Bezeq - The Israel Telecommunications Corp. Ltd.

(“The Company”)

March 23, 2022

Attn.
Israel Securities Authority
The Tel Aviv Stock Exchange Ltd.

Dear Madam/Sir,

Immediate Report - Dividend Policy and Regular Dividend Distribution

1. **Dividend policy**

The Company hereby provides an immediate report, that at its meeting dated March 22, 2022, the Company's Board of Directors decided to approve a new Company dividend distribution policy, according to which the Company will distribute to its shareholders on a semi-annual basis, a cash dividend of 50% of the semi-annual profit (after tax) according to the Company’s consolidated financial statements, and this shall commence from the upcoming distribution (for the second half of 2021). Implementation of the dividend distribution policy is subject to the provisions of any law, including the distribution criteria prescribed by the Companies Law, 1999, and all while paying attention to the projected cash flow, the needs of the Company and its liabilities, the Company’s cash reserves, its plans and status as they shall be from time to time, and subject to the approval of the Company Shareholders General Meeting regarding each specific distribution, and this is as set forth in the Company’s Articles of Association.

Approval of the Company’s said dividend policy does not require the Company to distribute a dividend to the Company shareholders, and any specific distribution shall be examined on its own merit pursuant to the terms of implementation of the dividend distribution policy as abovementioned. Moreover, the said policy approval shall not prevent the Company Board of Directors from examining its policy of dividend distribution to Company shareholders from time to time, taking into account, *inter alia*, the provisions of the law, the Company’s financial position and its plans along with its capital structure, and while maintaining a balance between ensuring the Company’s financial strength and stability, including its debt level and credit rating, and its continued provision of value for the Company shareholders by regular dividend distribution.

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Below are the Board of Directors reasons for this decision:

The Board of Directors attributes importance to maintaining the balance between ensuring the Company's financial strength and stability, while maintaining the Company's rating within its current rating group [AA] over time, and continuing to provide value for its shareholders by regular dividend distribution.

The Company's board of directors was presented with, among other things, analysis and conclusions of professional work carried out by Professor Aharon (Roni) Ofer, the forecasts of both the Company and the Group, as well as sensitivity analysis for any unforeseen deterioration in the business affairs of both the Company and the Group. After examining all of the above, the Board of Directors determined that this decision does reflect the correct balance between these needs, as described above.

2. **Regular dividend distribution**

The Company hereby announces that on March 22, 2022, the Company Board of Directors decided to recommend to the Company Shareholders General Meeting a dividend distribution to the Company shareholders in a total amount of NIS 240 million, which as of the date of passing this resolution constitute NIS 0.0867835 per share and 8.67835% of the Company's issued and paid up capital (hereinafter: the "**Dividend**")[1] . The amount of dividend per share that will actually be paid, shall be determined based on the number of shares in the Company's issued and paid up capital as shall be at the end of business on May 8, 2022. The effective date and the ex-dividend date shall be on May 9, 2022, namely, the dividend will be paid to shareholders who are registered in the register of Company shareholders at the end of trading on May 9, 2022. The payment day shall be on May 16, 2022. The dividend distribution is subject to approval by the Company Shareholders General Meeting. Tax will be withheld from the dividend in accordance with the provisions of the law.

[1] The distribution is carried out in accordance with the Company's dividend distribution policy as set forth in this report.

Below are the Board of Directors reasons for this recommendation:

The Company Board of Directors has reviewed the Company's compliance with the criteria prescribed in Section 302 of the Companies Law, 1999: the profit criterion and the solvency criterion, and has determined that the Company meets these criteria, as is clarified below.

2.1. As far as the profit criterion is concerned - based on the Company financial statements for December 31, 2021, the dividend distribution meets the profit criterion. The Board of Directors was presented a distributable surplus balance that had accumulated over the last two years amounting to a total sum of NIS 1,979 million, and the proposed dividend was found to meet the profit criterion (namely - the dividend distribution is from the distributable profits).

2.2. As far as the solvency criterion is concerned - the Board of Directors examined, *inter alia*, the Company's projected cash flows and the sources of finance available for payment of all its existing and expected commitments and for payment of the dividend. In this context, the Board of Directors also examined the cash reserves and cash equivalents, as well as the scope of credit, which the Company assesses to be available to it.

As part of its solvency examination, the Board of Directors also looked at the implications of the dividend payment on the Company's financial position and its liquidity, the Company's operations in their current format, including its impact on the Company's investment plans, capital structure and leverage (including its credit rating).

In relation to this, the position of the Company's management was presented to the Board of Directors, according to which the said dividend payment should not harm the Company's operations and its investments, as required in order to maintain its financial and competitive status, or affect its compliance with the solvency criterion. The Board of Directors also reviewed the Company's projected cash flows (and the sensitivity analyses of these forecasts in the event of an unexpected severe deterioration in the Company's affairs) and examined its financial strength and ability to service its debt via projected DSCR (Debt Service

Coverage Ratio) analysis. The Board of Directors also reviewed the net sources of liquidity from the Company's wholly-owned subsidiaries. Moreover, as such, the Board of Directors has taken into consideration the fact that the Company has no effective financial covenants that might harm the scope of debt or its ownership.

In light of the findings of its examinations, the Board of Directors has come to the conclusion, after the abovementioned data and forecasts were presented to it by the management, that the Company has substantial ability to comply with existing and projected cash requirements in the foreseeable future (even in scenarios of unexpected deterioration in the Company's affairs), both by generating cash from operations, and by net cash sources from its subsidiaries, and also via credit-raising options, insofar as is required. Therefore, there is no reasonable concern that the current dividend will deny the Company the ability to meet its existing and expected commitments when they are due, and this payment is not expected to have a materially adverse effect on the Company's financial position, including its capital structure, liquidity and its ability to continue to operate in its current format.

It should be clarified that all that is stated in this immediate report, insofar as it relates to forecasts and/or assessments and/or forward-looking information, is forward-looking information as this term is defined in the Securities Law, 1968. Assessments, forecasts and forward-looking information as stated are based on assessments, *inter alia*, in relation to the structure of competition in the communications market and the applicable regulation, the overall economic situation in the country and the Company’s investments. It should further be clarified that assessments, forecasts and forward-looking information as stated, might be affected by a variety of factors not under the Company’s control, and consequently these might not materialize in practice or materialize in a different manner.

Yours sincerely,

“Bezeq” The Israel Telecommunication Corp Limited