



BEZEQ GROUP REPORTS FOURTH QUARTER & FULL YEAR 2023 FINANCIAL RESULTS

Holon, Israel – March 13, 2024 – Bezeq – The Israeli Telecommunications Corp., Ltd. (TASE: BEZQ), Israel's leading telecommunications provider, today announced its financial results for the three months and year ended December 31, 2023. Details about the investor earnings presentation webcast to be held today are included below in this press release.

Bezeq Group FY 2023 Financial Highlights¹

- Revenues totaled NIS 9.10 billion, up 1.3%, highest revenues since 2018
- Adjusted net profit² totaled NIS 1.33 billion, up 11.0%
- Adjusted EBITDA² totaled NIS 3.82 billion, up 2.2%
- Capital expenditures totaled NIS 1.71 billion, or 19% of revenues, down 0.3%
- Free cash flow totaled NIS 1.30 billion, down 7.7%
- Board of Directors upgraded its dividend policy to 70% of net profits and recommended a distribution of NIS 374 million, or NIS 0.135 per share

Tomer Raved, Bezeq Chairman, stated: "Our 2023 financial results reflect the group's strength, with growth in revenues and all profitability metrics, including an 11% increase in adjusted net profit and over 2% adjusted EBITDA growth. We delivered excellent results with a significant reduction in debt, and over NIS 1.7 billion in infrastructure investments, all of which allowed the board of directors to increase the dividend payout to 70% of the group's net profits.

In the last quarter of the year, following the war outbreak, we have worked to ensure the continuity of telecommunication services for the security forces and its customers around the country, which continues to be the central mission of all the group companies nowadays. Despite the impact of the war, the group met its guidance presented to the capital markets for 2023."

Raved added: "I am proud to present Bezeq's reports for the first time as chairman of the group and am sure that the group will continue to grow and strengthen its position as the leading

¹ Q4-2023 and FY-2023 results in this earnings release are presented in comparison to Q4-2022 and FY-2022 results, respectively, unless stated otherwise.

² Adjusted EBITDA and Adjusted Net Profit figures are presented after adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation.



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telecommunications provider in Israel while maintaining its values and strategic compass which guides the group's employees and its management."

Tobi Fischbein, Bezeq Group CFO, commented: "Together with the strong results delivered by the Group in 2023, we continued to solidify our financial position as seen in the NIS 427 million net debt reduction. In addition, we recently raised debt of NIS 890 million in January 2024 at historically low spreads, reflecting investors' continued confidence in Bezeq. Today we are publishing our guidance for 2024 and positively upgrading our mid-term ambitions, further reflecting the successful implementation of our Group strategy."

Bezeq Group Results (Consolidated)

	<u>Q4 2023</u>	<u>Q4 2022</u>	<u>% change</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	2,231	2,244	(0.6%)	9,103	8,986	1.3%
Operating profit	380	248	53.2%	1,779	1,637	8.7%
EBITDA	851	742	14.7%	3,646	3,505	4.0%
Adjusted EBITDA ¹	920	907	1.4%	3,817	3,736	2.2%
Adjusted EBITDA margin	41.2%	40.4%		41.9%	41.6%	
Net profit	238	109	118.3%	1,189	1,000	18.9%
Adjusted net profit ¹	296	250	18.4%	1,328	1,196	11.0%
Diluted EPS (NIS)	0.09	0.04	125.0%	0.43	0.36	19.4%
Operating cash flow	908	894	1.6%	3,455	3,503	(1.4%)
CapEx (gross)	445	341	30.5%	1,708	1,713	(0.3%)
Free cash flow ²	313	451	(30.6%)	1,302	1,410	(7.7%)
Net debt	5,195	5,622	(7.6%)	5,195	5,622	(7.6%)

¹ Adjusted EBITDA and adjusted net profit exclude other operating income/expenses, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation.

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

Revenues in 2023 amounted to NIS 9.10 billion, up 1.3%, due to higher revenues in Bezeq Fixed-Line and yes, which were offset by lower Pelephone interconnect revenues. Revenues in the fourth quarter of 2023 amounted to NIS 2.23 billion, down 0.6%.

Salary expenses in 2023 were NIS 1.92 billion, up 2.7%, primarily due to salary increases, recruitment associated with Bezeq's Fixed-Line fiber project and the public sector wage agreement which impacts Bezeq Fixed-Line tenured employee salaries. **Operating expenses** in 2023 totaled NIS 3.38 billion, down 0.4%, due to lower payments to the fund for incentivizing deployment of fiber optics pursuant to an MOC decision, among other factors. **Depreciation and amortization expenses** in 2023 were NIS 1.87 billion, down 0.1%. **Other operating expenses, net**, in 2023 amounted to NIS 161 million, compared to NIS 220 million in 2022. The decrease was mainly explained by lower provisions for group employee retirement compared to 2022.

