



## BEZEQ GROUP REPORTS SECOND QUARTER 2021 FINANCIAL RESULTS

- Revenues increased 2.1% year over year to NIS 2.20 billion
- Adjusted EBITDA\* decreased 0.7% year over year to NIS 944 million
- Adjusted net profit\* rose 20.6% year-over-year to NIS 304 million
- CAPEX amounted to NIS 418 million, an increase of 19.1% year-over-year due to massive deployment of fiber optics infrastructure

**Gil Sharon, Bezeq Chairman, "Bezeq's board yesterday approved the Group's structural change including the spin-off of Bezeq International's ICT business division as a new and separate entity and the merger of Bezeq International's consumer activities with yes. This strategic decision will allow us to maximize the business potential and grow"**

**Holon, Israel – August 12, 2021 – Bezeq – The Israel Telecommunication Corp., Ltd. (TASE: BEZQ)**, Israel's leading telecommunications provider, today announced its financial results for the three months ended June 30, 2021. Details regarding the investor conference call and webcast to be held today are included later in this press release.

### **Bezeq Group Second Quarter 2021 Financial Highlights**

Q2 2021 results in this earnings release are presented in comparison to the corresponding quarter in 2020 unless stated otherwise

- Revenues of NIS 2.20 billion, up 2.1%
- Net profit of NIS 294 million, up 9.3%
- Adjusted net profit\* totaled NIS 304 million, up 20.6%
- EBITDA totaled NIS 934 million, down 3.7%
- Adjusted EBITDA\* totaled NIS 944 million, down 0.7%
- Capital expenditures totaled NIS 418 million, up 19.1%
- Free cash flow totaled NIS 85 million, a decline of 41.0%

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

**Gil Sharon, Bezeq Chairman,** stated, “In the second quarter of 2021, we accelerated the development of the Group’s three core pillars – strong results, investment in infrastructure and financial strength. Together, these will reinforce Bezeq’s continued leadership in the Israeli telecom market over the long term, while generating value for all Company stakeholders. We posted strong results in the first half of the year with a 2% growth in revenues, which reached NIS 4.4 billion, and 18% growth in net profit, which totaled NIS 702 million. Investment in the Group’s future grew 27% and reached NIS 876 million in the first six months of 2021, mainly through accelerated deployment of fiber optics. Our financial strength was also bolstered in this quarter, with the Group’s net financial debt totaling NIS 6.7 billion, a significant drop of 12% from June 2020.

**Sharon added,** “Bezeq’s board yesterday approved the Group’s structural change including the spin-off of Bezeq International’s ICT business division as a new and separate entity and the merger of Bezeq International’s consumer activities with yes. The decision was reached after a thorough analysis together with our consultants, Deloitte, who pointed to the significant business potential in the field and Bezeq’s ability to maximize such potential. This new company will focus on IT integration services which already today, generates hundreds of millions of shekels in revenues each year. We believe we can significantly grow its operations similar to the way other companies have done so in the industry, including targeted acquisitions. Simultaneously, the merger of Bezeq International and yes will allow us to implement, for the first time, a triple play strategy based on the leading brand and TV product in Israel together with Bezeq’s excellent fiber infrastructure. Through this merger, we see growth potential alongside continued efficiencies.

**Sharon summarized,** “Bezeq recently issued a comprehensive corporate responsibility report and we can already see its highly positive impact on improving Bezeq’s ESG scores. We will continue to showcase Bezeq’s environmental, social, and governance efforts. We will set clear targets for improvement, with a belief that these efforts will generate value for all our stakeholders”.

**Dudu Mizrahi, Bezeq CEO said,** “The deployment of fiber optics which began in the first quarter of this year continued full-speed ahead in this quarter as well. As of today, over 700,000 households have the capacity to join our service, only six months after its initial launch. At the same time, new subscriptions to the service are growing at an ever-increasing pace. During the quarter, we also launched our 2.5 Gbps offering, along with a range of services and products tailored to our fiber-optic network. These offerings will allow our customers to enjoy the fastest and best broadband Internet experience. We are seeing growth in our retail broadband Internet subscriber base, alongside an impressive 8% increase in ARPU. These are driven by the upgrading of broadband Internet speeds and transition to fiber as well as our customer premises strategy that continues to break records. In the business segment, we continue to post significant gains, with a 9-10% increase year-over-year in both revenues from transmission and data as well as revenues from digital and cloud services”.

