the subscriber's notice about the theft or loss of the Terminal Equipment, or in the following Telephone Bill, the date and time of the subscriber's report, the date and time of the suspension of the MRT Services to the said Terminal Equipment, as specified in clauses 71A.2.(d) through 71A.2.(f), and the date and time of the execution of the blocking of the Terminal Equipment, in the event that the equipment was not found.²⁸²The Licensee may deliver the said information by letter or electronic-mail message or text message in lieu of in the Telephone Bill.

²⁸² Amendment No.90

- (l) The Licensee must retain documentation of the Telephone Bill, which includes the said notices or the letter²⁸³, and make this documentation available for delivery or forwarding to the Director, upon his request, and this, within five (5) workdays of the production of the Bill.
- (m) On a daily basis, the Licensee shall forward a computer file to all MRT Operators, including MRT Operators on another network, and to “the authorized party,” which includes information about any Terminal Equipment, the IMEI number of which it has blocked on that day, about any Terminal Equipment for which the blocking of the IMEI number has been removed on that day at the subscriber’s request, about any Terminal Equipment for which the blocking of the IMEI number has been removed on that day at the request of “the authorized party,” and about any Terminal Equipment, the IMEI number of which has been reblocked, with the approval of “the authorized party,” after the blocking thereof had been removed earlier at its request. The Licensee shall forward the said computer file daily, by 23:00, in relation to all Terminal Equipment that was blocked or unblocked as stated up until 23:00.
- (n) On a daily basis and by 24:00, the Licensee shall update the list of Terminal Equipment in its information system that it blocked on that day and, by 24:00, shall update the list of Terminal Equipment that were blocked by other MRT Operators on that day, and for which a report about them were delivered to it by way of computer files sent to it by other MRT Operators. The list must include the following details in relation to each piece of Terminal Equipment:
 - (1) its IMEI number;
 - (2) name of the manufacturer;
 - (3) model of the Terminal Equipment;
 - (4) blocking date and time;
 - (5) name of the Licensee that ordered the blocking.
- (o) The Licensee shall at all times enable the performance of a search on its website according to the IMEI number of the Terminal Equipment, when the IMEI number has been blocked due to a notice of theft or loss.
- (p) The Licensee shall retain an updated list in its possession with the details as specified in subclause (n) of all Terminal Equipment that has been blocked, and deliver or forward it to the Director, upon his request. The said list must be identical at all of the MRT Operators.
- (q) The Licensee shall publish the following information on its website:
 - (1) recommended actions that subscribers should take if their Terminal Equipment is stolen or lost, including:
 - ((a)) setting a password to prevent use of the Terminal Equipment by any unauthorized person;

²⁸³ Amendment No. 90

((b)) installing applications in the Terminal Equipment, insofar as at issue is a smartphone, which enables identifying the location of the Terminal Equipment, and enables remote blocking of access to information in it, or deletion thereof;

((c)) performing backs up of vital information to a computer or through cloud services, such as: photos, videos, lists of contacts and e-mail messages.

(2) actions that subscribers should take once they realize that their Terminal Equipment has been stolen or is lost.²⁸⁴

71A.3 The Licensee shall provide the details of terminal equipment it has blocked, to any other MRT licensee, no later than one working day after the execution set forth in Article 71A.2.

71A.4²⁸⁵ (a) The Licensee is not allowed to supply MRT services to terminal equipment it or another MRT licensee has blocked.

²⁸⁶(b) Notwithstanding the above-mentioned in Article 71A.2 and sub-section (a), if the blocking of the identification number will cause termination of service for other terminal equipment with the same identification number, the Licensee may choose to not perform the said blocking.

71A.5 The Licensee shall cancel the blocking to the terminal equipment it has blocked, after receipt of a request ²⁸⁷from the subscriber; the cancellation of the blocking shall be done no later than one working day after the Licensee has verified the credibility of the request, unless the subscriber has specifically noted another later date. ²⁸⁸

71A.6 The Licensee shall publish its obligations to all its subscribers regarding the possibility of blocking MRT terminal equipment, the methods for recording the identification number of the terminal equipment with the Licensee and the application process for the blocking; the publication shall be done in one of the following manners:

(a) in the subscriber agreement;

(b) on the Licensee's website

(c) in a separate information page that will be attached to the monthly subscriber invoice, by 30 January 2009²⁸⁹.

²⁸⁴ Amendment No. 87

²⁸⁵ Amendment No. 47

²⁸⁶ Amendment No. 47

²⁸⁷ Amendment No. 48

²⁸⁸ Amendment No. 48

²⁸⁹ Amendment No. 48

71A.7 Deleted²⁹⁰

72. Termination or Disconnection or Termination of an Engagement²⁹¹ of Service Due to Breach of Agreement

72.1 The Licensee is entitled to terminate or disconnect service to a Subscriber or to terminate the engagement with him²⁹² if one of following exists:

- (A) The Subscriber did not pay a payment which he or she owes for the Service he or she has received, on the date determined for payment, in his or her Subscriber Agreement with the Licensee;
- (B) The Subscriber breached a condition in the Subscriber Agreement between him or her and the Licensee, which has been determined a fundamental condition;
- (C) The Subscriber has unlawfully used or has permitted another party to unlawfully use the Terminal Equipment in his or her possession.

72.2 ²⁹³Service shall not be discontinued, service shall not be disconnected and no action shall be taken to terminate an engagement with a Subscriber in the instances specified in clause 72.1(a) and (b), until after the Licensee has issued prior written notice to the Subscriber of at least ten (10) days prior to the date of the discontinuance or disconnection or termination of the engagement; the notice must state that the Subscriber is being given an opportunity, within the timeframe to be specified in the notice, to rectify the act or omission due to which the Service shall be discontinued or the Service shall be disconnected or action shall be taken to terminate the engagement. The Licensee must document the notice issued to the Subscriber, retain the documentation in its possession and make it available for delivery or forwarding to the manager, at his request, within five (5) workdays of the execution date of the discontinuance of service or disconnection of service or termination of the engagement

72.3 Notwithstanding that stated in Paragraph 72.2, the Licensee is entitled to suspend²⁹⁴ or disconnect²⁹⁵ the Subscriber's service or to terminate the engagement with him²⁹⁶ without notice should one of the following occur:

- (A) The Subscriber did not pay his or her bill of payment he or she was billed for the third time during a period of twelve (12) months for MRT Services on the date determined in the payment notice;
- (B) There is reasonable concern about an act of fraud through the Terminal Equipment of the Subscriber or through the features of the Terminal Equipment;
- (C) Cancelled²⁹⁷.

²⁹⁰ Amendment No. 98

²⁹¹ Amendment No. 90

²⁹² Amendment No. 90

²⁹³ Amendment No. 90

²⁹⁴ Amendment 87

²⁹⁵ Amendment No. 90

²⁹⁶ Amendment No. 90

²⁹⁷ Amendment 87

72.4 The Licensee may suspend²⁹⁸ Service of the Subscriber if it is evident that the Terminal Equipment in the possession of the Subscriber, through which the Subscriber attains MRT Services, causes interference in the provision of MRT Services to other Subscribers or interference to the activities of the MRT Network, provided the Licensee gave the Subscriber notice in writing no less than twenty one (21) days before the expected suspension²⁹⁹ date; in the notice, the cause of the expected suspension³⁰⁰ will be specified and the fact that the Subscriber is granted an opportunity, within the time framework that will be determined in the notice, to repair the Terminal Equipment in a manner which will prevent the said interference.

72.5 Insofar as the Licensee suspends service for all of its services, due to a subscriber's breach of agreement, the Licensee shall stop collecting a monthly or other fixed periodic payment from the subscriber of the date of the suspension of service, as stated, and this, until the provision of all services is resumed; during the billing period in which the service was suspended as stated, the Licensee shall collect a fixed payment from the subscriber according to that specified in clause 74.3(c) or according to that specified in clause 74.3(d), as relevant.³⁰¹

72A.³⁰² Disconnection of Service³⁰³ to Dormant Subscribers

72A.1 The Licensee is allowed to disconnect service to a dormant subscriber.³⁰⁴ If the Licensee wishes to disconnect³⁰⁵ service to a dormant subscriber, it must give the dormant subscriber prior notice of this intention as set forth below (hereinafter, in this Article "**notice**"). The service disconnection³⁰⁶ date shall not be less than thirty (30) working days after the date the notice is sent.

72A.2 The Licensee shall specify in the notice, the telephone number to which it intends to disconnect³⁰⁷ from service.

72A.3 The notice to a dormant subscriber shall be done as follows:

- (a) For a subscriber whose name and address are known to the Licensee, in any of the following ways-
 - (1) by a letter sent by regular mail;
 - (2) by 2 short messages (SMS) that should be sent to the dormant subscriber in intervals of at least two weeks between messages;
- (b) For a subscriber whose name and address are unknown to the Licensee-by four SMSs that should be sent to the dormant subscriber in intervals of at least one week between messages;

²⁹⁸ Amendment 87

²⁹⁹ Amendment 87

³⁰⁰ Amendment 87

³⁰¹ Amendment 87

³⁰² Amendment No. 46

³⁰³ Amendment 87

³⁰⁴ Amendment 87

³⁰⁵ Amendment 87

³⁰⁶ Amendment 87

³⁰⁷ Amendment 87

- (c) Notwithstanding the above-mentioned in Article (a)(2) and (b), if the subscriber's terminal equipment does not support the receipt of SMSs, the Licensee shall send the subscriber voice messages instead of SMSs, if the subscriber's terminal equipment supports the receipt of voice messages.
 - (d) The Licensee shall retain documentation of the sending of the notice to a dormant subscriber as follows:
 - (1) a copy of the letter sent via ordinary post;
 - (2) a printout of the log from the short message service center (SMSC), as specified in clause 60.6(c).³⁰⁸
- 72A.4 The Licensee shall not disconnect³⁰⁹ service to a dormant subscriber to whom a message was sent if the dormant subscriber notified the Licensee that he does not wish to disconnect from³¹⁰ services. The subscriber may send such a message either by telephone or in writing including by facsimile or electronic e-mail; Notwithstanding the aforesaid, the Licensee may disconnect³¹¹ service to a dormant subscriber that notified the Licensee that he is not interested in disconnecting from³¹² services, after sending the subscriber at least two messages, as set forth in Article 72A.3 (a) and 72A.5 (a), and, in the second message, the Licensee notified the subscriber that if, within one year of the second message, the subscriber will not use the MRT service, service will be disconnected³¹³ to the subscriber, and will not have to send another notification.
- 72A.5 The Licensee shall not be allowed to send a subscriber an additional notice regarding its request to disconnect³¹⁴ service, except after one year of the date when the previous notice was sent to the subscriber.
- 72A.6 The Licensee shall save the telephone number of the dormant subscriber to whom service was disconnected³¹⁵ for at least four (4)³¹⁶ months free of charge,³¹⁷ from the date of disconnection³¹⁸ of service termination, before returning the number to the telephone number pool of the Licensee itself or be returned to another MRT licensee that originally allocated the telephone number to the dormant subscriber. If, during this period, a written request is received from the dormant subscriber to renew the service, the Licensee shall renew the service under identical conditions to those that applied before service was disconnected,³¹⁹ free of charge.

³⁰⁸ Amendment 87

³⁰⁹ Amendment 87

³¹⁰ Amendment 87

³¹¹ Amendment 87

³¹² Amendment 87

³¹³ Amendment 87

³¹⁴ Amendment 87

³¹⁵ Amendment 87

³¹⁶ Amendment 87

³¹⁷ Amendment 87

³¹⁸ Amendment 87

³¹⁹ Amendment 87

72A.7 In the event of disconnection³²⁰ of service to a dormant Prepaid subscriber, that has a remaining balance, the Licensee shall refund the dormant subscriber for the remaining balance within 30 days after receipt of a written request from the dormant subscriber that proves that he is the owner of the line to which service was disconnected,³²¹ if the request is received by the Licensee no later than six months after the service disconnection³²² date.

72B Disconnection of a Service due to Recovery of the Network during a Malfunction³²³

72.1B The Licensee may disconnect or temporarily limit services that it is obliged to provide, in order to allow a quick recovery of the network at the time of a significant malfunction.

For this matter- "significant malfunction" – a malfunction that causes the disconnection of service to 10% of the subscribers or to at least 100,000 subscribers, the lower of the two.

In this section, "subscriber" – including a subscriber of an MRT licensee in another network and a subscriber of a roaming licensee that use the network.

72.2B The Licensee shall submit for the Director's approval, a procedure and a detailed engineering process for the recovery of the network in case of a significant malfunction ("the **procedure**") within 15 days from the date of signature of this amendment.

72.3B During a significant malfunction the Licensee shall act in accordance with the procedure that was submitted to the Director or approved by the Director, the later of the two.

72.4B The procedure should include, inter alia, an initiated disconnection of services to subscribers that were not directly affected by the significant malfunction that shall begin no more than two hours after identification of the significant malfunction; this is in order to reduce the burden and the controlled reinstatement of regular and proper service.

72.5B The procedure shall allow, as much as possible, preferability for regular and proper services for the security forces, public emergency services and hospitals, as will be decided by the Director.

73. Disconnection of Service due to Maintenance Procedures

73.1 The Licensee may temporarily disconnect or limit services which it is obliged to provide, if the requirement to execute vital actions of maintenance or if establishment of MRT Network obliges this (hereinafter "Disconnection due to Maintenance"), provided all the following exist:

(A) Duration of Disconnection due to Maintenance does not exceed twelve (12) consecutive hours;

³²⁰ Amendment 87

³²¹ Amendment 87

³²² Amendment 87

³²³ Amendment No. 66

(B) The number of Disconnections due to Maintenance does not exceed two (2) during one year;

(C) Cancelled³²⁴

73.2 The Director may require the Licensee to present a detailed explanation of the conditions which oblige Disconnection due to Maintenance, and the Director may require the Licensee to postpone the said Disconnection if he or she finds, after considering the Licensee's arguments, that vital public interest obliges the said postponement.

73.3 Should it be required, due to the necessity to perform vital actions of maintenance or construction in the MRT System, to disconnect service for a duration of over twelve (12) hours, the Licensee will request a prior approval of the Director; the request will specify the required maintenance actions and the actions taken by the Licensee in order to expedite these actions and to reduce as much as possible the duration of Disconnection of Service.

73.4 Cancelled.

73.5 Should Disconnection or limitation of service be required urgently for the purpose of vital and immediate activities, the Licensee will inform the Director immediately, including by telephone, telegram or facsimile message, about the urgent Disconnection or limitation; the Licensee will inform its Subscribers about urgent Disconnection or limitation as stated above as early as possible, including through the MRT System public address service insofar as this is possible, and also through the public media.

73.6 Notwithstanding that stated in Paragraph 73.1, the Licensee is not obliged to notify the Director or its Subscribers as to Disconnection due to Maintenance if the following exist, and that the stated Disconnection will not be counted in the count of Disconnections that is binding under Paragraph 73.1(b):

(A) The duration of the Disconnection due to Maintenance does not exceed half an hour;

(B) Disconnection due to Maintenance, as stated, occurs between 24.00 Saturday night and 0500 on the following Sunday morning.

³²⁴ Amendment No. 5

Chapter F - Payment for Services

Section A - General

³²⁵73A. Definitions

In this Chapter:

- “**Air time**” - the time during which a Subscriber receives MRT services, whether the communication was initiated by the Subscriber or by another;
- “**Air time unit**”³²⁶- a time unit of no more than 12 seconds however as of 5 Tevet 5769 (1 January 2009) a time unit of 1 second.
- “**Basketed of services**” - a number of services marketed to the Subscriber in a package, for which a tariff has been set as prescribed in clause 75.2;
- “**Public Telecommunications Network**” shall include an International Communications System;
- “**Payment for Call Completion**” a payment made by the initiator of a call, which commences at the Terminal Equipment connected to one Public Telecommunications Network and terminates at another Public Telecommunications Network or at Terminal Equipment connected to such a Public Telecommunications Network for the completion of the call on the other Public Telecommunications Network.

74. Types of Payments

74.1 ³²⁷The Licensee shall be allowed to collect payments from its Subscribers for MRT Services, as follows:

- (a) one-time installation fees for the connection of mobile or hand-held Terminal Equipment in the possession of the Subscriber, to the MRT Network, ³²⁸(hereinafter: “Connection Fees”);
- (a1) SIM card fee – a one-time payment for a SIM card (SIM);³²⁹
- (b) a fixed monthly³³⁰ payment;
- (c) payment for Air Time as specified in clause 75.10;
- (d) payment for Call Completion as specified in clause 75A;

³²⁵ Amendment No. 5
³²⁶ Amendment No. 29
³²⁷ Amendment No. 56
³²⁸ Amendment No. 87
³²⁹ Amendment No. 87
³³⁰ Amendment No. 56

- (e) Payment for Basic Services, Accompanying Services and Value Added Services, as specified in the First Annex to the License.

74.2³³¹ The Licensee shall not be allowed to collect from a subscriber:

- (a) Payment for initiating a call;
- (b) Minimum payment for a call;
- (c) ^{332 333}

74.3³³⁴ The Licensee shall collect payments from a subscriber in accordance with the following:

- (a) In a One-time Transaction the payment for the services that are to be provided shall be executed by Pre-paid; the Licensee shall be allowed to collect all of the payment for this type of transaction retroactively.
- (b) In an Ongoing Transaction the payment for the services that were provided shall be executed by Post-paid, however the Licensee shall be allowed to collect Pre-paid payment in an Ongoing Transaction, if the subscriber requests this, provided that the payment shall be executed in cash using vouchers that will be issued to the subscriber by the Licensee.
- (c) In a transaction as specified in subclause (b), in which a monthly or other fixed periodic payment is collected from the subscriber for a bundle of services, in respect of the billing period during which an engagement was terminated or all services were suspended at the subscriber's request, including when porting a number, the Licensee shall charge the subscriber, as the fixed payment as stated, according to the higher of the following:
 - (1) The ratio between the number of days from the start of the billing period until the termination of the engagement or the suspension date, as stated, on the date defined by the subscriber in his request, or until a maximum of one workday after the submission date of his request to terminate an engagement or to suspend all of the Licensee's services, insofar as the subscriber did not define a date for terminating the engagement or for the suspension, as stated, and the inclusive number of days in the billing period;
 - (2) The higher ratio between the services included in the bundle of services and the number of units of the service consumed since the beginning of the billing period up until the termination date of the engagement or the suspension date, as stated, on the date defined by the subscriber in his request, or until a maximum of one workday after the submission date of his request to terminate an engagement or to suspend all of the Licensee's services, insofar as the subscriber did not define a date for terminating the engagement or for the suspension, as stated, and the number of units allocated for the billing period.

³³¹ Amendment No. 56

³³² Amendment No. 57

³³³ Amendment No. 84

³³⁴ Amendment No. 84

- (d) In a transaction as specified in subclause (b), in which a monthly or other fixed periodic payment is collected from the subscriber without a bundle of services, the Licensee shall charge the subscriber the fixed payment as stated, in respect of the billing period during which an engagement was terminated or all of its services were suspended at the subscriber's request, including when porting a number, according to that specified in clause 74.3(c)(1).
- (e) In a transaction as specified in subclause (b), in which a monthly or other fixed periodic payment is collected from the subscriber, the Licensee is not allowed to collect any payment from the subscriber for the timeframe before the activation of the SIMcard.
- (f) In a transaction as specified in subclause (b), in which a monthly or other fixed periodic payment is collected from the subscriber, as a result of a subscriber's switch from one tariff plan to another tariff plan, the Licensee shall charge the subscriber, as the fixed payment as stated, for the period as of the start of the billing period until the transaction execution date,³³⁵ according to the tariffs in the previous tariff plan, according to that specified in clause 74.3(c) or according to that specified in clause 74.3(d), as the case may be, while, for the period subsequent to the transaction execution date and until the end of the billing period, according to the ratio between the number of days from the day after the transaction execution date and until the end of the billing period, and the inclusive number of days in the billing period, according to the tariffs in the new tariff plan.
- (g)³³⁶ In a transaction as specified in subclause (b), in which a fixed monthly payment or other fixed periodic payment is collected from the Subscriber as a result of adding a service to an existing line when no quantity of units for consumption has been defined, the Licensee shall charge the Subscriber in the fixed payment as stated according to the ratio between the number of days since the date the service was added and the last day of the billing period. If a quantity of units for consumption has been defined, the Licensee must notify the Subscriber that this quantity shall be provided to him in its entirety and that he shall be charged in full in the fixed payment.
- (h)³³⁷ In a transaction as specified in subclause (b), in which a fixed monthly payment or other fixed periodic payment is collected from the Subscriber as a result of adding a line to an existing account when no quantity of units for consumption has been defined for it, the Licensee shall charge the Subscriber in the fixed payment as stated according to the ratio between the number of days since the date the line was added and the last day of the billing period. If a quantity of units for consumption on the line has been defined, the Licensee must notify the Subscriber that this quantity shall be provided to him in its entirety and that he shall be charged in full in the fixed payment.
- (i)³³⁸ The Licensee shall not allow a SIM card to be activated by a Subscriber after the deadline for activation as stated has passed.

³³⁵ Amendment No. 87

³³⁶ Amendment No. 90

³³⁷ Amendment No. 90

³³⁸ Amendment No. 90

Section B - Tariff Changes

75. Setting the Tariffs and their Rates

- 75.1 The Licensee shall set tariffs for every service and Basket of Services which it provides to its Subscribers, and may determine the manner in which tariffs are to be linked to the index. The Licensee shall notify the Director of the amount of each tariff prior to its coming into effect.
- 75.2 The Licensee may set Baskets Of Services according to the classes of services including in the Basket, periods of time, or any other method. The Licensee may set a separate tariff for each of the services included in the basket, or may set an all-inclusive tariff.
- 75.3 The Licensee shall offer each Basket Of Services on equal terms and under a uniform tariff according to classes of Subscriber; for the purposes of this clause "class of Subscribers" – a group of Subscribers the characteristics of which give reasonable grounds to justify its being distinguished from another group .
- 75.4 The Licensee shall allow each Subscriber to change, without discrimination, from one Basket Of Services to another Basket Of Services which it is offered at that time. The Licensee shall include a provision to this effect in its service contract with the Subscribers. In the context of this provision, it may prescribe dates available for such change and may prescribe conditions, including payment, for effecting the change.
- 75.5 ³³⁹If the Licensee enters into an agreement with a Subscriber regarding a service or basket of services that includes a commitment as defined in Article 56A.1 (the "**Commitment Period**"), the following provisions shall apply, except for a Business Subscriber:
- (a) The agreement conditions, except for the tariffs of the agreement, shall be final, known and set out in advance for the entire Commitment Period;
 - (b) The tariff for each service shall be set in the agreement, shall be constant and set out in New Shekels for the entire Commitment Period;
For this article, "constant"-each tariff before V.A.T. that the Subscriber must pay as set out on the day of the agreement, shall not be raised during the Commitment Period.
Notwithstanding the aforesaid, the Licensee may supply it services to Subscribers at lower tariffs than those set out beforehand in the subscriber agreement during a limited time period, to all it Subscribers or to a certain type of subscribers.
 - (c) The Licensee shall include provisions in accordance with the above-mentioned in the subscriber agreement.
- 75.6 The Licensee shall not make contracting with a Subscriber, or changing a subscriber from one Basked Of Services to another, conditional on the purchase of Added Value Services or Terminal Equipment from it.

³³⁹ Amendment No. 47

75.7 Cancelled.³⁴⁰

- 75.8 (a) The Licensee may not collect any payment from a Subscriber for a call not initiated by the Subscriber (hereinafter: an "Uninitiated Call").
- (b) Notwithstanding the provisions of sub-clause (a), the Licensee may collect payment from the Subscriber for an Uninitiated Call in the following Cases:
- (1) the call is transferred to the Subscriber via a roaming service;
 - (2) it is a collect call to which the Subscriber has agreed;
 - (3) a call made by dialing a number with a special access code for a free of charge service for the person initiating the call, that was allotted to the Subscriber in accordance with an agreement with him³⁴¹;
 - (4) Deleted³⁴²
- ³⁴³(c) The Licensee may charge a Subscriber, that initiates a charged call for services or for the following access codes, a charge that does not exceed the tariff that the Licensee charges the Subscriber for a call to a fixed line network:
- 1) Partially toll free service calls³⁴⁴
 - 2) Business speed dial service³⁴⁵
- (d) ³⁴⁶for a call to an international destination, the Licensee can only receive the payment imposed on the international operator that is set forth in the interconnect regulations.
- ³⁴⁷75.9 (a) Deleted³⁴⁸
- 75.10 The manner of determining payments for Air Time shall be as follows:
- (a) The payment for Air Time shall be determined according to Air time unit³⁴⁹ ; for the purpose of calculating the payment, part of a Unit Of Air Time shall be deemed to be a full Unit of Air Time.

³⁴⁰ Amendment No. 87

³⁴¹ Amendment No.54

³⁴² Amendment No. 49

³⁴³ Amendment No. 49

³⁴⁴ In accordance with the service file "partially toll free calls" (1-700 service).

³⁴⁵ In accordance with the Director's provisions "speed dial for businesses-star and four digits", dated 4 may 2008.

³⁴⁶ Amendment No. 53

³⁴⁷ Amendment No. 16

Effect- Article 75.9 shall take effect as of 15.12.02

³⁴⁸ Amendment No. 54

³⁴⁹ Amendment No. 29

- (b) The payment for any airtime unit, at least for the duration of the first minute of the call, shall be constant;³⁵⁰
- (c) For the purpose of payment, the duration of the call shall be from the time of establishing the connection between the Subscriber initiating the call (hereinafter: the "Calling Subscriber") and the Subscriber receiving the call, until the time of terminating the call, which is the time that an instruction given to end the communication is received from the Calling Subscriber or the Subscriber receiving the call; the period of time spent in establishing the connection, until the time in which the contact is in fact established, and the period of time in disconnecting, from the moment an instruction is received to terminate the communication up until actual disconnection, are not included in the calculation of the duration of the call.

For the purpose of this sub-clause, a Subscriber receiving a call includes voicemail.

³⁵¹"**Voice Mail**"- a device or mechanism that is part of the MRT system, that is meant to allow the calling Subscriber to leave a voice message for the receiving Subscriber.

- (d)³⁵² For a call that is transferred to Voice Mail, the Licensee shall play an introductory recorded message to the calling Subscriber, that is at least 2 seconds long (in this sub-section-"a **message**"), and will allow the calling Subscriber, in accordance with his choice, to disconnect the call without a charge, in the course of the Message, or within a reasonable amount of time that will not be less than 1 second after its termination ("**reasonable time**"). In this case, the timing of the execution of the call with the receiving Subscriber shall be as set forth in sub-section (c) above, as occurring after a reasonable time.

The Message text shall be "the call is being transferred to voice mail" and it shall be played in a clear manner and a reasonable pace.

In this sub-section, "**a call that is transferred to voice mail**"- except for a call that originated in the International Bezek system.

³⁵³75.11 (a) In this article:

"**Limited Package**"- a package of minutes that is limited to a number of minutes, in accordance with the subscriber's plan.

"**Unlimited Package**"- an unlimited package of minutes for which the subscriber pays.

"**Free of Charge Number**"- a phone number that is determined that a call to it from any network will not be charged to the initiator of the call;

³⁵⁰ Amendment No. 56

³⁵¹ Amendment No. 39

³⁵² Amendment No. 39

³⁵³ Amendment No. 70

"**A Special Telephone Number at a Composed Tariff**" - a national or network telephone number in an unusual numbering plan, for which the call tariff to it is a composed tariff;

"**A Special Telephone Number at a Regular Tariff**" – a national³⁵⁴ or network³⁵⁵ telephone number in an unusual numbering plan, for which the call tariff to it does not exceed the normal tariff;

"**Unusual Numbering Plan**" - a numbering plan that is not a regular numbering form;

"**Usual Numbering Plan**" - a numbering plan of geographic numbers and national numbers in accordance with the definitions in the numbering plan³⁵⁶.

