Press Release

BEZEQ GROUP REPORTS
FIRST QUARTER 2020 FINANCIAL RESULTS

Tel Aviv, Israel – May 21, 2020 – Bezeq – The Israel Telecommunication Corp., Ltd. (TASE: BEZQ), Israel's leading telecommunications provider, today announced its financial results for the three months ended March 31, 2020. Details regarding the investor conference call and webcast to be held today are included later in this press release.

Bezeq Group (consolidated)	Q1 2020	Q1 2019	% change
	(NIS millions)		
Revenues	2,187	2,256	(3.1%)
Operating profit	466	511	(8.8%)
EBITDA	918	977	(6.0%)
EBITDA margin	42.0%	43.3%	
Net profit	332	300	10.7%
Diluted EPS (NIS)	0.12	0.11	9.1%
Cash flow from operating activities	879	765	14.9%
Payments for investments	338	373	(9.4%)
Free cash flow [1]	436	316	38.0%
Net debt/Adjusted EBITDA [2]	2.3	2.5	

[1] Free cash flow is defined as cash flow from operating activities less net payments for investments and leases.

[2] Adjusted EBITDA in this ratio is EBITDA (trailing twelve months) excluding other operating income/expenses, one-time loss from impairment and the effect of the adoption of accounting standard IFRS 16.

Shlomo Rodav, Bezeq's Chairman, stated, "In the first quarter, the impact of the COVID-19 pandemic started to be felt in Israel, posing a managerial and operational challenge for us. Thanks to timely preparations and robust operational capabilities, we successfully weathered these challenges. On the other hand, government-mandated shelter-in-home orders boosted demand for our services. The number of service and sales calls for the group companies per day came to close to 100,000, a jump of tens of percent over routine days. The move to remote work was fast and smooth, with no less than 80% of headquarters and service workers working from home. Nearly a thousand technicians in all of the group companies, protected in accordance with the State's health directives, performed tasks every day in the private and business markets for Internet, telephone, television and advanced communications services. Despite a decrease in some of our operations, such as cellular roaming and retail sales, the increasing use of telecom services as whole industries evolve to operate in a post-pandemic world, are a major opportunity for the Bezeq Group.

Rodav added, "Bezeq Fixed-Line is seeing a stable number of broadband retail Internet subscribers and increased usage in telephony, while providing advanced telecommunications services tailored to remote work and study. Pelephone recorded continued growth in subscribers in the first quarter, and

Bezeq International saw a rise in demand from both private customers and international telecommunications companies. yes grew its subscribers for the first time since 2018 and posted net earnings as it continued to implement its IP transition plan."

Yali Rothenberg, CPA, Bezeq Group's Chief Financial Officer commented, "We entered the COVID-19 pandemic with ample liquidity, following the continued decline in financial debt and significant improvement in the Group's debt structure. We posted strong profitability and cash flows in these challenging times, and we will continue to maintain the Group's financial strength. While the pandemic poses challenges for the broader economy, we are moving to mitigate the impact of the virus and studying and implementing ways to capitalize on new opportunities. This includes lowering expenditures and adapting operations to evolving market conditions. Of particular note this past quarter is the year-on-year decrease of more than one billion shekels in net debt, as well as the decrease in net debt to EBITDA leverage ratio, from 2.5 in Q1 2019 to 2.3 in Q1 2020."

Coronavirus (COVID-19) Pandemic

During the period from the date of publication of the 2019 Periodic Report until the middle of April 2020, the outbreak of the virus and its effects spread. This was reflected in the broadening restrictions on civilian activities, employment and transport within the country and a significant contraction of the economy. From the second half of April 2020, publications showed that the level of mortality and contagion of the virus declined somewhat and accordingly some of the restrictions that had been imposed were lifted and there was a gradual, partial return to normal, with ongoing restrictions on certain economic activity.

Since the outbreak of the pandemic, the Group's companies have been working to maintain overall operational continuity in order to continue to provide full services to its business and private customers, subject to all government restrictions and guidelines. In addition, the Group companies are managing risks and exposures arising from the pandemic, including lowering expenses and adjusting their operations to the situation.

In this regard, it should be noted that telecommunications companies as a whole belong to the infrastructure sector, which is an essential sector requiring and enabling almost complete operational activity and the necessity of the citizens of the country for the consumption of such services is essential in these events, so that the Company's exposure to crisis risks is relatively limited and low relative to other sectors. In addition, although the COVID-19 crisis has global implications, the telecommunications sector to which the Bezeq Group belongs is essentially local, based on local infrastructure and provides services mainly to the Israeli consumer market.

As of March 31, 2020, and as of the date of approval of the report, there was primarily a decrease in revenues from roaming services and the retail sales of end-user equipment in Pelephone, as well as some decrease in revenues from the business sector in all the Group companies. However, the total impact of the COVID-19 pandemic on the financial condition of the Group companies was immaterial in the first quarter of 2020.