EBITDA in 2023 amounted to NIS 3.65 billion, up 4.0%. **Adjusted EBITDA** was NIS 3.82 billion (Adjusted EBITDA margin of 41.9%), up 2.2%. Adjusted EBITDA in the fourth quarter of 2023 amounted to NIS 920 million (Adjusted EBITDA margin of 41.2%), up 1.4%.

Net profit in 2023 totaled NIS 1.19 billion, up 18.9%. **Adjusted Net Profit** was NIS 1.33 billion, up 11.0%. Adjusted Net Profit in the fourth quarter of 2023 totaled NIS 296 million, up 18.4%.

Free cash flow in 2023 was NIS 1.30 billion, down 7.7%, primarily due to timing differences in working capital. Free cash flow in the fourth quarter of 2023 was NIS 313 million, down 30.6%.

Net financial debt of the Group amounted to NIS 5.20 billion as of December 31, 2023, compared to NIS 5.62 billion as of December 31, 2022, a decrease of 7.6%. The Group's net financial debt to Adjusted EBITDA ratio was 1.6 times as of December 31, 2023, compared to 1.7 times as of December 31, 2022.

Dividends

The Company's Board of Directors decided to upgrade its dividend distribution policy, according to which the Company will distribute to its shareholders on a semi-annual basis, a cash dividend of 70% of the semi-annual profit (after tax) according to the Company's consolidated financial statements, commencing with the upcoming distribution for the second half of 2023.

Further to the dividend policy, the Company's Board of Directors decided to recommend to the General Meeting of Shareholders a dividend distribution in a total amount of NIS 374 million, which as of the date of the approval of this resolution equaled to NIS 0.135 per share. The effective date and the ex-dividend date will be on May 1st, 2024, while the payment day will be on May 9th, 2024.



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2024 Outlook

Based on the information known to the Bezeq Group today, the Group's Outlook for 2024 is as follows:

	2023 Performance	2024 Outlook
Adjusted net profit⁽¹⁾	NIS 1.328 billion	Approx. NIS 1.2 billion
Adjusted EBITDA⁽¹⁾	NIS 3.817 billion	Approx. NIS 3.8 billion
CapEx⁽²⁾	NIS 1.708 billion	NIS 1.8 - 1.9 billion⁽²⁾
Financial Stability	Maintain credit rating within the AA group (unchanged)	
Fiber deployment (Homes Passed)	2.07 million	2.5 million

(1) Adjusted Net Profit and Adjusted EBITDA – after adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation.

(2) CapEx – gross payments for investments in fixed and intangible assets. CapEx includes a one-time increase due to two projects – building a new data center for the Group and upgrading core infrastructure networks.

The Company will report, as required, deviations of more/less than 10% of the financial amounts stated in the outlook.

Group Ambitions for the Mid-term

	2023 Performance	Mid-term Ambitions Mar 2023	Mid-term Ambitions Mar 2024
Adjusted EBITDA⁽¹⁾	NIS 3.817 billion	CAGR of 1% in Adjusted EBITDA with 41%-43% margin	CAGR of 1.5%-2.0% in Adjusted EBITDA with 42%-44% margin
CapEx⁽²⁾	NIS 1.708 billion	Stable CapEx and CapEx/Sales until 2025; gradual reduction thereafter	16%-18% CapEx/Sales
Adj. EBITDA less CAPEX	NIS 2.109 billion	-	Increase of NIS 400-500 million vs. 2023
Free Cash Flow ⁽³⁾	NIS 1.302 billion	Mid-single digit growth (CAGR)	CAGR of 7% - 9%
Financial Stability	Maintain High Credit Rating within the AA group		
Dividend	60% of net profit, subject to maintaining credit rating in the AA group	70% of net profit, subject to maintaining credit rating in the AA group	Increase in dividend subject to maintaining credit rating within the AA group
Fiber take-up	28.6%	-	Take-up of 40% (retail + wholesale)
Broadband retail ARPU	NIS 123	>NIS 130 ⁽⁴⁾	>NIS 140
Telephone ARPU	NIS 44	NIS 45-50 excluding interconnect ⁽⁴⁾	NIS 45-50 excluding interconnect (Unchanged)
yes ARPU	NIS 182	~NIS 155 ⁽⁴⁾	NIS 155-160

(1) Adjusted Net Profit and Adjusted EBITDA – after adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation.

(2) CapEx – gross payments for investments in fixed and intangible assets

(3) Free Cash Flow – cash flow from operating activities less net payments for investments and leases

(4) Mid-term ambitions announced in Nov 2021

The Company does not undertake to update on a regular basis or otherwise its ambitions or such and other changes that will apply to the ambitions or actual results in relation to the ambitions.

The Company's forecasts and ambitions in these sections are forward-looking information, as defined in the Securities Law.