"**Composed Tariff**" - a tariff composed of a regular tariff in addition to a tariff for service provided by the Licensee or someone on his behalf or a service provider;

"**A Regular Tariff**" - a tariff per minute for a call to telephone numbers in a regular numbering plan, in accordance with the subscriber's tariff plan.

- (b) The Licensee will not charge a subscriber that calls destinations with free of charge numbers and shall not count the minutes of the call to those destinations as part of a limited package.
- (c) The Licensee may charge a subscriber that calls destinations with special telephone numbers at regular tariffs and shall count the minutes of the call to those destinations as part of a limited package or as part of an unlimited package. For the avoidance of doubt, the Licensee may not charge a subscriber for calling destinations with special telephone numbers at regular tariffs any additional payment beyond the payment that he pays for a package of minutes, as long as the subscriber has not exceeded his quota of plan minutes. If the subscriber exceeds his quota of plan minutes, the Licensee may charge him for calling the said destinations in accordance with a tariff that does not exceed the regular tariff. In addition to the aforesaid, the Licensee may not distinguish between the tariffs that he charges the subscriber for calling telephone numbers with regular numbering plans and for calling special telephone numbers at regular tariffs, including by determining separate minute packages.
- (d) If the charge for calls to destinations with special telephone numbers is done in accordance with a composed tariff, the Licensee shall count the minutes of the calls to said destinations as part of a limited plan or as part of any unlimited plan, for which the subscriber pays.

The Licensee may charge the subscriber for the services that are provided as part of calling telephone numbers that are charged according to a composed tariff, whether the charge is per minute of the call or whether the charge is a constant charge for a call, in addition to the regular payment for the package of minutes.

³⁵⁴ A telephone number that can be accessed from any network.

³⁵⁵ A telephone number that can be accessed only from the Licensee's network.

³⁵⁶ For example numbers in the 03-XXXXXXX, 05Y-XXXXXXX and 07Z-XXXXXXX

75A. Completion of a Call in another Public Telecommunication Network³⁵⁷

The payment which the Licensee shall collect for Call Completion shall not be greater than the interconnect tariff set forth in the Telecommunications Regulations (Payments for Interconnection) 57600-2000.

75B. Completion of a Short Message Service (SMS) in another MRT Network³⁵⁸

The Licensee may charge a Subscriber for transferring a Short Message Service, from Terminal Equipment connected to the Network to Terminal Equipment connected to an MRT system of another MRT licensee, payment that shall not exceed the payment the Licensee charges Subscribers for transferring a Short Message Service, from Terminal Equipment connected to the Network, to Terminal Equipment connected to the Network, in addition to a charge that shall not exceed the fee for transferring a Short Message Service as set forth in the Communication Regulations (Telecommunications and Broadcasting) (Payments for Interconnection), 2000.

In this Article-

“Short Message Service”- (SMS) - A telecommunication message that includes writing, including letters or signs, that are transferred from Terminal Equipment connected to the Network, to Terminal Equipment connected to the Network or connected to an MRT system of another MRT licensee.”

75C. Temporary Provision³⁵⁹

Notwithstanding the above-mentioned in Article 75B, for the period beginning 9 May 2004 until 9 February 2005³⁶⁰, the following provisions shall apply:

- (a) The Licensee may charge a Subscriber for transferring a Short Message Service, to Terminal Equipment connected to an MRT system of another MRT licensee (“Message between Networks”), payment that shall not exceed the payment the Licensee charges Subscribers for transferring a Short Message Service, from Terminal Equipment connected to the Network to Terminal Equipment connected to the Network, in addition to a charge that shall not exceed the fee for transferring a Short Message Service as set forth in the Communications Regulations (Telecommunications and Broadcasting) (Payments for Interconnection), 2000 minus a reduction in the amount of 0.7%³⁶¹.
- (b) The Licensee may charge a Subscriber payment for a Short Message Service Between Networks as set forth in sub-section (a) even if the transfer to the receiving Subscriber has not been completed.

³⁵⁷ Amendment No. 23

³⁵⁸ Amendment No. 23

³⁵⁹ Amendment No. 24

³⁶⁰ Amendment No. 27

³⁶¹ The reduction in the amount of 0.7% is based on reports received from some of the MRT operators, regarding the rate of Short Message Services between Networks that did not reach their destination. Article 75C was set as a temporary provision, during which time the MRT operators shall carry out the necessary adjustments between their MRT networks and interconnection arrangements for the complete application of Article 75B of their license. For the avoidance of doubt, it should be clear that this temporary provision is set for a limited period of time only, due to the difficulties that MRT operators experienced regarding the possibility to receive information regarding the inability to complete a Short Message Service in another MRT network. However, it should not be inferred from this temporary arrangement to the matter of allowing collection of payment for a Short Message Service that did not reach its destination, and it does not detract from the Ministry's basic position that as a rule, no payment shall be charged for a Telecommunication Service that was not completed.

Section B1 – Service Package in Israel³⁶²

³⁶³75D. Notice of Utilization of Services³⁶⁴ in Israel³⁶⁵

75D.1 Cancelled.³⁶⁶

75D.2 Notices regarding utilization of a service package

- (a) If a subscriber purchases a service or a package of services for which a unit quota has been set, the Licensee shall notify the subscriber by SMS of his utilization ratio of the Quota of Units, when the subscriber utilizes 75% and 100% of the Quota of Units in the service package or of each of the services included therein. The SMS shall be sent to the subscriber as close to the time that the subscriber reaches each of the said utilization ratios. The SMS shall be sent to the subscriber's telephone number and to an additional telephone number, insofar as the subscriber defined one at the time of his engagement with the Licensee. The SMS shall be sent at no charge, and shall include the utilization ratio of the package or the service, the date when the subscriber reached the said utilization ratio, while specifying the date and time when the utilization ratio was determined, the tariff for exceeding the service package or each of the services included therein, insofar as a deviation is permitted, and the last day of the billing period. The said information shall be specified as relevant according to the following:

- (1) call minutes;
- (2) SMSs;
- (3) cellular data (in MB);
- (4) integrated call minutes and SMSs;
- (5) integrated call minutes, SMSs and cellular data.

In this regard, “**service package**” – a number of services being marketed to subscribers as a package at a fixed monthly payment, including domestic calls, an international call service, SMS service or cellular data service, when an inclusive Quota of Units is defined for the package,³⁶⁷ or if a particular Quota of Units has been defined for each of the services included therein,³⁶⁸ or if the subscriber set a consumption maximum for the package in order to control consumption.

³⁶² Amendment No. 87

³⁶³ Amendment No. 57

³⁶⁴ Amendment No. 87

³⁶⁵ Amendment No. 72

³⁶⁶ Amendment No. 87

³⁶⁷ For example: in a package including 100 units of call minutes, SMSs and cellular data (in MB) for NIS 15, the subscriber shall receive an SMS according to his consumption in relation to all of the aforesaid services. For example: an SMS shall be sent after 75 units have been utilized and an additional warning message after 100 units have been utilized.

³⁶⁸ For example: in a package including 100 call minutes, 100 SMSs and 50 MB of cellular data for NIS 20, the subscriber shall receive an SMS according to his consumption in relation to each of the aforesaid services. For example: an SMS shall be sent after 75 call minutes have been utilized and an additional warning message after 100 call minutes have been utilized.

- (b) Insofar as at issue is a international call service, the Licensee shall send notices as stated to the subscriber via the international system through which the calls are directed abroad.
- (c) Insofar as at issue is a telephone line blocked from receiving SMSs, then voice messages shall be sent to the subscriber instead of SMSs. After hearing the voice message for the first time, the subscriber shall be given an option to hear it again by pressing a particular key, and the message shall be replayed for the subscriber as many times as he wants.
- (d) The Licensee shall enable every pre-paid subscriber to receive updates at any time, free of charge, of the balance available to him and the expiration date of the budget available to him, by dialing a designated telephone number, after which the subscriber shall receive the said information either by voice message or by SMS.

75D.3 Consumption of a cellular data service by a subscriber who purchased a cellular data service

- (a) When the subscriber reaches 100% utilization of the quota defined for the cellular data service, the Licensee shall suspend the cellular data service or slow the surfing speed. The Licensee shall sent an SMS to the subscriber at no charge, advising him about the suspension or slowdown of the service. If the Licensee enables the subscriber to continue surfing at a slower surfing speed, then it is not allowed to charge the subscriber for any additional payment beyond the fixed monthly payment for the cellular data service.
- (b) The Licensee may continue providing the cellular data service to a subscriber for an additional payment after he utilizes 100% of the quota defined for the cellular data service, provided that the subscriber requested this explicitly, as specified in clause 60.6, during the billing period when he utilized 100% of the quota defined for the cellular data service; the Licensee shall document the subscriber's explicit request as stated, shall retain the documentation in its possession, and shall make it available for delivery or forwarding to the Manager, upon his request, within five (5) workdays of the submission of the request.

When engaging in the engagement with the Licensee, the subscriber may refuse to continue receiving the cellular data service for an additional payment after he utilizes 100% of the quota defined for the cellular data service prior to the end of the billing period.

This shall be conspicuously stated in the advertisements of the relevant plans on the Licensee's website, insofar as they are advertised on the website, and by a representative of the Licensee when conducting a sale conversation.

- (c) If a Subscriber purchases a package that includes cellular data, which is comprised of a basic cellular data package and of additional cellular data packages for utilization if he utilizes all of the basic cellular data package before the end of the billing period, for which a quantity of service units and a price has been defined, the Subscriber, including a Split Business Subscriber³⁶⁹ may completely cancel the purchase of the additional cellular data packages that it purchased at any time, in writing or orally, and the Licensee shall stop providing him the additional cellular data packages and shall no longer charge him in respect thereof as of the date of his request and thereafter.

This shall be conspicuously stated in the advertisements of the relevant plans on the Licensee's website, insofar as they are advertised on the website, and by a representative of the Licensee when conducting a sale conversation.³⁷⁰ Insofar as a Subscriber completely cancelled the additional cellular data packages, but began consuming an additional cellular data package, the charge in respect thereof shall be done according to that stated in clause 74.3(c).

- (d) If a subscriber purchases a package that includes a basic cellular data package, the subscriber may ask the Licensee to block the access to the cellular data service at any time, in writing or orally, and the Licensee shall comply with his request.

75D.4 Consumption of a cellular data service by a subscriber who did not purchase a cellular data service

- (a) The Licensee shall block cellular data surfing for a Non-Business Subscriber from who did not purchase a cellular data service with a surfing volume defined in an agreement between him and the Licensee.³⁷¹ That stated in this subclause shall not apply to M2M Subscribers or to Pre-Paid Subscribers.
- (b) If the Licensee blocks the cellular data service as stated in subclause (a), the subscriber may contact the Licensee via telephone call with a service representative for the purpose of reconnecting the cellular data service, and the Licensee shall charge the subscriber according to the surfing volume that he ordered or consumed. The Licensee's representative must advise the subscriber of the cellular data tariff per 1 MB. The subscriber's request and documentation thereof shall be done as stated in clause 60.6.³⁷²

³⁶⁹ Amendment No. 90

³⁷⁰ Amendment No. 90

³⁷¹ Amendment No. 90

³⁷² Amendment No. 87

Section B2 – International Roaming Service Package³⁷³

³⁷⁴75E Charges for International Roaming Services

75E.1 Definitions³⁷⁵ in this article:

"arrangement"-	-	a package or plan that includes cellular data or calls or SMSs; ³⁷⁶
“cellular data arrangement”	-	package or plan that includes cellular data; ³⁷⁷
“call or SMS arrangement”	-	package or plan that includes calls or SMSs; ³⁷⁸
"cellular data offer ³⁷⁹ ".	-	an offer of three packages or various plans that the Licensee may have that include data that have been offered to the Licensee's subscribers in the month preceding the month in which the package offers were sent to the subscriber;
“call or SMS arrangement offer”	-	an offer of three packages or various plans including a call or SMS service, insofar as the Licensee offers them, which have been offered to the Licensee's subscribers in the month preceding the date on which the arrangement offers was sent to the subscriber. ³⁸⁰
"package"	-	a limited quantity of service units, that can be used during a limited period through international roaming abroad, that are sold at a known and predetermined price and is valid for certain destinations
"abroad or destination"	-	a country, including a vessel at sea and an aircraft;
"Mb"	-	Mbyte
“blocked subscriber”	-	subscriber who did not request constant access to cellular data services on the service access form;
“open subscriber”	-	subscriber who requested constant access to cellular data services on the service access form; ³⁸¹
cellular data or cellular data service"	-	cellular data service abroad
"plan"	-	a tariff plan for a limited period of time or for a specific trip abroad ³⁸² for the use of services through international roaming abroad (for example: voice service, sending and receiving sms and cellular data) to destinations included in the plan and the payment for the services shall be made in accordance with the use; the service tariffs included in the plan are different from the tariffs for these services for a subscriber that did not enroll in the plan; the plan can determine a set payment that does not depend on usage
“Full tariff”	-	tariff per call minute, for an SMS and for 1 MB other than within the scope of an arrangement;
“Discount tariff”	-	tariff per call minute, for an SMS and for 1 MB within the scope of an arrangement. ³⁸³

³⁷³ Amendment No. 87
³⁷⁴ Amendment No. 72
³⁷⁵ Amendment No. 87
³⁷⁶ Amendment No. 87
³⁷⁷ Amendment No. 87
³⁷⁸ Amendment No. 87
³⁷⁹ Amendment No. 87
³⁸⁰ Amendment No. 87
³⁸¹ Amendment No. 87
³⁸² Amendment No. 73
³⁸³ Amendment No. 87

75E.2 Notices about utilization of an international roaming service package and about a full tariff for calls and SMSs

- (a) An arrangement that a subscriber purchases shall come into effect on the date defined by the subscriber at the time of his purchase.
 - (b) (1) The Licensee shall send test messages to a subscriber who purchases an arrangement, when the subscriber utilizes 75% and 100% of each of the following:
 - ((a)) the number of service units or the defined sum of money defined for payment in respect of consumption of the services;
 - ((b)) the period of validity of the arrangement.
 - (2) The test messages shall be sent at no charge, as close to the time that the subscriber reaches the said utilization ratio; the SMSs shall include notice to the subscriber that he reached the utilization ratios as stated, the number of service units remaining, the number of days remaining until the expiration of the validity of the arrangement, the calculation date of the utilization (date and time), the tariff for exceeding the arrangement, insofar as a deviation is permitted.
 - (3) In this clause, "service units" shall be according to the following:
 - ((a)) calls – call minutes;
 - ((b)) SMSs – the number of SMSs sent;
 - ((c)) cellular data – the cellular data volumes in MB or GB.
 - (4) In packages bundling call services, SMSs or cellular data, the utilization ratio of the package shall be calculated according to the said service units.
 - (5) The Licensee shall send an SMS to a subscriber who did not purchase a call or SMS arrangement, or if the arrangement that he purchased does not include the destination he contacted, at no charge, immediately upon the subscriber reaching any destination as stated, that shall state that outgoing calls, incoming calls and the sending of SMSs shall involve payment according to the Full Tariff. The SMS shall also include a call or SMS arrangement offer.
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- (6) The Licensee shall document the SMSs referred to in this clause, as specified in clause 60.6(c), shall retain the documentation in its possession and shall make it available for delivery or forwarding to the Director, upon his request, within five (5) workdays of the day they were sent.

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- (c) ³⁸⁵Notwithstanding the aforesaid in article 75E.2 (a)-

- 1) The Licensee shall be exempt from sending an SMS to a subscriber regarding the utilization of the package that he purchased, as set forth in article 75E.2(b)(1)³⁸⁶ if the following apply:
- (a) The subscriber purchased the package before March 31, 2014;
 - (b) The subscriber specifically agreed in writing to waive the receipt of an SMS as set forth in article 75E.2(b)(1)³⁸⁷;
 - (c) The Licensee proved to the satisfaction of the Director that a technological limitation that is not under its control prevents it from receiving an online indication or close to an online indication with respect to the execution of calls by direct dialing.
- 2) If a subscriber uses MRT equipment that does not support SMSs, including tablets with SIM cards and cellular modems, the Licensee will require the subscriber when he purchases the package an alternative means of communication (for example whatsapp, viber, skype applications, email or voice mail) ("**alternative means**"); if the subscriber provided alternative means, the Licensee will send the messages regarding said package utilization in article 75E.2(b)(1)³⁸⁸ by alternative means.

75E.3 **Blocking of cellular data service to a Non-Business Subscriber, to a Split Business Subscriber with cellular data via international roaming, to a blocked Business Subscriber and to a subscriber without a cellular data arrangement**

- (a) If a Non-Business Subscriber or a Split Business Subscriber that is charged in respect of cellular data service via international roaming (hereinafter – "**Split Business Subscriber with Cellular Data Service via International Roaming**") or a blocked Business Subscriber purchases a package that includes cellular data, the Licensee shall block the access to the cellular data service after the full utilization of the package or upon the expiration of the validity of the package, whichever is earlier, at no charge, and the subscriber shall not be required to pay any payment whatsoever for the cellular data service beyond the payment known in advance for the package that it purchased. The Licensee shall send an SMS to the subscriber, at no charge, about the blocking as stated, shortly before the blocking date. The SMS shall include a cellular data arrangement offer.

³⁸⁴ Amendment No. 87

³⁸⁵ Amendment No. 73

³⁸⁶ Amendment No. 87

³⁸⁷ Amendment No. 87

³⁸⁸ Amendment No. 87

If a Non-Business Subscriber or a Split Business Subscriber with Cellular Data Service via International Roaming or a blocked Business Subscriber purchases a package that includes cellular data, which is comprised of a basic cellular data package and additional cellular data packages for utilization after the full utilization of the basic cellular data package, for which a number of service units and price has been defined for each of them, or which is comprised of a basic cellular data package, when after its full utilization or until it expires, the subscriber is charged according to a discount tariff, the subscriber may cancel the purchase of the additional cellular data packages that he purchased or the additional cellular data at a discount tariff that he purchased, at any time, in writing or orally, and the Licensee shall stop providing him the additional cellular data packages or the additional cellular data at a discount rate and shall no longer charge him in respect of cellular data as of the date of his request and thereafter.

The Licensee shall document the subscriber's explicit request as stated, as specified in clause 60.6(c), shall retain the documentation in its possession and shall make it available for delivery or forwarding to the Director, upon his request, within five (5) workdays of the submission of the request.

When engaging in the order of the service from the Licensee, a Non-Business Subscriber or a Split Business Subscriber with Cellular Data Service via International Roaming or a blocked Business Subscriber may refuse to continue receiving the cellular data service for an additional payment after he utilizes 100% of the basic package defined for the cellular data service, as specified in clause 75E.2(b)(1).

This shall be conspicuously stated in the advertisements of the relevant plans on the Licensee's website and by a representative of the Licensee when conducting a sale conversation.

- (b) The Licensee shall block the access to cellular data service to any subscriber, at no charge, immediately upon his arrival abroad, unless the subscriber has fulfilled the conditions specified hereunder:
 - (1) the subscriber has a cellular data arrangement;
 - (2) the subscriber asked to be an open subscriber.³⁸⁹
- (c) If a subscriber does not fulfill one of the conditions specified in subclause (b), and the Licensee did not block the subscriber to cellular data service, then the Licensee shall not charge the subscriber in respect of cellular data service.
- (d) The Licensee shall block, at no charge, the access to cellular data service, as stated in subclause (b) and shall not charge a Non-Business Subscriber or a Split Business Subscriber with Cellular Data Service via International Roaming or a blocked Business Subscriber in respect of cellular data service, as stated in subclause (c), at any time that the subscriber, as stated, who purchased a cellular data arrangement, reaches a destination that is not included in the cellular data arrangement. The Licensee shall again reinstate the cellular data service immediately and automatically to the subscriber, as stated, and without the subscriber having to perform any manual operation, at any time that the subscriber is located in a destination that is included in the cellular data arrangement.

³⁸⁹ An "open" status on the service access form, without a cellular data arrangement, is relevant solely to a Business Subscriber; a Non-Business Subscriber and a Split Business Subscriber with Cellular Data via International Roaming, without a cellular data arrangement, shall be blocked from cellular data as the default mode.

- (e) The Licensee shall send an SMS to the subscriber as stated, at no charge, about the blocking as stated in subclauses (b) and (d), shortly before the blocking date, and shall specify the reason for the blocking and the ways to contact the Licensee in order to open the blocking. The SMS shall include a cellular data arrangement.
- (f) The ordering of cellular data service by a blocked Business Subscriber, while it is abroad, after its access to the cellular data service had been blocked, in order to enable him access to cellular data service without purchasing a cellular data arrangement, shall be carried out through a telephone conversation with a representative of the Licensee, who shall advise the subscriber about the full tariff for cellular data per 1 MB. The access to the cellular data service shall be opened after the subscriber confirms the full tariff for cellular data that was quoted to him. Clause 60.6 shall apply to documentation of the order, and the documentation shall also include the subscriber's verified identification particulars and his confirmation, as stated.³⁹⁰

75E.4 Cancelled.³⁹¹

75E.5 **Blocking of cellular data service to an open Business Subscriber**³⁹²

- (a) The Licensee shall send a test message, at no charge, to an open Business Subscriber who did not purchase a cellular data arrangement, or if the cellular data arrangement that he purchased does not include the country to which he arrived, immediately upon his arrival abroad, which shall include a warning about possible consumption of chargeable cellular data service, without the subscriber initiating any action to consume cellular data, and the message shall also include the tariffs for cellular data without a purchase of a cellular data arrangement. The SMS shall also include a cellular data arrangement offer.

The Licensee shall document the sending of the said SMS to the Business Subscriber, as specified in clause 60.6(c), shall retain the documentation in its possession and shall make it available for delivery or forwarding to the Director, upon his request, within five (5) workdays of the sending of the SMSs.

- (b) The Licensee shall send SMSs, at no charge, to an open Business Subscriber who purchased only a basic package whereby the tariff after the full utilization of the package is a discount tariff or a full tariff, and the messages shall include notice regarding the package utilization ratio, as stated in clause 75E.2(b), and the tariff, as stated.

³⁹⁰ Amendment No. 87

³⁹¹ Amendment No. 87

³⁹² Amendment No. 87

The Licensee shall document its sending of the said SMSs to the Business Subscriber, and about the subscriber sending the said SMSs to the Licensee, if sent, as specified in clause 60.6(c), shall retain the documentation in its possession and shall make it available for delivery or forwarding to the Director, upon his request, within five (5) workdays of the sending of the SMSs.³⁹³

- 75E.6 The Licensee will notify its subscribers in the telephone bill following the date of signature of the license amendment, with respect to the possibility to request to be blocked for cellular data by filling out a "service access form" that appears on the Licensee's website. The subscriber may send the said form to the Licensee by regular mail, e-mail, fax or by an online form on the Licensee's website, if the Licensee's website supports this possibility.
- 75E.7 The Licensee shall display on its website information regarding the subscriber's ability to block access to cellular data also through the handset, as long as said blockage does not block the ability to roam in Israel.
- 75E.8 The Licensee shall display on its website information about services that consume chargeable data volume without an active initiated action by the subscriber, for example: automatic synchronization of e-mail and updates of different applications.
- 75E.9 Charges for international roaming services according to a rate per unit shall be done retroactively in the telephone bill, after consuming the services and not in advance. If a subscriber purchases an arrangement that includes a payment that is known in advance, the charge will be done for this payment in the bill for the period during which the transaction became effective.
- 75E.10 Without derogating from the aforesaid in Article 55A, Article 60.6 shall apply to "remote sales transactions" of services through international roaming services.
- 75E.11 The Licensee will send as soon as possible, free of charge, an SMS to each subscriber that purchases services through a remote sales transaction of services through international roaming services, that includes the main points of the transaction, and no later than the end of the day on which the remote sales transaction was made.

Insofar as the transaction for the purchase of calls or SMSs does not include destinations abroad, the said SMS shall advise that outgoing calls and the sending of SMSs to destinations abroad shall be charged according to the Full Tariff.

The Licensee shall document the sending of the said SMS, as specified in clause 60.6(c), shall retain the documentation in its possession and shall make it available for delivery or forwarding to the Director, upon his request, within five (5) workdays of the transaction execution date.³⁹⁴

In addition, the Licensee will note information regarding the said "remote sales transaction" in the telephone bill following the date of the execution of the transaction, in accordance with the billing period of the subscriber, that includes the telephone number for which the transaction was executed, the date of the transaction, the amount and types of services that were purchased through international roaming services, the number of days allocated for the use of the services, the date and time of beginning of provision of the services, the price of the services purchased, the price according to which the charge will be done for consuming the services beyond the package, if a package is purchased and the manner of rounding up every amount consumed (hereinafter- "**transaction details**").

³⁹³ Amendment No. 87

³⁹⁴ Amendment No. 87

The Licensee shall retain a copy of the Telephone Bill that specifies the details of the transaction in its possession and shall make it available for delivery or forwarding to the Director, upon his request, within five (5) workdays of the transaction execution date.

- 75E.12 In a transaction for the purchase of services through international roaming services that was done in the presence of the Licensee's representative and the subscriber, the subscriber shall be given at the time of the agreement execution a printed confirmation that includes the transaction details. The Licensee shall retain a copy of the confirmation as stated in its possession and shall make it available for delivery or forwarding to the Director, upon his request, within five (5) workdays of the transaction execution date.³⁹⁵
- 75E.13 The Licensee will publish on its website all of the arrangements being marketed³⁹⁶ to private subscribers as well as the tariffs of all international roaming services for subscribers without arrangements, for all the destinations for which the Licensee has an international roaming agreement. The Licensee will not charge a subscriber for international roaming services that was done at a destination that was not published as set forth above before the charge.
- 75E.14 The tariff for cellular data will be noted by the Licensee every place where it is noted in units of NIS 1 per Mb.
- 75E.15 The cellular data tariff for 1 Mb for a subscriber that does not have a cellular data³⁹⁷ arrangement will be lower than the price of the cheapest package offered by the Licensee.
- 75E.16 The purchase of a cellular data³⁹⁸ arrangement, in Israel or abroad, does not change the default listed in the updated service order form except for the period of that cellular data³⁹⁹ arrangement.

76. Publication of Tariffs

- 76.1 The Licensee shall make available to anyone who requests, at the service offices and referral centers, and without charge, full and detailed information regarding updated tariffs for all its services including payment for Call Completion; the Director may instruct the Licensee in regard to the manner and form in which tariffs are to be published, as aforesaid.

³⁹⁵ Amendment No. 87

³⁹⁶ Amendment No. 87

³⁹⁷ Amendment No. 87

³⁹⁸ Amendment No. 87

³⁹⁹ Amendment No. 87

76.2 The Licensee shall specify in every account statement sent to the Subscriber, the Basket Of Services for which the Subscriber is being charged.

76.3 The Director may at any time require the Licensee to furnish him with details of the tariffs that it charges.

77. Deleted⁴⁰⁰

77A. Prevention of Fraud

77A.1 The Licensee shall take appropriate and reasonable steps to prevent fraud and shall establish a system for supervision and follow-up, in order to ensure, as far as possible, that calls for which a Subscriber is charged are in fact made from the Terminal Equipment that is connected to the MRT system of the Licensee in the Subscriber's name.

77A.2 The Licensee shall disconnect the Subscriber's Terminal Equipment from service after receipt at its service offices of a notification from the Subscriber that the Terminal Equipment has been lost or stolen, or that a suspicion exists that another is making calls though it without having received permission to do so; the Subscriber is permitted to give notification as stated by telephone or in writing, including fax and electronic mail; upon receipt of the telephone notification or immediately following receipt of written notice the Licensee shall verify its reliability, and shall disconnect the service.

