



## BEZEQ GROUP REPORTS THIRD QUARTER 2022 FINANCIAL RESULTS

Holon, Israel – November 16, 2022 – Bezeq – The Israel Telecommunication Corp., Ltd. (TASE: BEZQ), Israel's leading telecommunications provider, today announced its financial results for the three months ended September 30, 2022. Details regarding the investor webcast call to be held today are included later in this press release.

### Bezeq Group Q3 2022 Financial Highlights<sup>1</sup>

- Revenues of NIS 2.26 billion, up 5.6%
- Adjusted net profit<sup>2</sup> totaled NIS 314 million, up 6.4%
- Adjusted EBITDA<sup>2</sup> totaled NIS 947 million, up 1.0%
- Capital expenditures totaled NIS 515 million, or 23% of revenues, up 15.7%
- Free cash flow totaled NIS 30 million, down 92.0%

**Gil Sharon, Bezeq Chairman**, stated: "We posted strong financial results in the third quarter of the year, which stand out positively against the background of the economic challenges that the world is experiencing, and testify to the implementation of our growth strategy. We continued to emphasize investment in infrastructure and financial strength, which are well reflected in our third quarter results. We grew significantly with a 5.6% increase in revenues reaching NIS 2.26 billion, and a 6.4% increase in adjusted net profit to NIS 314 million. Our financial stability was strengthened thanks to a decrease in net debt of approximately NIS 600 million, which amounted to NIS 5.64 billion.

**Sharon added**, "In recent months, we made management changes within the Bezeq Group companies, with the appointments of Ran Guron as CEO of Bezeq, Ilan Sigal as CEO of the subsidiaries and Ron Gelb as CEO of Bezeq International. These brought about enhanced managerial focus pursuant to the goals set by Bezeq's board of directors. We are taking significant steps to maximize the advantages and capabilities of the various companies in the group. All of these make the Bezeq Group strong and stable in the face of global and local financial challenges, which may affect the economy and the market in which we operate."

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<sup>1</sup> Q3-2022 and 9M-2022 results in this earnings release are presented in comparison to Q3-2021 and 9M-2021 results respectively, unless stated otherwise.

<sup>2</sup> 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.

**Sharon concluded**, "Recently, Bezeq published a comprehensive ESG report, and we are improving our ESG ratings significantly. We will continue to present our activities in the areas of environment, social and corporate governance while setting clear goals for continued improvement, understanding that this will add value to all of our stakeholders."

**Tobi Fischbein, Bezeq Group CFO**, commented: "Our strong results allowed us to continue improving the coverage ratio through further reduction of net debt while continuing to implement the established dividend policy. We have the necessary financial means to allow the group companies to focus on infrastructure-driven growth while improving profitability. The group's operational focus and financial strength allows us to deal well with the changes in the economy and capital markets."

### Bezeq Group Results (Consolidated)

	<u>Q3 2022</u>	<u>Q3 2021</u>	<u>% change</u>	<u>9M 2022</u>	<u>9M 2021</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	2,262	2,142	5.6%	6,742	6,563	2.7%
Operating profit	466	459	1.5%	1,389	1,514	(8.3%)
EBITDA	934	925	1.0%	2,763	2,921	(5.4%)
Adjusted EBITDA <sup>1</sup>	947	938	1.0%	2,829	2,800	1.0%
Adjusted EBITDA margin	41.9%	43.8%		42.0%	42.7%	
Net profit	302	284	6.3%	891	986	(9.6%)
Adjusted net profit <sup>1</sup>	314	295	6.4%	946	898	5.3%
Diluted EPS (NIS)	0.11	0.10	10.0%	0.32	0.36	(11.1%)
Operating cash flow	641	914	(29.9%)	2,609	2,208	18.2%
CapEx (gross)	515	445	15.7%	1,372	1,321	3.9%
Free cash flow <sup>2</sup>	30	377	(92.0%)	959	785	22.2%
Net debt	5,641	6,234	(9.5%)	5,641	6,234	(9.5%)

<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 2.26 billion, up 5.6% primarily due to 12% and 5% growth in Pelephone and Bezeq Fixed-Line revenues, respectively. Revenues in the first nine months of 2022 were NIS 6.74 billion, up 2.7%.

**Salary expenses** were NIS 470 million, up 0.4%. **Operating expenses** were NIS 848 million, up 14.3%, primarily due to an increase in subcontractor expenses in connection with the fiber project, as well as higher handset expenses, interconnect fees and content expenses. **Depreciation expenses** were NIS 468 million, up 0.4%.