**Mizrahi added,** “Google recently announced a new international cable which will allow ultra-high bandwidth connections between Europe and India, and will pass through Israel. We are proud to have been chosen to implement the local segment of this complicated, groundbreaking project. This is a



tremendous vote of confidence, and we are privileged to be part of a multi-national project alongside some of the largest names in the industry”.

**Ran Guron, CEO of Pelephone, Bezeq International and yes stated,** "We welcome the Communications Minister's approval for merging Bezeq International's operations into yes. This will allow us to move forward with our restructuring project, bringing substantial value to our customers and increasing competition in the Israeli telecom market, while spinning off Bezeq International's ICT business division as a separate entity. We have anticipated these regulatory changes, and are now working to assure the strength and integrity of our companies, while safeguarding our employees' rights”.

**Guron added,** “We look back on a quarter of very strong results including growth in subscribers in each of the companies. In Pelephone, we saw growth across all financial metrics – revenues, profits, and EBITDA, even though roaming service operations are still running below full capacity due to COVID-19. yes continues to grow its subscriber base for the third consecutive quarter, with 33% of its customers already using IP services, and the continued positive trend in the company's free cash flow. In Bezeq International, we have fully returned to normalcy, with stable revenues, an increase in free cash flow, and growth in the company's commercial service operations”.

**Tobi Fischbein, Bezeq Group CFO,** commented: "We posted strong Group results for the second quarter and first half of the year due to Bezeq's high quality offering of end-to-end telecom products, our ability as a group to generate growth even in the most challenging times, and our continued investment in advanced infrastructures, products and high quality customer service. On the financial side, the continued decrease in our financial debt has resulted in a significant improvement in the net debt to adjusted EBITDA ratio, which was down to 2.0, from 2.3 in June 2020”.



## Bezeq Group Results (Consolidated)

Bezeq Group (consolidated)	Q2 2021	Q2 2020	% change	H1 2021	H1 2021	% change
	(NIS millions)			(NIS millions)		
Revenues	2,200	2,155	2.1%	4,421	4,342	1.8%
Operating profit	469	511	(8.2%)	1,055	970	8.8%
EBITDA	934	970	(3.7%)	1,996	1,880	6.2%
EBITDA margin	42.5%	45.0%		45.1%	43.3%	
Adjusted EBITDA <sup>1</sup>	944	951	(0.7%)	1,862	1,858	0.2%
Net profit	294	269	9.3%	702	596	17.8%
Adjusted net profit <sup>1</sup>	304	252	20.6%	603	577	4.5%
Diluted EPS (NIS)	0.11	0.10	10.0%	0.25	0.22	13.6%
Cash flow from operating activities	594	561	5.9%	1,294	1,440	(10.1%)
Payments for investments	418	351	19.1%	876	689	27.1%
Free cash flow <sup>2</sup>	85	144	(41.0%)	408	580	(29.7%)
Net debt	6,666	7,543		6,666	7,543	

<sup>1</sup> 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

<sup>2</sup> Free cash flow is defined as cash flow from operating activities less net payments for investments and leases

**Revenues** were NIS 2.20 billion, up 2.1% primarily due to an increase in revenues in Pelephone and Bezeq Online.

**Operating expenses** were NIS 797 million, up 4.9%, primarily due to Bezeq Fixed-Line that was impacted by the recognition of expenses for the universal fund for fiber deployment, the positive impact of COVID-19 in Q2-20 and the deployment of fiber in the current quarter. In addition, expenses increased in Pelephone due to an increase in the cost of equipment in-line with the increase in revenues as well as costs relating to the new cloud system. **Salary expenses** were NIS 467 million, up 5.2%, primarily due an increase in salary expenses in Bezeq Fixed-Line as a result of the recognition of stock-based compensation, among other factors, and an increase in Pelephone due to lower expenses in Q2 2020 as a result of employees furloughed due to COVID-19.

