



Immediate Report

S&P Global Maalot Affirms Bezeq's iIAA- Credit Rating with a Stable Outlook

Holon, Israel – May 12, 2021 – Bezeq The Israel Telecommunication Corp., Ltd. (TASE: BEZQ), announced today that S&P Global Maalot, the Israeli credit rating agency, affirmed Bezeq's rating of iIAA- with a stable outlook (unchanged from the previous rating).

The rating reflects S&P's assessment of the Group's business profile that is supported by Bezeq's status as the leading and most diverse telecommunications group in Israel. Bezeq's diverse operations contributes to its flexibility and allows it to create synergies with areas of activity that partially mitigate the erosion in profitability.

An example of this synergy is expressed in the Alpha Project, which integrated the management teams of Pelephone, yes and Bezeq International and led to increased efficiency. The project is expected to continue to deepen integration between the subsidiaries in the coming years, despite the obligation of structural separation imposed on the Group, which reduces Bezeq's flexibility in providing attractive offers to customers. S&P believes that the launch of the company's fiber network in March 2021 and its plans to cover approximately 40% of households by the end of 2021 support the company's business profile and are expected to maintain Bezeq's leading position in the Israeli telecommunications market. In addition, S&P stated that a final decision on the fixed voice telephony tariff update will be made when a new Israeli government is established and the hearing will be finalized. Therefore, it is not possible to estimate at this stage the scope and rate of reduction. Furthermore, S&P estimates that the company will not distribute a dividend in 2021 and may begin to distribute dividends again in 2022 and thereafter.

The stable rating reflects S&P's assessment that in the next 12 months, Bezeq will likely maintain its competitive position in the telecommunications market, despite continued erosion in operating performance as reflected in revenues and EBITDA. S&P believes that Bezeq will continue to make extensive investments, mainly in the fiber and 5G networks, in order to maintain its leading position in the telecommunications market and meet the changing market needs.

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.