**EBITDA** amounted to NIS 934 million, up 1.0%. **Adjusted EBITDA** was NIS 947 million, up 1.0% (Adjusted EBITDA margin of 41.9%). **Adjusted EBITDA** for the first nine months of 2022 was NIS 2.83 billion, up 1.0% (Adjusted EBITDA margin of 42.0%).

**Net profit** amounted to NIS 302 million, up 6.3%. **Adjusted net profit** was NIS 314 million, an increase of 6.4%. The increase in net profit was due to the increase in operating profit as well as the decrease in financing expenses in Bezeq Fixed-Line. **Adjusted net profit** for the first nine months of 2022 was NIS 946 million, up 5.3%.

**Free cash flow** was NIS 30 million, down 92.0%, primarily due to timing differences in working capital in all group companies, mainly payment for frequencies, payment of salaries in advance and timing of payments to universal fund and early retirement. Free cash flow in the first nine months of 2022 was NIS 959 million, up 22.2%.

**Net financial debt** of the Group amounted to NIS 5.64 billion as of September 30, 2022, compared to NIS 6.23 billion as of September 30, 2021, a decrease of 9.5%. The Group's net financial debt to adjusted EBITDA ratio was 1.7 as of September 30, 2022, compared to 1.9 as of September 30, 2021.



## Bezeq Fixed-Line Results

- **Record take-up of 51k fiber subscribers in Q3 2022 versus 37k in the prior quarter; Bezeq fiber subscribers reached 233 thousand as of today**
- **Bezeq solidified its status as the largest fiber network in Israel with deployment to over 1.48 million Israeli households**
- **Total revenues grew 4.7% due to an 11.1% increase in broadband Internet revenues, 4.8% higher transmission and data communication revenues, 3.8% growth in revenues from cloud and digital services, and a 33.3% increase in other revenues**
- **Adjusted net profit grew 3.8% to NIS 237 million and Adjusted EBITDA increased 0.5% to NIS 643 million**
- **Average broadband speed grew 84% year-over-year to 192 Mbps**

**Ran Guron, Bezeq CEO,** stated, "We are focused on increasing the take-up of customers to our advanced fiber network, which is clearly reflected in the accelerated rate of customer growth. In the third quarter of the year, we had record fiber take up of 51k subscribers versus 37k in the prior quarter. The number of households connected to Bezeq's fiber infrastructure reached 212 thousand, a significant increase of 32% compared to the previous quarter. As of today, there are approximately 233 thousand households connected to Bezeq fiber. The rapid growth is reflected in the sharp increase in the average broadband speed per subscriber, reaching 192 Mbps, an increase of 17% in just one quarter. Our strategy of focusing on fiber customer take-up is bearing fruit, along with continued growth in deploying our infrastructure all over Israel."

**Guron added,** "The growth in our operations is also well reflected in the financial results, with revenues growing 4.7% in the third quarter of the year, reaching NIS 1.09 billion. The increase in revenues was mainly due to growth of 11.1% in broadband Internet revenues, 4.8% growth in transmission and data revenues, and a 3.8% increase in cloud and digital service revenues. All of these more than offset the decline in telephony revenues. Adjusted Net profit also improved in the third quarter of the year, reaching NIS 237 million, a 3.8% increase."

Bezeq Fixed-Line – Financial data	Q3 2022	Q3 2021	% change	9M 2022	9M 2021	% change
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Total revenues	1,086	1,037	4.7%	3,249	3,130	3.8%
Broadband Internet	452	407	11.1%	1,329	1,208	10.0%
Transmission and data	283	270	4.8%	856	814	5.2%
Telephony	188	220	(14.5%)	597	691	(13.6%)
Cloud & digital services	83	80	3.8%	247	238	3.8%
Other revenues	80	60	33.3%	220	179	22.9%
Operating profit	388	390	(0.5%)	1,167	1,390	(16.0%)
EBITDA	640	629	1.7%	1,906	2,083	(8.5%)
Adjusted EBITDA <sup>1</sup>	643	640	0.5%	1,962	1,960	0.1%
Adjusted EBITDA margin	59.2%	61.7%		60.4%	62.6%	
Net profit	235	219	7.3%	696	857	(18.8%)
Adjusted net profit <sup>2</sup>	237	228	3.8%	740	766	(3.4%)
Operating cash flow	427	567	(24.7%)	1,602	1,431	11.9%
CapEx (gross)	294	314	(6.4%)	858	911	(5.8%)
Free cash flow <sup>3</sup>	107	226	(52.7%)	668	622	7.4%