77A.3 The Licensee shall cooperate with other Licenses in locating and preventing fraud.

⁴⁰⁰ Amendment No 41

Section C – Amendments to Tariffs

78. Change in Tariffs⁴⁰¹

78.1 Subject to that stated in clause 75, the Licensee may change a tariff or a number of the service units being allotted for a billing period (hereinafter – “**the Number of Units**”) of any service or bundle of services (hereinafter in this clause – “**service**”) that it defines, provided:

- (a) that it sent written notice to the Director between fourteen (14) and twenty-one (21) days before the effective date, in which it specifies the name of the service, the tariff or the new Number of Units, and their effective date, and the tariff or Number of Units prior to the change.
The obligation to send notice of a change to the Director shall not apply to a change defined from the outset in the engagement agreement, when the subscriber subscribed to the service or the service bundle.
- (b) that it sent prior written notice to every Subscriber who subscribed to the service, ⁴⁰²and to the additional telephone number as specified in clause 55.4(a)(1), specifying the name of the service, the tariff or the new Number of Units, and their effective date. ⁴⁰³The notice to the additional telephone number shall also include the Subscriber’s telephone number in which the change shall be made and the tariff or Number of Units prior to the change, between fourteen (14) and twenty-one (21) days before the effective date.

Notwithstanding that stated, with regard to a tariff reduction, the Licensee may send the notice to the subscriber up to one month after the reduction.

For the purposes of this section, “**change**” means – any change in tariff that could cause an increase or decrease in the pre-VAT payment that a subscriber must pay for the Licensee’s services or any reduction in the number of service units allotted for a billing period, without a change in tariff.

- (c) Notice as stated in subclause (b) shall be sent to a subscriber who has access to the receipt of SMS services via SMS and, to a subscriber blocked from the receipt of SMS services, by voice message. After hearing the voice message for the first time, the subscriber shall be given an option to hear it again by pressing a particular key, and the message shall be replayed for the subscriber as many times as he wants.
- (d) The Licensee shall retain documentation of the sending of the notice as follows:
 - (1) a printout of the log from the server of the short message service center (SMSC), as specified in clause 60.6(c);

⁴⁰¹ Amendment No. 41

⁴⁰² Amendment No. 90

⁴⁰³ Amendment No. 90

- (2) recording of the voice message as specified in clause 106A.

The Licensee shall make the documentation of the sending of the notice available for delivery or forwarding to the Director, upon his request, within five (5) workdays of the sending thereof.

- (e) The obligation to send notice of a change to a subscriber shall also apply to a change defined from the outset in the engagement agreement, when the subscriber subscribes to a service or to a service bundle or to a tariff plan.
- (f) The Licensee shall specify in the telephone bill that a change came into effect during his billing period, under the "bill details," as specified in clause 9(a) in Appendix E.1, the tariff or the new Number of Units and the effective date, and the tariff or Number of Units prior to the change.

The Licensee shall make a copy of the Telephone Bill available for delivery or forwarding to the Director, upon his request, within five (5) workdays of its production date.

- (g)⁴⁰⁴ Insofar as the Licensee provided a service to a private Subscriber, which is other than a voice service or text messages or cellular data, at a discount or for free for a defined period, including a service that is other than a telecommunications service, the Licensee must send to the Subscriber and to the additional telephone number specified by the Subscriber, as specified in clause 55.4(a)(1), which are accessible to text message services, a text message about the change in tariff, as specified in clause 78.1(b), to which a single-value link shall be attached to each service, which shall be valid for seven (7) days after the text message was sent, in which the Subscriber shall be asked to enter the attached link if he is not interested in continuing to receive the service for payment. The said link must lead to a landing page through which the service shall be cancelled; during the service cancellation, the Subscriber shall be identified solely by his ID number; the Subscriber may cancel the service from each of the two telephone numbers to which the text message was sent; the Licensee must send a text message to the Subscriber's telephone number through which the service was cancelled to confirm the cancellation of the service; if the Subscriber cancelled the service through the said landing page, the Licensee is not allowed to continue or to begin charging the Subscriber in respect of the said service at the end of the said period. The sending of the text message by the Licensee to the Subscriber must be documented as specified in clause 60.6(c) and the contents of the text message shall be documented.

The Licensee must make the said documentation available for delivery or forwarding to the manager upon his request within five (5) workdays of the date the text message was sent.

The Licensee must send a voice message as specified in subclause (c) to telephone numbers having no access to text message services, and must document it as specified in subclause (d). Subscribers may also cancel a service as stated in other ways, including via regular post, electronic mail, internet chats and via facsimile.

The Licensee must send notice of the change in tariff to Business Subscribers and to Split Business Subscribers in the Bill details of the Bill preceding the date the change in tariff shall take effect or via text message with a link as specified above, or via electronic-mail message.

⁴⁰⁴ Amendment No. 90

79. Commencement of Increase or Reduction of a Tariff

If the amount of any tariff for MRT services pursuant to the provisions of the license has been raised or lowered, the increase or decrease shall not apply to payments made for such a service prior to the date of commencement of the increase or decrease; the increase or decrease shall apply only with regard to payments for MRT services that were provided to the Subscriber after the date of the increase or decrease. The provisions of this clause shall not apply in the case of an amendment of a tariff pursuant to the instructions of the Minister under clause 83.

80. Late Payments

80.1 The Licensee may charge a Subscriber interest, linkage and collection costs for payments for MRT services not paid by the Subscriber on the due date as specified in the payment notice that was sent to the Subscriber, in accordance with the service contract⁴⁰⁵ between them (hereinafter: the "date of payment").

80.2 Deleted⁴⁰⁶.

80.3 The amount of interest charged shall not be greater than the amount set out in the definition of "interest linkage" in section 1 of the Interest Linkage Adjudication Law 5721-1961, together with linkage for the period between the date on which the payment is due and the date of actual payment of the specified amount.

80.4 The Licensee shall be permitted to charge a Subscriber with payment for collection costs for a payment for services provided to the Subscriber that were not paid on the due date (hereinafter- "the **amount due**") on condition that at least fourteen (14) days have elapsed from the payment date, except in the case of non-payment due to refusal by a bank or credit card company to pay a charge which the Licensee has authorization to collect; The amount of collection costs that the Licensee will charge, shall be reasonable and relative in regard to the amount due and the actions that the Licensee must take to collect the said amount.

For this matter, "collections costs"-including legal actions that the Licensee or anyone on the Licensee's behalf takes to collect the amount due before filing an application with the courts.⁴⁰⁷

⁴⁰⁵ Amendment No. 32

⁴⁰⁶ Amendment No. 41

⁴⁰⁷ Amendment No. 32

Section D – Miscellaneous

81. Connection Fee⁴⁰⁸

- (a) A connection fee and a SIM card fee shall be uniform, regardless of the type or model of the Terminal Equipment, the type of SIM card, the generation of the network technology to which the subscriber's Terminal Equipment shall be connected, etc.⁴⁰⁹
- (b) The Licensee may, should it resolve to charge a Connection Fee as defined in Paragraph 74(A), to charge the subscriber for a Connection Fee only for the initial connection of the Subscriber to the MRT System and provision of MRT System and provision of MRT services, or for connection after the conclusion of an engagement.^{410 411}
- (c) The Licensee is not allowed to collect a connection fee from a subscriber as long as the connection of the Terminal Equipment has not been completed, including activation of the SIM card.⁴¹²
- (d)⁴¹³ When collecting connection fees, the Licensee is not allowed to discriminate against a Subscriber who did not purchase the Terminal Equipment from it.

81A. SIM card fee

- (a) The SIM card fee must be reasonable relative to the cost of the SIM card to the Licensee.
- (b) The SIM card fee shall be uniform regardless of the type or model of the Terminal Equipment, the type of SIM card, the generation of the network technology to which the subscriber's Terminal Equipment shall be connected, etc.
- (c) The SIM card fee shall not be included in the price of the Terminal Equipment, and shall be presented separately in the engagement agreement, in the subscriber's telephone bill and in advertisements of a tariff plan on the Licensee's website, if advertised.
- (d) Insofar as the Licensee shall charge the subscriber for a SIM card fee, it shall be allowed to collect the payment from him only as a one-time payment in the first telephone bill after the delivery or sending of the SIM card at the very latest⁴¹⁴. If the Licensee does not do so, it shall not be allowed to collect the said payment from the subscriber subsequently, and it shall not be allowed to collect the said payment from the subscriber, or any other payment, if he does not return the SIM card as a result of termination of the engagement between them.

⁴⁰⁸ Amendment No. 87

⁴⁰⁹ Amendment No. 87

⁴¹⁰ Amendment No. 90

⁴¹¹ Amendment No. 87

⁴¹² Amendment No. 87

⁴¹³ Amendment No. 90

- (e) The Licensee is not allowed to collect a SIM card fee from the subscriber in respect of a replacement of the SIM card, due to a malfunction in it.
- (f) The Licensee is not allowed to discriminate against a subscriber during the collection of a SIM card fee because he did not purchase the Terminal Equipment from it.
- (g) Insofar as a subscriber has a SIM card that was issued to him by the Licensee, which had been used by the subscriber in the past and was disconnected due to the termination of the engagement, and the subscriber asks to activate it in order to resume being a subscriber of the Licensee, the Licensee shall do so and it shall not be allowed to collect a SIM card fee from the subscriber.⁴¹⁵

82. Collection of a Connection⁴¹⁶ Fee In Installments

The Licensee is permitted to collect the Collection Fee set out in Paragraph 82 for connection to the MRT System in a number of payments, on dates agreed with the Subscriber and in amounts set out in the service contract.

83. Harm to Competition or to Consumers

- (a) If the Minister finds that one of the Licensee's tariffs or a demand for payment to, or via the Licensee contravene the provisions of the License, then the Minister shall notify the Licensee of such, specifying the required amendment and that in the event it is not amended the Minister shall exercise his authority pursuant to sections 5 and 15 of the Law; the Licensee shall furnish the Minister with written notification specifying the amended tariff and shall act to refund the extra amount, if any, to Subscribers charged according to the tariff prior to its amendment.
- (b) If the Minister finds that one of the Licensee's tariffs or a demand for payment to, or via, the Licensee are not reasonable or may cause harm to competition or to consumers, then the Minister shall notify the Licensee of such specifying the required amendment and that if it is not amended the Minister shall exercise his authority pursuant to sections 5 and 15 of the Law; the Licensee shall furnish the Minister with written notification specifying the amended tariff.

⁴¹⁴ Amendment No. 90

⁴¹⁵ Amendment No. 87

⁴¹⁶ Amendment No. 87

83A⁴¹⁷ Overcharging

- (a) The Licensee is allowed to collect payments from a subscriber only in conformity with that specified in its engagement agreement with the subscriber, and in conformity with the provisions of clauses 74.3(c) – 74.3(f)⁴¹⁸;
- (b) If a subscriber submits a complaint to the Licensee that the Licensee collected a sum in addition to the sum that it is allowed to collect pursuant to the engagement agreement (hereinafter – “**Overcharge**”), the Licensee shall clarify the subscriber’s complaint within ten (10) workdays of the date of receipt of the complaint. For the purposes of this clause, “**complaint**” – whether written or oral, including a subscriber’s inquiry to the Licensee to clarify the details of the charges; “**date of receipt of the complaint**” – in relation to a written complaint – the date of receipt of the complaint by the Licensee and, in relation to an oral complaint – the day the complaint was voiced to the Licensee.

The Licensee shall document the contents of the complaint in its information system immediately upon its submission, and the outcome of the clarification of the complaint, immediately upon completing the clarification, and shall make this documentation available for delivery or forwarding to the Director, upon his request, within five (5) workdays of completing the clarification of the complaint.⁴¹⁹

- (c) If the Licensee found that it had overcharged the subscriber, the Licensee shall refund the subscriber for the overcharge in a single payment, unconditionally, and shall refund the VAT in respect of the said sum, plus “linkage differentials and interest,” as defined in section 1 of the Award of Interest and Linkage Law, 5721 – 1961, from the collection and until the date of the actual refund, as specified hereunder:
 - (1) If the sum of the refund is higher than NIS fifty (50), the refund shall be transferred directly to the subscriber’s means of payment (bank account or credit card) within four (4) workdays of the end of the period prescribed in subclause (b). Notwithstanding that stated, the Licensee may refund the said refund to a Business Subscriber by crediting the next telephone bill, if the Business Subscriber expressly agrees to this.
 - (2) If the sum of the refund is NIS fifty (50) or less, the Licensee shall refund the refund by crediting the next telephone bill after the end of the period prescribed in subclause (b). If the sum of the refund exceeds the sum for payment in the next telephone bill as stated, the balance shall be transferred directly to the subscriber’s means of payment, within four (4) workdays of sending the telephone bill to the subscriber; the matter of the offset of the balance of the refund from the telephone bill or the matter of the transfer of the balance of the refund to the means of payment shall be stated in the relevant telephone bill;
 - (3) Notwithstanding that stated in subclauses (1) and (2), the sum of the refund to a pre-paid subscriber shall be refunded by increasing the balance available to the subscriber.⁴²⁰

⁴¹⁷ Amendment No. 57

⁴¹⁸ Amendment No. 87

⁴¹⁹ Amendment No. 87

⁴²⁰ Amendment No. 87

- (d) The Licensee shall issue a written response to the subscriber of his complaint within twenty-one (21) workdays of the date of receipt of the complaint. The response to the complaint shall include details of the rationale for rejecting the complaint and, insofar as the rationale relates to the terms of the engagement agreement and the Licensee refuted the disagreement regarding overcharging an amount more than NIS 100 including VAT⁴²¹, then the Licensee shall attach it to its response, refer to the clause therein pursuant where to the charge was included in the telephone bill, and details of the mode of its calculation, or specifying the sum of the refund and details of its mode of calculation.
- (e) (1) The Licensee shall document any subscriber complaint in its information system regarding an Overcharge, that was submitted in writing or orally.
- (2) The Licensee shall retain a copy of its response, as stated in subclause (d), in its possession; if the Licensee sent its response via electronic mail or facsimile, the Licensee shall retain a copy of its response and a copy of the transmission confirmation (hereinafter – “**Copy of its Response**”).
- (3) The Licensee shall make the complaint and the Copy of its Response available for delivery or forwarding to the Director, upon his request, within five (5) workdays of sending the response to the subscriber.⁴²²

⁴²¹ Amendment No. 90

⁴²² Amendment No. 87

Chapter G - Payments from the Licensee, Liability, Insurance and Guarantee

Section A - Royalties and Payments

84. Royalties

84.1 ⁴²³The Licensee shall pay royalties as set out in the Telecommunications Regulations (Royalties), 5761-2001 or any other regulations that may replace those (hereinafter: the “**Royalty Regulations**”).

84.2 Deleted⁴²⁴

84.3 Deleted⁴²⁵

84.4 Where it becomes apparent that the sum of royalties that the Licensee was required to pay⁴²⁶ is higher than the sum paid by it for a certain quarter⁴²⁷, the Licensee shall pay royalty differentials, together with interest and linkage differentials as set out in the Royalty Regulations.

84.5 Where it becomes apparent that the sum of royalties that the Licensee is required to pay under the Adjusted Statement is lower than the sum paid by it for a certain quarter⁴²⁸, the Licensee shall be credited with the sum of the surplus payment; surplus payments to which the Licensee is entitled shall be set off, upon written approval by the Director, against the next royalties payment, and interest and linkage differentials shall be calculated in accordance with the last index published prior to the date of the setoff, as aforesaid; for these purposes, interest and linkage differentials shall be as set out in the Royalty Regulations.

85. Delay in Payment of Royalties

The Licensee shall pay linkage differentials, arrearage interest and collection costs as set out in the Royalty Regulations, on royalties not paid in the time prescribed for their payment under said regulations.

86. Manner of Payment of Royalties

Royalties and linkage differentials, arrearage interest, and collection fees therefor, shall be paid to the accountant of the Ministry of Communications by way of bank transfer into the account of the Ministry of Communications.

87. Other Obligatory Payments

The royalties under this section shall be in addition to any fee, tax or other obligatory payment that the Licensee is required to pay under the provisions of any law.

⁴²³ Amendment No. 14

⁴²⁴ Amendment No. 98

⁴²⁵ Amendment No. 98

⁴²⁶ Amendment No. 98

⁴²⁷ Amendment No. 98

⁴²⁸ Amendment No. 98

Section B - Liability and Insurance

88. Definition of the Scope of Liability

In this section:

“Use of the License” - The establishment of an MRT System, its installation, subsistence, maintenance or operation, either by the Licensee or through its agent, including its employees, contractors, agents or representatives.

89. Liability of the Licensee

89.1 The Licensee will be liable, pursuant to all laws, for any case of death, damage or loss caused to a person or his property, either directly or indirectly, from Use of the License or as a result of its use.

89.2 In using the License, the Licensee will take all reasonable steps to prevent damage or loss to a person or his property, and should damage or loss be incurred as a result of the Use of the License, the Licensee will repair the damage at its expense and compensate the injured party, all pursuant to all laws, with the exception of a case regarding which the Minister has granted it immunity as set out in Paragraph 90.

89.3 For the avoidance of doubt, the provisions of this paragraph do not place liability on the Licensee beyond the damage liability set out in the regular Civil Wrongs Laws or detract from such liability.

90. Immunity from Liability

90.1 The Minister may, on request from the Licensee, grant it the immunities enumerated in Section 9 of the Law, wholly or partially, subject to the provisions of Paragraph 90.3.

90.2 The Licensee will detail in its request the immunities it requests and the reasons for so doing.

90.3 If the Minister is satisfied by the need to grant the Licensee immunities in accordance with Section 9 of the Law, he will publish his decision in the Official Gazette.

91. Drawing Up an Insurance Contract

91.1 The Licensee, at its own expense, will draw up an insurance contract with an authorized insurer in accordance with the provisions of Paragraph 92, and it will be presented to the Director at the award of the License.

91.2 The Licensee will indemnify the State for all financial liability, as set out in Paragraph 89.1, that the State will be bound to any third party as a result of the Use of the License; indemnification in accordance with this paragraph will be insured by the Licensee in liability insurance.

- 91.3 The Licensee will insure itself, including its employees and contractors, against any financial liability as set out in Paragraph 89.1, which might bind it pursuant to all laws as a result of damage caused to person or his property, from Use of the License and against any loss or damage caused to the MRT system, wholly or partially, from Use of the License, and including third party risk.
- 91.4 The Licensee will provide the Director with a legal opinion, written by an attorney specializing in insurance, that confirms that the insurance policy covers all the requirements set out in Paragraphs 91.2 and 91.3; the Licensee will append to the said legal opinion a copy of the insurance contract and its annexes; the said documents will be submitted to the Director within seven (7) days from the signing of the insurance contract and will be appended to this License as Appendix G to the Second Annex.

92. Conditions in the Insurance Contract

- 92.1 The insurance contract will determine the period of insurance and will contain a condition stipulating that at the end of the set period, the insurance will be automatically extended.
- 92.2 Once a year, the Licensee will present to the Director confirmation from the insurer that the insurance contract is valid, that the Licensee is not in arrears with insurance premium payments and that there are no pending notices regarding cancellation, suspension, limitation, amendment or termination of validity of the insurance contract.
- 92.3 The insurance contract will contain a stipulation, according to which in any event of the insurer wishing to cancel the insurance contract as a result of non-payment of insurance fees, he must inform the Director in advance, no less than ninety (90) days before he intends to actually cancel the contract (hereinafter in this paragraph "Cancellation Notice").
- 92.4 Should a Cancellation Notice be sent as set out in Paragraph 92.3, the Licensee will take immediate action to remove the cause of the cancellation, or will take immediate action to obtain an alternative insurance contract as set out in Paragraph 92.6, and notify the Director of the action it has taken; should the cause of the cancellation be non-payment of insurance fees by the Licensee, the Director may make payment of said fees in its place, and may foreclose the bank guarantee or any part thereof to cover the expense incurred by payment of the insurance fees, or collect them in any other way.
- 92.5 Should the Licensee request the cancellation of the insurance contract, it will inform the Director in this matter within forty five (45) days at least before it intends to actually cancel the contract.
- 92.6 Should the Licensee agree to cancellation of the insurance contract by the insurer, or it has requested to do so itself, the Licensee will draw up an insurance contract with another authorized insurer in such a way that the new insurance contract will go into effect at the same time as the validity of the previous contract expires; the new insurance contract will be submitted to the Director, together with the legal opinion set out in Paragraph 91.4, at least thirty (30) days before it goes into effect, and it will be subject to the instructions in the paragraphs of this section.

93. Remedy for Breach of Insurance Conditions

Should the Licensee not draw up an insurance contract, or if it becomes clear that the insurance contract it drew up has been cancelled or it has expired, and the Licensee has not drawn up a new insurance contract as set out in Paragraph 92.6, the Director may execute the insurance in its place and pay the insurance fees, and may foreclose the bank guarantee to cover the expense incurred by payment of the insurance fees, or collect them in any other way; all of the above without derogating from the authority to cancel, limit or suspend the License because of non-execution of the insurance according to the conditions of this License by the Licensee.

Section C - Guarantee for Fulfilling the Conditions of the License

94. The Guarantee and its Objective

94.1 ⁴²⁹The Licensee shall forward to the Director General 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 Annex. .

94.2 The guarantee is used to ensure the fulfillment of the License conditions by the Licensee and their enforcement, and also for compensation and indemnification of the State for any damage, payment, loss or expense incurred or which may be incurred by the State, either directly or indirectly, as a result of non-compliance with the License conditions, wholly or partly, on their due dates and in full, or as a result of revocation of the License, its limitation or suspension.

95. Foreclosing the Guarantee

95.1 Without derogating from the generality of Paragraph 94.2, the Director may foreclose the guarantee, wholly or partly, if damage has been caused as a result of non-compliance with the conditions of the License, including every one of the following cases:

- (A) Loss of income from royalties was caused to the State by a lack of income from subscriber payments, and as a result of the following:
 - (1) Non-operation of the MRT Services on the dates set in the schedule set by the Director, or as the Director approved;
 - (2) Termination of services, their suspension or limitation;
 - (3) Limitation of the License or its suspension;
- (B) An insurance contract in accordance with Paragraphs 91 and 92 was not drawn up, insurance fees were not paid or the said insurance contract expired or was cancelled;
- (C) ⁴³⁰The Licensee charges its Subscribers with payments in contravention of the provisions of clause 75;
- (D) The Licensee does not meet the coverage and quality requirements of the service as set out in Appendix B ⁴³¹and Appendix E does not meet the requirements regarding the Passive Components and the cellular radio centers as stated in Clause 19.2C, or the Licensee constantly terminates, suspends or limits the service contrary to the provisions of the License;
- (E) Cancelled;
- (F) The Licensee constantly or maliciously breaches one of the provisions, conditions or requirements of the License;

⁴²⁹ Amendment No. 83

⁴³⁰Amendment No. 14

⁴³¹ Amendment No. 83

- (G) A claim is filed, or a demand for payment of compensation and damages against the State for a breach of a condition of the License or deficient implementation of the License or due to the cancellation of the License, and also if expenses have been incurred by the State as a result of the said claim or demand; foreclosure of the guarantee to cover the sum of the said claim will only be executed after the verdict in the said claim has become final;
- (H) Royalties have not been paid on time and in full in accordance with Paragraph 74;
- (I) Expenses or damages were incurred by the State as a result of the cancellation of the License;
- (J) Deleted⁴³²;
- (K) The Licensee has not completed the guarantee payments as set out in Paragraphs 96.2 and 97.2.
- (L) The Licensee has not presented reports and notices as specified in Paragraphs 103, 104, 105, on the due date.
- ⁴³³(M) The Licensee has not paid the license fee on the date required, in accordance with the provisions of clause 40.1 of the terms and conditions of Tender No. 1/01.
- (N) A monetary sanction under the Law has been imposed upon the Licensee and the sum required has not been paid on time, provided that a sum higher than the sum of the sanction shall not be forfeited
- 95.2 The Director may foreclose the guarantee in accordance with this section even for an expected breach of the License conditions or frustration of the License conditions that justify, in his considered opinion, early foreclosure of the guarantee.
- 96. Method of Foreclosure**
- 96.1 The Director may foreclose the guarantee, wholly or partly, up to the sum specified therein, on condition that he has warned the Licensee that if within the period determined in the warning, the Licensee does not correct the act or omission that is the subject of the warning, the guarantee will be foreclosed, wholly or partly.
- 96.2 Should the entire sum of the guarantee or a part thereof be foreclosed, the Licensee will, on receiving the demand from the Director, immediately provide a new guarantee or make up the remainder to the sum of the original guarantee; failure to make up the sum of the guarantee will constitute a serious breach of the License conditions, and the Director may - without derogating from his authority to revoke the License, limit it or suspend it - foreclose any remainder of the sum of the guarantee;
- 96.3 Regarding the Director's decision to foreclose the guarantee, wholly or partly, the Licensee may appeal to the Minister within fifteen (15) days from the day he was notified of the Director's decision.

⁴³² Amendment No. 41

⁴³³ Amendment No. 14

97. The Period of Validity of the Guarantee

- 97.1 The guarantee will be valid during the entire period of validity of the License and also during two years after the validity of the License expires.
- 97.2 Should the Director see that the Licensee has not cleared all its obligations in accordance with the License, and this within sixty (60) days prior to the expiry of the guarantee, the Director may demand that the Licensee extend the validity of the guarantee for a period determined by the Director or submit a new guarantee as aforesaid, and the provisions of this section will apply to the new guarantee as well; should the Licensee not submit a new guarantee as set out above, the Director may foreclose the guarantee.
- 97.3 Should the Director approve receipt of a new guarantee, the validity of which may be extended from time to time in accordance with his demand, the Licensee will extend its validity, before the end of the expected period, and this for a period ordered by the Director; should the Director not exempt the Licensee from the obligation to extend the period of validity, and the validity of the guarantee has not been extended on the said date, the Director may foreclose the guarantee without prior warning.

98. Preservation of Remedies

- 98.1 Foreclosure of the guarantee, wholly or partly, does not derogate from the authority to revoke the License, limit it or suspend it.
- 98.2 The sum of the guarantee does not limit the scope of the Licensee's liability to the State for full payment of damages caused to it, and the obligation of payment applies to the Licensee in accordance with the License or all laws.
- 98.3 The whole or partial foreclosure of the guarantee does not derogate from the right of the Director to claim from the Licensee, through any other course, payment of damages it is obliged to cover in accordance with this License or to employ other remedies available to it according to all laws.
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Chapter H - Supervision⁴³⁴

Section A - Supervision of the Licensee's Activities

99. Authority for Supervision

The Director or a person authorized by him may supervise the activities of the Licensee in all matters pertaining to the implementation of the License and the observation of the provisions of the Law, the Ordinance and the Regulations therein.

100. Confidentiality

The Director and any person engaged in supervision activities on his behalf over the Licensee, will not disclose any information or document that comes into their hands in the course of their duties, to a person not authorized to receive them, unless they have been made public, or if the disclosure is necessary for the purpose of fulfilling their duties in accordance with this License and in accordance with all laws.

101. Entering Premises and Inspection of Documents

For the purposes of the supervision as set out in this section, the Director may:

- (A) Enter, at any reasonable time, any installation or office serving the Licensee for the purpose of provision of its services in accordance with this License;
- (B) Conduct measurements and tests in the MRT System and he may examine any record, document, plan, account book, ledger or data base, regular or computerized, of the Licensee or whomever is employed by it in the matters on which the Director has the said supervisory authority; the Director may examine and copy them in any way he deems fit.

102. Cooperation

The Licensee will cooperate with the Director in all matters concerning the execution of the supervision over its said activities, and without detracting from the generality of the above, it will enable them the execution set out in Paragraphs 100 and 101 and will provide them, on request, any information in its possession or under its control that is required for execution of the supervision.