**Reported EBITDA** amounted to NIS 934 million (EBITDA margin of 42.5%), down 3.7%. **Adjusted EBITDA** was NIS 944 million (Adjusted EBITDA margin of 42.9%) down 0.7%.

**Reported net profit** amounted to NIS 294 million, up 9.3%. **Adjusted net profit** was NIS 304 million, up 20.6% primarily due to the decrease in financing expenses in Bezeq Fixed-Line due to the early repayment of debt in the corresponding quarter.

**Free cash flow** was NIS 85 million, down 41.0%, primarily due to increased capital expenditures from the deployment of fiber optics and a NIS 40 million grant paid to Bezeq Fixed-Line employees in Q2 2021. Free cash flow in the first half of 2021 was NIS 408 million, down 29.7% compared to the corresponding period, due to higher capex and higher tax payments in the beginning of the year, among other factors.



**Net financial debt** of the Group was NIS 6.66 billion as of June 30, 2021, compared to NIS 7.54 billion as of June 30, 2020. As of June 30, 2021, the Group's net financial debt to adjusted EBITDA ratio was 2.0, compared to 2.3 as of June 30, 2020.

## 2021 Outlook

As of the date of publication of the Q2 2021 report, there is no change to the Bezeq Group's outlook for 2021, as published in the Company's periodic report for the year 2020. We continue to expect:

<b>Adjusted net profit* attributable to shareholders</b>	<b>NIS 1.0 billion</b>
<b>Adjusted EBITDA*</b>	<b>NIS 3.5 billion</b>
<b>CAPEX**</b>	<b>NIS 1.7 billion</b>

\* 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.

\*\* CAPEX – gross payments for investments in fixed and intangible assets.

The Company's forecasts in this section are forward-looking information, as defined in the Securities Law. The forecasts are based on the Company's estimates, assumptions and expectations.

The Group's forecasts 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 2021. Actual results may differ from these estimates taking note of changes that may occur in the foregoing, in business conditions, and the effects of regulatory decisions, technology changes and developments in the structure of the telecommunications market, and so forth, or the realization of one or more of the risk factors listed in the Periodic Report of 2020. In addition, there is no certainty that the outlook will be fully or partially fulfilled, among other things, due to the COVID-19 pandemic and the resulting uncertainty.

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

## Bezeq Fixed-Line Results

- Stable revenues despite 11.2% decrease in telephony revenues, due to significant increase in revenues from the business sector - 10.0% increase in revenues from transmission and data communications and 8.6% increase in revenues from cloud & digital services
- Stable revenues from broadband Internet services despite sharp reduction in wholesale tariffs due to increase in retail broadband Internet revenues
  - Growth in retail broadband Internet ARPU which reached NIS 106, impacted by deployment of fiber optics in the current quarter and continued robust sales of terminal equipment (Be, Bspot, Be Mesh)
  - Growth in retail broadband Internet lines for the fifth consecutive quarter
  - Massive deployment of fiber – 718k homes passed (ready for connection) as of today. On track to reach our target of 1 million homes passed by the end of 2021
- Increase of 8.9% in Adjusted Net Profit

<b>Bezeq Fixed-Line - Financial data</b>	Q2 2021	Q2 2020	% change	H1 2021	H1 2020	% change
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Total revenues	1,039	1,044	(0.5%)	2,093	2,062	1.5%
Broadband Internet revenues	403	402	0.2%	801	797	0.5%
Telephony revenues	229	258	(11.2%)	471	506	(6.9%)
Transmission and data revenues	276	251	10.0%	544	495	9.9%
Cloud & digital services revenues	76	70	8.6%	158	142	11.3%
Other revenues	55	63	(12.7%)	119	122	(2.5%)
Operating profit	407	464	(12.3%)	1,000	903	10.7%
EBITDA	638	682	(6.5%)	1,454	1,333	9.1%
EBITDA margin	61.4%	65.3%		69.5%	64.6%	
Adjusted EBITDA <sup>2</sup>	649	680	(4.6%)	1,320	1,327	(0.5%)
Net profit <sup>1</sup>	238	229	3.9%	638	524	21.8%
Cash flows from operating activities	354	334	6.0%	864	945	(8.6%)
Payments for investments (gross)	285	201	41.8%	597	401	48.9%
Free cash flow <sup>3</sup>	45	126	(64.3%)	396	512	(22.7%)

