



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

November 18, 2020

The Israeli Securities Authority

The Tel Aviv Stock Exchange

Immediate Supplementary Report - Asset balances in Bezeq International Books

Further to the Company's Immediate Report of November 9, 2020 regarding unexplained balances of net assets in the subsidiary Bezeq International's books ("**Bezeq International**"), an Immediate Supplementary Report is hereby submitted as follows:

1. Since the publication of the Immediate Report dated November 9, 2020, the inspection process (also performed under the guidance of an external consultant, accountants and lawyers) on the entries and transfers in Bezeq International's books has continued. As part of the inspection process, initial findings have emerged regarding both previous periods and recent years; according to these findings, there are material discrepancies in Bezeq International's books between its book balances of net assets and its actual balances of net assets; the impact of these discrepancies on Bezeq International is estimated at the initial amount of NIS 195 million (gross amount of which the tax effect for the relevant years will be deducted), detailed as follows:
 - 1.1. A decrease in retained earnings of approximately NIS 110 million, for balances in the years 2002-2017, a significant proportion of which (about NIS 80 million) originates in 2002-2003.
 - 1.2. A decrease in Bezeq International profits in an accumulated amount of NIS 85 million for recent years balances (2018-2020).

In accordance with the initial findings of the inspection, the discrepancies are mainly due to expenses not fully recognized on an ongoing basis by Bezeq International. There is no effect expected on the cash balances of the Company. In light of the above, the Company is required to perform a valuation for Bezeq International as at December 31, 2019, the results of which may increase or reduce the impact on retained earnings and profits beyond the estimates included in section 1 above.

2. It is hereby clarified that the above Company's estimates on the quantification of the implications on its financial results and on additional possible effects are based on the inspections that were carried out until the date of this reporting and have not yet been completed, and the scope of these implications will become clear only after the completion of the inspections.
3. The Company is still examining the effect of the said discrepancies on its statements. Upon completing the inspection process and when the effects on its financial statements become clear to

the Company, it will publish a restatement of its financial statements for the required relevant periods (December 31, 2019, March 31, 2020 and June 30, 2020), in order to retroactively reflect the impact of the correction in the said financial statements.

The Company, Bezeq International and the independent auditors of both companies are still in the process of examining the above. In addition, the Company's Board of Directors receives ongoing updates on the inspection process and has also decided to appoint an external inspector to review the matter, including the circumstances and processes that had led to the creation of such discrepancies.

For the purpose of preparing its financial statements for September 30, 2020 and presenting the comparative figures, Bezeq International is required to re-prepare its financial statements for the reporting and comparison periods, an action that requires much effort over a short period of time and may affect the Company's ability to publish its financial statements by November 30, 2020.

The Company will continue to report on the findings of the inspection and its implications, and on any related material development, as required by law.

Sincerely,

Bezeq the Israeli Telecommunication Corp. Ltd.

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