⁴³⁴ Amendment No. 98

Section B - Fault Repair and Preservation of Documents and Recordings⁴³⁵

- 103.** Deleted⁴³⁶
- 104.** **Types of Report and their Submission Date⁴³⁷**
- 104.1 Deleted⁴³⁸
- 104.2 Deleted⁴³⁹
- 104.3 The Licensee shall submit to the director a report for extraordinary events, as set forth in regulation 8 of the Supervision Regulations.
- 104.4 Deleted⁴⁴⁰
- 104.5 Deleted⁴⁴¹
- 105.** **Notice of Defect⁴⁴²**
- 105.1 If the Director found defects or deficiencies in the Licensee’s activities, the Director shall notify it of this in writing (in this clause – “**the Director’s Notice**” or “**the Notice.**”
- 105.2 The Licensee shall deliver its response to the Director in writing, within the timeframe defined by the Director in the Notice. If the Director did not define a timeframe for the Licensee’s response, the Licensee shall deliver its response to the Director by no later than thirty (30) days of its receipt of the Director’s notice. In its response, the Licensee shall specify the means it took to rectify the defects and deficiencies specified in the Notice and to prevent their recurrence.⁴⁴³
- 106.** Deleted⁴⁴⁴
- 106A.** **Retention of documents and recordings**
- (a) The Licensee shall retain documents and recordings in its possession concerning the terms of the engagement with the subscriber for the entire duration of the engagement and for one year after the termination of the engagement.
- (b) Deleted⁴⁴⁵

⁴³⁵ Amendment No. 98
⁴³⁶ Amendment No. 98
⁴³⁷ Amendment No. 41
⁴³⁸ Amendment No. 98
⁴³⁹ Amendment No. 98
⁴⁴⁰ Amendment No. 98
⁴⁴¹ Amendment No. 98
⁴⁴² Amendment No. 41
⁴⁴³ Amendment No. 87
⁴⁴⁴ Amendment No. 41
⁴⁴⁵ Amendment No. 98

Chapter I - Miscellaneous

107. The License as an Exhaustive Document

- 107.1 The rights of the Licensee, its obligations and powers in all matters pertaining to the establishment, subsistence and operation of the MRT System and the provision of services through it, originate in this License and they derive from it and are in accordance with it only.
- 107.2 The Licensee will be precluded from claiming the existence of any right, obligation or authority based on information, promise, undertaking, representation, proposal, publication, minutes, discussion or declaration that were made outside the License, either in writing or orally, either prior to the award of the License or after it was awarded, with the exception of the interpretation provided by the Minister in accordance with Paragraph 6.

108. Holding the License Documents and their Return

- 108.1 The Licensee will hold the License documents in an office and will allow the public to examine their true and updated copies; should a License condition be changed, the Licensee will append the text of the change to the said License documents.
- 108.2 446Where the License and the documents related to it are on public display, the public shall not have the opportunity to inspect the following documents, contained in the Second Annex of the License:
- (a) Appendix A – Deleted⁴⁴⁷
 - (b) Appendix B-The engineering plan that is attached to Appendix B⁴⁴⁸;
 - (c) Deleted⁴⁴⁹
 - (d) Appendix G – Insurance Contract;
 - (e) Appendix H – Bank Guarantee;
 - (f) Appendix I – Letters of Undertaking;
 - (g) Appendix K – Special Services for Security Forces;
 - (h) Appendix L – Security Instructions.
- 108.3 The License documents are the property of the State and are entrusted to the Licensee for the period of the License's validity; should the License be revoked or expire, the Licensee will return the License and all its documents to the Director.
- ⁴⁵⁰108.4 The Licensee shall allow the public to inspect the documents of the License via the internet; the Licensee may also do so through the Ministry of Communications' internet site as long as the Ministry of Communications publishes the License on its internet site.

⁴⁴⁶ Amendment No. 14

⁴⁴⁷ Amendment No. 98

⁴⁴⁸ Amendment No. 41

⁴⁴⁹ Amendment No. 41

⁴⁵⁰ Amendment No. 14

⁴⁵¹108.5 The Ministry may publish the License, other than the Appendices set out in clause 108.2, on such date and in such manner as it sees fit.

109. Deferment of Date

109.1 If an obligation imposed on the Licensee in this License has a set date for its fulfillment, the Licensee will fulfill it on that date.

109.2 The Director may, upon the Licensee's request, defer a date set as stated above, if he deems that fulfillment of the obligation on that date is impossible for reasons of *force majeure*.

110. Responsibility

The approval or supervisory authority conferred upon the Minister or the Director in accordance with this License, including the employment of the said authority, does not impose on them any responsibility whatsoever, that is imposed in accordance with this License on the Licensee, and it does not harm or detract or remove or diminish the responsibility of the Licensee as stated above.

111. Dispatch of Notice

111.1 A notice pertaining to this License or its implementation will be given in writing and be delivered by hand or by registered mail with confirmation of receipt; a notice dispatched by registered mail as stated above shall be deemed to have reached its destination within forty-eight (48) hours of its dispatch.

111.2 Any notice from the Licensee to the Minister will be delivered or dispatched through the Director.

111.3 For the purpose of receiving notices in accordance with this paragraph, the Licensee's address is: 8 Amal Street, Afek Industrial Park, P.O. Box 435, Rosh Ha'ayin, P.O. Box 48103⁴⁵²; the Licensee will inform the Director of any change of address immediately.

112. Operation in the ⁴⁵³Judea and Samaria Civil Administration Area

112.1 The Licensee shall contact the communications staff officer in the Judea and Samaria Civil Administration Area for the allocation of frequencies, the expansion of its license in the Judea and Samaria areas, for the expansion of the MRT system and for the provision of 4th Generation services in the areas in which the authorities in the telecommunications sector are of the Civil Administration.

112.2 The Licensee will operate in the Judea and Samaria areas in accordance with the license and frequencies allocation from the communications staff officer of the Civil Administration; the frequency allocation and the license in the Judea and Samaria area, including the deployment, the minimum requirements and the service level to the subscriber shall be mostly based on the allocation 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 telecommunications facility.

113.⁴⁵⁴ Cancelled.⁴⁵⁵

⁴⁵¹ Amendment No. 14

⁴⁵² Amendment No. 4

⁴⁵³ Amendment No. 83

⁴⁵⁴ Amendment No. 57

⁴⁵⁵ Amendment No. 87

Annexes

First Annex ⁴⁵⁶

List of Services and Gauges of Quality of Service

1. **General**

- 1.1 This Annex contains the list of services that the Licensee is to supply, under the conditions set out in Part B of Chapter E – “**Level of Service to Subscribers**”.
- 1.2 The services shall be supplied using the technology operated by the Licensee, unless otherwise noted in the License or in an Annex to the License.
- 1.3 Wherever the words “**Support in Various Languages**” appear, the intention is at least to support in the following four languages: Hebrew, Arabic, English and Russian.
- ⁴⁵⁷1.4 The licensee shall include in the service file at least the following details:

- a) **Name of the Service:** name of the service, including the commercial name of the service and a general description of the service.
- b) **Detailed Description of the Service: including:**

Is this a new service/expansion of an existing service/combination of services/is there a need for preliminary test;
The manner of operation of the service;
Date of commencement of the service;
Availability and gauges for quality of service;
Support centers;
Service price;
The target clientele of the service;
The manner of ordering the service;
The process of connecting to the service;
The ramifications or influences of this service on other services.

c) **Engineering Description**

A description and diagram of the system;
Handsets-target equipment for receipt of the service;

d) **Miscellaneous**

The need for number portability necessary coordinations with the licensee or other factors.

⁴⁵⁶ Amendment No. 14

⁴⁵⁷ Amendment No. 41

⁴⁵⁸2. List of Services:

2.1 Basic Telephone Services

No.	Service Name	Service Description	Supply Date**	Service Quality Measures*	Notes
1.	Ordinary telephone conversation (speech)	Telephone conversations to and from Subscribers of the Licensee to any telephone or other Terminal Equipment appropriate to the Licensee's Network and to any other Public Telecommunications Network in Israel or around the world.	Exists	High sound quality and high level of privacy	
2.	Access to emergency calls	Free dialing to such emergency services as shall be prescribed by the Director (e.g.: police, ambulance, fire department, and others). Caller to be directed to an emergency call center by way of definition of the service provider in the place where the Subscriber is. These services are available also without a SIM card in the handset.	Exists		The phone number of the caller shall be identifiable by the public emergency service centers. Dialing without a SIM card shall be possible to number 112 according to ETSI nad directed to the police.

* The Licensee shall act in accordance with the definitions of the World GSM Organization, and in accordance with the standards of ETSI (the European Telecommunications Standards Institute), to the extent relevant for each service.

** 3G services are provided from January 2005 unless stated otherwise (notice of activation of 3G services as of February 2, 2005).

2.2 Accompanying Services

No.	Service Name	Service Description	Supply Date**	Gauges of Quality of Service*	Notes
3.	Voice mail	Leaving and retrieving voice messages stored in a personal voice mailbox when the customer is not available or does not wish to answer. Sending an indicator when a message is waiting in the mailbox. Licensee to support various languages.	Exists		Leaving and retrieving messages from voice mail box even when dialing from other networks.
4.	“Follow me”	Direction of incoming calls to another telephone number at the Subscriber's election (permanently, only when the Subscriber's number is engaged, only when the Subscriber does not answer or when the Subscriber is not available). The service operates in accordance with the subscriber's choice when the handset is not turned on or is outside a coverage area.	Exists	Availability at peak hours at 99% probability	These services are available also without a SIM card in the handset.

5.	"Selective follow me"	Direction of certain incoming calls at te Subscriber's election to another telephone number at the Subscriber's election (permanently, only when the Subscriber's number is engaged, only when the Subscriber does not answer or when the Subscriber is not available). The service also operates in accordance with the subscriber's choice when the handset is not turned on or is outside a coverage area	Future	Availability at peak hours at 99% probability	These services are available also without a SIM card in the handset.
6.	"Hold call"	Directing a caller to a "hold" status, when the Subscriber answers another call or calls another number. Skipping between the two calls.	Exists		
7.	Call waiting	The ability of the Subscriber to transfer from one call to another (after indication of a second incoming call using special sounds) at the same time. The Subscriber can choose to answer, not answer, or ignore.	Exists	Availability at peak hours at 99% probability	
8.	Selective call waiting	Only calls from a list of telephone numbers determined by the Subscriber will activate a sound that lets the Subscriber know about the waiting call.	Exists	Availability at peak hours at 99% probability	
9.	Caller id	Display of the number of the caller (at the time of the call) on the display screen of the handset.	Exists		Dependent upon the number not being blocked by the caller or the implementation by the other operator

10.	ID call concealer	Allows concealment of the Subscriber's number from being displayed on the screen of the handset receiving the call. The concealment can be one-time or permanent.	*4/1998		In accordance with a notice dated 15/12/2011
11.	Call blocking	The ability to limit making calls to certain destinations and in addition the ability to block receiving a call while overseas, in accordance with the Subscriber's preference.	2/2005	Availability at peak hours at 99% probability	The blocking for outgoing calls is for specific numbers. There shall not be a comprehensive blockage for access to an MRT or fixed-line operator.
12.	Short message service (SMS)	Sending, receiving, storing and routing of text messages in different languages, graphics, voice and picture messages to and from Subscribers' handsets in the Licensee's Network or Subscribers' handsets on other networks in Israel and overseas who have reached an agreement with the Licensee. Sending such messages from a personal computer. Sending incoming messages to a facsimile machine.	Exists	Speed of transferring a graphic message-in accordance with the speed supported by the handset and dependent on the abilities of the network to supply data communications.	Dependent upon terminal handsets
13.	Multi media message	The ability to send/receive/store/route messages, while utilizing a wide range of media types, such as: text, audio, fax, e-mail, video.	2/2005	Based on the speed supported by the handset and the ability of the network to supply data communications.	
14.	Unified messages	The Subscriber's ability to access various messages through one access point without depending on the type of media that was used to send the message.	Future	Availability at peak hours at 99% probability	

15.	24 hour subscriber service	Receipt of assistance from subscriber service 24 hours a day, 7 days a week, in four languages (Hebrew, Arabic, English and Russian).	Exists	See Appendix E	
16.	Information service	Finding out telephone numbers in Israel.	Exists	See Appendix E	Pursuant to provisions of the License
17.	Billing summary	Sending an invoice containing a summary of all billing (e.g., subscription fees, airtime billing, taxes, other expenses). Information on billing via interactive answering service and SMS.	Exists	100% matching with company records	
18.	Detailed billing	Sending an invoice containing details of all calls made for the entire billing period, upon request. Receipt of accounts, or specific parts of accounts.	Exists	100% matching with company records	
19.	Controlled billing	The Subscriber determines the maximum level of use for each billing month in order to assist with budgeting. Receipt of Short Message System (SMS) when billing reaches pre-determined level of use. Increase or decrease of level in real time.	Future	100% matching with company records	
20.	Personal number	The Subscriber can use a single number for all his communications (voice, fax and data)	Exists		
		Able to combine with call screening while activating a "follow me" feature based on the time of day, identity of the caller or type of communication.	Future		

21.	Transfer of calls	Transfer of calls to third party	Exists		
22.	Call screening	Receipt, transfer or rejection of calls based on identity of caller or time.	Future		
23.	List of preferred callers	Allows Subscribers to receive calls from a list of preferred callers. Other calls are sent automatically to the voice mail box or to another number.	Future		
24.	Selection of number	Subscriber can choose his telephone number in accordance with the Numbering Plan in Israel, as part of the Licensee's allotments	Exists		
25.	Ability to change number	Change of Subscriber's telephone number, at Subscriber's request	Exists		
26.	Access services to information in accordance with location	Access from MRT Terminal Equipment to specific information per geographic location of Subscriber	Exists	Coordination of information within cell – accuracy of several kilometers	Subject to provisions of protection of Privacy Law, 5741-1981
27.	Loading "telephone book"	Loading of telephone numbers by Licensee directly into a "telephone book" on Subscriber's SIM card, per list that Subscriber enters into system via exchange operator, answering service or internet.	2005		In accordance with a notice dated 15/12/2011

28.	Voice operated dialing	Dialing numbers via Subscriber's voice command (instead of manual dialing)	Exists		Dependent upon terminal handset
29.	Voice mail	The ability of callers to record messages and of addressees to return calls	2/2005	Availability at peak hours at probability of 99%	
30.	Automatic redial (completion of calls to engaged subscribers)	The system 'locks' on to an engaged line and the Network rings the Subscriber back automatically when the engaged line becomes free.	Exists		Dependent upon terminal handset
31.	Renewal of line that drops out	Automatic renewal of calls that drop out	Future		
32. ⁴⁵⁹	Two Number of SIM cards/MRT Terminal Equipment units on one number	Operating a number of MRT Terminal Equipment using an identical number and identical account (eg. one handset in the car and one mobile).	Exists		Orange 2
33.	Two numbers for one SIM card	Operating two separate telephone numbers from the same MRT Terminal Equipment and SIM card (eg. a private line and a business line) The lines may be billed separately or together.	Future		
34.	Blockage of international access	Blocking of a Subscriber's ability to make outgoing international calls in Israel; and incoming or outgoing calls when roaming outside of Israel	Exists		
35.	Collect calls	Collect calling for calls to pre-determined numbers. The recipient of the call pays for the call	Future		
36.	Virtual private network (VPN)	Dialing MRT Terminal Equipment of Subscribers within a corporation by calling extension numbers on corporation's private exchange (PBX) or truncated number.	Exists		For corporations
37.	Wireless Centrex services	Receipt of some of the benefits of VPN for groups of subscribers who are not connected to a PBX. Dialing members of the group via truncated code instead of whole numbers	Future		

⁴⁵⁹ Amendment No. 93

38.	Closed user group	Allowed calls between subscribers in pre-determined groups	Future		
39.	Automatic subscriber location (Hunt Group)	Transfer of incoming calls automatically to a list of telephone numbers in order to locate Subscriber	Future		
40.	Conference call	Addition of third party to a call without disconnecting the second party and without needing to set up the service in advance through an exchange operator	Exists		Dependent upon terminal handset
41.	Data communications service	Transfer of data communications service via subscriber's telephone handset/ PC/PDA/Laptop that is connected to the Subscriber's handset. Possible to transfer the data at the time the call or afterwards.	Exists	Speed of up to 42Mbps and in the future up to 300 Mhps	Dependent upon terminal handset and coverage
42.	Over the air activation and alterations	On line activation and alteration of SIM card memory so as to save a Subscriber's having to come to a service center	Exists		
43.	Temporary disconnection	Disconnection of service for a Subscriber for a pre-determined period of time without losing the specific telephone number (eg. during holidays or temporary stay overseas)	Exists		
44.	Consolidated billing	Receipt of one bill combining charges for all handsets for Subscribers with a number of telephones and/or services	Exists	Full coordination with system records for bills sent out	
45.	Clarification of bill status	Clarification of up-to-date bill status via voice response, SMS or internet	Exists		

46.	Account billing	Typing in an identification code before every call (so as to distinguish between business calls and private calls made on the same line). Receipt of monthly invoice with details of use per billing code.	Future	Full coordination with system records for 100% of bills sent	
47.	Electronic billing / reporting	Control and analysis of information on billing and treatment of bills by Subscriber, using special software	Exists	Full coordination with system records for 100% of accounts sent	
48.	Additional copy of account	Receipt of more than one copy of every bill, upon request	Exists		
49.	Billing on demand	Supply of report of all bills and credits as at the period requested by the Subscriber.	Exists	100% coordination with system records	
50.	POC (Push to talk over Cellular)	Holding a conversation by the push of a button on the MRT Terminal Equipment. The call may be private (between Subscribers) or a group call on the data communications network	7/2004	In accordance with the Service File	Based on a temporary provision ⁴⁶⁰
51.	Free of charge service for the caller	The initiator of the call shall not be charged for the call. The receiver of the call shall be charged in accordance with appropriate billing arrangements	3/2010	In accordance with the service file ⁴⁶¹	

⁴⁶⁰ Temporary Provision - *The Licensee will allow the activation of the "Push to Talk" service (hereinafter- the " Service") for any Subscriber that is a legal entity (an individual or corporation), provided that the number of users (the number of MRT Terminal Equipment units that are designated for the Service, hereinafter- Terminal Units) that the Subscriber has, does not exceed 20 during the first year from the beginning of the Service. Notwithstanding the above, if a significant change shall happen in the MRT sector that can affect the provision of the Service, the Ministry will consider shortening the period.*

Commencement- *The beginning of the service not before 18.7.04*

⁴⁶¹ In accordance with the service file "free of charge call for the caller" ("1-800 service")

52.	Commerce telephone service (premium) at a low price	Provides a commerce telephone service (premium) at a low price, via the Licensee or content provider.	9/2008		Prefix in accordance with the numbering program
53.	Commerce telephone service (premium) at a fixed price	Provides a commerce telephone service (premium) at a fixed price, via the Licensee or content provider.	future		Prefix in accordance with the numbering program
54.	Ring Back Tone	Playing of music or content pre-selected by the Subscriber for those calling, instead of a waiting tone	4/2003*		*In accordance with a notice dated 30.4.2003

2.3 Value Added Services

55.	Access to internet / intranet	Access to internet or to the private intranet network of a company through an account the access to which is via the Subscriber's Terminal Equipment (including a mobile handset), computer, PDA or similar device and the ability to transfer files, e-mails and streamline video/audio data.	Exists	In accordance with the speed supported by the handset and dependent on the network's ability to supply data communication.	Access to internet via special internet services licensee
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56.	Access to internal organizational internet (Intranet) and external (Extranet)	The ability to supply access to the organizational network either directly to the local organizational network (LAN) or to the private virtual network (VPN).	2/2005	In accordance with the speed supported by the handset and dependent on the network's ability to supply data communication.	Dependent on the performance of the organizational network.
57.	Identification and verification	Identification and verification of user upon access to an internal organizational network (intranet) using Terminal Equipment	Future		
58.	Email	Access to an electronic mailbox available on various devices (PDA, PC, mobile handsets). Sending and receiving messages, indication upon receipt of message into mailbox of Subscriber. Support in various languages	2/2005	In accordance with the speed supported by the handset and dependent on the network's ability to supply data communication.	Dependent upon terminal handset
59.	Video communications	Sending photos, graphics or live video via the Network (eg. Subscribers who are far from one another can exchange photos and work interactively)	2/2005		
60.	Video Call	The ability to make a bi-directional video call between two callers.	2/2005	Data transfer speed-up to 46K	Dependent upon terminal handset
61.	International roaming	Provision of MRT Services when visiting Israel (for "roamers" from overseas). Transfer of calls to a Subscriber overseas via a international long distance provider and the provision of the possibility for Subscribers that are overseas to receive MRT services from overseas operators, including call filtering and call back and the provision of cellular telephone services and accompanying services to those visiting Israel (for "roamer" from overseas) all by way of roaming agreements with operators in other countries.	Exists	Under GSM MoU	

62.	Information regarding international ascription	A Subscriber that calls the service receives information regarding ascription to international operators.	Exists		
63.	Advanced voice mail box	Sending and receiving speech messages with more advanced features and abilities: Fax box sending messages to more than one person at once Sending messages from one voice box to another, including transfer of messages received to another person, or direct response to sender.	Exists		
64.	Personal secretary service	Connection of callers to an exchange operator to deal with more complex messages than voice mail service. Notice passed to Subscriber via speech or Short Message (SMS), per customer instructions (can work as a beeper service)	Future		

65.	GSM / satellite roaming	Licensee to support handsets with double GSM / satellite operating statuses	1/2005*	Conditional upon roaming agreement	Conditional upon roaming agreement with satellite operator and upon satellite network operator's having a license from the Director to provide its services in Israel. In accordance with a notice dated 15/12/2011*
66.	Information, entertainment and content services according to subscriber needs	Access to wide variety of information, entertainment and content services based on various media types via sms messages/picture/multi media and cellular internet (receiving or transmitting) or via audio or visual content (eg. financial information, traffic reports, sports news and weather reports).	Exists	In accordance with the speed supported by the handset and dependent on the network's ability to supply data communication	Dependent upon terminal handset and network capacity
67.	Services based on location	Combination of various services with location abilities in the network or a satellite navigation system (GPS) so as to offer customers location-based services (eg. whilst driving in a car). Subscriber can be quickly and accurately located. Receipt of navigation instructions based on location of Subscriber. Various services based on receipt of information regarding traffic situation on roads in Israel based on Subscriber's location. Following up movements of subscriber's vehicle (eg if car is stolen)	1/2004*		Subject to the Protection of Privacy Law, 5741-1981. In accordance with a notice dated 15.12.2011

68.	Managing mobile workforce/location/navigation	The ability to supervise, control and manage mobile employees, assist with their navigation while monitoring their location.	1/2005		Subject to the Protection of Privacy Law, 5741-1981.
69.	Notification of activation of alarm	Checking status of Subscriber's house alarm, car alarm or any other alarm using Terminal Equipment	Future		
70.	Marketing and shopping by telephone	Receiving advertisements for products via speech or written messages (by request). Ordering products via Subscriber's terminal equipment	Future		
71.	Electronic Money	Storage and transfer of "electronic money" in the memory of the Subscriber's SIM card. Loading of SIM card with money using various, convenient means (such as direct transfer from bank account, from ATMs, from appropriate public telephones or computerized public information stands).	Future		
72.	E-Commerce	Purchase of products and services via Terminal Equipment, being billed via telephone account.	Exists		To be updated in accordance with the "Mobile Electronic Commerce" regulations, when published and in accordance with the Ministry of Communications' policy.
73.	Payments via the cellular handset	The ability to effect on line purchases directly from the cellular handset. The service allows the complete execution of the transaction-verification of the Subscriber, ordering the goods and execution of the payment	2/2005		Dependent upon terminal handset

74.	Electronic Banking	Effecting basic banking operations using Terminal Equipment as a terminal (eg. ordering check books, inspecting bank account statements) the information being transferred to a Subscriber's Terminal Equipment via Short Message System (SMS)	Exists	In accordance with bank requirements	Conditional upon the approval of the Supervisor of Banks
75.	Electronic clearance	Ability of clearance between a trader and the credit card company, using cellular Terminal Equipment	Future	In accordance with requirements of credit card companies	
76	Facsimile	Receipt, storage and retrieval of facsimile message via Subscriber's Terminal Equipment (fax mail). Subscriber receives a Short Message (SMS) when new fax arrives. Retrieval of fax by redirecting fax message to the fax of the Subscriber's choice.	Exists		Direct or via the voice mailbox-dependent on the handset. The service does not exist on the 3G network.
77.	Telemetry applications	Enables Subscribers to perform remote controlling and monitoring (such as electricity and water meters, traffic lights, cargo, safety warnings, remote readings from computer equipment, environmental monitoring, car parking, medical observation)	Exists	In accordance with the speed supported by the handset and dependent on the network's ability to supply data communication	

78.	“Yellow Pages” type directory	Access to “Yellow Pages” type information via exchange operator using truncated dialing	Future		
79.	Provision of MRT Terminal Equipment	Provision of Terminal Equipment for use in countries with different service bands than Israel (such as in GSM 1800 and 1900 networks) all charges being transferred to the Subscriber’s GSM account in Israel	Exists	Not relevant	
80.	Provision of SIM card	Provision of SIM card to visiting “roamers” from countries with whom there is no roaming agreement	Future		
81.	Regional tariffs	A special tariff for calls that begin and end in a pre-ordained area (eg. house, office)	Future		
82.	Pre-paid card	Enables a Subscriber to load his MRT account with a pre-defined amount of money	Exists		
83.	Advertisement during call	Lower tariffs for Subscribers willing to listen to an advertisement at the beginning of the call. Advertiser pays for this discount	Future		
84.	Deleted⁴⁶²				
85.	Deleted⁴⁶³				
86.	Filtering of offensive sites and content on the internet	4/12			The service is provided to a subscriber that uses internet access service. No additional charge in additional to the payment charged from the subscriber for internet access service.

⁴⁶² Amendment No. 100

⁴⁶³ Amendment No. 100

87 ⁴⁶⁴	Personal Message	a message, warning and short explanation of the security forces that is sent immediately, selectively and focused to subscribers with MRT handsets that support the use of the cell broadcast ("CB") technology.	10/2014	As set out in the service file	In accordance with Article 65B and the "Personal Message" service file
88 ⁴⁶⁵	Premium service at a premium tariff	Premium service provided by dialing a designated prefix that has been allocated for this (1-900, 1-901, 1-903)	2/2015	The service will be provided in accordance with the provisions of Appendix N.	
89 ⁴⁶⁶	Premium service at a regular tariff	The premium service will be provided by: 1) Network access code-as an internal network service 2) Dialing a Fixed-line telephone number-as a general national service.	2/2015	A fixed-line telephone number and a regular taiff as defined in article 67D1 of the license	
90	Partner WiFi Calling	Making and receiving calls in Israel over the internet network, via wireless access point (WiFi) and keeping the subscriber's telephone number in the Licensee's network.	7.8.2016	GOS 2% only in the Licensee's network	In accordance with the service file Partner WiFi Calling only in supporting MRT Terminal Equipment.
91	Partner WiFi Calling abroad	Making and receiving calls abroad over the internet network, via wireless access point (WiFi) and keeping the subscriber's telephone number in the Licensee's network.	Future		In accordance with the service file.

