



## **Bezeq – The Israel Telecommunication Corp. Ltd.** **("Company")**

October 30, 2020

The Israel Securities Authority

The Tel Aviv Stock Exchange

### **Immediate Report: Possible Impairment of Value of Subsidiary and Update of the Group's Outlook for 2020**

1. On October 29, 2020, the subsidiary Bezeq International Ltd. ("**Bezeq International**") received an initial indication from its external appraisers that there is expected to be an impairment of value of Bezeq International as compared with its book value ("**Impairment**"), anticipated to result in a write-off of an estimated NIS 200 million to NIS 300 million (after tax) in the Company's books and to reduce the Company's net income, respectively. The valuation was required following Bezeq International's preparations to proceed under an outline requiring notification to customers who pay within the framework of an agreement, but who do not use the ISP services for a long period of time. Bezeq International's preparations also come on the back of a recommendation from the Ministry of Communications, which, in an appeal to market operators of September 10, 2020, called on them to take steps to notify subscribers and to stop billing them when they do not use its services, before it weighs, at a later date, whether to establish binding provisions in this regard, should the steps initiated not bring about a significant reduction in this regard (in this matter, see also Section 4.4 in the update to the chapter entitled Description of the Corporation's Business in the Company's quarterly report ended June 30, 2020 concerning Bezeq International's customers).

It is hereby clarified that this is an initial indication that has not been reviewed by the external accountants, and a complete valuation by an external appraiser is expected later, as a consequence of which, and based on whose results, the Impairment in the Company's books may differ, even materially so, from the above. The Impairment, if any, is expected to be implemented in the Company's third quarter statements for 2020.

2. In addition to the above, in the framework of the work on the third quarter reports for 2020, and given the Company's performance to the end of that period, the Company expects an increase in the adjusted net income for 2020, from NIS 950 million, as written in the adjusted net income



forecast, to NIS 1.050 billion, and accordingly, an increase in the adjusted EBITDA from NIS 3.5 billion to NIS 3.6 billion.

3. The Company clarifies that the possible recording of the Impairment in the Company's books as aforesaid in section 1 above is not included, and therefore does not impact the Company's "adjusted net income" forecast for 2020, as the latter does not include a one-time loss for Impairment. However, the Impairment will be included in and impact the Company's (non-adjusted) net income. Accordingly, the cumulative impact of the aforesaid above, is an expected decrease in the Company's (non-adjusted) net income in the amount of the Impairment in section 1 partially offset by the expected increase in income as a result of the improvement in the Company's performance as aforesaid in section 2.

Part of the information included in this report is forward looking information within the meaning of the term under the Securities Law, 5728-1968, and it is based, *inter alia*, on estimates and forecasts, including regarding handling of the matter of the subscribers, future trends in the markets applicable to Bezeq International, and the impact of these on the value of Bezeq International, as well as developments and trends in the applicable markets for the other companies in the Group, and their impact. Accordingly, the information may not materialize in full, or materialize partially, if the said estimates and forecasts are realized in a manner that differs from the expectations.

Sincerely

Bezeq – The Israel Telecommunication Corp. Ltd.

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