As of the date of the report, the Bezeq Group's assumption of the continued spread of the COVID-19 pandemic is that most of the restrictions that slow down broad economic activity will be gradually removed by the end of June 2020, and from the second half of 2020 the economy will gradually return to normal level without any additional significant restrictions except for incoming and outgoing tourism. Accordingly, and subject to the above assumptions, the Group expects that the effects of the COVID-19 pandemic on its operations will primarily affect the decline in Pelephone revenues from roaming services and, to a lesser extent, in a decrease in retail sales of end-user equipment, as a result of the pandemic's effect on the tourism and retail sectors. Accordingly, Pelephone estimates a decrease of approximately NIS 150 million and NIS 100 million in revenues and operating profit for 2020, respectively. In addition, the Group companies' revenues from the business sector is expected to decline somewhat.

The continuation or deterioration of the pandemic beyond the Group's assumptions, as detailed above, may have a material adverse effect on the Group's results. These effects may be reflected, *inter alia*, in decreases beyond our estimates above, in cellular roaming revenues, sales of mobile end-user equipment and revenues from the business sector. It may also affect employee availability, customer service and technician service systems, supply chain operations, and collections from customers of the Group companies.

The Company estimates that its financial strength, cash-generating capacity, high cash balances, improved debt structure and its ready access to the capital markets and credit providers will enable it to adequately deal with the effects of the pandemic, including its continuation or worsening beyond the Group's assumptions, as they may occur. Furthermore, there are no financial covenants in any of the Company's various financing agreements as well as its public debentures.

Bezeq Group Results (Consolidated)

Revenues in the first quarter of 2020 were NIS 2.19 billion, compared to NIS 2.26 billion in the same quarter of 2019, a decrease of 3.1%.
The decrease in revenues was due to lower revenues in all key Group segments.

Salary expenses in the first quarter of 2020 were NIS 479 million, compared to NIS 492 million in the same quarter of 2019, a decrease of 2.6%.
The decrease in salary expenses was primarily due to a reduction in the number of employees in all key Group segments.

Operating expenses in the first quarter of 2020 were NIS 793 million, compared to NIS 812 million in the same quarter of 2019, a decrease of 2.3%.
The decrease in operating expenses was due to a reduction in expenses in Bezeq International.

Other operating income, net in the first quarter of 2020 amounted to NIS 3 million, compared to income of NIS 25 million in the same quarter of 2019.
The decrease in other operating income was mainly due to a decrease in capital gains from the sale of real estate as well as expenses for employee retirement in the current quarter, compared with a

decrease in the provision for employee retirement in the corresponding quarter in Bezeq Fixed-Line. In addition, there was a provision for employee retirement in yes in the corresponding quarter of 2019.

Depreciation, amortization and ongoing impairment expenses in the first quarter of 2020 were NIS 452 million, compared to NIS 466 million in the same quarter of 2019, a decrease of 3.0%.
The decrease in depreciation amortization and ongoing impairment expenses was due to a decrease in yes**,** Pelephone and Bezeq International, partially offset by an increase in Bezeq Fixed-Line.

Operating profit in the first quarter of 2020 amounted to NIS 466 million, compared to NIS 511 million in the same quarter of 2019, a decrease of 8.8%.

EBITDA in the first quarter of 2020 amounted to NIS 918 million (EBITDA margin of 42.0%), compared to NIS 977 million (EBITDA margin of 43.3%) in the same quarter of 2019, a decrease of 6.0%.

After adjusting for other operating income, net, **Adjusted EBITDA** in the first quarter of 2020 was NIS 915 million (Adjusted EBITDA margin of 41.8%) compared to NIS 952 million (Adjusted EBITDA margin of 42.2%) in the same quarter of 2019, a decrease of 3.9%.

Financing expenses in the first quarter of 2020 were NIS 34 million, compared to NIS 99 million in the same quarter of 2019, a decrease of 65.7%.
The decrease in financing expenses was due to Bezeq Fixed-Line's actuarial adjustments in respect of provisions for employee benefits in the current quarter resulting in financing income, compared to financing expenses in the corresponding quarter. In addition, there was a decrease in interest expenses due to the repayment of debt in 2019.

Net profit in the first quarter of 2020 amounted to NIS 332 million, compared to NIS 300 million in the same quarter of 2019, an increase of 10.7%.
The increase in net profit was primarily due to the aforementioned decrease in financing expenses.

Cash flow from operating activities in the first quarter of 2020 was NIS 879 million, compared to NIS 765 million in the same quarter of 2019, an increase of 14.9%.
The increase in cash flow from operating activities was primarily due to an increase in Bezeq Fixed-line due to changes in working capital and tax refund received.

Payments for investments in the first quarter of 2020 amounted to NIS 338 million, compared to NIS 373 million in the same quarter of 2019, a decrease of 9.4%.
The decrease in payments for investments was primarily due to a decrease in investments in yes and Bezeq Fixed-Line due to timing differences in payments for equipment.

Free cash flow in the first quarter of 2020 was NIS 436 million, compared to NIS 316 million in the same quarter of 2019, an increase of 38.0%.
The increase in free cash flow was primarily due to the aforementioned increase in cash flow from operating activities and the decrease in payments for investments.