Forecasts are based on the Company's estimates, assumptions and expectations.

The Group's forecasts and ambitions are based, among other things, on its estimates regarding the structure of competition in the telecommunications market and regulation in this sector, the economic situation and accordingly, the Group's ability to implement its plans in 2024 and in the mid-term, as relevant. Actual results may differ from these estimates considering changes that may occur in the future business conditions, and the effects of regulatory decisions, technology changes and developments in the structure of the telecommunications market, and so forth, as well as the realization of one or more of the risk factors listed in the Periodic Report of 2023. In addition, the forecasts may change depending on the duration, intensity and scope of the war.

Regarding the Company's ambitions, given that this is a reference to the mid-term and there is difficulty in predicting the Company's results and market performance in the mid-term, there is no certainty that the Company's ambitions will be fully or partially met. Moreover, ambitions by nature do not purport to be predictions and should not be called as such.

Bezeq Fixed-Line Results

- **Revenues in 2023 grew 2.5%, reaching NIS 4.4 billion, highest revenues since 2013**
- **Adjusted net profit in 2023 reached over NIS 1 billion shekels, an increase of 8.3%. Adjusted net profit in Q4-2023 grew 20.9% year-over-year to NIS 243 million**
- **Retail fiber subscribers of Bezeq Group (Bezeq Fixed-line and yes) together reached 441k as of today, now leading the Israeli fiber market in terms of both network deployment and take-up**

Ran Guron, Bezeq CEO, stated, "We delivered exceptional results in 2023 reaching the highest revenues recorded in the past decade, together with an 8.3% increase in adjusted net profit, which allowed us to cross the billion shekel mark. In addition, the number of Bezeq retail fiber subscribers grew 85% in 2023, allowing Bezeq to become the fiber market leader in Israel. Free cash flow grew over 14% to NIS 1.1 billion, confirming the solid foundations on which the company's growth rests. We recently announced our entry into the electricity supply field through the establishment of a joint venture with a partner in the electricity production field. This is the first time Bezeq enters a non-core telecommunications business field, and our goal is to become a leader while increasing our presence in the supply of household utility services.

Since October 7th, we have been working alongside the security and rescue forces to connect essential means of telecommunications, alongside the repairing needed to address the damaged telecommunications infrastructure and we are ensuring service continuity for all the company's customers. The war led to an increase in the use of telecommunications and evidences, more than ever, Bezeq's essential role in the daily lives of Israelis."

Guron concluded, "Following 18 years of working at the Bezeq Group, eight of which as CEO of all the group's companies, I recently announced my intention to retire and embark on a new path. Bezeq is a healthy and growing company with growing revenues and profits, and a solid balance sheet - a



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strong company with excellent infrastructure, high customer esteem, winning management and an excellent organizational culture."

Bezeq Fixed-Line – Financial data	Q4 2023	Q4 2022	% change	FY 2023	FY 2022	% change
	(NIS millions)			(NIS millions)		
Total revenues	1,087	1,057	2.8%	4,412	4,306	2.5%
Broadband Internet	494	460	7.4%	1,947	1,789	8.8%
Transmission and data	298	276	8.0%	1,163	1,132	2.7%
Telephony	144	183	(21.3%)	650	780	(16.7%)
Cloud & digital services	86	84	2.4%	349	331	5.4%
Other revenues	65	54	20.4%	303	274	10.6%
Operating profit	320	293	9.2%	1,451	1,460	(0.6%)
EBITDA	580	559	3.8%	2,470	2,465	0.2%
Adjusted EBITDA ¹	637	618	3.1%	2,618	2,580	1.5%
Adjusted EBITDA margin	58.6%	58.5%		59.3%	59.9%	
Net profit	199	153	30.1%	901	849	6.1%
Adjusted net profit ²	243	201	20.9%	1,016	938	8.3%
Operating cash flow	584	628	(7.0%)	2,380	2,230	6.7%
CapEx (gross)	290	277	4.7%	1,122	1,135	(1.1%)
Free cash flow ³	251	325	(22.8%)	1,133	993	14.1%

¹ Excluding other operating income/expenses, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation.

² Excluding share in profits/losses of equity-accounted investees.

³ Free cash flow is defined as cash flow from operating activities less net payments for investments and leases.