<sup>1</sup> Excluding share in profits/losses of equity-accounted investees

<sup>2</sup> Excluding other operating expenses/income, net and stock based compensation

<sup>3</sup> Free cash flow is defined as cash flow from operating activities less net payments for investments and leases

<b>Bezeq Fixed-Line - KPIs</b>	<u>Q2 2021</u>	<u>Q1 2021</u>	<u>Q2 2020</u>
Total broadband Internet lines (retail and wholesale, end of period, in thousands) <sup>1</sup>	1,529	1,540	1,571
Retail broadband Internet lines (end of period, in thousands) <sup>1</sup>	1,009	1,001	991
Wholesale broadband Internet lines (end of period, in thousands) <sup>1</sup>	520	539	580
Average monthly revenue per broadband Internet subscriber (NIS) - Retail <sup>2</sup>	106	103	98
Average broadband speed per subscriber (Mbps)	87.8	77.7	70.4
Active telephony subscriber lines (end of period, in thousands) <sup>3</sup>	1,615	1,630	1,675
Average monthly revenue per line (NIS) <sup>4</sup>	47	49	51
Churn rate (%) <sup>5</sup>	2.6%	2.8%	2.7%
Outgoing minutes (millions)	813	965	1,079
Incoming minutes (millions)	1,094	1,284	1,293

<sup>1</sup> The total number of broadband Internet lines includes retail and wholesale lines. Retail - direct Internet subscriber of the Company; Wholesale - Internet line through Bezeq's wholesale service for telecom operators.

<sup>2</sup> ARPU - Revenues from retail broadband Internet services divided by the average number of retail subscribers in the period.

<sup>3</sup> 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).

<sup>4</sup> Based on average lines for the period.

<sup>5</sup> Churn rate is calculated according to the number of telephone subscribers who have disconnected from the Company's services during the period divided by the average number of telephone subscribers during the period.

**Revenues** were relatively stable at NIS 1.04 billion, due to an increase in revenues from transmission and data communications as well as cloud and digital services offset by a decrease in telephony revenues due to the moderating effect of COVID-19.

**Salary expenses** were NIS 233 million, up 4.0% due to the recognition of stock-based compensation in the current quarter, among other factors. **Operating expenses** were NIS 162 million, up 15.7% primarily due to recognition of expenses for the universal fund for fiber deployment, the positive impact of COVID-19 in Q2 2020 and the deployment of fiber in the current quarter.

**Reported EBITDA** was NIS 638 million (EBITDA margin of 61.4%), down 6.5%. **Adjusted EBITDA** was NIS 649 million (EBITDA margin of 62.5%), down 4.6%.

**Net profit** in the second quarter of 2021 amounted to NIS 238 million, up 3.9%. The increase was primarily due to higher financing expenses in Q2 2020 due to fees of NIS 51 million for the early repayment of debt as well as the recognition of higher financing expenses for employee benefits in Bezeq Fixed-Line due to a change in the discount rate.

**Free cash flow** was NIS 45 million, down 64.3% due to increased capital expenditures from the deployment of fiber optics and a NIS 40 million grant paid to employees. Free cash flow in the first half

of 2021 was NIS 396 million, down 22.7% compared to the corresponding period, due to a tax agreement resulting in higher tax payments in early 2021, among other factors.