Net financial debt of the Group was NIS 7.50 billion as of March 31, 2020 compared to NIS 8.54 billion as of March 31, 2019. As of March 31, 2020, the Group's net financial debt to Adjusted EBITDA ratio was 2.3, compared to 2.5 as of March 31, 2019.

2020 Outlook

Given the continuous impact of the COVID-19 pandemic and the limitations on traffic and activity as well as the resulting uncertainty in the global and local economy, at this stage, the Company is unable to publish an accurate outlook for the Group's results for 2020.

The Company considers it important to continue to provide guidance, and will therefore continue to closely monitor developments in the coming months, and will consider, depending on the situation, the appropriate date for publishing guidance for the Group results.

Bezeq Fixed-Line Results

Dudu Mizrahi, Bezeq CEO, commented, "During the last few quarters there was a slowdown in the retail broadband Internet churn and in the first quarter of 2020, the number of subscribers was stable for the first time in five years. This was despite the increased competition and the difficult regulatory limitations imposed on the Company. In addition, we launched the Be Mesh service which strengthens our customer premises Internet strategy. As of today, we have above 400,000 customers with the Be router, and close to 150,000 customers with Wi-Fi enhancers."

Mizrahi added, "The COVID-19 pandemic has created a complex and challenging reality, but thanks to early preparations and comprehensive service and field systems, we continued to operate and provide full service to our private and business customers even at the peak of the crisis. At the same time, we have been very successful in dealing with increased usage that reached new highs. Beyond the challenges that businesses in Israel are presently facing, we are also seeing emerging opportunities in various fields and sectors, such as the ultra-Orthodox sector of society, who are undergoing a huge transformation through the greater use of advanced telecommunications services. This period also brought a significant increase in telephony traffic, and we recently launched a new and special tariff plan for this period to allow for the increased usage at lower prices."

Revenues in the first quarter of 2020 were NIS 1.02 billion, compared to NIS 1.04 billion in the same quarter of 2019, a decrease of 2.4%.
The decrease in revenues was primarily due to a decrease in revenues from telephony services. The other revenue items were stable compared to the corresponding quarter in 2019.

Revenues from broadband Internet services in the first quarter of 2020 were NIS 395 million, compared to NIS 397 million in the same quarter of 2019, a decrease of 0.5%.
The decrease in revenues from broadband Internet services was due to a decrease in the number of retail and wholesale Internet lines primarily offset by an increase in the average revenue per retail subscriber and the update to wholesale broadband Internet tariffs.

Revenues from telephony services in the first quarter of 2020 were NIS 248 million, compared to NIS 269 million in the same quarter of 2019, a decrease of 7.8%.
The decrease in revenues from telephony services was due to a decrease in the number of access lines as well as a reduction in the average revenue per line.

Revenues from transmission and data communication services in the first quarter of 2020 were NIS 244 million, compared to NIS 246 million in the same quarter of 2019, a decrease of 0.8%.

Revenues from cloud & digital services in the first quarter of 2020 were NIS 72 million, compared to NIS 71 million in the same quarter of 2019, an increase of 1.4%.

Revenues from other services in the first quarter of 2020 were NIS 59 million compared to NIS 60 million in the same quarter of 2019, a decrease of 1.7%

Operating expenses in the first quarter of 2020 were NIS 142 million, compared to NIS 141 million in the same quarter of 2019, an increase of 0.7%.

Salary expenses in the first quarter of 2020 were NIS 229 million, compared to NIS 233 million in the same quarter of 2019, a decrease of 1.7%.
The decrease in salary expenses was due to a decrease in the number of employees.

Other operating income in the first quarter of 2020 amounted to NIS 4 million, compared to NIS 69 million in the same quarter of 2019.
The decrease in other operating income was primarily due to lower capital gains from the sale of real estate as well as expenses for the early retirement of employees in the current quarter, compared to a decrease in the provision for the early retirement of employees in the corresponding quarter of 2019.

Depreciation expenses in the first quarter of 2020 were NIS 212 million, compared to NIS 207 million in the same quarter of 2019, an increase of 2.4%.

Operating profit and EBITDA in the first quarter of 2020 were primarily impacted by the aforementioned changes in other income.

Operating profit in the first quarter of 2020 amounted to NIS 439 million, compared to NIS 531 million in the same quarter of 2019, a decrease of 17.3%.

EBITDA in the first quarter of 2020 was NIS 651 million (EBITDA margin of 63.9%), compared to NIS 738 million (EBITDA margin of 70.8%) in the same quarter of 2019, a decrease of 11.8%.

After adjusting for the impact of other operating income, net, Adjusted EBITDA in the first quarter of 2020 was NIS 647 million compared to NIS 669 million in the same quarter of 2019, a decrease of 3.3%.

Financing expenses in the first quarter of 2020 were NIS 49 million, compared to NIS 106 million in the same quarter of 2019, a decrease of 53.8%.
The decrease in financing expenses was primarily due to actuarial adjustments in respect of provisions for employee benefits in the current quarter resulting in financing income, compared to financing expenses in the corresponding quarter. In addition, there was a decrease in interest expenses due to the repayment of debt in 2019.