Bezeq Fixed-Line – KPIs	<u>Q4 2023</u>	<u>Q3 2023</u>	<u>Q4 2022</u>
Total broadband Internet lines (retail and wholesale, end of the period, in thousands)	1,495	1,500	1,504
Of which: Total fiber optic subscribers (retail and wholesale, in thousands)	565	506	267
Total retail broadband Internet lines (fiber and copper, end of the period, in thousands)	1,028	1,029	1,032
Of which: Retail fiber optic subscribers (in thousands)	367	335	198
Total wholesale broadband Internet lines (end of the period, in thousands)	467	471	472
Of which: Wholesale fiber optic subscribers (in thousands)	198	171	69
Of which: yes fiber subscribers	37	29	7
Fiber optics deployed – Homes passed (end of the period, in thousands)	2,070	1,970	1,526
Average monthly revenue per broadband Internet subscriber (NIS) – Retail ¹	125	124	117
Average broadband bandwidth per subscriber (Mbps)	341	315	220
Active telephony subscriber lines (end of the period, in thousands) ²	1,442	1,454	1,503
Average monthly telephony revenue per line (NIS) ³	33	34	40
Telephony churn rate (%) ⁴	2.3%	2.8%	2.5%

¹ ARPU - Revenues from retail broadband Internet services divided by the average number of retail subscribers in the period.

² Inactive subscribers are those whose lines have been physically disconnected (except for a subscriber who did not pay his balance due to the Company in the first three months of collection proceedings).

³ Based on average lines for the period.

⁴ Churn rate is calculated according to the number of telephone subscribers who disconnected from the Company's services during the period divided by the average number of telephone subscribers.

Revenues in 2023 grew 2.5% to NIS 4.41 billion, the highest annual revenues since 2013. The increase was driven by growth across all activities except for lower telephony services associated with the MOC second tranche tariff reduction in July 2023. Revenues in the fourth quarter of 2023 were NIS 1.09 billion, up 2.8%.

Salary expenses in 2023 were NIS 1.03 billion, up 6.0%, mainly due to salary increases, recruitment associated with the fiber project and the public sector wage agreement which impacts tenured employee salaries. **Operating expenses** in 2023 were NIS 769 million, up 1.3%, primarily due to



higher materials and sub-contractor expenses for the fiber project and various infrastructure projects. **Depreciation and amortization expenses** in 2023 were NIS 1.02 billion, up 1.4%, due to CapEx increases over previous periods due to the fiber deployment project, among other factors. **Other operating expenses, net**, in 2023 were NIS 145 million, compared to NIS 112 million in 2022. The increase was mainly due to a NIS 75 million provision for a special grant for employees pursuant to the amendment of the labor agreement to be paid subject to certain conditions being met in the future.

EBITDA in 2023 was NIS 2.47 billion, up 0.2%. **Adjusted EBITDA** in 2023 was NIS 2.62 billion (Adjusted EBITDA margin of 59.3%), up 1.5%. Adjusted EBITDA in the fourth quarter of 2023 was NIS 637 million (Adjusted EBITDA margin of 58.6%), up 3.1%.

Net profit in 2023 was NIS 901 million, up 6.1%. **Adjusted Net Profit** in 2023 was NIS 1.02 billion, up 8.3%. Adjusted Net Profit in the fourth quarter of 2023 was NIS 243 million, up 20.9%.

Free cash flow in 2023 was NIS 1.13 billion, up 14.1%, primarily explained by timing differences in working capital. Free cash flow in the fourth quarter of 2023 was NIS 251 million, down 22.8%.

Subsidiary results

Ilan Sigal, CEO of Pelephone and yes, stated, "The companies delivered strong business and financial results despite the effects of the war. We joined the national effort by expanding the deployment of the network and invested resources to assist and establish essential services for the security and rescue forces as well as the evacuees.

Pelephone recorded its highest revenues from cellular services since 2017 due to the increase in the number of subscribers, a higher ARPU and the continued growth in 5G subscriber plans, which already represent about half of the company's total postpaid subscribers. At the same time, we acquired Roamability, a global provider of roaming solutions, and became a market leader in the field after we successfully launched the eSIM in Israel.

yes recorded its highest adjusted net profit with an increase in revenues and improvement in all profitability metrics, driven by the launch of the TV + Bezeq fiber bundle, together with agreements with leading international content providers. Our business focus is proving itself and we have become a fiber player with over 44 thousand customers in approximately one year. yes continues to lead the IPTV market with 408 thousand subscribers, representing 71% of our subscriber base today, alongside our investments in original productions that break viewing records."

Ron Glav, CEO of Bezeq International TECH, commented, "The past year has been transformational for Bezeq International and I am proud to share our success. We have built a solid foundation for growth in the future, including significant business development and have defined the growth drivers for the coming years.

We grew our business activity across all sectors: communications, data hosting, integration, public cloud and cyber. In parallel, we significantly reduced our consumer ISP activities following the regulatory reform by the MOC. The positive results stand out, especially in a year of uncertainty that characterized the Israeli economy in 2023 and even more so since the outbreak of the war in Q4."

Glav added, "We generated significant savings in operating expenses, and improved our profitability metrics. As part of our transformation process, we are more focused than ever on the bottom line. We recorded growth of 24% in Adjusted Net Profit, reaching NIS 51 million in 2023, and 12% growth in Adjusted EBITDA amounting to NIS 198 million. Concurrently, our operating expenses decreased by NIS 45 million, mainly as a result of a decrease in the consumer ISP activity."