## Telephone Results

- Continued growth in subscriber adds – 29k subscribers added in Q2 2021 and 79k from the beginning of the year. This is the fifth consecutive year of subscriber growth
- Revenue growth – Total revenues amounted to NIS 576 million, up 7.7%. Revenues from services grew 3.8% and revenues from equipment sales grew 18.4%
- Operating profit was NIS 15 million compared to a loss of NIS 8 million. Net profit was NIS 20 million compared to NIS 1 million
- ARPU was NIS 54, an increase of NIS 1 sequentially

Telephone - Financial data	Q2 2021	Q2 2020	% change	H1 2021	H1 2020	% change
	(NIS millions)			(NIS millions)		
Total revenues	576	535	7.7%	1,146	1,108	3.4%
Service revenues	409	394	3.8%	801	799	0.3%
Equipment revenues	167	141	18.4%	345	309	11.7%
Operating profit (loss)	15	(8)	N/M	12	(21)	N/M
EBITDA	159	143	11.2%	298	280	6.4%
EBITDA margin	27.6%	26.7%		26.0%	25.3%	
Net profit (loss)	20	1		28	(1)	N/M
Cash flows from operating activities	149	149	0.0%	221	313	(29.4%)
Payments for investments (gross)	60	73	(17.8%)	131	138	(5.1%)
Free cash flow <sup>1</sup>	36	28	28.6%	(23)	60	N/M

<sup>1</sup> Free cash flow is defined as cash flow from operating activities less net payments for investments and leases

<b>Telephone - KPIs</b>	<u>Q2 2021</u>	<u>Q1 2021</u>	<u>Q2 2020</u>
Total subscribers (end of period, in thousands) <sup>1</sup>	2,521	2,492	2,365
Postpaid subscribers (end of period, in thousands) <sup>1</sup>	2,050	2,030	1,948
Prepaid subscribers (end of period, in thousands) <sup>1</sup>	471	462	417
Average revenue per user (ARPU, NIS) <sup>2</sup>	54	53	56
Churn rate <sup>3</sup>	5.8%	5.8%	6.8%

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

**Total revenues** were NIS 576 million, up 7.7%.

**Revenues from services** were NIS 409 million, up 3.8%, primarily due to a partial recovery from the effects of COVID-19 resulting in an increase in roaming revenues although still far from reaching the levels of 2019. The increase was partially offset by a decrease in revenues from incoming calls. In addition, there was an increase in postpaid subscribers, including subscribers on 5G plans.

**Revenues from equipment sales** were NIS 167 million, up 18.4% primarily due to the launch of the latest iPhone model.

**EBITDA** was NIS 159 million (EBITDA margin of 27.6%), up 11.2%. **Net profit** was NIS 20 million, compared to NIS 1 million in the corresponding quarter.

**Free cash flow** was NIS 36 million, up 28.6%.

The number of **subscribers** continued to grow with 29k net additions in the second quarter of 2021. As of today, Pelephone has over 400k subscribers with "5G" plans contributing to the increase in ARPU. Total Pelephone subscribers as of June 30, 2021 were 2.521 million.

**ARPU** was NIS 54, a sequential increase of NIS 1, and a decrease of NIS 2 compared to the corresponding quarter.

## yes Results

- Revenues amounted to NIS 315 million, a decrease of 1.3%
- Continued growth in subscribers – 2,800 net subscribers added since the beginning of the year alongside growth in IP subscribers with yes+ and STING TV – 174k customers, 33% of total subscribers
- Positive free cash flow – NIS 20 million in H1 2021 compared to negative free cash flow of NIS 11 million in the corresponding period
- Stable ARPU – NIS 186

<b>yes - Financial data</b>	<u>Q2 2021</u>	<u>Q2 2020</u>	<u>% change</u>	<u>H1 2021</u>	<u>H1 2020</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	315	319	(1.3%)	630	657	(4.1%)
Operating profit	22	23	(4.3%)	16	32	
EBITDA	67	73	(8.2%)	122	126	(3.2%)
EBITDA margin	21.3%	22.9%		19.4%	19.2%	
Net profit (loss)	18	18	0.0%	18	32	(43.8%)
Cash flows from operating activities	56	39	43.6%	118	80	47.5%
Payments for investments (gross)	43	41	4.9%	86	78	10.3%
Free cash flow <sup>1</sup>	7	(8)	N/M	20	(11)	N/M