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

<sup>2</sup> Excluding share in profits/losses of equity-accounted investees

<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>Q3 2022</u>	<u>Q2 2022</u>	<u>Q3 2021</u>
Total broadband Internet lines (retail and wholesale, end of the period, in thousands) <sup>1</sup>	1,505	1,512	1,524
Retail broadband Internet lines (end of the period, in thousands) <sup>1</sup>	1,024	1,022	1,014
Wholesale broadband Internet lines (end of the period, in thousands) <sup>1</sup>	481	490	510
Fiber optics deployed – Homes passed (end of the period, in thousands)	1,442	1,308	848
Fiber optic subscribers (end of the period, in thousands)	212	161	44
Average monthly revenue per broadband Internet subscriber (NIS) - Retail <sup>2</sup>	116	113	107
Average broadband speed per subscriber (Mbps)	192	164	104
Active telephony subscriber lines (end of the period, in thousands) <sup>3</sup>	1,522	1,542	1,602
Average monthly revenue per line (NIS) <sup>4</sup>	41	41	46
Churn rate (%) <sup>5</sup>	2.8%	2.6%	2.4%
Outgoing minutes (millions)	744	726	782
Incoming minutes (millions)	989	952	1,152

<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 disconnected from the Company's services during the period divided by the average number of telephone subscribers.

**Revenues** increased 4.7% to NIS 1.09 billion, due to growth in all activities except for a decrease in telephony services due to the MOC reduction in tariffs beginning in April 2022. Revenues in the first nine months of 2022 were NIS 3.25 billion, up 3.8%.

**Salary expenses** were NIS 242 million, up 2.1% mainly due to the recruitment of employees for the fiber project. **Operating expenses** were NIS 199 million, an increase of 22.1%, primarily driven by increased sub-contractor and materials expenses for the fiber project and various infrastructure work. **Depreciation expenses** were NIS 252 million, up 5.4%, driven by the rise in CapEx over previous periods relating to the fiber deployment project.

**EBITDA** was NIS 640 million, up 1.7%. **Adjusted EBITDA** was NIS 643 million, up 0.5% (Adjusted EBITDA margin of 59.2%). Adjusted EBITDA in the first nine months of 2022 was NIS 1.96 billion, up 0.1% (Adjusted EBITDA margin of 60.4%).

**Net profit** was NIS 235 million, up 7.3%. **Adjusted Net Profit** was NIS 237 million, up 3.8%. Adjusted Net Profit in the first nine months of 2022 was NIS 740 million, a 3.4% decrease. The increase in net profit was due to the reduction in net financing expenses, resulting from financing income relating to actuarial changes in employee benefits, financing income from foreign currency hedging transactions due to the increase in the dollar-shekel exchange rate as well as fees for the early repayment of debt recorded in the corresponding quarter.

**Free cash flow** was NIS 107 million, a 52.7% decrease due to timing differences in working capital, mainly timing of payments for early retirement, universal fund and convalescence pay to employees. Free cash flow in the first nine months of 2022 was NIS 668 million, up 7.4%.

### **Subsidiary results**

**Ilan Sigal, CEO of Pelephone, yes and Bezeq International**, stated, "The subsidiaries recorded an excellent quarter, allowing each company to solidify and strengthen its position as a leader in its respective field. Pelephone closed the quarter with a 5% sequential growth in revenues from services reaching NIS 467 million, the highest in six years. In addition, our 5G subscriber plans grew 9% sequentially. Together with subscriber growth, Pelephone posted sequential EBITDA growth of 6%. At yes, net subscriber adds increased by 7,500, the highest in eight years, together with a 10% sequential growth in IP subscribers and revenue stability. Bezeq International recorded an increase in revenues and improved profitability metrics due to the focus on cloud activity and integration services."

**Sigal added**, "The three companies have taken significant actions in each of their sectors that have affected the market in which they operate. yes is the largest Internet-based television service provider in Israel today, having added over 100 thousand subscribers to the IP service in just one year, reaching a total of 317 thousand subscribers today. At Pelephone, subscribers continued to grow, 753 thousand of which are already on 5G plans. We will continue to work to lead innovation and entrepreneurship in the companies' fields of activity and bring consumers the best customer experience in Israel."