Net profit in the first quarter of 2020 amounted to NIS 295 million, compared to NIS 321 million in the same quarter of 2019, a decrease of 8.1%.
The decrease in net profit was primarily due to the aforementioned decrease in operating profit, partially offset by the decrease in financing expenses.

Cash flow from operating activities in the first quarter of 2020 amounted to NIS 611 million, compared to NIS 471 million in the same quarter of 2019, an increase of 29.7%.

The increase in cash flow from operating activities was primarily due to changes in working capital and tax refund received.

Payments for investments in the first quarter of 2020 were NIS 200 million, compared to NIS 210 million in the same quarter of 2019, a decrease of 4.8%.

Free cash flow in the first quarter of 2020 was NIS 386 million, compared to NIS 266 million in the same quarter of 2019, an increase of 45.1%.
The increase in free cash flow was primarily due to the aforementioned increase in cash flow from operating activities.

The number of **broadband Internet lines** (retail and wholesale) at the end of the first quarter of 2020 totaled 1.57 million, a decrease of 9,000 lines compared to the fourth quarter of 2019, and a decrease of 69,000 compared to the first quarter of 2019. The number of wholesale broadband Internet lines amounted to 584,000 lines, representing a sequential decrease of 8,000 lines.

During the first quarter of 2020, **average broadband speeds** reached 69.1 Mbps, compared to 67.8 sequentially, and 61.5 Mbps in the first quarter of 2019, representing a year-over-year increase of 12.4%.

Average revenue per Internet subscriber (ARPU - retail) in the first quarter of 2020 was NIS 98, in-line sequentially, and compared to NIS 96 in the first quarter of 2019.

The number of **telephony access lines** totaled 1.693 million at the end of the first quarter of 2020, compared to 1.718 million sequentially and 1.792 million at the end of the first quarter of 2019.

Average revenue per line (**ARPL**) in the first quarter of 2020 totaled NIS 48, in-line sequentially, and compared to NIS 50 in the first quarter of 2019.

Bezeq Fixed-Line - Financial data	Q1 2020	Q1 2019	% change
	(NIS millions)		
Total revenues	1,018	1,043	(2.4%)
Broadband Internet revenues	395	397	(0.5%)
Telephony revenues	248	269	(7.8%)
Transmission and data revenues	244	246	(0.8%)
Cloud & digital services revenues	72	71	1.4%
Other revenues	59	60	(1.7%)
Operating profit	439	531	(17.3%)
EBITDA	651	738	(11.8%)
EBITDA margin	63.9%	70.8%	
Net profit [1]	295	321	(8.1%)
Cash flows from operating activities	611	471	29.7%
Payments for investments	200	210	(4.8%)
Free cash flow [2]	386	266	45.1%

[1] Excluding share in profits/losses of equity-accounted investees.

[2] Free cash flow is defined as cash flow from operating activities less net payments for investments and leases.

Bezeq Fixed-Line - KPIs	Q1 2020	Q4 2019	Q1 2019
Active subscriber lines (end of period, in thousands) [1]	1,693	1,718	1,792
Average monthly revenue per line (NIS) [2]	48	48	50
Outgoing minutes (millions)	883	820	926
Incoming minutes (millions)	1,120	1,046	1,090
Churn rate (%) [3]	3.2%	2.9%	3.0%
Total broadband Internet lines (retail and wholesale, end of period, in thousands)[4]	1,566	1,575	1,635
Wholesale broadband Internet lines (end of period, in thousands) [4]	584	592	624
Average monthly revenue per broadband Internet subscriber (NIS) - Retail [5]	98	98	96
Average broadband speed per subscriber (Mbps)	69.1	67.8	61.5

[1] Inactive subscribers are those w hose lines have been physically disconnected (except for a subscriber w ho did not pay his balance due to the Company in the first three months of collection proceedings).

[2] Based on average lines for the period.

[3] Churn rate is calculated according to the number of telephone subscribers w ho have disconnected from the Company's services during the period divided by the average number of telephone subscribers during the period.

[4] The total number of broadband Internet lines includes retail and w holesale lines. Retail - direct Internet subscriber of the Company; Wholesale - Internet line through Bezeq's w holesale service for telecom operators.

[5] ARPU - Revenues from retail broadband Internet services divided by the average number of retail subscribers in the period.

Subsidiary Company Results

(Pelephone / Bezeq International / yes)

In the wake of the COVID-19 pandemic, the three subsidiary companies were well prepared with a transition to remote work for approximately 80% of headquarters and customer service employees. The companies met the very high demand for their products, including broadband Internet, television, mobile and all related products and services that were more essential than ever during this period among the Israeli public:

- yes posted a positive quarter: Return to subscriber growth for the first time since 2018 and significant growth in STING TV subscribers and its yes+ service alongside the transition to profitability and improved financial metrics
- yes' growth this quarter balances the decrease in revenues from cellular services due to the lower roaming revenues as a result of the COVID-19 pandemic
- EBITDA was stable in all three subsidiary companies despite COVID-19
- Subscriber growth in all three subsidiary companies
- Decrease of NIS 88 million in total operating expenses of all three subsidiary companies

Ran Guron, CEO of Pelephone, Bezeq International and yes stated, "This quarter we saw the strength of the three companies, offering products and services that have become more essential and necessary than ever, with the outbreak of the COVID-19 pandemic. The three companies grew their subscribers - Pelephone for the fourth consecutive year, and yes, for the first time in two years, with a significant increase in the number of new subscribers in the IP broadcasting platform, most notably STING TV. This quarter, yes transitioned to profitability and achieved improvement across all financial metrics, balancing the decrease in Pelephone's revenues from cellular services that were negatively impacted by the pandemic's effect on roaming revenues in the second half of March. Bezeq International continues to maintain revenue and profitability, despite the slowdown in its business sector activity, mainly from a reduction in large projects in the broader economy."