⁴⁶⁴ Amendment No. 74

⁴⁶⁵ Amendment No. 80

⁴⁶⁶ Amendment No. 80

Second Annex - Appendixes

The appendixes in this Annex include the following appendixes and information:

Appendix

Appendix A - Deleted⁴⁶⁷

Appendix B - Engineering Plan

Appendix C - Maintenance Organization-Annulled⁴⁶⁸

Appendix C - National Roaming (NR)⁴⁶⁹

Appendix D - Standard Agreement-Annulled⁴⁷⁰

Appendix E - Minimum Requirements and Grade of Service to Subscribers

Appendix F - Service order on the Licensee's or content provider's website⁴⁷¹

Appendix G - Insurance Contract

Appendix H - Bank Guarantee

Appendix I - Written Undertakings

⁴⁷²Appendix J- Access to International Telecommunication Services

⁴⁷³Appendix K-Special Services for the Security Forces (Confidential)

⁴⁷⁴Appendix L-Security Provisions (not for Publication)

⁴⁶⁷ Amendment No. 98

⁴⁶⁸ Amendment No. 41

⁴⁶⁹ Amendment No. 59

⁴⁷⁰ Amendment No. 41

⁴⁷¹ Amendment No. 60

⁴⁷² Amendment No. 1

⁴⁷³ Amendment No. 4

⁴⁷⁴ Amendment No. 4

Appendix A - Deleted⁴⁷⁵

⁴⁷⁵ Amendment No. 98

Appendix B-Engineering Plan⁴⁷⁶

1. Cancelled.
 2. **Provisions, characterizations and work procedures:**
- 2.1 Blockage of cellular terminal equipment, as set forth in Article 71A, shall be in accordance with the functional characterization dated November 2, 2008.
3. **Engineering Plan:**
- 3.1 The following shall be considered as a detailed appendix of the engineering report:
- (a) An engineering report that was filed in Tender number 1/01 and the Tender as defined in Article 1 of the License.
 - (b) Any engineering plan for the development and upgrade of the network that was delivered to the Director General.
 - (c) Outline engineering report that was delivered to the Director General.
- 3.2 Deleted⁴⁷⁷

⁴⁷⁶ Amendment No. 41

⁴⁷⁷ Amendment No. 98

Outline engineering report

Table of Contents

Chapter A:	General
	1. Definitions, terms and explanations
	2. Approvals and signatures
Chapter B:	Summarized Description
Chapter C:	Detailed Description
Chapter D:	Risks, Disturbances, Special Difficulties
Chapter E;	Engineering Plans;
	Forecast for the update of the outline engineering report for the two consecutive years after the submission of the report.

Chapter A: General

1. Definitions, terms and explanations

- a. Concentration and explanation of terms that are included in the engineering plan report, including details of abbreviated terms.

2. Approvals and signatures

- a. I, the undersigned [the highest ranking engineering officer in the company] hereby confirm that this engineering report accurately and completely describes the engineering outline of the company and its engineering plans as they are known to me.

Chapter B: Summarized Description

1. A summarized description of the engineering outline:

- a. A summarized description of the engineering outline that includes a description of the engineering system configuration, deployment and quantities of the system components.
-

Summary of the Engineering Report

No.	Technology Generation/Subject	2		3	4 (future)
		GSM	CDMA	HSDPA/HSPA/HSPA+	LTE/LTE adv
1.	Number of subscribers (M)				
2.	Ranges of the frequency (Mhz)				
3.	<u>Number of core sites</u> Main manufacturer Additional manufacturer				
4.	Number of intermediate sites (e.g RNC) Main manufacturer Additional manufacturer				
5.	Number of terminal sites (e.g BS) Main manufacturer Additional manufacturer				
6.	Average voice transmission to terminal site (mbps/E1)				
7.	Average data transmission to terminal site (mbps)				
8.	Load management system have/do not hve				
9.	Interconnection (mbps)				
10.	Number portability Who is the supplier Have back/do not have				
11.	Billing system Late charging supplier Pre-charging supplier				

No.	Technology Generation/Subject	3	4 (future)
		HSDPA/HSPA/HSPA+	LTE/LTE adv
12.	Cellular coverage[%]	Area	Area
		Population	Population
		Roads 1-3 numeral Passenger train routes	Roads 1-3 numeral Passenger train routes
		Roads 4+ numeral Rail transport routes	Roads 4+ numeral Rail transport routes

Chapter C: Detailed Description

1. The diagrams of the outline engineering in a Top-Down format from the diagrams of the entire system and disassembly into subsystems.
 2. **Deployment and Quantities**: Quantitive scope and deployment of the system in the allocated frequency ranges, while emphasizing:
 - **Location and number of MRT cells,**
-

Appendix C-National Roaming (NR)

Definitions

1. In this Appendix-

 "Hand-Over"- continuation of a call by handing it over through MRT terminal equipment from a coverage area of a cellular radio base of one licensee to the coverage area of a cellular radio base of another licensee, continuously and without disconnection or interference;

 "Call"- including sms, data communication, cellular internet browsing, application use, etc.

 "Subscriber of a Roaming Licensee"- including a subscriber of an MRT licensee on another network, if said licensee makes use of the roaming licensee's network;

 "Lock"- A situation in which the terminal equipment of a subscriber of a roaming licensee that roamed to a host network continues to receive service on the licensee's network after the call has ended, even if that area has coverage of a roaming licensee;

 "The Specifications"- The most updated 3rd generation project partnership (3GPP) regarding National Roaming that are published from time to time.
2. The Licensee shall provide the Roaming Licensee with national roaming services through its network, as set forth in Article 67E, in accordance with the conditions set forth below.

Transfer and initiation of calls on the Licensee's network

3. The Licensee shall provide said National Roaming services, in one of the following manners:
 - a) Call transfer-the Licensee shall enable the transfer of a call that is carried out via a subscriber's handset, from the network of a Roaming Licensee to the Licensee's network, when the Roaming Licensee does not have coverage in that area. After the call is transferred, the call will be carried out on the Licensee's network until the call is terminated;
 - b) Call initiation-The Licensee shall enable the initiation of a call on its network that is carried out via the handset of a Subscriber of a Roaming Licensee, if the network of the Roaming Licensee does not have coverage in that area, or due to the handset lock of the Subscriber of a Roaming Licensee on the Licensee's network. After the initiation, the call shall be carried out on the Licensee's network until the call is terminated.

Duration of the Lock

4. The Licensee shall determine the duration of the lock time in accordance with the requirements of the Roaming Licensee.
-

Discrimination prohibition

5. The Licensee shall ensure fair and equal conditions for each Roaming Licensee with regards to the provision of MRT services, including the following:
- 1) **Discrimination prohibition**-The scope, standard and quality of the services that a Roaming Licensee's subscribers shall receive shall not be less than those provided to the Licensee's subscribers; if the Licensee distinguishes between types of its subscribers, with regards to the scope, standard or quality of its services, it shall allow the Roaming Licensee to make the same distinction between its subscribers;
 - 2) **Transfer**-The Licensee shall enable the Roaming Licensee's subscribers to transfer in one direction, i.e.-from the Roaming Licensee's coverage area to the coverage area of the Licensee, in a continuous manner, without disconnecting or interference to the call;
 - 3) **Advanced Network**-The Licensee shall provide a Roaming Licensee with NR services through its most advanced network⁴⁷⁸ and in the lowest frequency spectrum that it uses⁴⁷⁹, only if it does not have the said coverage, shall provide NR services through a higher frequency spectrum or through a network from a previous generation⁴⁸⁰, and all in the same manner of preference as its own subscribers;
 - 4) **Service Variety**-The Licensee shall enable a Roaming Licensee to provide the variety of services that the Roaming Licensee shall wish to provide to its subscribers' subject to the technical possibility of the host licensee and in absence of any unreasonable burden on the host licensee;

Cooperation

6. The Licensee shall cooperate with the Roaming Licensee, including by the following:
- 1) **Blocking sites**-The Licensee shall block, in accordance with the Roaming Licensee's demand from time to time, the use by the Roaming Licensee's subscribers of the specific coverage areas of the Licensee's sites, in which the Roaming Licensee has coverage.
 - 2) **Dynamic update**-The Licensee shall update the Roaming Licensee on a regular basis with regards to the required data to support NR, based the needs of the Roaming Licensee and in accordance with the expansion of its network, the changes of the Licensee's network, including traffic data per site, call detail records, billing data of a Roaming Licensee's subscribers, faults, system changes, etc, and the Licensee shall update its systems, as so required, based on the network data of the Roaming Licensee;

⁴⁷⁸ HSPA+/HSPA/UMTS and in the future LTE

⁴⁷⁹ For example, a licensee that operates UMTS networks in the 850/900 and 2100 Mhz spectrums, will give a Subscriber of a Roaming Licensee services through the network in the 850/900 spectrum in the same manner of preference as his own subscribers.

⁴⁸⁰ GSM/GPRS/EDGE

- 3) **Location data**-The Licensee shall provide the Roaming Licensee with continuous location data in real time of the Roaming Licensee's subscribers that are within the coverage area of the Licensee; the said location data shall not be less than that received for the Licensee's subscribers;
- 4) **Visibility**-The Licensee shall act, to the extent possible, so that the subscribers of a Roaming Licensee shall not be able to detect that they are receiving service from the Licensee;
- 5) **Switching**-The Licensee shall transfer all outgoing and incoming calls through the Roaming Licensee's network, in order to enable the Roaming Licensee to supply to its subscribers all of the services that it wishes to provide, including signaling of calls that were not executed;
- 6) **Smart network**- The Licensee shall support, to the extent possible, smart network services provided by the Roaming Licensee;
- 7) **Calls to emergency call centers**-a call by a subscriber of a Roaming Subscriber to an emergency call center, that was initiated on the Licensee's network, shall be directly routed to the emergency call center by the Licensee, unless the Roaming Licensee has the ability to route the call to the appropriate emergency call center according to the geographical location of the subscriber;
- 8) **Fulfillment of statutory provisions**-The Licensee shall cooperate with the Roaming Licensee in order to fulfill any statutory provisions following any law, to the extent that the said cooperation is required due to the existence of NR;
- 9) **Handling malfunctions**-The Licensee shall handle malfunctions in its systems that are caused or could cause harm to the NR regarding the level of service agreed upon between the Licensee and the Roaming Licensee⁴⁸¹ or determined by the Ministry;
- 10) **Prevention of transfer of information**-The Licensee shall keep completely confidential all information regarding the Roaming Licensee, and shall prevent the transfer of any information regarding the Roaming Licensee from its employees and anybody on its behalf that handles NR operations to any other entity of the Licensee, particularly its sales and marketing personnel.

Specifications

7. With regards to NR, the Licensee shall act in accordance with the specifications. To the extent that a matter is not dealt with in the specifications, the relevant licensees shall act in accordance with the best engineering practice.

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⁴⁸¹ **Service Level Agreement (SLA)**

⁴⁸² Amendment No. 41

483 Appendix D - Preparation to ensure the functional continuity during an emergency

1. Preamble

- 1.1. The telecommunications market in Israel constitutes a vital national infrastructure both on a routine basis as well as in emergencies and hence requires the Licensee to be prepared to ensure the **functional continuity** of operations during an emergency in order to continue to provide its services also during emergencies.
- 1.2. The License will implement a comprehensive work plan and ensure its durability to function during emergencies while ensuring the functional continuity for the provision of its services.
- 1.3. This Appendix constitutes the minimal operational framework for the Licensee in order to maintain functional continuity of operations during emergencies that includes a business continuity plan (BCP) and a disaster recovery plan for the network (DRP).

2. Definitions

"Interim Site"	- A site that includes sub-systems of the network for the performance of connection and control of end sites;
"Alternate Site"	- A site that is maintained in a state of readiness and is designated for use during an emergency, in which the activity will continue to ensure functional continuity;
"Core Site"	- A main site that includes central systems of the network including switch, databases, computer systems, storage and a control and management center;
"End Site"	- A cellular radio base on an MRT Licensee network;
"Sharing Agreement"	- An active frequency sharing agreement, as defined in Section 19A of the License;
"Recovery Target"	- A target that the Licensee has determined to restore technological activity and support systems to a defined service level and within a defined period of time;
"Portable Site"	- A portable end site;
"Functional Continuity"	- Ensuring operation continuity of the Licensee's services, that includes a network recovery plan from a disaster and a business continuity plan;
"The Plan"	- A plan for ensuring the functional continuity;
"Business Continuity Plan"	- An activity plan that is executed by the Licensee during an emergency to ensure the functional continuity of processes that are defined as critical and of telecommunication, computerization and storage systems (BCP).

3. Formulation of a plan for ensuring the functional continuity

- 3.1. The Licensee will formulate a Plan for ensuring the functional continuity that will assist during an emergency to ensure its ability to operate in a continuous manner, to mitigate the damage in provision of its services and to recover its operations; the Plan will include at least the following matters:
- (a) Analysis of risks to which it is exposed during an emergency, including a results analysis; repercussions and implications for the ongoing and standard work of the infrastructures and its services;
 - (b) Determination of service targets and Recovery Targets for emergencies, in accordance with the risk analysis and their implications for Functional Continuity and continued provision of its services;
 - (c) The guidelines that are detailed in this Appendix, including the different plans that are detailed in this Appendix, while addressing the roles and areas of responsibility of various functionaries in managing an emergency and upholding the Plan in practice;
 - (d) Implementation of the Plan amongst the managers, employees suppliers and subcontractors.

4. Board of Directors and Management Responsibility

- 4.1. The Licensee's Board of Directors will approve the Plan, while addressing the Functional Continuity risks and control thereof, as part of the comprehensive framework of the general work for risk management and will guide the Licensee's management to execute it.
- 4.2. The Board of Directors will discuss the Functional Continuity matters during significant technological changes and after a telecommunications failure event, a significant failure of the critical IT systems such as the billing system or the customer relationship management (CRM) system, provided that the Functional Continuity matters will be discussed at least once a year.
- 4.3. The Licensee will appoint a Functional Continuity manager and will define the areas of his responsibility and authority that will include ensuring implementation of the Plan and adapting it 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.
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- 4.4. The Plan will be audited periodically by the internal auditor or an executive office holder of the Licensee.
- 4.5. The Board of Directors and management will define periodic monitoring discussions, documentation and reporting format, within the Company.

5. Management of An Emergency Situation

- 5.1. The Licensee will appoint a senior authority to declare a transition from routine work to emergency work in a transition procedure from routine to emergency.
- 5.2. The Licensee will operate a situation room during an emergency that will include all of the required means to manage the situation, including alternative communication means that do not rely on the Licensee's network ("the **Main Situation Room**").
- 5.3. The Licensee will establish an alternative situation room at another site, at a distance of at least thirty (30) Km from the Main Situation Room; notwithstanding the aforesaid, at the Licensee's written request, the Director General may approve establishing an alternative situation room at a closer location.
- 5.4. The situation room will be used by the Licensee's office holders to manage the situation and to operate the action plan for Functional Continuity.
- 5.5. The Licensee will appoint a team to manage the emergency situation that will be composed, *inter alia*, of office holders, key decision makers and professional people from the technology division (communications and IT).

6. Manpower, Economic Immobilization and Emergency Economy

- 6.1. The Licensee will operate vis-à-vis the Ministry of Economics to obtain recognition as an essential enterprise in accordance with the Emergency Work Service Law, 1967.
 - 6.2. The Licensee will prepare manpower for every operating sector thereof that will enable it Functional Continuity; The Licensee will validate the staff lists once a year.
 - 6.3. The Licensee will ensure regular working conditions, and *inter alia*, in the following matters:
 - a) Food, water, sleep equipment for all of the manned sites;
 - b) Equipment, protection, food and water for all the field teams (field technicians/field maintenance);
 - c) Protected spaces/rooms (floor shelters/apartment shelters) and safe work areas.
 - 6.4. The Licensee will maintain one armored vehicle that will enable the work of a field team. A Licensee that operates over 1,000 sites will maintain an additional armored vehicle; said vehicles will be owned by the Licensee or will be provided through a supplier.
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6.5. The Licensee will ensure transportation for its employees to and from its sites in accordance with the workforce that it determined for each area of activity as set forth in section 6.2

7. Continuity, Backup and Survivability of the Network and the Infrastructure

- 7.1. The Licensee's network will comprise of at least two Core Sites at a geographical distance of at least thirty (30) km; notwithstanding the aforesaid, the Director-General may, at the Licensee's written request, approve Core Sites at a shorter distance.
 - 7.2. The core systems of the network will operate on BCP architecture, insofar as the technology is made available by the equipment manufacturer.
 - 7.3. The network core will be planned so that there will be no single point of failure, a malfunction in which causes the malfunction of the entire network.
 - 7.4. The Licensee 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 Licensee will set up an alternative management and control center at another geographic site at a distance of at least thirty (30) km; notwithstanding the aforesaid, at the Licensee's written request, the Director General may approve having an alternative management and control center at a shorter distance.
 - 7.6. The alternative management and control center will include all of the management and control systems required for Functional Continuity of the Licensee's services independently, and will be available for immediate action.
 - 7.7. The Licensee will formulate a technological and engineering backup plan for the Core Sites which will enable Functional Continuity in the event of a Core Site failure.
 - 7.8. The Licensee will formulate a technological and engineering backup plan for the Interim Sites which will enable Functional Continuity in the event of an Interim Site failure.
 - 7.9. The Licensee 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 Licensee.
 - 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 Licensee 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; notwithstanding the aforesaid, at the Licensee's written request, the Director General may approve an Alternative Site at a shorter distance.
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- 7.12. The Licensee will maintain backed up transmission infrastructures to link the Core and Interim Sites.
- 7.13. The Licensee 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 Licensee. Notwithstanding the aforesaid, in the event that the Licensee entered into a Sharing Agreement with another licensee, the Licensee may maintain the aforesaid together with the other licensee.
- 7.14. The Licensee 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 Licensee 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 Licensee.

8. Transmission Infrastructures

- 8.1. The Licensee will formulate a technological and engineering backup plan for the infrastructure and the transmission routes for Functional Continuity of the transmission services, through landline or wireless transmission.
- 8.2. The Licensee will formulate a technological and engineering backup plan for the transmission infrastructure connecting the network to the core facilities of another general licensee and any licensee through which it provides the internet access service.

9. Energy and Electricity Infrastructures

- 9.1. The Licensee 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 Licensee 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 Licensee.
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- 9.3. The Licensee 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 Licensee. Notwithstanding the aforesaid, in the event that the Licensee entered into a Sharing Agreement with another licensee, the Licensee may maintain the aforesaid together with the other licensee.
- 9.4. The Licensee shall enter into an agreement with a subcontractor for the repair and transportation of generators in emergencies.
- 9.5. The Licensee 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 Licensee 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 Licensee will determine the work procedures and rules for remote access upon a data systems event as part of the plan to ensure Functional Continuity.

11. Suppliers and Subcontractors

- 11.1. The Licensee will 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 Licensee to ensure Functional Continuity in emergencies.
- 11.2. The agreements shall include a plan to ensure Functional Continuity of 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 Licensee 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 telecommunication services will be according to the order specified below:
- (a) Dialing and maintaining a voice call between subscribers of the Licensee and between its subscribers and the subscribers of another license holder;
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- (b) National and personal messaging (cell broadcast);
- (c) Data services;
- (d) Sending SMSs between subscribers of the Licensee and between its subscribers and the subscribers of another licensee;
- (e) The other services.

13. Restoration of the Service

- 13.1. The Licensee 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 Licensee will be determined.

14. Assimilation and Practice

- 14.1. The Licensee will implement the plan to ensure Functional Continuity among its employees by instructing and training them.
- 14.2. The Licensee will formulate a periodic practice drill plan which includes all of the scenarios and the critical processes included in the plan to ensure Functional Continuity.
- 14.3. The Licensee 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 Licensee's emergency preparedness; the Licensee 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 Licensee's management to study and examine required updates to the plan to ensure Functional Continuity; the conclusions of the drill will be provided in writing to the Director General within thirty (30) days after the holding of the drill.
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15. Procedures

- 15.1. The Licensee 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) Procedure for reinstatement of service in emergencies;
 - (i) Procedure for transition from routine to emergency.
- 15.2. The procedures will be approved by relevant office holders at the company and will be updated once a year.
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**Appendix E - Minimum Requirements
and Grade of Service to Subscribers**

1. ⁴⁸⁴**System Performances**⁴⁸⁵

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.

⁴⁸⁴ Amendment No. 14

⁴⁸⁵ Amendment No. 83

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 – Annex B, including an engineering plan attached to the 4th Generation Tender;

(b) The milestones for the establishment of the network and provision of service:

(1) canceled;

(2) network using 4th Generation technology:

((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 Director General's announcement;

"Determining Date" - date of amendment of the license;

"Date of Director General's Announcement" - a date on which the Director General shall provide the Licensee with written notice regarding the performance of Stage D. The notice shall be provided after the end of 60 months from the determining date.

((b)) The Licensee shall operate to establish the 4th Generation network as follows:

((1)) shall submit a deployment plan in a format set forth in the provisions of this Annex no later than sixty (60) days after the Determining Date; the deployment plan shall constitute part of the engineering plan.

((2)) the deployment 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 of households in central settlements and in peripheral settlements shall be stated; the planned date for the completion of the deployment 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 deployment plan for that Street shall be stated.

((3)) The Licensee may update the deployment plan and change the order of the settlements or Streets in which the network deployment is planned by providing notice to the Director General up to 60 days before the date the deployment is planned, provided that the updated deployment plan meets the provisions set forth in this Annex.

((4)) The network layout pace shall be as follows:

((a))) at the end of one year from the Determining Date, the Licensee shall deploy 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 Licensee, provided that no later than 12 months from the Determining Date, the Licensee shall commence providing service;

((b))) As of the beginning of the second year from the Determining Date, the Licensee shall deploy the network at the Deployment 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 Article 1.3(b)(1);

At the end of Stage B – coverage of 65% minimum requirements of the network coverage obligation, as stated in Article 1.3(b)(1);

At the end of Stage C – coverage of 100% minimum requirements of the network coverage obligation, as stated in Article 1.3(b)(1);

At the end of Stage D – coverage of 100% minimum requirements of the network coverage obligation, as stated in Article 1.3(b)(1);

1.3 Minimum Requirements of the Obligation Network Coverage:

(a) In the 3 generation technology:

(1) The performance and services of the network will be provided while meeting the coverage level and shall be no less than the following minimum requirements:

Service area: an area in which 99% of the Population resides, and not less than 92% of the area;

(b) In the 4th Generation technology:

(1) in stages A through C, the network performances and its 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;

((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 its 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.

(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 to 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 Licensee 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) Reception Level:

- (1) The reception level of a reference signal for 3rd generation services will be determined according to the most updated standards of ETSI/3GPP for 3rd generation, so that the provision of telephony services will be possible for coverage outdoors, according to the limiting channel of the upward and downward channel;

The Licensee will perform a prediction once a year for each section and for each cell. The data will be presented and given to the office as a national coverage map and in a defined format as part of the Summary of the Engineering Report

- 1) The reception of a reference signal for 4th Generation services to networks on a broadband of 15/20 MHz of signals received from descending/upward channel, according to the limiting of the two, under the ETSI⁴⁸⁶ standard, according to a bandwidth of 5 MHz, shall be:

4 th Generation network	Reception Range (dbm)
Descending Channel	Upward Channel
1800 frequencies	-101.5 (Site in open area)
Mhz	-93.5 (site in constructed area)
	For indoor coverage – relief of 20db.
	The examination shall be performed once per year by the Licensee 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;

⁴⁸⁶ http://www.etsi.org/deliver/etsi_ts/136100_136199/136104/10.01.00_ts_136104v100100p.pdf 16
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

(2) In regards to the proper existence of data communications in 4th Generation, 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 Licensee 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.

⁴⁸⁷1A. **LTE Technology Network**

1.1a Definitions

"Population"	- The general population in an area, according to the publications of the Central Bureau for Statistics;
"Coverage Ratio"	- The ratio between the rate of households in Periphery Settlements and the rate of households in Central Settlements;
"Central Settlements"	- A settlement that is defined by the Central Bureau for Statistics as a settlement at a "middle" level, at a "central" level and a "very central" level;
"Periphery Settlements"	- A settlement that is defined by the Central Bureau for Statistics as a settlement at a "very peripheral" and "peripheral" level;

⁴⁸⁷ Amendment No. 77

"Road"

- The area (length x width) of every road whose number is up to 4 digits inclusive as well as the route of the national and local train tracks in the area of the State of Israel, during the License term; The width of the road or the route of the national and local train tracks will include the width of the road/actual route+5 meters on each side of the road/route;

"Population Concentration"

- An area in which from time to time or continuously there is population concentration, for example designated beaches, sports stadiums, parks, nature reserves, markets, etc.

"Coverage Level"

- Broadcasting and reception of electromagnetic signals that allow normal existence of any service for cellular handsets that are 1.5 meters above sea level;
For this matter-normal existence of a service will be considered a service that is provide in the coverage level, while complying with minimum requirements for environmental matters as set forth in this article;
-

"Area"

"Blocked Calls"

"Dropped Calls"

- The total area that the Law, jurisdiction and administration of Israel apply to;
 - Calls and data communication or interconnections that cannot be completed or messages that cannot be relayed immediately upon the communications order as a result of unavailability of network resources or resources related to interconnection between the network and other networks;
 - Calls and data communication or interconnections that were terminated not by the initiative of the Subscriber that initiated the call/interconnection or the receiver of the call.
-

1.2A Deployment obligations for the LTE technology network

Upon building an LTE technology network, the Licensee will act as follows:

- (1) Will submit a deployment plan for the LTE technology network in the format set out in the provisions of this Appendix no later than thirty (30) days after the determination date; The deployment plan will become an integral part of the engineering plan. In this article, "the Determination Date"- July 15, 2014.
- (2) The deployment plan will include the following data:
 - a) It will include details of all the settlements in the country, according to the publications of the Central Bureau for Statistics, divided into two groups- settlements in the center and settlements in the periphery; next to each settlement the number of households in that settlement should be marked and it should also note the total number of households in central settlements and in periphery settlements; next to each settlement it should note the planned date for finishing the deployment plan with respect to that settlement;
 - b) It will note all the Roads, according to the publications of the Central Bureau for Statistics; next to each Road it will note the Road number and the planned date for finishing the deployment plan on the Road.
- (3) The Licensee may update the deployment plan and change the order of the settlements or Roads in which the network deployment is planned, by giving the Director notice of this up to 30 days before the date that was planned for the deployment as long as the updated deployment plan complies with the provisions of this Appendix.
- (4) The deployment speed shall be as follows:
 - a) The Licensee will deploy the network at a deployment ratio that shall not be less than one (1).

2. **Gauges of Quality of Service to Customers and Subscribers**

2.1 Cancelled⁴⁸⁸

2.2 Cancelled⁴⁸⁹

⁴⁸⁸ Amendment No. 91

⁴⁸⁹ Amendment No. 91

2.3 **Bills to Subscribers:**

(a) Subscribers' bills shall set out:

- (1) a monthly charge (fixed payment)
- (2) conversation duration or airtime duration (minutes, seconds)
- (3) volume of data consumption (kB, MB) - if the service provided is priced in accordance with data transfer volume.
- (4) other charges (such as for receipt of information, SMS transmission, M-Commerce)
- (5) a combination of the above billing methods.

(b) Structure of the Bill:

Bills shall be sent in a fixed structure as set out below:

- (1) After payment, the bill shall act as a receipt which includes:
the sum to be paid without VAT, the amount of VAT and the total to be paid including VAT. This part shall also contain details of the identity of the Licensee and of the Subscriber.
- (2) The Licensee may include information regarding special offers and personal notices to the Subscriber.

