

“Bezeq” The Israel Telecommunication Corp Limited
(hereinafter - the “Company”)

August 12, 2021

Attn.

Israel Securities Authority

Attn.

The Tel-Aviv Stock Exchange Ltd.

Dear Sir/Madam,

Immediate Supplementary Report - Structural Change in Subsidiaries Bezeq International and yes

Following the Company's immediate report dated March 25, 2021 and a supplementary immediate report of the Company dated May 26, 2021 regarding resolutions involving the structural change plan made by the Company and its subsidiaries Bezeq International Ltd. ("Bezeq International") and DBS Satellite Services (1998) Ltd. ("yes") (jointly - "the Subsidiaries"), and the revision of the Description of the Corporation's Business chapter in the quarterly report for the period ended June 30, 2021 (published on August 12, 2021), the Company is pleased to report the following.

On August 11, 2021, the Company's board of directors approved, following the approval of Bezeq International's board of directors on that date, to spin off Bezeq International's ICT business activities into a separate corporation in the Group, which shall be established and wholly-owned by the Company, and into which the activity will be transferred (the "Transferred Activity"), as part of the said structural change plan.

The Transferred Activity will be spun off in accordance with the provisions of Section 105(A)(1) to the Income Tax Ordinance [New Version], and subject to the Israel Tax Authority's issuing a respective tax ruling, including and particularly in respect to the continued applicability of the tax ruling issued on September 15, 2016 in connection with the merger of yes with and into the Company (see the Company's immediate report dated September 18, 2016), and subject to the completion of the structural change, which

includes the execution of a full statutory merger of Bezeq International with and into yes, with and immediately following the completion of the Transferred Activity's spin-off procedure.

The spin-off of the Transferred Activity will be carried out as a dividend-in-kind distribution to the Company, in accordance with the total asset value of the Transferred Activity, with the distribution in kind amount, as of June 30, 2021, being approximately NIS 92 million, based on Bezeq International's financial statements as of June 30, 2021 (the amount may be updated up to the distribution date) ("the Dividend-in-Kind Distribution").

Taking into account that immediately upon the execution of the Dividend-in-Kind Distribution, and as a condition thereto, Bezeq International shall be merged with and into yes, Bezeq International's board of directors examined yes's solvency, as shall be subsequent to the merger, including on the basis of an economic opinion submitted thereto, and found that the Dividend-in-Kind Distribution meets the statutory solvency test, subject to, inter alia, that the Company provide a credit facility or capital to the merged company in the amount of up to NIS 254 million (the "Credit Facility") for withdrawal by the end of 2026, with the repayment of the Credit Facility made subsequent to that date in accordance with yes's solvency.

Following the resolution of Bezeq International's board of directors, the Company's board of directors approved the provision of the credit facility, in accordance with its terms, which shall take effect subject to the completion of the structural change plan, and upon its completion.

It was further approved in the resolutions to submit an application for approval of a capital reduction to the competent court, taking into account that the said Dividend-in-Kind Distribution does not meet the profit test prescribed by law.

Concurrently, the management of the subsidiaries will continue to negotiate with the employees' representatives to regulate labor relations under a new collective agreement.

The Company and its subsidiaries are unable to assess, at this stage, whether all the terms and conditions required for the execution of the structural change plan will be met,

and on what date they will be met, if met, and accordingly - there is no certainty that the structural change plan will materialize in the manner described above, if any.

Yours sincerely,

“Bezeq” The Israel Telecommunication Corp Limited

The above information constitutes a translation of the Immediate Report published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.