## Telephone Results

- Highest quarterly revenues from services in the last six years, reaching NIS 467 million, a 12% increase. Highest total revenue growth in the last three years, reaching NIS 608 million, a 12% increase, driven by an increase in roaming revenues, equipment revenues, growth in 5G subscriber plans and total subscribers
- Operating profit grew 173% to NIS 60 million; Net Profit increased 117% to NIS 50 million, and Adjusted EBITDA grew 23% to NIS 205 million
- Total subscribers grew by 39k sequentially, including continued growth in subscribers on 5G plans which totaled 753k as of today. Total Telephone subscribers as of September 30, 2022, reached 2.675 million
- ARPU in Q3 2022 was NIS 58, a year-over-year increase of NIS 3 and a sequential increase of NIS 1



Telephone – Financial data	<u>Q3 2022</u>	<u>Q3 2021</u>	<u>% change</u>	<u>9M 2022</u>	<u>9M 2021</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Total revenues	608	541	12.4%	1,807	1,687	7.1%
Service revenues	467	417	12.0%	1,350	1,218	10.8%
Equipment revenues	141	124	13.7%	457	469	(2.6%)
Operating profit	60	22	172.7%	176	34	417.6%
EBITDA	199	166	19.9%	573	464	23.5%
Adjusted EBITDA <sup>1</sup>	205	167	22.8%	577	465	24.1%
Adjusted EBITDA margin	33.7%	30.9%		31.9%	27.6%	
Net profit	50	23	117.4%	152	51	198.0%
Operating cash flow	203	185	9.7%	725	406	78.6%
CapEx (gross)	157	68	130.9%	295	199	48.2%
Free cash flow <sup>2</sup>	(12)	65	N.A.	264	42	528.6%

<sup>1</sup> Excluding 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

Telephone – KPIs	<u>Q3 2022</u>	<u>Q2 2022</u>	<u>Q3 2021</u>
Total subscribers (end of the period, in thousands) <sup>1</sup>	2,675	2,636	2,547
Postpaid subscribers (end of the period, in thousands) <sup>1</sup>	2,137	2,122	2,074
Prepaid subscribers (end of the period, in thousands) <sup>1</sup>	538	514	473
Average revenue per user (ARPU, NIS) <sup>2</sup>	58	57	55
Churn rate <sup>3</sup>	5.7%	5.5%	5.5%

<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 paid 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 their 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) and whose average revenue is significantly lower than other subscribers.

<sup>2</sup> Average monthly revenue per subscriber (postpaid and prepaid) is calculated by dividing the 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.

**Revenues from services** were NIS 467 million, up 12.0%, primarily due to increased roaming revenues, continued growth in 5G plans and increased total subscribers. **Revenues from equipment sales** were NIS 141 million, up 13.7%, primarily due to increased sales of handsets. **Total revenues** were NIS 608 million, up 12.4%. Total revenues in the first nine months of 2022 were NIS 1.81 billion, up 7.1%.

**Operating expenses** were NIS 544 million, up 4.8%, primarily due to the increase in the cost of handsets and roaming services in line with the rise in revenues.

**EBITDA** was NIS 199 million, up 19.9%. **Adjusted EBITDA** was NIS 205 million, an increase of 22.8% (Adjusted EBITDA margin of 33.7%). Adjusted EBITDA in the first nine months of 2022 was NIS 577 million, up 24.1% (Adjusted EBITDA margin of 31.9%).

**Net profit** was NIS 50 million, up 117.4%. Net profit in the first nine months of 2022 was NIS 152 million, up 198.0%.

**Free cash flow** was impacted by timing differences primarily relating to a one-time payment of NIS 88 million for frequencies and amounted to negative free cash flow of NIS 12 million, compared to positive free cash flow of NIS 65 million in the corresponding quarter. Free cash flow in the first nine months of 2022 was NIS 264 million, compared to NIS 42 million in the corresponding period, up 528.6% primarily due to improved profitability as well as employee sanctions in 2021 that resulted in the deferral of customer debt collections to 2022.

## yes Results

- Highest growth in net subscribers in the last eight years, with an increase of 7.5k in Q3 2022 with 12.1k net adds since the beginning of the year. Total subscribers as of September 30, 2022 reached 575k
- Continued growth in IPTV subscribers reaching 317k subscribers, representing 55% of total subscribers, of which 103k are STING TV subscribers. Over the last year, over 100k subscribers migrated to yes' IP service
- Revenues in Q3 2022 were NIS 315 million, a decrease of 0.9%
- Launch of a strategic agreement with Disney+ and Discovery+
- ARPU in Q3 2022 was NIS 182

<b>yes – Financial data</b>	<u>Q3 2022</u>	<u>Q3 2021</u>	<u>% change</u>	<u>9M 2022</u>	<u>9M 2021</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	315	318	(0.9%)	947	948	(0.1%)
Operating profit	-	30		8	46	(82.6%)
EBITDA	46	75	(38.7%)	150	197	(23.9%)
Adjusted EBITDA <sup>1</sup>	47	77	(39.0%)	153	199	(23.1%)
Adjusted EBITDA margin	14.9%	24.2%		16.2%	21.0%	
Net profit	-	29		12	47	(74.5%)
Operating cash flow	9	73	(87.7%)	130	191	(31.9%)
CapEx (gross)	40	39	2.6%	136	125	8.8%
Free cash flow <sup>2</sup>	(36)	29	N.A.	(22)	49	N.A.