<sup>1</sup> Free cash flow is defined as cash flow from operating activities less net payments for investments and leases

<b>yes - KPIs</b>	<u>Q2 2021</u>	<u>Q1 2021</u>	<u>Q2 2020</u>
Number of subscribers (end of period, in thousands) <sup>1</sup>	560	559	557
Average revenue per user (ARPU, NIS) <sup>2</sup>	186	187	190
Churn rate (%) <sup>3</sup>	3.7%	4.3%	4.8%

<sup>1</sup> 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. As at the date of approval of the reports, the rate of yes subscribers who use the yes+ and STING TV services broadcasted through the Internet is approximately 33% of all subscribers. This rate also includes subscribers who use satellite services simultaneously.

<sup>2</sup> ARPU includes total yes revenues (excluding the sale of content to external broadcasters) divided by average subscribers for the period.

<sup>3</sup> 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.



**Revenues** were NIS 315 million, in line sequentially, and a decrease of 1.3% year over year.

**Operating expenses** were NIS 293 million, compared to NIS 321 million sequentially and NIS 296 million in the corresponding period, a decrease of NIS 28 million and NIS 3 million respectively. The decrease in expenses was due to a settlement agreement with a supplier as well as a decrease in employee retirement expenses in the corresponding quarter.

**Operating profit** was NIS 22 million, compared to a loss of NIS 6 million in Q1 2021, and profit of NIS 23 million in the corresponding quarter.

**EBITDA** amounted to NIS 67 million (EBITDA margin of 21.3%), up 21.8% in Q1 2021, and down 8.2% year over year.

**Net profit** was NIS 18 million, compared to break even in Q1 2021, and in line with the corresponding quarter.

**Free cash flow** was NIS 7 million, compared to negative free cash flow of NIS 8 million in the corresponding quarter.

ARPU decreased moderately to NIS 186 compared to NIS 190 in the corresponding quarter.

The number of subscribers grew by 800 in the second quarter of 2021 and by 2,800 in the first half of the year, most of which on the IP broadcasting platform with STING TV or yes+. Total subscribers at the end of the second quarter of 2021 were 560k.

## Bezeq International Results

- Revenues amounted to NIS 310 million, a decrease of 1.3%
- Continued growth in cloud operations, business applications and server farms

Bezeq International	Q2 2021	Q2 2020	% change	H1 2021	H1 2020	% change
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	310	314	(1.3%)	622	631	(1.4%)
Operating profit	16	27	(40.7%)	8	56	(85.7%)
EBITDA	62	65	(4.6%)	103	137	(24.8%)
EBITDA margin	20.0%	20.7%		16.6%	21.7%	
Net profit	11	21	(47.6%)	3	43	(93.0%)
Cash flows from operating activities	26	48	(45.8%)	87	108	(19.4%)
Payments for investments (gross)	28	33	(15.2%)	58	67	(13.4%)
Free cash flow <sup>1</sup>	(10)	7	N/M	13	25	(48.0%)

<sup>1</sup> Free cash flow is defined as cash flow from operating activities less net payments for investments and leases

**Revenues** were NIS 310 million, down 0.6% sequentially, and 1.3% year over year primarily due to the decrease in revenues from Internet services partially offset by an increase in sales of business communication services and international calls.

**Operating expenses** (excluding depreciation and impairment losses) were NIS 248 million, compared to NIS 271 million sequentially, a decrease of NIS 23 million, and inline with the corresponding quarter.

**Operating profit** was NIS 16 million, compared to a loss of NIS 8 million sequentially, and profit of NIS 27 million in the corresponding quarter, a decrease of 40.7%.

**EBITDA** amounted to NIS 62 million (EBITDA margin – 20.0%), up 51.2% sequentially and down 4.6% year over year.

**Net profit** was NIS 11 million, compared to a loss of NIS 8 million sequentially, and profit of NIS 21 million in the corresponding quarter, a decrease of 47.6%.