"Our operations during the first quarter were swift and professional and we adapted new management routines so that at peak, approximately 80% of employees worked remotely. We met record demands and successfully expedited expansions and upgrades in order to ensure full and high-quality service for our private and business customers at this very important time. We continued to provide excellent service to our customers with very good response times throughout the period, amongst the best in the market."

Pelephone Results

Revenues from services in the first quarter of 2020 were NIS 405 million, compared to NIS 417 million in 2019, a decrease of 2.9%.
The decrease in revenues from services was due to a decrease in roaming revenues as a result of the impact of the COVID-19 pandemic in the second half of March 2020, as well a decrease in market prices due to the transition of existing customers to lower priced plans including higher data plans, partially offset by an increase in post paid subscribers.

Revenues from equipment sales in the first quarter of 2020 were NIS 168 million, compared to NIS 161 million in the same quarter of 2019, an increase of 4.3%.
The increase was due to an increase in handset sales, which would have been even greater had it not been for the impact of the COVID-19 pandemic in the second half of March.

Total revenues in the first quarter of 2020 were NIS 573 million, compared to NIS 578 million in the same quarter of 2019, a decrease of 0.9%.

Operating expenses in the first quarter of 2020 were NIS 586 million, compared to NIS 588 million in 2019, a decrease of NIS 2 million.

Operating loss in the first quarter of 2020 was NIS 13 million, compared to a loss of NIS 10 million in the same quarter of 2019.

EBITDA in the first quarter of 2020 was NIS 137 million (EBITDA margin of 23.9%), compared to NIS 147 million (EBITDA margin of 25.4%) in the same quarter of 2019, a decrease of 6.8%.

Net loss in the first quarter of 2020 was NIS 2 million, compared to net profit of NIS 2 million in the same quarter of 2019.

Cash flow from operating activities in the first quarter of 2020 was NIS 164 million, compared to NIS 195 million in the same quarter of 2019, a decrease of 15.9%.
The decrease in cash flow from operating activities was primarily due to payments for the early retirement of employees in the first quarter of 2020.

Free cash flow in the first quarter of 2020 was NIS 32 million, compared to NIS 63 million in the same quarter of 2019, a decrease of 49.2%.

Pelephone's subscriber base increased by 31,000 subscribers in the first quarter of 2020 and total subscribers were 2.367 million at the end of March 2020.

Average revenue per subscriber (ARPU) in the first quarter of 2020 was NIS 58, compared to NIS 60 in the sequential quarter, and NIS 63 in the same quarter of 2019.

Pelephone - Financial data	Q1 2020	Q1 2019	% change
	(NIS millions)		
Total revenues	573	578	(0.9%)
Service revenues	405	417	(2.9%)
Equipment revenues	168	161	4.3%
Operating loss	(13)	(10)	30.0%
EBITDA	137	147	(6.8%)
EBITDA margin	23.9%	25.4%	
Net profit (loss)	(2)	2	
Cash flows from operating activities	164	195	(15.9%)
Payments for investments	65	63	3.2%
Free cash flow [1]	32	63	(49.2%)

[1] Free cash flow is defined as cash flow from operating activities less net payments for investments and leases.

Pelephone - KPIs	Q1 2020	Q4 2019	Q1 2019
Total subscribers (end of period, in thousands) [1]	2,367	2,336	2,224
Postpaid subscribers (end of period, in thousands) [1]	1,939	1,911	1,842
Prepaid subscribers (end of period, in thousands) [1]	428	425	382
Average revenue per user (ARPU, NIS) [2]	58	60	63
Churn rate [3]	7.1%	7.3%	8.6%

[1] Subscriber data includes Pelephone subscribers (excluding subscribers of operators that Pelephone hosts on its network as well as IOT subscribers) and do not include inactive subscribers who are connected to Pelephone's services for six months or more. An inactive subscriber is one who in the past six months has not received at least one call, not made at least one call/SMS, did not take one Internet action nor pay for any Pelephone services. Prepaid subscribers are included in the list of active subscribers from the date on which the subscriber loaded his device, and are removed from the list of active subscribers if he makes no outgoing use of his device for six months or more. A customer may have more than one subscriber line. Subscriber data includes subscribers who use different services (such as data for car media systems), whose average revenue is significantly lower than other subscribers.