(c) Issue and Dispatch of Bills

- (1) The Licensee shall issue bills to its Subscribers on a monthly basis or at such other time, with the consent of its Subscribers.
- (2) A subscriber that wishes to disconnect from the Licensee shall receive a final bill at the closest possible date and no later than two months after the date of disconnection⁴⁹⁰. A Subscriber wishing to disconnect from the Licensee shall receive a final bill on the nearest possible date, and no later than two months after the date of disconnection.
- (3)⁴⁹¹
⁴⁹²If the subscriber and Licensee agree on payment by installments for a handset purchased by the subscriber from the Licensee and the commitment agreement of the subscriber with the Licensee is terminated before the subscriber has completed all payments for the handset purchased from the Licensee, the Licensee shall send the subscriber a final bill for the Licensee's services and afterwards may send the subscriber bills only for the handset.
- (4) After collecting the amount for payment as detailed in the final bill, the Licensee shall not be permitted to collect from the subscriber, by a method of payment that the subscriber gave, any payment that is not for goods, without prior written explicit consent from the subscriber. The Licensee shall keep a copy of the subscriber's consent, and shall make it available for delivery to the Director, upon his demand, within five (5) working days from the day it was delivered to the Licensee.

⁴⁹⁰ Amendment No. 60

⁴⁹¹ Amendment No. 50

⁴⁹² Amendment No. 57

⁴⁹³2.4 **Gauges for handling consumer complaints**

- (a) The level of handling complaints in writing-the response times to the complaints shall be no more than 14 working days, and 5% of the applications should be answered within one month.
- (b) Gauges for the quality of service for service centers-
 - 90% of the applications should be handled directly by the service representatives, until resolved.
 - No more than 10% of the applications, of which some will arise from the escalation of complaints, should be referred to higher levels.
- (c) Applications that will be handled by the higher levels-in any case where the reply of the Ombudsman⁴⁹⁴ does not satisfy the applicant, the application shall be referred to the management level that will re-examine the application and will directly respond to the applicant. In any case, the applicant shall receive an answer within thirty days from the date of his application.
- (d) The Licensee shall not make use of a telephone number in an MRT area code for the purpose of the Ombudsman receiving complaints via facsimile.

⁴⁹⁵2.5 **Manner of Execution of a Computerized Graphic Signature**

- (a) **Subscriber identification-** The Licensee shall perform identification of a subscriber before revising the subscriber agreement or signing a new subscriber agreement, by means of an identifying document that bears a photograph or a power of attorney together with an identifying document of the legal representative.
- (b) **Use of a Digital Screen-** The Licensee shall allocate for the subscriber's sole use a digital screen during the duration of the transaction until its completion and shall allow the subscriber a reasonable amount of time to review the entire agreement and to understand its contents before he is required to sign it.

⁴⁹³ Amendment No. 41

⁴⁹⁴ Amendment No. 90

⁴⁹⁵ Amendment No. 69

- (c) **Signature of the Subscriber**-marking "form for services access" and a signature on the documents relevant to the agreement shall only be done by the subscriber.
- (d) **Fixed Signature**-each separate signature shall be locked and fixed in place with its unique characteristics, in a manner that enables being able to prove that this signature is not a result of "cut and paste" of another signature of the subscriber that was signed elsewhere in the subscriber agreement or on other documents. In addition to the aforesaid, each signature will have an additional layer of information that will document the exact time of the signature (date and exact time in seconds).
- (e) **"Locking" of an Agreement**- once the entire agreement is signed, the agreement document will be "locked" in a manner in which it will be possible to identify a change made to the agreement after the date of its signature. "Locking" of an agreement by a secure electronic signature or approved electronic signature (hereinafter-electronic signature) of the Licensee, as defined in the Electronic Signature Law, 2001, immediately after it has been signed by the subscriber, shall be considered as a reasonable means of locking the agreement and protecting it from changes.
- (f) **Document Preservation**-The Licensee shall preserve documentation of all of the agreement documents in accordance with the requirements of Article 106A⁴⁹⁶ of its license and shall take reasonable means to prevent the addition or removal of documents to the electronic archive system in an undocumented manner. The Licensee shall take necessary steps to ensure that that the contents of the agreement are preserved without changes from the date of its editing throughout the preservation period, while taking into account technological changes or changes in encryption methods that are used for preserving documents. The Licensee will be able to prove to the Ministry at any time that it has taken the said steps and procedures.
- (g) **Receipt of a Copy of the Subscriber Agreement**-
 - (1) The subscriber may choose from two possibilities for receiving documents at the time of execution of the transaction (by marking x in one of two boxes):
 - (a) First box-receipt of only the "the Plan Basics page"⁴⁹⁷;
 - (b) Second box-to receive the entire signed agreement.
 - (2) The subscriber shall confirm his choice with his signature. The signature place shall be next to the above 2 boxes.
 - (3) A subscriber that requests to receive only the Plan Basics page⁴⁹⁸, will need to mark his e-mail address or fax number to which the entire signed agreement will be sent (including the Plan Basics page⁴⁹⁹).

⁴⁹⁶ Amendment No. 90

⁴⁹⁷ Amendment No. 87

⁴⁹⁸ Amendment No. 90

- (4) The sales representative shall type in the e-mail address or fax number, to where the entire agreement will be sent (from his keyboard).
 - (5) The address or fax number shall appear under and next to the above boxes.
 - (6) The subscriber shall confirm by his additional signature that this is his e-mail address or fax number to where the entire agreement will be sent.
 - (7) As a result of the above-mentioned: a subscriber that does not have an e-mail address or fax number shall receive the entire agreement at the time of execution of the transaction.
- (h) **Identification of the Representative**-each agreement shall include an unequivocal identification of the representative (full name and signature).
- (i) The Licensee shall maintain a signed copy of the subscriber agreement; the said copy shall be available at the Licensee to be presented to the Director, within five (5) working days from the date of the transaction;
 - (j) If the subscriber wishes to make changes to the terms of the subscriber agreement, including a request to receive an additional service, to cancel a service or to join a service package- at the time of the change request a printed notice shall be given to the subscriber that bears the name or logo of the Licensee in which the details of the changes made shall be noted, the effective date as well as the full names of the Licensee's representative and the subscriber and their original signatures. The Licensee shall maintain a copy of the signed notice and make it available to be presented to the Director, within five (5) working days from the date of execution of the subscriber's request.⁵⁰⁰
 - (k) **Door to Door Sales**-The above detailed rules shall apply also to door to door sales.
 - (l) ⁵⁰¹Purchase/rental of MRT Terminal Equipment without purchasing MRT Services – the rules specified above shall also apply to a transaction of this type, apart from that stated in subclause (g). The purchase agreement and the tax invoice must be delivered to the applicant at the time the transaction is executed

⁴⁹⁹ Amendment No. 87

⁵⁰⁰ Amendment No. 87

⁵⁰¹ Amendment No. 90

⁵⁰²**Appendix E1 - 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, as set forth in this Appendix.

1A. The telephone bill will include the payment for all of the services and goods that are present in the Plan Basics.⁵⁰³

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.

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.

⁵⁰² Amendment No. 50

⁵⁰³ Amendment No. 87

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 address⁵⁰⁴;
- 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.

C. Dates⁵⁰⁵ -

- 1) Bill execution date;
- 2) Manner in which the Bill was sent;
- 3) Bill period;
- 4) Last date for Bill payment - in respect of a Bill not paid by standing order or by credit card;
- 5) The date that the method of payment will be charged- in respect of a Bill not paid by standing order or by credit card;

D. Notices to Subscriber

1) Notice on the option of filing a complaint to the Ombudsman of the Licensee and regarding his authorities and ways of contacting him as set forth in section 61.3 and 61.4.⁵⁰⁶

2) The licensee's address, telephone number, facsimile number and email address by means of which the subscriber may request the Licensee to suspend, disconnect or terminate the service or deliver to the Licensee a notice of cancellation, within the meaning in section 13D of the Consumer Protection Law, 5741- 1981.⁵⁰⁷

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⁵⁰⁵ Amendment No. 87

⁵⁰⁶ Amendment No. 87

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3) Information on offers and personal notices to the subscriber, at the decision of the licensee.

E. Billing charge inclusive⁵⁰⁸ 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) ⁵⁰⁹Benefits/Credits- for example: Benefit of providing a 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 of time, credit for return of old terminal equipment, etc. (in this Appendix-“**Benefits/Credits**”);
- 5) Financial reimbursements for surplus charges and interest and linkage differentials in respect of excess charges⁵¹⁰ (hereinafter referred to in this Appendix as “**Reimbursements**”).
- 6) Purchase of products⁵¹¹

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 on which the tariff plan takes effect, detailing its principal rates, including VAT, insofar as the amount of the payments or tariffs for the services purchased by the subscriber are to be changed, the licensee shall indicate the amount of the new payments or rates for the said services or the amount of the said benefits, including VAT, or the quantities of new consumption units and the date of entry into effect.⁵¹²

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⁵⁰⁹ Amendment No. 87
⁵¹⁰ Amendment No. 87
⁵¹¹ Amendment No. 87
⁵¹² Amendment No. 87

- (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) Cancelled⁵¹³
 - 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 service unit⁵¹⁴⁵¹⁵; 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 service unit⁵¹⁶; 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).

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⁵¹⁴ Call units, texts, internet data

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⁵¹⁶ Amendment No. 87

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). 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).

Tariff for calendar time unit⁵¹⁷- the tariff will be presented as a decimal number in NIS with an accuracy of 2 digits after the decimal point.

- 4) The charge amount; the charge amount will be calculated by multiplying the quantity by the tariff and will be presented as a decimal number with an accuracy of 2 digits after the decimal point.⁵¹⁸
 - 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”⁵¹⁹, “One-Time charges”, “Credits”, and “Reimbursements” and “Linkage differences and interest”⁵²⁰ as specified in sections 60.8 and 83A, 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 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 will be noted in the “Billing Details” for sale of goods that were purchased or rented as part of an agreement to receive MRT services⁵²¹ and charges for services which are not telecommunication services.

⁵¹⁷ Amendment No. 87

⁵¹⁸ Amendment No. 87

⁵¹⁹ Amendment No. 87

⁵²⁰ Amendment No. 57

⁵²¹ Amendment No. 87

- (h) The “Billing Details” shall include subtotals of charge amounts inclusive⁵²² of VAT, for fixed charges, variable charges, One-Time Charges, Credits and Reimbursements (“**Subtotal Row**”). The amount to be charged in each Subtotal Row will be moved from “Bill Details” to “Bill Total”⁵²³.
 - (i) The final charge amount will be presented inclusive of VAT⁵²⁴.
 - (j) Cancelled⁵²⁵
 - (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 point⁵²⁶.
 - (l) The Licensee is not permitted to present in the Billing Details tariffs and amounts to be charged without VAT.⁵²⁷
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 packages⁵²⁸;
 - (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.

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⁵²³ Amendment No. 87
⁵²⁴ Amendment No. 87
⁵²⁵ Amendment No. 87
⁵²⁶ Amendment No. 87
⁵²⁷ Amendment No. 87
⁵²⁸ Amendment No. 87

- (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 performance⁵²⁹;
 - 2) Time (hh:mm:ss);
 - 3) Call destination (if any);
 - 4) Quantity for service unit⁵³⁰;
 - 5) Tariff inclusive⁵³¹ 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 inclusive⁵³² of VAT, to a decimal number in New Israeli Shekels to a degree of accuracy of at least 2⁵³³ digits after the decimal point.
- (e1)⁵³⁴ Notwithstanding the provisions of sub-clause (e), the license holder is permitted to not present details of the cellular data consumed daily but rather only the total volume of cellular data consumed daily. The Licensee shall keep a record of cellular data details consumed daily and will submit 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)⁵³⁵ The Licensee is not permitted to present in the call details tariffs and amounts charged 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, while the data volume allocated to a subscriber for the bill period is up to 1GB and in GB when the data volume allocated to a subscriber for the bill period is more than GB⁵³⁶ 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.

⁵²⁹ Amendment No. 87

⁵³⁰ Amendment No. 87

⁵³¹ Amendment No. 87

⁵³² Amendment No. 87

⁵³³ Amendment No. 87

⁵³⁴ Amendment No. 87

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⁵³⁶ Amendment No. 87

- (i) Any “Category of Service” appearing in the “Call Details” will include a summary row in which will be set forth only⁵³⁷ the total quantity for which the subscriber is charged⁵³⁸ (hereinafter referred to in this Appendix as the “**Subtotal Row**”). The total quantity in the Subtotal Row will be moved from the “Call Details” to the “Bill Details”.⁵³⁹
- (j) Cancelled.⁵⁴⁰
- (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).

⁵³⁷ Amendment No. 87

⁵³⁸ Amendment No. 87

⁵³⁹ Amendment No. 87

⁵⁴⁰ Amendment No. 87

541 Appendix E2-Services Access Form⁵⁴²⁵⁴³

Access form for services through the cellular handset that are charged in the telephone bill

Name of the Licensee

Methods for sending the form:

Address

E-mail address

Fax number

Date: _____

I, the person whose details appear below, request access to the services detailed below, for the telephone number noted in this form as follows:

Subscriber Details

Name of the subscriber/company: ____ I.D./Company No. _____

Address: ____ Telephone No. _____

Mark X according to your choice and sign. For your information, not marking shall mean blocking the possibility to receive the service except for outgoing international call services.

No.	Type of Service		Block	Open
1. ⁵⁴⁴	International cellular data service <u>without</u> a package/international cellular data plan		<input type="radio"/>	<input type="radio"/>
	(a)	This section is intended <u>only for a business subscriber</u> ;	<input type="radio"/>	<input type="radio"/>
	(b)	A subscriber who finances cellular data <u>from his own pocket</u> will be blocked for international cellular data and will not be charged for it and he does not have a package/international cellular data plan;	<input type="radio"/>	<input type="radio"/>
	(c)	Blocking does not prevent cellular data through WiFi;	<input type="radio"/>	<input type="radio"/>
	(d)	Marking "Open" in this section does not include the opening for services in Jordan and Egypt.	<input type="radio"/>	<input type="radio"/>
1A. ⁵⁴⁵	Cancelled		<input type="radio"/>	<input type="radio"/>
2.	Content service and/information in or <u>in a one-time payment</u>	a.	Receipt or download of content through the internet, watching it and/or listening to it on a one time basis (for example: download or watching a video clip, listening to a song, download of a ringtone, download of a video clip, download of a game and all on a one time basis)	<input type="radio"/>
		b.	Sending of an sms at a special date in order to vote as part of a televised show on a one time basis (for example: voting for a reality show on a one time basis).	<input type="radio"/>
		c.	Making a donation by sending an sms on a one time basis (for example: a donation to an organization on a one time basis)	<input type="radio"/>
		d.	Receipt of useful ⁵⁴⁶ information on a one time basis (for example: information about transportation routes, professionals, financial information, information regarding receipt of registered mail ⁵⁴⁷ , and all on a one time basis).	<input type="radio"/>
		e. ⁵⁴⁸⁵⁴⁹	Receipt of content on a one time basis (for example: a quiz, lottery, survey, poll, astrology forecast, receipt of a link to download a video and all on a one time basis)	<input type="radio"/>
3.	Content service and/or continuous information	a.	Receipt or download of content through the internet, watching it and/or listening to it on a one time basis (for example: a subscription to download or watch a video clip, a subscription for a music service, or a subscription to download ringtones or a subscription to download video clips and a subscription to download games)	<input type="radio"/>
		b.	Receipt of content and/or information not on a one time basis (for example: a subscription for the receipt of news updates, a subscription for the receipt of sports results, a subscription for the receipt of trivia questions and a subscription for the receipt of diet recipes)	<input type="radio"/>
4.	Voice or visual content service to 1-900 and 1-901 numbers at a <u>special</u> tariff		<input type="radio"/>	<input type="radio"/>
		a.	Numbers in the 1-900 prefix at a rate of up to 50 agorot per minute And not more than NIS 30 for the entire conversation.	<input type="radio"/>
		b.	Numbers in the 1-901 prefix at a tariff that does not exceed NIS 50 for the entire conversation.	<input type="radio"/>
5.	International call service ⁵⁵⁰		<input type="radio"/>	<input type="radio"/>
6.	Cancelled ⁵⁵¹		<input type="radio"/>	<input type="radio"/>

By signing this agreement in the presence of a Licensee representative-I declare that this form was marked and signed by myself

Name of Licensee representative: _____ Signature of Licensee representative _____

Subscriber Signature _____

⁵⁴¹ Amendment No. 57

⁵⁴² Amendment No. 58

⁵⁴³ Amendment No. 72

⁵⁴⁴ Amendment No. 87

⁵⁴⁵ Amendment No. 87

⁵⁴⁶ Amendment No. 87

⁵⁴⁷ Amendment No. 87

⁵⁴⁸ Amendment No. 87

⁵⁴⁹ Amendment No. 87

⁵⁵⁰ Amendment No. 87

Appendix E⁵⁵²

Questionnaire on the mode of receipt of the Bill and on publishing the telephone number/s, which are billed in the Bill, in the telephone directory (“144”) and on the internet

<p align="center"><u>Questionnaire on the mode of receipt of the Bill and on publishing the telephone number/s, which are billed in the Bill, in the telephone directory (“144”) and on the internet</u></p>	
<p align="right">Licensee’s name Methods for sending the Questionnaire: Address Electronic mail address Facsimile no.</p>	
<p align="right">Date: _____</p>	
<p>I, according to my details listed below, request to receive the Bill and to publish my telephone number/s, which are billed in the Bill, in the telephone directory (“144”) and on the internet, as follows:</p>	
<p><u>Subscriber’s details</u></p>	
<p>Name of the Subscriber/Company: _____ ID/Co. no. _____ Address: _____</p>	
<p>Mark your choice with an x, complete as needed and sign.</p>	
<p>1.</p>	<p>Mode of receipt of the Bill</p> <p><input type="checkbox"/> Regular post</p> <p><input type="checkbox"/> Electronic mail with a file attached</p> <p><input type="checkbox"/> Text message (SMS) with a link – telephone number: _____</p> <p><input type="checkbox"/> The Licensee’s website</p> <p><input type="checkbox"/> Other electronic means at the Licensee’s discretion</p>
<p>2.</p>	<p>Publishing the telephone number/s, which are billed in the Bill, in the telephone directory (“144”) and on the internet</p> <p><input type="checkbox"/> All telephone numbers – unlisted</p> <p><input type="checkbox"/> All telephone numbers – published</p> <p><input type="checkbox"/> Particular telephone numbers – unlisted; and the rest – published</p> <p>The unpublished / published telephone numbers (mark your choice) are: _____</p> <p>_____</p> <p>And the rest are unlisted / published (mark your choice).</p>
<p>In this engagement, in the presence of a representative of the Licensee – I declare that I marked and signed this form</p>	
<p>Name of Licensee’s representative: _____ Signature of the Licensee’s representative: _____</p>	
<p>The Subscriber’s signature: _____</p>	

⁵⁵² Amendment No. 90

Appendix E4⁵⁵³- Telephone Call Centers

1. Staffing of a telephone call center

- (a) A telephone call center for handling Subscribers' calls regarding any malfunction in the receipt of MRT Services, regarding theft or loss of MRT Terminal Equipment and regarding international roaming service shall be staffed twenty-four (24) hours a day all year round; the Licensee is allowed to not operate a telephone call center as stated on *Yom Kippur*.
- (b) A telephone call center for the purpose of accepting calls about the Licensee's services, which are not calls as stated in subclause (a) shall be staffed as follows:
 - (1) For at least ten (10) hours as of 08:00 a.m. on weekdays, on the eve of Holocaust Remembrance Day, on Holocaust Remembrance Day and on the eve of the Memorial Day for the Fallen Soldiers of Israel and Victims of Terrorism;
 - (2) For at least five (5) hours as of 08:00 a.m. on Fridays, on the eve of *Rosh Hashanah*, on the eve of *Yom Kippur*, on the eve of *Sukkot*, on the intermediate holiday days of *Sukkot*, on *Hoshana Raba*, on the eve of *Passover*, on the intermediate holiday days of *Passover*, on the seventh evening of *Passover*, on the Memorial Day for the Fallen Soldiers of Israel and Victims of Terrorism and on the eve of *Shavuot*.
- (c) The Licensee is allowed to not operate a telephone call center, as stated in subclause (b) on Saturdays and on the following Israeli holidays: on the two days of *Rosh Hashanah*, on *Yom Kippur*, on the first day of *Sukkot* and on *Shmini Atseret*, on the first and seventh days of *Passover* and on *Shavuot*, on Independence Day, on the parliamentary election day and on the general election day to the municipal authorities⁵⁵⁴.

⁵⁵³ Amendment No. 91

⁵⁵⁴ Amendment No. 92

2. Publishing of information about the activities of telephone call centers

(a) The Licensee must publish the information about the activities of all of its telephone call centers clearly and conspicuously in each of the following:

- (1) in the engagement agreement between the Licensee and Subscribers;
- (2) on the Licensee's website;
- (3) in every Bill to be issued by the Licensee;
- (4) in documents sent on the Licensee's behalf to Subscribers concerning customer service.

(b) The information that the Licensee shall publish as stated in subclause (a) shall include the following:

- (1) the days of operation of the centers;
- (2) the hours of operation of the centers;
- (3) the telephone numbers of the centers.

3. Accessing a telephone call center

- (a) A telephone call center shall be accessed through a "free caller service" (1-800 service); the Licensee must enable access to any such telephone call center from any domestic network.
- (b) The Licensee may enable any telephone call center to be accessed through additional domestic telephone numbers.⁵⁵⁵
- (c) If the Licensee provides international roaming service, it must enable any Subscriber who is located abroad to call a telephone call center at no charge, as specified in subclause 1 (a), provided that the call is made using a telephone number on the Licensee's network.

4. Routing of calls in a telephone call center

- (a) Upon the initiation of interactive communications between a caller and the Interactive Voice Response system installed at a telephone call center ("IVR System"), the Licensee must enable a caller to select the response language that he/she requires if the Licensee provides service in more than one language, the name of the requested service, and the caller must be asked to identify himself/herself. The listening order of the selection of services and of the request for identification on the IVR System shall be at the Licensee's discretion.

⁵⁵⁵ *Such as: a networked number, a speed dial number for businesses.*

- (b) The Licensee must make the provision of a response to any call of any type contingent upon the caller identifying himself/herself on the IVR System solely by entering his/her telephone number or ID number; the Licensee is allowed to enable a caller to route the call in the IVR System and to receive a response to any type of call also without entering a telephone number or ID number as stated.
 - (c) After completing the performance of that specified in subclause (a), the Licensee shall announce the following options to the caller:
 - (1) “For a human response relating to repair of a malfunction, press 1”;
 - (2) “For a human response relating to a billing clarification, press 2”;
 - (3) “For a human response relating to the termination of an engagement, press 3.”
 - (d) The order of presentation of the above options shall be at the Licensee’s discretion. The Licensee is allowed to replace the use of the term “repair of a malfunction” with the term “technical support.”
 - (e) After a caller selects the option of “1,” “2” or “3” as stated, the caller shall not be redirected to additional options and shall wait to receive the human response as the caller selected.
 - (f) The topics announced via the IVR System after the aforesaid three topics shall be at the Licensee’s discretion.
5. **Quality of service provided by a telephone call center**

- (a) In this annex –
 - “**Waiting time**” – The measured interval between the caller’s selection on the IVR System and the response;
 - “**Human response**” – Response provided by professional and skilled staff possessing suitable qualifications to handle calls.
-

- (b) The percentage of calls in which:
- (1) the caller is answered after a waiting time for a human response of more than six (6) minutes;
 - (2) the caller disconnects the call without having received a human response, after waiting for a response for more than six (6) minutes;
 - (3) the caller switched to the "leave a message" service, as specified in section 1 of the Consumer Protection Regulations (Provision of Telephone Service), 5772 – 2012, after having waited for a human response for more than six (6) minutes;

shall be a maximum of 15% during two consecutive weeks for each of the three types of circumstances specified in this subclause, for each of the three types of calls specified above in clause 4(c), out of the inclusive number of calls in each of the three types of calls during those two weeks.

- (c) The average waiting time during those two weeks for each of the three types of calls specified in clause 4(c) that were answered, shall not exceed three (3) minutes.⁵⁵⁶
- (c1)⁵⁵⁷ The average wait time during those two weeks of each of the three types of calls detailed in section 4(c) that were answered, shall not exceed four and a half (4.5) minutes

⁵⁵⁶ **Examples for sub-section (b)-(c1):**

During two certain weeks, there were 1,000 calls that received a human response regarding "account inquiry." 900 of which were answered within 6 minutes waiting by a human response, 100 more were answered after waiting more than 6 minutes for a human response, and the average waiting time for a human response of all the 1,000 calls was 7 minutes. During these two weeks, the Licensee complied with the license instructions on waiting time for a human response regarding "account inquiry" of up to 6 minutes (the rate of calls answered after 6 minutes waiting for a human response-10%) (less than 15%).

During these two weeks, the Licensee did not comply with the license instructions on waiting time for a human response regarding "account inquiry" regarding waiting time for a human response (the average wait time for a human response of all 1,000 calls-7 minutes (above the average required of up to 45 minutes))."

⁵⁵⁷ Amendment No. 97

- (d) The Licensee shall allocate an ID number for every type of call, or the call shall be identified by the first name of the Licensee's representative who took the call, and the name of his/her team shall be given to the caller immediately upon completing the call or at the end of the call, as the case may be, in one of the following ways:
 - (1) by electronic mail;
 - (2) by text message;
 - (3) by initiating a telephone call – for subscribers who are blocked from receiving text messages;
 - (4) orally by a representative of the Licensee.
- (e) If a caller using the IVR System selects the option of terminating an engagement, a representative of the Licensee who answered the call is not allowed to transfer the call to another representative or to any other person for the purpose of handling the caller's request to terminate the engagement.
- (f) If a caller using the IVR System selects the option of billing clarification, a representative of the Licensee who answered the call is not allowed to transfer the call to another representative or to any other person except at the caller's express request.
- (g) The Licensee shall not be required to comply with the waiting times specified above on any day that one of the following circumstances transpired (hereinafter – “**Extenuating Circumstance**”):
 - (1) malfunction in a communications network or a malfunction in a leading international application⁵⁵⁸ that caused an interruption of service to a significant ratio of Subscribers;
 - (2) wide-scale blackouts;
 - (3) weather conditions that caused traffic jams on main transportation arteries;
 - (4) terrorist attack or wide-scale disaster;
 - (5) any other incident at the manager's discretion.

⁵⁵⁸ *Facebook, WhatsApp, etc.*

- (h) Deleted⁵⁵⁹
- (i) Insofar as an Extenuating Circumstance has occurred that is a fault in the telecommunications network that has caused damage to the service for a significant portion of the subscribers⁵⁶⁰, the Licensee shall notify the caller, immediately upon connecting to the IVR System, by voice message regarding the nature and location of the Extenuating Circumstance that is causing long waiting times.
- (j) For each type of call, the routing menu of the IVR System shall be comprised solely of the routing options, without announcing any advertisements or offers to join plans or various types of special offers, or any other information that does not directly relate to the routing menu as stated.
- (j1)⁵⁶¹ Notwithstanding sub-section (j), the Licensee may offer through the IVR system proposals to contact it through various digital means.
- (k) At any time, in the event of busy-hour call attempts to a telephone call center, the ratio of callers whose calls will be added to the waiting line for a response will not be less than 90%.
- (l) The Licensee is not allowed to disconnect any call, at its initiative, including automatic disconnection of the IVR System, which was answered by the IVR System or that was added to the waiting line to receive a response.
- (m) In the event that the waiting time for a call of any type is expected to be more than three (3) minutes, the Licensee must notify the caller by recorded message, by no later than after two (2) minutes of the start of the waiting time, that the waiting time is expected to be more than three (3) minutes and that the caller has the option of being redirected to the "leave a message" service or to wait for a human response; if the caller decides to wait for a human response, the Licensee must notify the caller by recorded message of his/her place in the line and the estimated waiting time, and that it shall notify the caller that he/she can switch at any time to the "leave a message" service.