**Negative free cash flow** was NIS 10 million, compared to positive free cash flow of NIS 7 million in the corresponding quarter.



## Press Release

### Conference Call & Webcast Information

Bezeq will conduct a conference call hosted by Mr. Gil Sharon, Bezeq Chairman, Mr. Dudu Mizrahi, Bezeq CEO, Mr. Ran Guron, CEO of Pelephone, Bezeq International and yes and Mr. Tobi Fischbein, Bezeq CFO, on August 12, 2021, at 3:00 PM Israel Time / 8:00 AM Eastern Time. Participants may join the live conference call by dialing:

International Phone Number: + 972-3-918-0685

Israel Phone Number: 03-918-0685

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](http://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, August 18, 2021. Participants can access and listen to the conference call replay by dialing:

International Phone Number: + 972-3-925-5918

Israel Phone Number: 03-925-5918



## 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](http://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					
	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
<b>Revenues</b>	<b>4,421</b>	<b>4,342</b>	<b>2,200</b>	<b>2,155</b>	<b>8,723</b>
<b>Costs of activity</b>					
General and operating expenses	1,628	1,561	797	760	3,173
Salaries	947	923	467	444	1,891
Depreciation, amortization, and impairment losses	941	910	465	459	1,837
Other operating expenses (income), net	(150)	(22)	2	(19)	74
Impairment loss	-	-	-	-	293
<b>Total operating expenses</b>	<b>3,366</b>	<b>3,372</b>	<b>1,731</b>	<b>1,644</b>	<b>7,268</b>
<b>Operating profit</b>	<b>1,055</b>	<b>970</b>	<b>469</b>	<b>511</b>	<b>1,455</b>
<b>Financing expenses (income)</b>					
Financing expenses	166	220	92	169	416
Financing income	(31)	(27)	(8)	(10)	(45)
Financing expenses, net	135	193	84	159	371
<b>Profit before income tax</b>	<b>920</b>	<b>777</b>	<b>385</b>	<b>352</b>	<b>1,084</b>
<b>Income tax</b>	<b>218</b>	<b>181</b>	<b>91</b>	<b>83</b>	<b>288</b>
<b>Profit (loss) for the period</b>	<b>702</b>	<b>596</b>	<b>294</b>	<b>269</b>	<b>796</b>
<b>Basic and diluted earnings per share (in NIS)</b>	<b>0.25</b>	<b>0.22</b>	<b>0.11</b>	<b>0.10</b>	<b>0.29</b>

## "Bezeq" The Israel Telecommunication Corp., Limited

### Condensed Consolidated Interim Statements of Financial Position

	June 30, 2021	June 30, 2020	December 31, 2020
	(Unaudited)	(Unaudited)	(Audited)
Assets	NIS million	NIS million	NIS million
Cash and cash equivalents	907	708	840
Investments	739	1,221	724
Trade receivables	1,661	1,698	1,621
Other receivables	195	340	178
Inventory	82	110	73
Assets held for sale	-	46	10
<b>Total current assets</b>	<b>3,584</b>	<b>4,123</b>	<b>3,446</b>
Trade and other receivables	513	454	514
Broadcasting rights, net of rights exercised	60	65	67
Right-of-use assets	1,786	1,329	1,804
Fixed assets	6,267	6,076	6,131
Intangible assets	938	935	929
Deferred expenses and non-current investments	323	361	242
Deferred tax assets	42	57	108
<b>Total non-current assets</b>	<b>9,929</b>	<b>9,277</b>	<b>9,795</b>
<b>Total assets</b>	<b>13,513</b>	<b>13,400</b>	<b>13,241</b>