[2] Average monthly revenue per subscriber (postpaid and prepaid) is calculated by dividing average monthly revenue from cellular services, both from Pelephone subscribers and from other communications operators, including revenues from cellular operators who use Pelephone's network, and repair and warranty services in the period by average Pelephone active subscribers in the same period.

[3] Churn rate is calculated according to the proportion of subscribers who have disconnected from Pelephone's services and subscribers who have become inactive during the period divided by the total number of average active subscribers during the period.

Bezeq International Results

Revenues in the first quarter of 2020 were NIS 317 million compared to NIS 341 million in the same quarter of 2019, a decrease of 7.0%.
The decrease in revenues was primarily due to the decrease in revenues from Internet services, sales of communication equipment to businesses and international calls, partially offset by an increase in revenues from business communication services.

Operating expenses in the first quarter of 2020 were NIS 281 million, compared to NIS 308 million in the same quarter of 2019, a decrease of 8.8%.
The decrease in operating expenses was primarily due to a decrease in equipment and licensing expenses for businesses as well as international call expenses, in line with a reduction in revenues. In addition, there was a one-time credit for the retroactive update of broadband wholesale tariffs by the Ministry of Communications as well as a reduction in salary expenses due to a decrease in the number of employees.

Operating profit in the first quarter of 2020 was NIS 36 million, compared to NIS 33 million in the same quarter of 2019, an increase of 9.1%.

EBITDA in the first quarter of 2020 amounted to NIS 80 million (EBITDA margin of 25.2%), compared to NIS 79 million (EBITDA margin of 23.2%) in the same quarter of 2019, an increase of 1.3%.

Net profit in the first quarter of 2020 was NIS 27 million, compared to NIS 25 million in the same quarter of 2019 an increase of 8.0%.

Cash flow from operating activities in the first quarter of 2020 was NIS 60 million, compared to NIS 56 million in the same quarter of 2019, an increase of 7.1%.

Free cash flow in the first quarter of 2020 was NIS 18 million compared to NIS 15 million in the same quarter of 2019, an increase of 20.0%.

Bezeq International	Q1 2020	Q1 2019	% change
	(NIS millions)		
Revenues	317	341	(7.0%)
Operating profit	36	33	9.1%
EBITDA	80	79	1.3%
EBITDA margin	25.2%	23.2%	
Net profit	27	25	8.0%
Cash flows from operating activities	60	56	7.1%
Payments for investments	34	33	3.0%
Free cash flow [1]	18	15	20.0%

[1] Free cash flow is defined as cash flow from operating activities less net payments for investments and leases.

yes Results

Revenues in the first quarter of 2020 were NIS 338 million, compared to NIS 343 million the same quarter of 2019, a decrease of 1.5%.
The decrease in revenues was primarily due to a reduction in the average number of subscribers and the transition to lowered priced plans, partially offset by one-time revenues from the sale of content.

Operating expenses in the first quarter of 2020 were NIS 329 million, compared to NIS 388 million in the same quarter of 2019, a decrease of NIS 59 million.
The decrease in operating expenses was primarily due to the one-time expense of NIS 45 million for the early retirement of employees recorded in the corresponding quarter as well as from the effect of streamlining measures reflected in salaries and operating expenses.

Operating profit in the first quarter of 2020 was NIS 9 million, compared to a loss of NIS 45 million in the same quarter of 2019.

EBITDA in the first quarter of 2020 amounted to NIS 53 million (EBITDA margin of 15.7%), compared to NIS 10 million (EBITDA margin of 2.9%) in the same quarter of 2019.

Net profit in the first quarter of 2020 was NIS 14 million, compared to a loss of NIS 50 million in the same quarter of 2019.

Cash flow from operating activities in the first quarter of 2020 was NIS 41 million, compared to NIS 53 million in the same quarter of 2019, a decrease of 22.6%.

Negative free cash flow in the first quarter of 2020 was NIS 3 million, compared to NIS 19 million in the same quarter of 2019 an improvement of NIS 16 million.

ARPU in the first quarter of 2020 was NIS 195, in-line sequentially and compared to NIS 200 in the same quarter of 2019. In Q1 2020, yes updated its ARPU definition so that ARPU does not include revenue from content sales to external broadcasters. As a result, ARPU data for the previous periods were restated.

The number of yes **subscribers** in the first quarter of 2020 increased by 1,600. Total yes subscribers at March 31, 2020 were 556,000.

yes - Financial data	Q1 2020	Q1 2019	% change
	(NIS millions)		
Revenues	338	343	(1.5%)
Operating profit (loss)	9	(45)	
EBITDA	53	10	430.0%
EBITDA margin	15.7%	2.9%	
Net profit (loss)	14	(50)	
Cash flows from operating activities	41	53	(22.6%)
Payments for investments	37	64	(42.2%)
Free cash flow [1]	(3)	(19)	84.2%

[1] Free cash flow is defined as cash flow from operating activities less net payments for investments and leases.

yes - KPIs	Q1 2020	Q4 2019	Q1 2019
Number of subscribers (end of period, in thousands) [1]	556	555	568
Average revenue per user (ARPU, NIS) [2]	195	195	200
Churn rate (%) [3]	5.9%	5.2%	5.6%

[1] Subscriber – one household or small business customer. For a business customer with numerous set top boxes (such as a hotel, kibbutz or gym), the number of subscribers is standardized. The number of business customers that are not small businesses, is calculated by dividing the total payment received from all the business customers that are not small businesses by the average revenue per small business customer, which is determined once every period.