⁵⁵⁹ Amendment No. 98

⁵⁶⁰ Amendment No. 98

⁵⁶¹ Amendment No. 97

6. Recording and documentation of calls

- (a) The Licensee must record every call made on topics relating to billing clarification and termination of an engagement, from the time that a call is answered and until the end of the call.
- (b) A representative of the Licensee shall document the contents of every call of every type in the Licensee's information systems, whether or not the call was initiated by the representative. Documentation as stated shall also include the identification number of the call, the date of the call and the full name of the Licensee's representative who answered the call.
- (c) The Licensee shall retain the recording of the call as specified in subclause (a) in its possession, and the documentation of the contents of the call as specified in subclause (b) for the timeframe as specified in clause 106A(a), so that they shall be available for delivery or forwarding to the manager, upon his request, within five (5) workdays of the date the call was made.

7. Documentation of call data

- (a) The Licensee must retain documentation in its possession of every call that received a human response, for each of the three types of calls specified above in clause 4(c), which must include the following fields:
 - (1) date of the call;
 - (2) source of the call;
 - (3) time the waiting time started (HH:MM:SS);
 - (4) time the call was answered (HH:MM:SS);
 - (5) waiting time until the call was answered (MM:SS).
 - (b) The Licensee must retain documentation in its possession of every call that was disconnected by the caller without having received a human response, for each of the three types of calls specified above in clause 4(c), which must include the following fields:
 - (1) date of the call;
-

- (2) source of the call;
 - (3) time the waiting time started (HH:MM:SS);
 - (4) time the call was disconnected (HH:MM:SS);
 - (5) waiting time until the call was disconnected (MM:SS).
- (c) The Licensee must retain documentation in its possession of every call that was redirected to the “leave a message” service, for each of the three types of calls specified above in clause 4(c), which must include the following fields:
- (1) date of the call;
 - (2) source of the call;
 - (3) time the waiting time started (HH:MM:SS);
 - (4) time the call was redirected to the “leave a message” service (HH:MM:SS);
 - (5) waiting time until the call was redirected to the “leave a message” service (MM:SS).
- (d) The Licensee must retain documentation in its possession pursuant to subclauses (a) through (c) for at least one year after the calls were made.⁵⁶²

8. Deleted⁵⁶³

⁵⁶² Amendment No. 98

⁵⁶³ Amendment No. 98

Appendix F- Service order on the Licensee's or content provider's website⁵⁶⁴

1. Service order from the Licensee

1.1 A service order from the Licensee's website or cellular portal (both hereinafter- "the **website**") shall be done by way of one of the alternatives detailed in section 1.2 or 1.3.

1.2 Random Code

- a) The subscriber shall key in his subscriber number⁵⁶⁵ in the designated place on the Licensee's website.
- b) If the subscriber is blocked from receiving the service, the Licensee shall send the subscriber a text message that notifies him that he is blocked from receiving the service ordered and that he can apply to the Licensee in order to cancel the blocking for the type of said service;
- c) If the subscriber is not blocked from receiving the service, the Licensee shall send the subscriber a text message that includes the following:
 - 1) The name of the service including its classification as "one time" or "continuing";
 - 2) The price of the service; the price shall be displayed in a detailed manner including details regarding a "one time" payment, a "regular" payment for a specific period including noting the period and the price per unit according to which the payment for the service is gauged;
 - 3) A random code of five (5) digits (hereinafter-the "**code sent**");
- d) The subscriber shall key in the code sent on the website, in the designated place;
- e) The Licensee shall compare the code sent with the code that was keyed in by the subscriber as set forth in sub-section (d) (hereinafter-the "**keyed in code**");
- f) If the keyed in code is identical to the code sent, the Licensee shall send the subscriber a text message that notifies him that his registration for the service has been approved and if this is a continuing service-information regarding the manner in which the registration for the service can be cancelled;
- g) If the keyed in code is not identical to the code sent, the Licensee shall send the subscriber a text message that notifies him that his registration for the service has failed due to the lack of said identity.

⁵⁶⁴ Amendment No. 60

⁵⁶⁵(MSN)-Mobile Subscriber Number

1.3 **User Code and Password**

- a) The Licensee shall display on its website in a prominent manner near the designated place for service orders, clear and legible, the following details:
 - 1) The service name including its classification as "one time" or "continuous"; if it is a continuous service-information regarding the manner in which the registration for the service can be cancelled;
 - 2) The service price; The price shall be displayed in a detailed manner including details regarding a "one time" payment, a "regular" payment for a specific period including noting the period and the price per unit according to which the payment for the service is gauged;
- b) The subscriber shall key in the user code and password that were set or confirmed by the Licensee (hereinafter-"**the identification code**");
- c) If the subscriber is blocked from receiving the service, the Licensee shall present the subscriber with a notice on the website addressed only to him stating that he is blocked from receiving that type of service that was ordered and that he can apply to the Licensee in order to cancel the blocking for the said type of service;
- d) The Licensee shall compare the identification code with the user code and password set by the Licensee for the subscriber and that are saved in its system (the "**saved code**");
- e) If the identification code is identical to the saved code, the Licensee shall provide the service to the subscriber;
- f) If the identification code is not identical to the saved code, the Licensee shall send a notice addressed only to the subscriber through the website stating that his registration for the service has failed due to the lack of said identity.

2. **Service Order from a Service Provider⁵⁶⁶**

2.1 A service order on the service provider's website shall be done in the following manner:

- a) Engagement with a service provider within the meaning of Section 60.6, for the purpose of receiving its services, shall be carried out solely through the website of the service provider (hereinafter "**the supplier's website**⁵⁶⁷").
- b) The first item that the subscriber will be required to type on the supplier's website, in the designated place - is the customary payment method - for payment for services provided by or through the Licensee- Pre-paid or post-paid;

⁵⁶⁶ Amendment No. 87

⁵⁶⁷ It is forbidden to contract with a service provider in response to an offer that was sent to terminal equipment or by way of a message that was sent from terminal equipment.

- c) Cancelled⁵⁶⁸
- d) A Pre-paid subscriber shall key in the service provider's website the following;
 - 1) The telephone number in respect of which it is possible to deduct from the balance due to him for consumption of the service;
 - 2) If the loading was done using a calling card-the last four (4) digits of the calling card number; in case the loading was done using a credit card-the last four (4) digits of the credit card.
 - 3) If the loading was done in cash- the box indicating the loading method should be marked accordingly.⁵⁶⁹
- e) The service supplier shall send a notice to the Licensee a notice that includes the details in subsections (c) or (d), as the case may be, as well as the following:
 - 1) The name of the service, including the classification of the service as a service at a "one time" payment or as a service at an "ongoing" payment;
 - 2) Service tariffs.
- f) Immediately after the above said details have been transferred to the Licensee by the service provider, the Licensee will execute a compatibility check between the said details and the information appearing in its information systems. The registration process can only be continued after the Licensee informs the service provider that in the compatibility check the details that were checked were found to be identical.
- g) If the subscriber is blocked for receipt of the service or the details are not identical, as aforesaid, the Licensee will notify the service provider that the subscriber is blocked to receive the type of service requested or his registration for the service failed, as the case may be, and will inform the subscriber via a text message, at no charge, that he is blocked for receiving the type of service requested by him or his registration to the service failed, as the case may be, and that he may contact the Licensee to remove the blockage for the said type of service.
- h) If the subscriber is not blocked from receiving the service, and the details are identical, as aforesaid, the Licensee shall send the subscriber a text message, at no charge, that includes only the following:
 - 1) The service name including its classification as a "one time" or "continuous" service;

⁵⁶⁸ Amendment No. 89

⁵⁶⁹ Amendment No. 90

- 2) The service tariffs;
 - 3) A random code of at least five (5) digits;
 - i) The subscriber shall key in the code, in the designated place on the service provider's website.
 - j) The service provider shall give the Licensee the code keyed in by the subscriber as set forth in sub-section (i).
 - k) The Licensee shall compare the code that it sent to the subscriber with the code that the subscriber keyed in on the provider's site.
 - l) If the code that was keyed in by the subscriber is identical to the code that was sent to him, the Licensee shall send a text message to the subscriber, at no charge, that notifies him that his registration for the service was approved and if this is a "ongoing" service- information regarding the manner in which the registration for the service can be cancelled. In addition, the Licensee shall notify the service provider that it has approved the registration for the service;
 - m) If the code that was keyed in is not identical to the code that was sent to him, the Licensee shall send the subscriber a text message, at no charge that notifies him that his registration for the service has failed due to the lack of identity. In addition, the Licensee shall notify the service provider that the registration for the service has failed.
 - n) A one-time payment service will only be provided to a subscriber once, and the charge for it will be one-time. If the subscriber wishes to receive additional one-time services, he will have to register for the service each time.
-

Appendix G - Insurance Contract

- A. The Appendix will not be published, in accordance with the provisions of Paragraph 108 of the License.
 - B. The Appendix will be completed by the Licensee, in accordance with the provisions of Paragraph 91 of the License.
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570 Appendix H – Bank Guarantee and Letter of Undertaking

The Licensee shall provide the Director General 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 replace any previous guarantee which the Licensee provided to the Director General under the provisions of its license. If the Licensee meets 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 Licensee]* (hereinafter – the "**Licensee**"), 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 MRT services, which was granted to the Licensee.
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 guarantee 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 Licensee.
4. This guarantee shall be valid until *[seven years from the date of receipt of the license]*; the Licensee shall bear any expense entailed in the realization or extension of this guarantee.

Sincerely,
_____ Bank

To
The State of Israel – Ministry of Communications
23 Jaffa Street, Jerusalem

Translation from Hebrew
The Binding version is the Hebrew version

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 MRT services (hereinafter: the "**Guarantee**"), we [*name of Licensee*] (hereinafter – the "**Licensee**") 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*]

Appendix I - Written Undertakings

⁵⁷¹The Letter of Undertaking shall be in this form

To:
The Director General
Ministry of Communications
23 Jaffa Road
Jerusalem

Re: **Letter of Undertaking**

Whereas _____(hereinafter: the “Company”) submitted an application to extend the Company’s general license to provide MRT Services under Tender No. 1/01 (hereinafter: the “License”); and

Whereas as a condition for the extension of the License, the Company is required to prove its ability to finance, in due course, the investments stemming from the business plan that it submitted as part of the basic application in Tender No. 1/01, or other requirements relating to the License;

We hereby declare as follows:

1. We hereby undertake to you, that if the Company wins the extension of the License, in any event that the Company is required to pay a sum of money in order to meet the conditions of the License, or in order to meet the rest of the undertakings connected to the License, whether they stem from the conditions of the License or from any law, such sum shall be obtained and funded from the Company’s direct sources or from external sources that the Company shall ensure to obtain.
2. We are aware that if the Company does not act in accordance with this undertaking, despite having received a written demand from the Director General of the Ministry of Communications, such shall be deemed to be a breach of the conditions of the License.
3. This undertaking is irrevocable, and shall remain in force so long as the License granted to us, if granted, remains in force.

[Name of person making undertaking]

Name of Signatory / Signatories:
His / her / their position:

⁵⁷¹ Amendment No. 14

Translation from Hebrew
The Binding version is the Hebrew version

I hereby certify that the signatories to this Letter of Undertaking are authorized to bind [name of company] by their signature.

_____, Advocate.

()

Limor Livnat
Minister of Communications

Jerusalem, April 7, 1998

572 Appendix J- Access to International Telecommunication Services

1. Definitions

1.1. In this document the following words and phrases shall have the meanings set out beside them, unless the language or context of this document indicates a different meaning:

Bezeq International	Bezeq International Corp. Ltd.
Barak	Barak I.T.C. (1995) The International Telecommunication Company.
⁵⁷³ Occasional Caller	A Subscriber of the Licensee, who calls abroad by means of an International Operator using a three digit dialing code, as detailed out in section 2.
Subscriber Number (or Telephone Number)	A group of digits in a certain order, including prefix, which, if dialed, should create telecommunications connection between the calling Subscriber's terminal equipment and the terminal equipment of the called Subscriber; A called Subscriber's number may be a Subscriber's number of a number to a Subscriber's telephone call centre or a number to a Licensee's telephone service call centre ⁵⁷⁴⁵⁷⁵ .
International Operator	A person supplying international telecommunications services to the public in Israel, pursuant to a general license granted by the Minister.
Preselected Operator	The International Operator selected by a Subscriber, pursuant to the provisions of Section 4 ⁵⁷⁶⁵⁷⁷ .

⁵⁷² Amendment No. 1
⁵⁷³ Amendment No. 2
⁵⁷⁴ Amendment No. 2
⁵⁷⁵ The Telephone Number is set by the Licensee, in accordance with the rules and guidelines set by the Director General.
⁵⁷⁶ Amendment No. 2
⁵⁷⁷ The selected Operator can be one of Bezeq International, Barak or Golden Lines.

Access Code	A group of numbers in a certain order, the dialing of which enables access to a particular telecommunications services provided by a given operator; the dialing of further access codes, as required, and a Subscriber Number, should create a telecommunications connection to the Subscriber's terminal equipment. Where the access code is to a manned centre, the service is provided by a telephone operator. ⁵⁷⁸
Short Dialing Code	The “00” or “188” Access Codes, which are designated for the receipt of International Telecommunication Services, whether by direct dialing or by means of an operator as specified in section 2.
Golden Lines	Golden Lines International Communications Services Ltd.
Subscriber Allocation	The technical definition effected by a domestic operator at its switch allowing for calls made by its Subscribers, by means of a Short Dialing Code, to be redirected to the switch of the Preselected Operator.
Outgoing International Telecommunication	The transfer of a speech or facsimile message via an International Telecommunications system initiated by a Subscriber of the Licensee.
Incoming International Telecommunication	The transfer of a speech message or a facsimile message via an International Telecommunication system initiated by a caller from abroad.
International Telecommunications Service	A telecommunications service granted to the public in Israel pursuant to a license granted by the Minister, by means of an International Telecommunications system of an International Operator.
International Telecommunications	A bi-directional simultaneous transfer of speech or a bi-directional simultaneous transfer of facsimile messages through an International Telecommunication system.

- 1.2. Words and phrases in this document, insofar as not defined above, shall have the meaning ascribed to them in the Law, the Regulations enacted pursuant thereto, the Interpretation Law, 1981, or as specified in the appropriate places in the General License of the Licensee and in the licenses of International Operators, save where the language or context indicate a different meaning.

⁵⁷⁸ Amendment No. 2

2. Allocation of Access Code

- 2.1. In order to access the International Telecommunications Services the Licensee shall redirect to the International Operators' switches the Subscribers' dialing of the following Access Codes:
- a) **A two-digit Access Code** – the '00' Access Code, which will serve as the Abbreviated Access Code for International Telecommunications Services provided by the Selected Operator. Should the Subscriber dial the prefix '00', the call will be routed by the Licensee to the Pre-selected Operator.
 - b) **A three-digit Access Code** – a '01X' type Access Code, which will serve as the Access Code to International Telecommunication Services provided to an Occasional Caller; should a Subscriber dial the '01X' prefix, the call will be routed by the Licensee to the appropriate International Operator according to the variable number 'X'; the variable number X is the code of the International Operator, in accordance with the following breakdown:
 - (i) '2' – the code for Golden Lines services;
 - (ii) '3' – the code for Barak services; and
 - (iii) '4' – the code for Bezeq International services.
 - c) ⁵⁷⁹**The '188' Access Code**-this shall serve as the number for operator services; when a Subscriber dials '188' the call will be transferred by the Licensee to the operator services of the Preselected Operator.
 - d) **Four digit Access Codes**- a number of type '18XY', which will serve as an Access Code for the various International Telecommunications Services provided by each International Operator; when a Subscriber dials '18XY', the call will be redirected by the Licensee to the appropriate International Operator according to the digit X; the digit X is the International Operator code set out in section 2.1(b); the digit Y may be any digit from 1 to 9, and the digit 0; the use of the number Y shall be determined by the Director General, in consultation with the International Operators, in order to ensure uniformity; every International Operator should be allocated ten (10) four-digit Telephone Numbers as aforesaid; these numbers will be accessible by both Subscribers of the Preselected Operator and by Occasional Callers.
- 2.2. Where the Licensee allows their Subscribers to use a different Short Dialing Code (such as +) in place of the "00" Access Code ("Special Code"), all the terms and regulations applying to the "00" Short Dialing Code shall apply to the Special Code.
- 2.3. Dialing by means of a pre-paid program to unidentified Subscribers who have not been blocked from Outgoing International Telecommunications will be possible only by means of three digit Access Codes of the type 01X and Access Codes of the type 01XY; with a Short Dialing Code or a Special Code, a recorded voice message shall be played directing the customer to dial the aforementioned Access Codes, which are available for his use.

⁵⁸⁰**2A Subscriber Accessibility to Outgoing International Telecommunications**

2A.1 The Licensee shall allow a Subscriber to act as one of the following, regarding Outgoing International Telecommunications:

- a) As an allocated Subscriber.
- b) As barred.
- c) As an Occasional Caller.

3. Blocking of Outgoing International Calls and Removal of the Blocking

- 3.1 The Licensee shall block Outgoing International Telecommunications and may also block collect Incoming International Telecommunications for any Subscriber who requests to block access to International Services, or to a Subscriber whose International Services in respect of Outgoing International Telecommunications has been suspended or disconnected, in accordance with the provisions set forth in the License. The Licensee may not block Incoming International Telecommunications, other than collect calls.
- 3.2 ⁵⁸¹Should Outgoing International Telecommunications be barred as requested by the Subscriber, the Licensee shall remove the bar as follows:
- (a) If the Subscriber requests to pre-select a carrier, he shall sign an appropriate form noting the International Carrier he chooses as his "Preselected Carrier"; A notice which was transmitted by means of a facsimile machine shall be deemed in this matter as a written notice by the Subscriber.
 - (b) If the Subscriber requests to be an Occasional Caller, he shall notify the Licensee; If the notice is given orally, the Licensee shall verify the identity of the person making the request.
- 3.3 The Licensee shall block Outgoing International Telecommunications or remove such blocking, carried out based on the Subscriber's request, as follows:
- 90% within one working day of receipt of the notice; requests received after the hour 15:00, shall be deemed to have been received on the next working day;
 - The rest within five working days.
- 3.4 The Licensee will ensure that Subscribers whose Outgoing International Telecommunications have been blocked are unable to make any outgoing calls with the Access Codes "00", "01X", "188" and "18XY" or any other code that will replace it⁵⁸².
- 3.5 The Licensee may charge a reasonable fee for effecting the blocking of Outgoing International Telecommunications or for removing the block.
- 3.6 Notwithstanding the provisions of section 3.5 above, the Licensee shall permit any new Subscriber, to block Outgoing International Telecommunications, for no charge before commencing the provision of services to that Subscriber.

⁵⁸⁰ Amendment No. 21

⁵⁸¹ Amendment No. 21

⁵⁸² Amendment No. 21

- 3.7 The Licensee shall ensure that every Subscriber whose access to Outgoing International Telecommunications has been blocked, receives an appropriate voice message when he dials Access Codes or Telephone Numbers for access to International Services.
- 3.8 Where a Subscriber who selected a Preselected Operator has requested to block Outgoing International Telecommunications, the Licensee shall notify as such the Preselected Operator within seven (7) work days from the day the blocking was executed.

4. Subscriber's Choice of a Pre-selected Operator

- 4.1 A Subscriber of the Licensee may inform an International Operator in writing, by use of a signed form which has been approved by the Director General, that he has chosen as the Pre-selected Operator, by means of which he wishes to receive International Telecommunication Services with the '00' and '188' Access Codes; ⁵⁸³The form shall include the following details of the Subscriber: the Subscriber's first and last name or the corporate name, address, and the Telephone Numbers for which the Subscriber wishes to appoint the International Operator as the Pre-selected Operator and the date and time on which the Subscriber's instructions were given; The form will clearly state that only one International Operator can be appointed in respect of each Telephone Number, and it will comply with the requirements set forth for this purpose in the International Operator's license (the "Pre-selection Form").
- 4.2 A Subscriber may change his Pre-selected Operator at any time by means of a written notice on the Pre-selection Form; No fee will be charged for the first selection, which was effected at his request, however, for any subsequent change of selection the Subscriber will pay a reasonable fee.
- 4.3 The Pre-selected Operator will notify the Licensee that he has been selected by the Subscriber as his Pre-selected Operator (the "Pre-selection Notice"). The Pre-selection Notice will include the Subscriber's particular's – first name and last name, address and the Telephone Numbers for which the Subscriber wishes to appoint the International Operator as the Pre-selected Operator. The Pre-selected Operator will deliver Pre-selection Notices to the Licensee by means of the signed Pre-selection Forms in its possession. Pre-selection Notices will be delivered by magnetic medium, or in another manner which will be agreed upon between the Licensee and the International Operators; In the event that two or more Pre-selection Notices, which relate to the same Telephone Number, are transmitted to the Licensee, the Licensee will act in accordance with the Pre-selection Notice, which bears the later date and time.
- 4.4 Should a person apply to become a new Subscriber of the Licensee, he will be required to state in his application the International Operator, with whom he wishes to contract as a Pre-selected Operator. The Licensee will enable every new Subscriber to choose their own Pre-selected Operator or to block its Outgoing International Telecommunications or will enable the Subscriber to receive Outgoing International Telecommunication services solely as an Occasional Caller; Initial allocation services or connection as an Occasional Caller and blocking of Outgoing International Telecommunications will be provided to a new Subscriber free of charge at his initial registration.

⁵⁸³ Amendment No. 2

- 4.5 For the purpose of carrying out the procedure for appointing a Pre-selected Operator, and without derogating from the foregoing, the Licensee will act in the following manner:
- a) The Licensee will enable each Subscriber, who owns a number of Subscriber lines, to set some of them aside for one International Operator as a Pre-selected Operator and to set other of them aside for another International Operator as a Pre-selected Operator;
 - b) Annulled⁵⁸⁴;
 - c) ⁵⁸⁵The Licensee shall effect Subscriber Allocation within one working day from the date of receipt of the Preselection notice from the Preselected Carrier.;
 - d) The Licensee will inform the International Operator of the completion of the Subscriber allocation as aforesaid in section c, including any change in the selection, of the date and in the manner agreed upon by the Licensee and the International Operator; the report shall include the Subscriber's details- the Subscriber's first and last name or the corporate name, address, and the Telephone Numbers allocated to the International Operator.
 - e) The Licensee shall transfer on a daily basis to all International Operators, a daily modification file of Subscriber Ascription("Modification File") that includes the details of the Subscribers that ascribed to the International Operator or terminated the ascription that day. The Modification File shall be transferred in the time and manner that will be agreed upon between the Licensee and the International Operator. The file shall include the details of the Subscriber and at least the following: first and last name or corporation name, ID number or corporation number, address and telephone number ascribed to the International Operator.⁵⁸⁶
 - f) The Licensee may apply to the Director General to permit it, in certain cases, to set rules and limitations concerning a Subscriber allocation. The Licensee will specify the technical or operational reasons upon which its request is based; where the Director General, on the basis of his professional discretion, approves the foregoing request of the Licensee, he will set the period during which the rule or limitation will be in effect.
 - g) Deleted⁵⁸⁷
 - h) If disagreements occur between international operators or between the Licensee and an international operator regarding the selection of an operator by a subscriber, the matter shall be decided by the Director General or by an independent arbitrator that will be appointed by the Director General in accordance with his sole discretion.

⁵⁸⁴ Amendment No. 21

⁵⁸⁵ Amendment No. 21

⁵⁸⁶ Amendment No. 17

⁵⁸⁷ Amendment No. 98

1. ⁵⁸⁸The number of Subscribers connected to international services solely as Occasional Callers.
 - i) In the event that differences of opinion arise between the International Operators or between the Licensee and an International Operator with respect to the selection of a Subscriber of a Pre-selected Operator, the matter will be referred for settlement to the Director General or to an independent arbitrator, appointed by the Director-General at his sole discretion.
- 4.6 The dialing by a Subscriber of the Access Code "00" or another Special Code to access International Telecommunications Service to redirecting a call to the Licensee's Subscriber located outside Israel by means of an International Operator (Subscriber's follow me services), shall be redirected by the Licensee to the Pre-selected Operator.
5. **Annulled**⁵⁸⁹
6. **Blocking 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.
 - 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) .
 - 6.3 Annulled
 - 6.4 Annulled
 - 6.5 Annulled
 - 6.6 Annulled
 - 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:
Second Schedule for Cellcom Israel Ltd. Company's General License for Cellular Telephone Network (Cellular) Services. Consolidated Version as of December 12, 2010
(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.

⁵⁸⁸ Amendment No. 21

⁵⁸⁹ Amendment No. 2

7. Interconnectivity⁵⁹⁰

- 7.1 The Licensee will connect its system, directly or indirectly, in accordance with its License, to the International Telecommunications Systems of all international operators in a manner which will enable every Subscriber to receive International Telecommunications Services, by means of the International Telecommunications System of each International Operator, including Outgoing International Telecommunications and Incoming International Telecommunications, direct dialing, operator assisted dialing ('188' service as aforementioned in section 2.2(a)), the "Israel Direct" service, collect services (from overseas to Israel, from Israel to overseas), international 1-800 services (incoming and outgoing calls), calling card services, from and to any destination abroad.
- 7.2 The technical, operational and commercial arrangements between the Licensee and the International Operator shall ensure that the following is provided to each Subscriber:
- a) Quality service, including quality control and means to check and handle complaints of Subscribers with respect to the quality of service;
 - b) Reliable and accurate charging of the Subscriber, including auditing of the charge, and means to check and handle complaints of Subscribers with respect to wrongful charges and the ways and means for the identification and prevention of deceit and fraud;
 - c) A consumer response service for Subscribers to call in order to make applications and receive clarifications, together with the ways and means to provide a detailed bill to the Subscriber, and to deal with Subscriber requests in respect of any issue concerning the receipt of International Services.
- 7.3 For the implementation of all the foregoing in this Appendix, the Licensee will act, inter alia, as follows:
- a) The Licensee will, at all times, enable every Subscriber that has not blocked Outgoing International Telecommunications, to make calls abroad via the International Operator selected by him or as an Occasional Caller, using the dialing format specified in section 2;
 - b) The Licensee will enable every Subscriber to change his Pre-selected Operator; this service will be provided for a reasonable fee;
 - c) The Licensee will take reasonable measures to prevent the allocation of a Subscriber to a Pre-selected Operator without his knowledge or against his will ("Slamming"); these measures will include the identification of the Subscriber and the verification of the Subscriber's right to receive the service;
 - d) Every Subscriber will be given, free of charge, a service enabling him to identify the name of his Pre-selected Operator;

⁵⁹⁰ Amendment No. 2

- e) The Licensee will offer non-discriminatory terms to each International Operator, including with respect to commercial terms, billing and collection arrangements, the availability of the connection facilities and the quality of service; without derogating from the generality of the foregoing, the Licensee will provide service to all the International Operators on non-discriminatory terms including with respect to Interconnection, the supply of infrastructure facilities and Network connection services, the execution of changes to switching, Facilities, protocols and Network Interfaces;
 - f) The terms for Interconnection between the Licensee's system and an International Telecommunications System of an International Operator will be reasonable and non-discriminatory; In the event that the parties cannot reach an agreement in this regard, the Minister will resolve these matters;
 - g) The Licensee will make available to the Director General a copy of each agreement between the Licensee and an International Operator regarding interconnection;
 - h) The Licensee shall transfer to any International Operator which requests, the details of a Subscriber who refuses to pay the Licensee payments which are meant for the International Operator for International Telecommunication Services used by the Subscriber through the International Telecommunications System of an International Operator, whether the Subscriber is allocated to the International Operator or is an Occasional Caller; these details shall include the Subscriber's first and last name or the corporate name, identity number of corporate number, address and the Telephone Number.
 - i) ⁵⁹¹it shall permit the International Carrier to directly collect payment for their services, from a Subscriber who is allocated to that International Carrier and has chosen to receive from it charging and collecting services directly; the Licensee shall make available to the International Carrier any vital information that the International Carrier may need in order to provide charging and collecting services to an allocated Subscriber;
 - j) shall provide its services to an allocated Subscriber that has chosen to receive charging and collecting services directly from their International Carrier on equal conditions and equal rates.
- 7.4 The International Operators will equally bear the costs for the application of the interconnectivity and, if requested, the expenses for the initial allocation of the Subscriber to the Pre-selected Operator; The amount of the foregoing payments will be determined in negotiations between the Licensee and the International Operators; In the event that the parties are unable to reach an arrangement, the Minister will issue directives regarding these matters, after affording the parties a reasonable opportunity to present their claims.