Telephone Results

- Highest service revenues (excluding interconnect fees) since 2017, reaching NIS 1.39 billion, up 1.5% year-over-year, driven by growth in postpaid subscribers and 5G subscriber plans, despite the impact of the war in Q4-2023
- 5G subscriber plans grew by 250k in 2023, reaching 1.1 million 5G subscribers as of today. Pelephone continues to lead in 5G in Israel and 5G subscriber plans are approximately half of total postpaid subscribers
- Postpaid subscribers grew by 53k in 2023, of which 15k in Q4-2023, and reached 2.618 million as of December 31st, 2023
- ARPU excluding interconnect fees in 2023 increased by NIS 1 to NIS 44, and in Q4-2023 was NIS 42

Telephone – Financial data	<u>Q4 2023</u>	<u>Q4 2022</u>	<u>% change</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Total revenues	562	592	(5.1%)	2,348	2,399	(2.1%)
Total revenues (excl. interconnect fees)	483	490	(1.4%)	1,977	1,972	0.3%
Service revenues (excl. interconnect fees)	330	339	(2.7%)	1,385	1,364	1.5%
Equipment revenues	153	151	1.3%	592	608	(2.6%)
Operating profit	37	17	117.6%	196	193	1.6%
EBITDA	175	152	15.1%	745	725	2.8%
Adjusted EBITDA ¹	178	184	(3.3%)	750	761	(1.4%)
Adjusted EBITDA margin	31.7%	31.1%		31.9%	31.7%	
Net profit	26	13	100.0%	159	165	(3.6%)
Adjusted net profit ¹	28	38	(26.3%)	164	193	(15.0%)
Operating cash flow	240	149	61.1%	713	874	(18.4%)
CapEx (gross)	90	-	NM	310	295	5.1%
Free cash flow ²	56	87	(35.6%)	133	351	(62.1%)

¹ Excluding other operating income/expenses, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation.

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

Telephone – KPIs	<u>Q4 2023</u>	<u>Q3 2023</u>	<u>Q4 2022</u>
Total subscribers (end of period, in thousands) ^{1,3}	2,618	2,618	2,580
Postpaid subscribers (end of period, in thousands) ¹	2,202	2,187	2,149
Prepaid subscribers (end of period, in thousands) ^{1,2}	416	431	431
5G subscriber plans (end of period, in thousands)	1,034	961	784
Average revenue per user, excluding interconnect fees (ARPU, NIS) ²	42	47	44
Churn rate ⁴	5.9%	6.0%	6.1%

¹ Subscriber data includes Telephone subscribers (excluding subscribers of operators that Telephone hosts on its network as well as IOT subscribers) and does not include inactive subscribers who are connected to Telephone'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 paid for any Telephone services. Prepaid subscribers are included in the number of active subscribers from the date on which the subscriber loaded his device, and are removed from the list of active subscribers if the subscriber makes no outgoing use of the device for six months or more. It should be noted that a customer may have more than one subscriber number ("line"). Subscribers include subscribers who use various services (such as data for vehicle media systems), with an average revenue that is significantly lower than for other subscribers.

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

³ In Telephone's assessment of the list of prepaid subscribers in the fourth quarter of 2022, it was found that 96k subscribers were included in the list of subscribers even though they did not meet the definition of an active subscriber. Accordingly, the Company removed these subscribers on a one-time basis from the list of active subscribers.

⁴ Churn rate is calculated according to the proportion of subscribers who have disconnected from Telephone's services and subscribers who have become inactive during the period, divided by the total number of average active subscribers during the period.

Increase in revenues year-over-year despite the impact of the war on roaming revenues in Q4-2023.

Revenues from services (excluding interconnect fees) in 2023 totaled NIS 1.39 billion, up 1.5%, primarily related to the increase in ARPU resulting from growth in 5G subscriber plans and postpaid subscribers. Revenues from services (excluding interconnect fees) in the fourth quarter of 2023 were NIS 330 million, down 2.7%, due to the impact of the war on roaming revenues.

Revenues from equipment sales in 2023 were NIS 592 million, down 2.6%, primarily due to a lower number of handsets sold. Revenues from equipment sales in the fourth quarter of 2023 were NIS 153 million, up 13.3% quarter-over-quarter, and 1.3% year-over-year. This is the second consecutive quarter with sequential increases in revenues from equipment sales.

Total revenues (excluding interconnect fees) in 2023 were NIS 1.98 billion, up 0.3%.

Operating expenses in 2023 were NIS 2.15 billion, down NIS 23 million, due to the decrease in interconnect expenses in-line with the decrease in interconnect revenues, as well as lower payments to the fund for incentivizing deployment of fiber optics pursuant to an MOC decision.