[2] ARPU includes total yes revenues (excluding the sale of content to external broadcasters) divided by average subscribers for the period. In Q1 2020, yes updated its ARPU definition so that ARPU does not include revenue from content sales to external broadcasters. As a result, ARPU data for the previous periods were restated.

[3] Churn rate - the number of yes subscribers who left yes during the period divided by the average number of registered yes subscribers in the period. The churn rate includes the transfer of yes subscribers from satellite services to STING TV services and vice versa. yes estimates this transition rate is negligible and does not exceed 1% of all yes subscribers per year.

Conference Call & Webcast Information

Bezeq will conduct a conference call hosted by Mr. Shlomo Rodav, Bezeq's Chairman, Mr. Dudu Mizrahi, Bezeq CEO, Mr. Ran Guron, CEO of Pelephone, Bezeq International and yes, and Mr. Yali Rothenberg, Bezeq Group Chief Financial Officer on May 21, 2020, at 3:00 PM Israel Time / 8:00 AM Eastern Time. Participants may join the live conference call by dialing:

International Phone Number: + 972-3-918-0610
Israel Phone Number: 03-918-0610

A live webcast of the conference call will be available on the investor relations section of the Bezeq corporate website at www.bezeq.co.il. Please visit the website at least 15 minutes early to register for the webcast and download any necessary audio software.

A webcast replay will be made available on the investor relations section of Bezeq's corporate website. An automated telephone replay will also be available approximately three hours after the completion of the live call through Wednesday, May 27, 2020. Participants can access and listen to the conference call replay by dialing:

International Phone Number: + 972-3-925-5921
Israel Phone Number: 03-925-5921

About "Bezeq" The Israel Telecommunication Corp.

Bezeq is Israel's leading telecommunications service provider. Established in 1984, the Company has led Israel into the new era of communications, based on the most advanced technologies and services. Bezeq and its subsidiaries offer the full range of telecommunications services including domestic, international and cellular phone services; broadband Internet, cloud and digital services, and other data communications; satellite and Internet based multi-channel TV; and corporate networks.

For more information about Bezeq please visit the corporate website at http://ir.bezeq.co.il.

This press release contains partial information from the public reports of Bezeq under the Israeli Securities Law 5728-1968 (the "Securities Law"), which reports can be accessed at the Israeli Securities Authority's website, www.magna.isa.gov.il. A review of this press release is not a substitute for a review of the detailed reports of Bezeq under the Securities Law and is not meant to replace or qualify them; rather, the press release is prepared merely for the convenience of the reader, with the understanding that the detailed reports are being reviewed simultaneously. No representation is made as to the accuracy or completeness of the information contained herein.

This press release does not constitute an offer or invitation to purchase or subscribe for any securities, and neither this presentation nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

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Press Release

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Income

	Three months ended March 31		Year ended December 31
	2020	**2019**	**2019**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**
Revenues	**2,187**	2,256	8,929
Costs of activity			
General & operating expenses	**793**	812	3,263
Salaries	**479**	492	1,933
Depreciation, amortization, and loss from impairment	**452**	466	1,912
Impairment loss	**-**	-	1,053
Other operating income, net	**(3)**	(25)	(221)
Total operating expenses	**1,721**	1,745	7,940
Operating profit	**466**	511	989
Financing expenses (income)			
Financing expenses	**84**	113	624
Financing income	**(50)**	(14)	(75)
Financing expenses, net	**34**	99	549
Profit after financing expenses, net	**432**	412	440
Share in losses of equity-accounted investees	**-**	-	(2)
Profit before income tax	**432**	412	438
Income tax	**100**	112	1,525
Profit (loss) for the year attributable to shareholders of the Company	**332**	300	(1,087)
Earnings per share (NIS)			
Basic earnings (loss) per share	**0.12**	0.11	(0.39)

Press Release

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Financial Position

Assets	March 31, 2020	March 31, 2019	December 31, 2019
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Cash and cash equivalents	**927**	1,265	400
Investments	**1,114**	1,347	1,195
Trade receivables	**1,680**	1,760	1,689
Other receivables	**319**	279	313
Inventory	**112**	102	93
Assets held for sale	**45**	-	43
Total current assets	**4,197**	4,753	3,733
Trade and other receivables	**476**	511	477
Broadcasting rights, net of rights exercised	**65**	69	59
Right-of-use assets	**1,378**	1,444	1,292
Fixed assets	**6,127**	6,215	6,096
Intangible assets	**934**	1,923	935
Deferred expenses and non-current investments	**386**	463	386
Investment property	**-**	58	-
Deferred tax assets	**40**	1,193	59
Total non-current assets	**9,406**	11,876	9,304
Total assets	**13,603**	16,629	13,037

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Financial Position (Contd.)