## "Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Financial Position (Contd.)			
	June 30, 2021	June 30, 2020	December 31, 2020
	(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	NIS million	NIS million	NIS million
Debentures, loans and borrowings	743	955	786
Current maturities of liabilities for leases	432	399	415
Trade and other payables	1,567	1,626	1,759
Employee benefits	462	486	482
Provisions	84	122	117
<b>Total current liabilities</b>	<b>3,288</b>	<b>3,588</b>	<b>3,559</b>
Loans and debentures	7,569	8,517	7,614
Liability for leases	1,477	1,017	1,492
Employee benefits	226	344	335
Derivatives and other liabilities	273	176	307
Liabilities for deferred taxes	40	46	32
Provisions	49	50	52
<b>Total non-current liabilities</b>	<b>9,634</b>	<b>10,150</b>	<b>9,832</b>
<b>Total liabilities</b>	<b>12,922</b>	<b>13,738</b>	<b>13,391</b>
<b>Total equity (deficit)</b>	<b>591</b>	<b>(338)</b>	<b>(150)</b>
<b>Total liabilities and equity</b>	<b>13,513</b>	<b>13,400</b>	<b>13,241</b>



## "Bezeq" The Israel Telecommunication Corp., Limited

### Condensed Consolidated Interim Statements of Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
<b>Cash flows from operating activities</b>					
Profit (loss) for the period	702	596	294	269	796
Adjustments:					
Depreciation, amortization, and impairment losses	941	910	465	459	1,837
Impairment loss of assets	-	-	-	-	293
Financing expenses, net	141	209	85	139	403
Capital loss (gain), net	(127)	(5)	(2)	4	(40)
Stock-based compensation	16	-	8	-	-
Income tax expenses	218	181	91	83	288
Change in trade and other receivables	(47)	(44)	12	-	57
Change in inventory	(15)	(20)	3	(3)	13
Change in trade and other payables	(158)	(125)	(184)	(223)	17
Change in provisions	(32)	(3)	(3)	(3)	(8)
Change in employee benefits	(130)	(166)	(93)	(78)	(192)
Change in other liabilities	3	(7)	1	-	(1)
Net income tax paid	(218)	(86)	(83)	(86)	(243)
<b>Net cash from operating activities</b>	<b>1,294</b>	<b>1,440</b>	<b>594</b>	<b>561</b>	<b>3,220</b>



# Press Release

## "Bezeq" The Israel Telecommunication Corp., Limited

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
<b>Cash flow used for investing activities</b>					
Purchase of fixed assets	(679)	(482)	(323)	(238)	(1,133)
Investment in intangible assets and deferred expenses	(197)	(207)	(95)	(113)	(366)
Investment in bank deposits and securities	(715)	(972)	(204)	(462)	(1,335)
Proceeds from bank deposits and sales of securities	600	951	126	351	1,786
Proceeds from the sale of fixed assets	184	28	1	20	148
Sale of Walla, net	-	-	-	-	44
Miscellaneous	5	10	2	4	17
<b>Net cash used in investing activities</b>	<b>(802)</b>	<b>(672)</b>	<b>(493)</b>	<b>(438)</b>	<b>(839)</b>



# Press Release

## "Bezeq" The Israel Telecommunication Corp., Limited

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
<b>Cash flow from financing activities</b>					
Repayment of debentures and loans	(103)	(769)	(103)	(769)	(1,828)
Payments of principal and interest for leases	(194)	(199)	(92)	(86)	(391)
Interest paid	(128)	(159)	(123)	(154)	(314)
Costs for early repayment of loans and debentures	-	(51)	-	(51)	(65)
Payments for hedging transactions	-	-	-	-	(57)
Miscellaneous	-	-	-	-	(4)
Issue of debentures and receipt of loans	-	718	-	718	718
<b>Net cash used for financing activities</b>	<b>(425)</b>	<b>(460)</b>	<b>(318)</b>	<b>(342)</b>	<b>(1,941)</b>
<b>Increase (decrease) in cash and cash equivalents, net</b>	<b>67</b>	<b>308</b>	<b>(217)</b>	<b>(219)</b>	<b>440</b>
Cash and cash equivalents at beginning of period	840	400	1,124	927	400
<b>Cash and cash equivalents at end of period</b>	<b>907</b>	<b>708</b>	<b>907</b>	<b>708</b>	<b>840</b>