EBITDA in 2023 was NIS 745 million, up 2.8%. **Adjusted EBITDA** in 2023 was NIS 750 million (Adjusted EBITDA margin of 31.9%), down 1.4%, primarily due to an update in estimated right-of-use assets for past periods recorded in 2022 as well as the impact of the war. Adjusted EBITDA in the fourth quarter of 2023 totaled NIS 178 million (EBITDA margin of 31.7%), down 3.3%.

Net profit in 2023 was NIS 159 million, down 3.6%. **Adjusted Net Profit** in 2023 was NIS 164 million, down 15.0%. Adjusted Net Profit in the fourth quarter of 2023 was NIS 28 million, down 26.3%, due to lower interest income from Bezeq Fixed-Line as well as the impact of the war on roaming revenues.

Free cash flow in 2023 was NIS 133 million, down 62.1%, due to timing differences in working capital related to the deferral of customer debt collections from 2021 to 2022 due to employee sanctions as well as improved credit terms with acquiring companies in 2022.

yes Results

- Revenues in 2023 grew 2.5% to NIS 1.31 billion, driven by subscriber growth in the TV + Bezeq fiber bundle, together with agreements with leading international content providers
- Highest Adjusted Net Profit in the last decade reaching NIS 99 million in 2023, compared to NIS 18 million in 2022
- Adjusted EBITDA in 2023 grew 21.2% to NIS 257 million
- Free cash flow in 2023 totaled NIS 11 million, compared to negative free cash flow of NIS 17 million in 2022
- Continued growth in fiber subscribers reaching over 44k today
- Continued growth in IPTV subscribers reaching 408k, 71% of total subscribers today

yes – Financial data	Q4 2023	Q4 2022	% change	FY 2023	FY 2022	% change
	(NIS millions)			(NIS millions)		
Revenues	316	330	(4.2%)	1,309	1,277	2.5%
Operating profit	33	-	NM	94	8	NM
EBITDA	62	57	8.8%	260	207	25.6%
Adjusted EBITDA ¹	59	59	NM	257	212	21.2%
Adjusted EBITDA margin	18.7%	17.9%		19.6%	16.6%	
Net profit	27	1	NM	102	13	684.6%
Adjusted net profit ¹	24	3	700.0%	99	18	450.0%
Net profit (proforma) ³	(12)	(11)	9.1%	4	(43)	NM
Operating cash flow	26	56	(53.6%)	215	186	15.6%
CapEx (gross)	30	44	(31.8%)	181	180	0.6%
Free cash flow ²	(10)	5	NM	11	(17)	NM

¹ Excluding other operating income/expenses, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation.

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

³ Proforma yes net profit - excluding the impact of the impairment expense recognized since 2018.

yes – KPIs	<u>Q4 2023</u>	<u>Q3 2023</u>	<u>Q4 2022</u>
Total number of TV subscribers (end of the period, in thousands) ¹	574	576	579
IP subscribers (end of the period, in thousands) ²	392	377	329
Fiber customers (end of period, in thousands)	37	29	7
Average revenue per user (ARPU, NIS) ³	175	182	181
Churn rate (%) ⁴	3.1%	3.9%	3.0%

¹ TV Subscriber – one household or small business customer. The number of subscribers is standardized for a business customer with numerous set-top boxes (such as a hotel, kibbutz or gym). 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 The rate of yes subscribers using yes+ and STINGTV services broadcast via the Internet is approximately 67% of all yes subscribers as of the date of the report. This rate includes subscribers who also use satellite services at the same time.

³ ARPU includes total yes revenues (excluding the sale of content to external broadcasters, revenues from terminal equipment and revenues from Internet services) divided by average subscribers for the period.

⁴ Churn rate - the number of yes subscribers who left yes during the period divided by the average number of registered yes subscribers for the period.

Revenues in 2023 were NIS 1.31 billion, up 2.5%, driven by subscriber growth in the TV + Bezeq fiber bundle, along with agreements with leading international content providers. Revenues in the fourth quarter of 2023 were NIS 316 million, down 4.2%, mainly impacted by the war as well as the sale of content in the corresponding quarter.

Operating expenses in 2023 were NIS 1.22 billion, down NIS 46 million. Operating expenses in the fourth quarter of 2023 totaled NIS 286 million, a decrease of NIS 43 million. The decrease in operating expenses was due to lower depreciation and impairment expenses.

EBITDA in 2023 was NIS 260 million, up 25.6%. **Adjusted EBITDA** in 2023 was NIS 257 million (Adjusted EBITDA margin of 19.6%), up 21.2%. Adjusted EBITDA in the fourth quarter of 2023 was NIS 59 million (EBITDA margin of 18.7%), in line with the corresponding quarter.