Liabilities and equity	March 31, 2020 (Unaudited) NIS million	March 31, 2019 (Unaudited) NIS million	December 31, 2019 (Audited) NIS million
Debentures, loans and borrowings	**1,002**	1,538	1,007
Current maturities of liabilities for leases	**415**	422	416
Trade and other payables	**1,611**	1,845	1,413
Current tax liabilities	**51**	10	-
Employee benefits	**587**	500	654
Provisions	**125**	145	125
Total current liabilities	**3,791**	4,460	3,615
Loans and debentures	**8,535**	9,618	8,551
Liability for leases	**1,049**	1,061	969
Employee benefits	**314**	482	356
Derivatives and other liabilities	**163**	168	139
Liabilities for deferred taxes	**46**	54	43
Provisions	**50**	39	49
Total non-current liabilities	**10,157**	11,422	10,107
Total liabilities	**13,948**	15,882	13,722
Total equity (deficit)	**(345)**	747	(685)
Total liabilities and equity	**13,603**	16,629	13,037

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Cash Flows

	Three months ended March 31		Year ended December 31
	2020	2019	2019
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Cash flows from operating activities			
Profit (loss) for the period	**332**	300	(1,087)
Adjustments:			
Depreciation, amortization, and impairment losses	**452**	466	1,912
Loss from impairment	**-**	-	1,053
Capital gain, net	**(9)**	(44)	(508)
Share in losses of equity-accounted investees	**-**	-	2
Financing expenses, net	**70**	96	497
Income tax expenses	**100**	112	1,525
Change in trade and other receivables	**(31)**	(28)	91
Change in inventory	**(24)**	(9)	(16)
Change in trade and other payables	**84**	9	(113)
Change in provisions	**-**	(30)	(49)
Change in employee benefits	**(88)**	(46)	(50)
Change in other liabilities	**(7)**	(12)	(8)
Net income tax paid	**-**	(49)	(325)
Net cash from operating activities	**879**	765	2,924
Cash flow used for investing activities			
Purchase of fixed assets	**(244)**	(270)	(1,095)
Investment in intangible assets and deferred expenses	**(94)**	(103)	(382)
Investment in bank deposits and securities	**(510)**	(1,111)	(2,067)
Proceeds from bank deposits	**600**	1,166	2,297
Proceeds from the sale of fixed assets	**8**	31	76
Receipts on account of sale of the Sakia property	**-**	5	328
Payment of permit fees, betterment levy and purchase tax*	**-**	-	(74)
Receipt of betterment tax*	**-**	5	5
Miscellaneous	**6**	9	29
Net cash used in investing activities	**(234)**	(268)	(883)

*In connection with the sale of the Sakia property

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Cash Flows (Cont'd)

	Three months ended March 31		Year ended December 31
	2020	**2019**	**2019**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**
Cash flows used in financing activities			
Issue of debentures and receipt of loans	**-**	-	1,865
Repayment of debentures and loans	**-**	-	(3,447)
Payments of principal and interest for leases	**(113)**	(117)	(414)
Interest paid	**(5)**	(5)	(392)
Costs for early repayment of loans and debentures	**-**	-	(93)
Miscellaneous	**-**	-	(50)
Net cash from (used in) financing activities	**(118)**	(122)	(2,531)
Increase (decrease) in cash and cash equivalents, net	**527**	375	(490)
Cash and cash equivalents at beginning of period	**400**	890	890
Cash and cash equivalents at end of period	**927**	1,265	400

"Bezeq" The Israel Telecommunication Corp., Limited
Other Operating Expenses (Income), Net

	Three months ended March 31		Year ended December 31
	2020	**2019**	**2019**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**
Capital gains (mainly disposal of real estate)	**(9)**	(44)	(508)
Expense for severance pay in early retirement in Bezeq Fixed-Line	**5**	(25)	109
Expenses for severance pay in early retirement and the streamlining agreement in Pelephone, Bezeq International, and DBS	**-**	45	167
Provision (cancellation of provision) for claims	**1**	(1)	10
Other expenses	**-**	-	1
	(3)	(25)	(221)

"Bezeq" The Israel Telecommunication Corp., Limited
Financing Expenses (Income), Net

	Three months ended March 31		Year ended December 31
	2020	2019	2019
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Interest expenses for financial liabilities	**73**	85	349
Linkage and exchange rate differences	**2**	5	43
Financing expenses for lease commitments	**7**	6	29
Other financing expenses	**2**	2	12
Financing expenses for employee benefits	**-**	12	89
Costs for early repayment of loans and debentures	**-**	-	93
Change in fair value of financial assets at fair value through profit or loss	**-**	3	9
Total financing expenses	**84**	113	624
Financing income in respect of employee benefits	***29**	-	-
Income from credit in sales	**8**	8	29
Other financing income	**6**	6	32
Change in fair value of financial assets at fair value through profit or loss	**7**	-	-
Income from debenture exchange	**-**	-	14
Total financing income	**50**	14	75
Financing expenses, net	**34**	99	549

*Includes NIS 31 million of financing income due to the update of the discount rate according to which the defined benefit obligations are calculated as well as the employee retirement obligation as of March 31, 2020.