⁵⁹¹ Amendment No. 20

Annex M-Adult Voice Services⁵⁹²

1. Definitions

- 1.1 In this Annex:
- “Licensee”

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A party that has received from the Minister a general license to provide Wireline Domestic Telecommunications Services or to provide MRT Services;

“Telephone Bill”

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A statement that the Licensee provides to a Subscriber for services rendered;

“Writing”

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Including by means of a facsimile machine or electronic mail;

“Service Number”

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A set of numbers that have been allocated by the Licensee to a Service Provider of Adult Voice Services, available by dialing a phone number, subject to the provisions of the Numbering Plan and administrative provisions for this purpose, and which the dialing of such numbers after the Dialing Code will allow the Subscriber access to Adult Voice Services;

“Service Provider”

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Whoever provides Adult Voice Services through the Network and the payment for the service is done through the Telephone Bill;for the purpose of Adult Voice Services available by dialing a phone number, the access to the service shall be done by a Service Number,

⁵⁹³“Adult Voice Promo”-

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The playing or display of a voice or contractual message of sexual content, including a recorded message, provided through a public telecommunications installation, either directly or indirectly, and the said message intends to relay information regarding the service that will follow the message or encourage use of it, as long as there is no additional charge for the playing or the display of the message besides the cost for the call that is charged through the telephone bill.
- For this matter, "indirectly"- including a connection from the terminal equipment of the Subscriber as a condition for the provision of the Adult Voice Promo."

⁵⁹² Amendment No. 34

⁵⁹³ Amendment No. 37

- “Dialing Code”**

 - A domestic dialing code by a plan set by the Ministry for the purpose of Adult Voice Services;
- “The Network”**

 - the Public Telecommunications Network of the Licensee;
- “Adult Voice Services”**

 - A voice service or display of a voice or contractual message of sexual content, including a recorded message, provided through a public telecommunications installation, either directly or indirectly, including a service for encounters, conversations (chat) or relaying of messages between occasional callers, that are intended or serves as, even partially, for sexual purposes, and including the following:
 - (1) service available by dialing a telephone number provided by the Service Provider;
 - (2) access service to a closed database of content, including multimedia files provided by the Licensee or someone else that provides the service with the consent of the Licensee (" **the Cellular Portal**"); ⁵⁹⁴

For this matter, "indirectly"-including connecting from terminal equipment of a subscriber as a pre-requisite for providing the service or charging for it;
- “Payment Regulations”**

 - Communication Regulations
(Telecommunications and Broadcasting)
(Payments for Telecommunication Services), 2005
- “Special Payment”**

 - A fee set forth in Article 6, and which the Subscriber must pay for Adult Voice Services in addition to the Regular Payment;
- “Duration Payment”**

 - A Special Payment set in accordance with the the amount of time that the Subscriber uses the Adult Voice Services;
- “Regular Payment”**

 - One of the following:
 - (a) In a call within the Network-payment that shall not exceed the fixed payment in accordance with the tariff settlement between the Subscriber and the Licensee regarding a call to another subscriber within the same network;

⁵⁹⁴ Amendment No. 36

- (b) In a call from one MRT network to another MRT network or to a DO Network-payment as set forth in sub-section (a) in addition to a fee that shall not exceed 0.50 NIS per minute (including VAT).
- (c) In a call from the Bezek Corporation Network to an MRT network-payment that shall not exceed the fee set forth in section "D" in chart A of the First Supplement to the Payment Amendments, in addition to 0.50 NIS per minute (including VAT).
- (d) In a call from a DO Network, excluding the Bezek corporation network, to an MRT network-payment that shall not exceed the payment set forth in the payment schedule between the subscriber of the DO and the DO, regarding a call to another subscriber on the same network, in addition to 0.50 NIS per minute (including VAT).
- (e) In Adult Voice Services that are provided through a Cellular Portal-payment that shall not exceed the set payment in accordance with the payment schedule between the subscriber and the Licensee regarding access service to the Cellular Portal.

2. **Access to Adult Voice Services**

- 2.1 Subject to Article 4 below, the access to Adult Voice Services for a Subscriber available by dialing, shall be done through the Dialing Code and the Service Number.

3. **Allocation of a Service Number**

- 3.1 For Adult Voice Services available by dialing, the Licensee may allocate a Service Number to a Service Provider; If the Licensee allocates such a Service Number, the Licensee shall allow the Service Provider to offer its services both to the Licensee's Subscribers as well as to the subscribers of other licensees.

4. **Barring Access to Adult Voice Services**

- 4.1
- a) The Licensee shall bar access to the Adult Voice Services from all Terminal Equipment connected to the Network; without derogating from the above, for the purpose of barring access to Adult Voice Services available by the Cellular Portal, the Licensee may use blocking devices, including content filter programs, as long as they effectively prevent the access to such service.
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- b) ⁵⁹⁵If the Ministry of Communications should notify the Licensee that an AdultVoice Promo is being provided through a telephone line on the Licensee's network and the access to it is being provided not through a service number, the Licensee will disconnect the said line, or shall block the line for incoming calls.

4.2

- a) A Subscriber over 18 years of age may request that the Licensee remove the blocking set forth in Article 4.1 (a) from the Terminal Equipment in his possession.
- b) ⁵⁹⁶A subscriber's request to remove the bar to Adult Voice Services that is provided in the cellular portal, shall be done by submitting a written request, including by sending a facsimile message or a scanned message by electronic mail, that will include a copy of formal document that identifies the subscriber as an adult, for example an identification card, drivers license, passport or by appearing before the licensee and presenting such an identifying card.

4.3 A Subscriber's request to remove the bar shall be either in Writing or an oral request, as long as the Licensee has set out procedures for credible identification of the Subscriber making the request.

4.4 If a Subscriber requests to remove the bar, the Licensee shall remove the bar within a reasonable amount of time, so as to allow the Subscriber access to Adult Voice Services through the Terminal Equipment in his possession.

4.5 If the bar to Adult Voice Services has been removed, and the Subscriber requests to bar access from his Terminal Equipment to such services, the Licensee shall bar access as quickly as possible and in any case, no later than two working days from the date of receipt of the Subscriber's request.

4.6 The first removal of the bar to Adult Voice Services that was done in accordance with the Subscriber's request as set forth in Articles 4.2 and 4.3 shall be done free of charge; the Licensee shall be allowed to charge the Subscriber a reasonable fee for any additional bars to Adult Voice Services or for any additional removal of bars, that are done in accordance with the Subscriber's request.

4.7 The Licensee shall document the Subscriber's request to remove the bar to Adult Voice Services. The documentation will be available at the Licensee delivery or transfer, as the case may be, to the Director within five (5) working days from the date that the Subscriber submitted his request.⁵⁹⁷

⁵⁹⁵ Amendment No. 37

⁵⁹⁶ Amendment No. 44

5. Preliminary Registration

Notwithstanding the abovementioned in Article 4, the Licensee may deem necessary preliminary registration of the Subscriber in order to receive a password that will be conditional for receiving Adult Voice Services.

The provisions of this Article shall not derogate from the abovementioned in Articles 4.2-4.3

6. Setting Special Payment

If Special Payment is set for Adult Voice Services, the amount shall be set by the Licensee or by an agreement between the Licensee and the Service Provider.

7. Charging the Subscriber for Adult Voice Services

7.1 If Special Payment is set for Adult Voice Services, the Licensee shall display the charge for the service in the Telephone Bill separately from the charges for other services of the Licensee, unless the Subscriber requests otherwise.

7.2 The Licensee shall provide the Subscriber within ten (10) working days with the details of the Special Payment for Adult Voice Services in accordance with the following:

- a. The Service Number allocated for the service;
- b. The date and time of receipt of the service;
- c. The time unit charges-a charge in accordance with the duration- the number of time unit charges that were counted or the total amount of the Special Payment; in case of charging according to data volume (for example-MB, KB)-the number of data volume units of the data that were transmitted;
- d. The amount charged for that service.

The Licensee may collect a reasonable payment for providing the details of the Special Payment.

8. Announcement Obligation

8.1 If Special Payment is set for Adult Voice Services provided through the Network, the Licensee shall play, either himself or through the Service Provider at the beginning of the call, a recorded message that includes the following details:

- a. The essence of the service;

- b. The amount of the Special Payment for the service, either the total amount, by Duration Payment or volume transmission, whichever is relevant;
- c. The possibility to disconnect from the service free of charge before the sound of the tone, as set forth in Article 8.4.

- 8.2 The recorded message shall be in the language that the Adult Voice Services are provided, in clear and fluent language, at a reasonable pace and without any recording distortions.
- 8.3 At the beginning of the Adult Voice Services that are provided in a language other than Hebrew, a message will be played that details the language the service is provided in and afterwards the recorded message will be played in the language the service is provided, as set forth in Articles 8.1 and 8.2.
- 8.4 At the end of the recorded message as set forth in Article 8.1, the caller will have 5 seconds after which a tone will be played to indicate the beginning of the receipt of the Adult Voice Services; If the caller disconnects before the tone is played, he shall not be charged the Special Payment. Alternatively, the caller will be required to punch a certain key in his Terminal Equipment in order to confirm his wish to receive the service, and only from that moment will the Subscriber will charged the Special Payment.
- 8.5 If Special Payment is set for Adult Voice Services available by accessing the Cellular Portal, the Licensee shall notify the subscriber of the service charge in a clear and prominent manner, while allowing the subscriber the ability to disconnect from the service without being charged the Special Payment.

9. The Relationship between the Licensee and the Service Provider

- 9.1 The Licensee may allow the Service Provider to perform Telecommunication Activities through the Licensee's installations in order to provide Adult Voice Services; The Service Provider shall be exempt from the duty to receive a license to perform Telecommunication Activities in accordance with the provisions of Article 3 (5) of the Law.
- 9.2 The Licensee shall include the provisions of this Annex, with the necessary changes, in the agreement between himself and a Service Provider, in such a manner that the Service Provider must comply with these provisions.
- 9.3 The Licensee shall provide the Director, in accordance with his request, with any agreements between the Licensee and a Service Provider.

10. Interconnection

- 10.1 The conditions for Interconnection between the Network and the Public Telecommunication Network of another licensee, with respect to the provision of services for charging and collecting by one licensee for another licensee, for the provision of Adult Voice Services through the network for the subscribers of another licensee, shall be set forth in an agreement between the Licensee and the other licensee; should the parties not reach an agreement, the Minister shall decide the matter.
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- 10.2 The Licensee shall pass to the Director, upon his request, a signed copy of any agreement between the Licensee and another licensee regarding the matter of Interconnection.

11. General

- 11.1 The Licensee shall be responsible for handling complaints of customers of the Adult Voice Services, regarding Subscriber problems in accessing the service, problems of charges and collection regarding the service, and shall create for this purpose a mechanism to handle customer complaints; The Service Provider shall be responsible for handling customer complaints regarding the contents of the service. If the Licensee provides the Adult Voice Service himself, the Licensee shall also be responsible for handling customer complaints regarding the contents of the service.
- 11.2 The Licensee shall not be allowed to disconnect, stop or impair the basic telephone service of a Subscriber that contests the payment for Adult Voice Services and refuses to pay, however he may disconnect such a Subscriber from the receipt of further Adult Voice Services.
- 11.3 The Licensee shall not pass the details of the Subscriber to the Service Provider or anyone else without written confirmation of the Subscriber and after verifying the credibility of the confirmation.
- 11.4 The Licensee shall give any Subscriber who so requests, free of charge, within three (3) working days, details regarding the Service Provider as follows:
- a. The name and address of the provider.
 - b. The phone number by which the provider can be reached.
- 11.5 This Annex shall also apply with the necessary changes, to the provision of Adult Voice Services that are provided as a network service only to the Subscribers of the Licensee.
- 11.6 The Licensee may provide the Adult Voice Services himself and the provisions of this Annex will apply with the necessary changes.
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⁵⁹⁸Appendix N-Premium Service that are provided at a Premium Tariff⁵⁹⁹

1. **Definitions**

1.1 In this Appendix:

"Licensee"-	One who has been given a general license pursuant to the law;
" Hosting Licensee"-	A Licensee that through its network the service provider provides its services;
"Origin Licensee"-	A domestic fixed-line or cellular Licensee, whose subscriber wishes to purchase a premium service;
"Service Order"-	Any action that the subscriber initiates in order to receive a premium service, including calling a prefix code, entering the subscriber's telephone number, entering a password and entering a code;
"Telephone Bill"	A bill given to the subscriber by the Licensee for services provided to him;
"Writing"	Including via facsimile or electronic mail;
"International Operator"-	One who has been given a general license for the provision of international telecommunication services;
"Subscriber"-	An Origin Licensee's subscriber;
"Service Number"-	A 10 digit telephone number that was determined in accordance with the provisions of the numbering plan and the administrative provisions for this matter, that include a predestined prefix code with additional digits, that the Hosting Licensee will allocate to the Service Provider and which number if dialled allows the Subscriber access to the Premium Service;
"Service Provider"-	One who provides a Premium Service via the telecommunications network of a Licensee, and payment for the service is made through the telephone bill;

⁵⁹⁸ Amendment No. 75

⁵⁹⁹ Amendment No. 80

"Prefix Code" -	A national prefix code in such model as prescribed by the Ministry for access to a Premium Service;
"Network" -	A set of telecommunication facilities through which the Licensee provides its services;
"Premium Service" -	Audio broadcast or presentation of an audio or visual message, including a recorded message, provided via a telecommunications facility, directly or indirectly, for among others, one of the following: provision of information and content, entertainment, receipt of consultation, dating service, chats, participation in competitions, lottery, game or voting or a service provided via the internet, excluding erotic services; for this matter, "indirectly"- including by way of creating a connection from the Subscriber's end user equipment, or entering the Subscriber's telephone number, including through the internet, as a condition for providing the service or for charging for it;
"Premium Tariff" -	The tariff for payment for a Premium Service, in accordance with the Hosting Licensee's requirement; this tariff will include a tariff for completion of the call on the Hosting Licensee's public telecommunications network, that was determined in accordance with the Telecommunications Regulations (Bezeq and Broadcasting) (Payments for interconnection), 2000, and for the matter of a service provided by an International Operator as a Hosting Licensee, the tariff will include the payment that the International Operator will retain;
"Regular Tariff" -	A tariff that is collected from the Subscriber by the Origin Licensee, in accordance with the tariff plan set forth in the engagement agreement it has with the Subscriber. ⁶⁰⁰

1.2 Words and expressions in this Appendix that are not defined in this section, shall have the meaning as ascribed to them in the law, its regulations enacted by virtue thereof, in the Interpretation Law, 1981, in article 1 of the License or as set out in other places in this Appendix, unless otherwise deriving from the language or context.

2. **Access to the Service and Universality Requirement**

2.1 An Origin Licensee shall allow every Subscriber access to all Premium Services that are provided via all of the networks of the Licenses.

⁶⁰⁰ *In case the Subscriber has a limited monthly minutes plan, the Licensee will deduct the payment according to the length of the call from the monthly allocated minutes; in case the Subscriber has an unlimited plan, he will not be charged for an additional payment for dialing a Service Number; in case the Subscriber has a tariff plan that is not part of a package, his Regular Tariff will be identical to the tariff for a one minute domestic call.*

- 2.2 A Hosting Licensee shall allow all callers of all the Licensees access to the Premium Services that are provided through its network.
- 2.3 Hosting Licensees and Origin Licensees shall allow the provision of Premium Services only via the Prefix Code and the Service Number.
- 2.4 A referral to the Prefix Codes shall be done only for the purpose of receipt a Premium Service; a referral to the said Prefix Codes for other purposes, including debit and collection arrangements, customer service or administration, is strictly forbidden.
- 2.5 The Licensee shall block the access to a telephone number, including an international number, without the Prefix Code to the Premium Service, insofar as it is notified by the Ministry, or it comes to its knowledge otherwise, that the Premium Service is provided via this telephone number.
3. **Recorded Message Requirement and Notification to the Subscriber**
- 3.1 Immediately following the execution of the engagement, and before provision of the Premium Service, the Hosting Licensee shall play a recorded message for the caller, in the language in which the service is provided, in clear and concise language, and without recording disruptions. The recorded message shall include these details, according to the following order:
- a) The essence of the service;
 - b) The premium tariff, in addition to the Subscriber's Regular Tariff;
 - c) The maximum tariff that can be charged for the service;
 - d) The maximum time that has been set for the receipt of the Premium Service, insofar as it has been set;
 - e) ⁶⁰¹The ability of the caller to disconnect the call before the beginning of provision of the service, with no charge, by the end of hearing the sound as set forth in article 3.2.
- 3.2 ⁶⁰²Upon hearing the end of the recorded message, as set forth in article 3.2 and before the beginning of provision of the service, the Hosting Licensee shall play a special sound for the caller and afterwards be given at least a 5 second pause to disconnect the call, without being charged at the Premium Tariff; the Licensee may give the Subscriber the opportunity to confirm receipt of the service by pressing a certain key on the handset in his possession in order to begin the provision of the service even before the said pause is over.
- 3.3 If access to the Premium Service has been blocked as set forth in article 7.1, the Origin Licensee will play a recorded message for the Subscriber that the said service cannot be provided, due to access blockage to the Prefix Code. The Licensee may give details in the recorded message as to how the blockage can be removed.

⁶⁰¹ Amendment No. 78

⁶⁰² Amendment No. 78

4. **Service Purchase**

4.1 ⁶⁰³At the end of the said procedure in article 3.2, the caller will be given the opportunity to purchase the Premium Service.

4.2 Service purchase shall be done separately for each service, and in accordance with the Prefix Code and the purchase of a certain service shall not be considered as the purchase of an additional service, whether the same service or whether another service.

5. **Service Price**

5.1 In all of the Prefix Codes set forth below, the service tariff for the Subscriber will be the premium tariff for the service in addition to the Regular Tariff.

5.2 For a service provided with the 1-900 Prefix Code, a maximum amount of NIS 0.5 can be required for a call minute and no more than NIS 30 for the entire call.

5.3 For a service provided with the 1-901 Prefix Code, a maximum amount of NIS 50 can be required, whether if the premium tariff for the service is determined in a one-time manner or whether the tariff is determined according to the length of the service or a combination of the two.

5.4 For a service provided with the 1-902 Prefix Code, a maximum amount of NIS 100 can be required, whether if the premium tariff for the service is determined in a one-time manner or whether the tariff is determined according to the length of the service or a combination of the two.

5.5 Subject to the aforesaid in articles 5.2-5.4, the obligating premium tariff is the tariff that was given to the Subscriber in the recorded message, before provision of the service, in accordance with article 3.1.

5.6 The prices set forth in this article include VAT.

6. **Collection and Debiting Arrangements**

6.1 The Origin Licensee shall not collect from a Subscriber payment for a Premium Service that is given contrary to the provisions of this Appendix.

6.2 The Origin Licensee will collect from the Subscriber payment for the Premium Service in accordance with the debit records that the Hosting Licensee gives him, in addition to the Regular Tariff.

6.3 The Hosting Licensee shall give at least once a day⁶⁰⁴, the Origin Licensee the debit records for the Premium Service provided to the Subscriber, as advised to the Subscriber in the message in accordance with article 3.1.

⁶⁰³ Amendment No. 78

⁶⁰⁴ Amendment No. 81

- 6.4 The Origin Licensee shall give the Hosting Licensee payments that it collected from its Subscribers for Premium Services, according to the premium tariff and will not be required to do so with respect to payments that it was unable to collect from its Subscribers.
- 6.5 If the Subscriber disconnects the call before the provision of the service begins, the Origin Licensee is allowed to collect from him a Regular Tariff and will not give the interconnection tariff to the Hosting Licensee, as set forth in the Telecommunications Regulations (Bezeq and Broadcasting) (Payments for interconnection), 2000 (hereinafter- ("**Interconnection Regulations**").
7. **Termination of a Premium Service**
- 7.1 A Hosting Licensee may disconnect the caller of the Premium Service when the payment for the call reaches the maximum amount as set forth in article 5.
- 7.2 The Origin Licensee shall block the Premium Service for pre-paid Subscribers, upon completion of the available balance of the Subscriber or at the latest upon receipt of the Premium records file⁶⁰⁵.
- 7.3 The aforesaid in article 7.2 will apply also to pre-paid Subscribers that have limited credit and that have reached the maximum amount of credit agreed with them.
8. **Access Blockage to the Service**
- 8.1 The Licensee shall allow every Subscriber, existing or new, to choose whether the access from his telephone line to Premium Services at 1-900 and 1-901 Prefix Codes shall be open or blocked. The Subscriber's decision shall be done by marking his choice in the appropriate box, next which is written "block" or "open" as part of the service access form (hereinafter- "the **Form**").
- 8.2 The Licensee shall prepare a Form for services access or amend the service access form defined in its license (hereinafter- "the **Service Access Form**") in a manner that includes that stated in the Premium Service access form in article 12.
- 8.3 The Licensee will place the Service Access Form on its website.
- 8.4 A new Subscriber's choice will be done by marking the form that is part of the "engagement agreement" when the transaction is done in the Subscriber and Licensee's representative's presence, as part of the "engagement terms and conditions", when the engagement is done by a remote sale transaction via a telephone call or as marked by the Subscriber on the online form, at the time of the engagement via the internet.
- 8.5 The Licensee shall notify an existing Subscriber in the Telephone Bill with respect to the possibility of downloading the Form from its website and marking his choice regarding Premium Service access through 1-900 and 1-901 Prefix Codes. An existing Subscriber that has filled out a form in the past and now is filling out his choice only regarding access to Premium Services, his previous choices regarding service access will remain valid, unless he requests to change them.

⁶⁰⁵ Amendment No. 81

- 8.6 An existing Subscriber that did not specifically mark his choice regarding Premium Service access at 1-900 and 1-901 Prefix Codes, within two months of the commencement date of this Appendix, the defaults will be as follows:
- a. With respect to 1-900 Prefix Code-open;
 - b. With respect to 1-901 Prefix Code-blocked;
- 8.7 Blockage of the Premium Service access at the 1-901 Prefix Code, in accordance with the default set forth in section 8.4, shall be done by the Licensee within seven (7) working days from the end of two months after the commencement date of this Appendix. Blockage of a Subscriber for the first time of access to 1-900 and 1-901 Prefix Codes, whether in accordance with the Subscriber's choice or whether in accordance with the default, shall be done free of charge.
- 8.8 The Licensee shall block the access of all its Subscribers to the services provided at the 1-902 Prefix Code as a default, free of charge, within one working day of the commencement of this Appendix. A Subscriber's request to remove the blockage shall be done in writing, or orally as long as the Licensee conducted a reliable identification of the Subscriber submitting the request, in accordance with the a set procedure.
- 8.9 If a Subscriber requests to remove a blockage, the Licensee shall remove the blockage within a reasonable amount of time.
- 8.10 The Licensee shall document the Subscriber's request to remove the blockage for the Premium Service. The documentation will be available at the Licensee for remittance or transfer, as applicable, to the Director within five (5) work days from the day that the Subscriber submitted his request.
9. **Provision of the Service in Israel through an International Operator**
- 9.1 An International Operator is allowed to be a Hosting Licensee, and to allow the provision of Premium Services via its network, without being required to route the call abroad.
10. **Miscellaneous**
- 10.1 The Hosting Licensee may allow the Service Provider to execute telecommunication activities through the facilities of the Licensee for provision of the service; the Service Provider is exempt from the requirement to receive a license or general permit for the execution of telecommunication activities, in accordance with the provisions of article 3(5) of the Law.
-

10.2 If the Subscriber does not pay a Telephone Bill that includes a charge for Premium Services, the Licensee shall give the Hosting Licensee the Subscriber's following details: his full name, I.D number and method of contacting him.

10.3 In the Telephone Bill in which the Premium Service charges are included, the Licensee shall give details regarding each Service Supplier whose charges for its services are included in the bill, regarding the following details:

- a. The name of the Hosting Licensee and its address;
- b. The registration number or business number of the Hosting Licensee;
- c. Details that allow contacting the Hosting Licensee, including a telephone number⁶⁰⁶.

10.4 The Hosting Licensee is not allowed to make use of the payment details that were given to him by the caller for payment for other services, in order to collect a premium payment.

11. **Temporary Order**

11.1 (a) The Hosting Licensee will play a message for the caller according to which the Premium Service is provided only by using 1-900, 1-901 and 1-902 Prefix Codes in the following cases:

- 1) When calling Premium Services that the access to them was allowed, before this Appendix commenced, by dialing an international number;
- 2) When calling Premium Services that the access to them was allowed, before this Appendix commenced, by dialing a network access code, as defined in the numbering program in Israel.

- (b) The message will be played in the language that the Premium Service is provided.
- (c) The Hosting Licensee will play the message for six months, from the date of commencement of this Appendix.
- (d) The Origin Licensee may charge the Subscriber the Regular Tariff for the message.

12. Cancelled⁶⁰⁷

⁶⁰⁶ Amendment No. 78

⁶⁰⁷ Amendment No. 90



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 333-101652, 333-137102, 333-153419, 333-206420, 333-207946, 333-210151, 333-222294 and 333-228502) of Partner Communications Company Ltd., of our report dated March 25, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F. We also consent to the reference to us under the heading Selected Financial Data in this Form 20-F.

Tel-Aviv, Israel
March 26, 2020

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

*Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 68125, Israel,
P.O Box 50005 Tel-Aviv 61500 Telephone: +972 -3- 7954555, Fax: +972 -3- 7954556, www.pwc.com/il*



17/03/2020

Partner Communications Company Ltd.

8 Amal Street
Afeq Industrial Park
Rosh-Ha'ayin 48103
Israel

Dear Sirs:

On behalf of BDO Ziv Haft Consulting & Management Ltd, Amot BDO House Building 46- 48 Menachem Begin Av. Tel-Aviv (the "Consultant"), I hereby confirm that the Consultant has reviewed the information set forth in the Annual Report on Form 20-F for the year ended December 31, 2019 (the "Form 20-F"), for Partner Communications Company Ltd., under Note 4(a)(3) "Assessing the recoverable amount of goodwill for impairment tests", Note 13(1) "Goodwill impairment tests", Item 5A.1e "Impairment test of Fixed-Line Goodwill as of December 31, 2016, 2017, 2018 and 2019", and Item 5A.1r(3). "Assessing the recoverable amount of goodwill for impairment tests" in the Form 20-F all with respect to testing for impairment of assets and the results thereof.

The Consultant hereby confirms the information referred to above and consents to being named in the Form 20-F as an "expert".

Sincerely,
Moti Dattelkramer, Partner
BDO Consulting
Signature: /s/_____

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I, Isaac Benbenisti, certify that:

- (1) I have reviewed this annual report on Form 20-F of Partner Communications Company 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 26, 2020

By: /s/ Isaac Benbenisti

Isaac Benbenisti
Chief Executive Officer

I, Tamir Amar, certify that:

- (1) I have reviewed this annual report on Form 20-F of Partner Communications Company 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 26, 2020

By: /s/ Tamir Amar

Tamir Amar
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Partner Communications Company Ltd. (the "Company") on Form 20-F for the period ending December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 26, 2020

By: /s/ Isaac Benbenisti

Name: Isaac Benbenisti
Title: Chief Executive Officer

Date: March 26, 2020

By: /s/ Tamir Amar

Name: Tamir Amar
Title: Chief Financial Officer