Net Profit in 2023 was NIS 102 million, compared to NIS 13 million in 2022. **Adjusted Net Profit** in 2023 was NIS 99 million, compared to NIS 18 million in 2022. Adjusted Net Profit in the fourth quarter of 2023 was NIS 24 million, compared to NIS 3 million in the corresponding quarter.

Free cash flow in 2023 was NIS 11 million, compared to negative free cash flow of NIS 17 million in 2022. Free cash flow was positively impacted by improved business results and positive changes in working capital.

The number of **yes TV subscribers** at December 31st, 2023 was 574k, a decrease of 2k sequentially.

Bezeq International TECH Results

- **Continued growth in business sector activities: telecommunications, data centers, integration, public cloud and cyber**
- **Revenues in 2023 were NIS 1.21 billion, a decrease of 2.2%, due to lower consumer ISP revenues mainly offset by higher revenues from business sector activities**
- **Adjusted EBITDA grew 11.9% in 2023 to NIS 198 million; Adjusted Net Profit in 2023 grew 24.4% to NIS 51 million**

Bezeq International – Financial data	Q4 2023	Q4 2022	% change	FY 2023	FY 2022	% change
	(NIS millions)			(NIS millions)		
Revenues	304	319	(4.7%)	1,212	1,239	(2.2%)
Operating profit	(11)	(60)	81.7%	39	(30)	NM
EBITDA	34	(25)	NM	176	104	69.2%
Adjusted EBITDA ¹	48	43	11.6%	198	177	11.9%
Adjusted EBITDA margin	15.8%	13.5%		16.3%	14.3%	
Net profit	(14)	(58)	75.9%	29	(32)	NM
Adjusted net profit ¹	-	10	NM	51	41	24.4%
Operating cash flow	45	56	(19.6%)	157	210	(25.2%)
CapEx (gross)	37	17	117.6%	96	94	2.1%
Free cash flow ²	(2)	30	NM	26	81	(67.9%)

¹ Excluding other operating income/expenses, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation.

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

Revenues in 2023 totaled NIS 1.21 billion, down 2.2%, due to lower consumer ISP revenues resulting from a decrease in ISP subscribers following the MOC regulatory reform for unified Internet service, which was mainly offset by an increase in ICT revenues driven by activity growth. Revenues in the fourth quarter of 2023 totaled NIS 304 million, down 4.7%.

Operating expenses in 2023 were NIS 1.15 billion, a decrease of NIS 45 million, or 3.8%, primarily due to a decrease in consumer ISP expenses driven by a decline in ISP subscribers due to the regulatory reform, as well as a decrease in salaries. Operating expenses in the fourth quarter of 2023 were NIS 301 million, a decrease of NIS 10 million, or 3.2%.



Press Release

EBITDA in 2023 was NIS 176 million, up 69.2%. **Adjusted EBITDA** was NIS 198 million (Adjusted EBITDA margin of 16.3%), up 11.9%. Adjusted EBITDA in the fourth quarter of 2023 was NIS 48 million (Adjusted EBITDA margin of 15.8%), up 11.6%.

Net profit in 2023 was NIS 29 million, compared to a net loss of NIS 32 million in 2022. **Adjusted Net Profit** in 2023 was NIS 51 million, up 24.4%. Adjusted Net Profit in the fourth quarter of 2023 was break even, compared to NIS 10 million in the corresponding quarter, primarily due to an increase in depreciation and financing expenses.

Free cash flow in 2023 was NIS 26 million, down 67.9%, mainly due to timing differences in working capital related to the deferral of customer debt collections from 2021 to 2022 stemming from employee sanctions in 2021 which positively impacted free cash flow in 2022, as well payments for employee retirement in 2023.



Conference Call & Webcast Information

Bezeq will conduct its Fourth Quarter & Full Year Earnings 2023 earnings webcast call on Wednesday, March 13, 2024, at 10:00 AM EST / 4:00 PM Israel time, hosted by Mr. Tomer Raved, Bezeq's Chairman, Mr. Ran Guron, Bezeq's CEO, Mr. Ilan Sigal, CEO of Pelephone and yes and Mr. Tobi Fischbein, Bezeq Group's Chief Financial Officer. Participants are invited to join the webcast by clicking: <https://us06web.zoom.us/j/82999179899>.

About "Bezeq" The Israeli Telecommunications Corp., Ltd.

Bezeq, Israel's leading telecommunications service provider, was established in 1984. The Company has led Israel into the new era of telecommunications by focusing on the most advanced technologies and services. Bezeq and its subsidiaries offer a full range of telecommunications services, including broadband Internet, other data communications, cloud and digital services, domestic and international phone services, cellular services, 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, which 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 regarding the accuracy or completeness of the information contained herein.

This press release does not constitute an offer or invitation to purchase or subscribe to any securities. 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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"Bezeq" The Israeli Telecommunications Corp., Ltd.

Condensed Consolidated Interim Statements of Income			
	2023	2022	2021
	NIS million	NIS million	NIS million
Revenues	9,103	8,986	8,821
Costs of activity			
General and operating expenses	3,374	3,389	3,257
Salaries	1,922	1,872	1,882
Depreciation, amortization, and impairment losses	1,867	1,868	1,889
Other operating expenses (income), net	161	220	(77)
Total operating expenses	7,324	7,349	6,951
Operating profit			
Financing expenses			
Financing expenses	408	424	349
Financing income	(164)	(123)	(44)
Financing expenses, net	244	301	305
Profit before income tax	1,535	1,336	1,565
Income tax	346	336	382
Profit (loss) for the period	1,189	1,000	1,183
Basic and diluted earnings per share (in NIS)	0.43	0.36	0.43



Press Release

"Bezeq" The Israeli Telecommunications Corp., Ltd.

Condensed Consolidated Interim Statements of Financial Position

	2023	2022
Assets	NIS million	NIS million
Cash and cash equivalents	563	741
Investments	1,205	910
Trade receivables	1,477	1,440
Other receivables	162	288
Inventory	82	85
Total current assets	3,489	3,464
Trade and other receivables	446	460
Right-of-use assets	1,870	1,746
Fixed assets	6,828	6,542
Intangible assets	941	912
Deferred expenses and non-current investments	304	288
Total non-current assets	10,389	9,948
Total assets	13,878	13,412

"Bezeq" The Israeli Telecommunications Corp., Ltd.

Condensed Consolidated Interim Statements of Financial Position (Contd.)

	2023	2022
Liabilities and equity	NIS million	NIS million
Debentures, loans and borrowings	1,074	921
Current maturities of liabilities for leases	433	456
Trade and other payables	1,750	1,590
Employee benefits	332	399
Provisions	91	168
Total current liabilities	3,680	3,534
Loans and debentures	5,889	6,352
Liability for leases	1,608	1,452
Employee benefits	251	201
Derivatives and other liabilities	160	151
Liabilities for deferred taxes	64	61
Provisions	29	37
Total non-current liabilities	8,001	8,254
Total liabilities	11,681	11,788
Total equity	2,197	1,624
Total liabilities and equity	13,878	13,412

"Bezeq" The Israeli Telecommunications Corp., Ltd.

Condensed Consolidated Interim Statements of Cash Flows			
	2023	2022	2021
	NIS million	NIS million	NIS million
Cash flows from operating activities			
Profit (loss) for the period	1,189	1,000	1,183
Adjustments:			
Depreciation and amortization	1,867	1,868	1,889
Capital gain, net	(2)	(8)	(175)
Financing expenses, net	258	351	324
Stock-based compensation	10	11	27
Income tax expenses	346	336	382
Change in trade and other receivables	(7)	342	(229)
Change in inventory	(15)	(21)	(19)
Change in trade and other payables	60	(56)	(41)
Change in provisions	(2)	24	(47)
Change in employee benefits	(3)	(91)	(65)
Change in other liabilities	23	18	(5)
Net income tax paid	(269)	(271)	(385)
Net cash from operating activities	3,455	3,503	2,839

"Bezeq" The Israeli Telecommunications Corp., Ltd.

Condensed Consolidated Interim Statements of Cash Flows (Cont'd)			
	2023	2022	2021
	NIS million	NIS million	NIS million
Cash flow used for investing activities			
Purchase of fixed assets	(1,333)	(1,353)	(1,328)
Investment in intangible assets and deferred expenses	(375)	(346)	(363)
Investment in bank deposits and securities	(1,413)	(1,835)	(1,031)
Proceeds from bank deposits	1,134	1,895	800
Proceeds from the sale of fixed assets	39	40	278
Payment to Ministry of Communications for frequencies	-	(88)	-
Government grant received for frequencies	-	74	-
Interest from bank deposits	72	23	8
Purchase of subsidiary less cash acquired	(14)	-	-
Miscellaneous	11	5	(10)
Net cash used in investing activities	(1,879)	(1,585)	(1,646)
Cash flows from financing activities			
Issue of debentures and receipt of loans	515	400	695
Repayment of debentures and loans	(912)	(1,320)	(1,067)
Payments of principal and interest for leases	(484)	(420)	(387)
Interest paid	(236)	(232)	(254)
Dividend paid	(638)	(534)	-
Costs for early repayment of loans and debentures	-	(26)	(15)
Payment for hedging transactions	(4)	(18)	(30)
Miscellaneous	(3)	-	(2)
Net cash used for financing activities	(1,754)	(2,150)	(1,060)
Increase (decrease) in cash and cash equivalents, net	(178)	(232)	133
Cash and cash equivalents as at January 1	741	973	840
Cash and cash equivalents as at year-end	563	741	973