<sup>1</sup> Excluding 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

<b>yes – KPIs</b>	<u>Q3 2022</u>	<u>Q2 2022</u>	<u>Q3 2021</u>
Total number of subscribers (end of the period, in thousands) <sup>1</sup>	575	567	560
IP subscribers <sup>2</sup>	307	280	198
Average revenue per user (ARPU, NIS) <sup>3</sup>	182	184	188
Churn rate (%) <sup>4</sup>	3.2%	2.9%	3.7%

<sup>1</sup> 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.

<sup>2</sup> The rate of yes subscribers using yes+ and STINGTV services broadcast via the Internet is approximately 55% of all yes subscribers as of the reports' approval date. This rate includes subscribers who also use satellite services at the same time.

<sup>3</sup> ARPU includes total yes revenues (excluding the sale of content to external broadcasters and revenues from terminal equipment) divided by average subscribers for the period.

<sup>4</sup> 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.

## **Q3 2022 results were impacted by an increase in content expenses**

**Revenues** were NIS 315 million, down 0.9%. Revenues in the first nine months of 2022 were NIS 947 million, down 0.1%.

**Operating expenses** were NIS 315 million, up 9.8%, mainly due to higher content expenses and higher salary expenses relating to the implementation of the collective labor agreement.

**EBITDA** was NIS 46 million, a decrease of 38.7%. **Adjusted EBITDA** was NIS 47 million, a decrease of 39.0% (Adjusted EBITDA margin of 14.9%). Adjusted EBITDA in the first nine months of 2022 was NIS 153 million, down 23.1% (Adjusted EBITDA margin of 16.2%).

**Net profit** was breakeven, compared to NIS 29 million in the corresponding quarter. Net profit in the first nine months of 2022 was NIS 12 million, compared to NIS 47 million in the corresponding period.

**Negative free cash flow** was NIS 36 million, compared to positive free cash flow of NIS 29 million in the corresponding quarter. Negative free cash flow in the first nine months of 2022 was NIS 22 million, compared to positive free cash flow of NIS 49 million in the corresponding period. The decrease in free cash flow was due to the decline in profitability and increased payments for content.

## Bezeq International Results

- Revenues increased 8.4%, reaching NIS 311 million due to an increase in revenues from cloud and integration activities
- Adjusted EBITDA grew 4% to NIS 52 million; Net profit rose 60%, reaching NIS 16 million
- New voluntary retirement plan for permanent employees, as part of the understanding reached between management and the labor union
- Growth in cloud services and data center activities

Bezeq International – Financial data	Q3 2022	Q3 2021	% change	9M 2022	9M 2021	% change
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	311	287	8.4%	920	909	1.2%
Operating profit	17	13	30.8%	30	21	42.9%
EBITDA	49	51	(3.9%)	129	154	(16.2%)
Adjusted EBITDA <sup>1</sup>	52	50	4.0%	133	154	(13.6%)
Adjusted EBITDA margin	16.7%	17.4%		14.5%	16.9%	
Net profit	16	10	60.0%	26	13	100.0%
Operating cash flow	5	96	(94.8%)	154	183	(15.8%)
CapEx (gross)	23	27	(14.8%)	77	85	(9.4%)
Free cash flow <sup>2</sup>	(27)	60		51	73	(30.1%)

<sup>1</sup> Excluding 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 compensation

**Revenues** were NIS 311 million, up 8.4%, primarily due to an increase in revenues from ICT services due to an increase in cloud and integration service activities. The increase was partially offset by a decrease in ISP revenues due to a decrease in the number of subscribers resulting from the MOC regulatory reform for unified Internet service. Revenues in the first nine months of 2022 were NIS 920 million, up 1.2%.

**Operating expenses** were NIS 292 million, up 5.8%, primarily due to an increase in business service expenses, in line with the rise in revenues.



**EBITDA** amounted to NIS 49 million, down 3.9%. **Adjusted EBITDA** was NIS 52 million, up 4.0% (Adjusted EBITDA margin – 16.7%). Adjusted EBITDA in the first nine months of 2022 was NIS 133 million, down 13.6% (Adjusted EBITDA margin – 14.5%).

**Net profit** was NIS 16 million, up 60.0%. Net profit in the first nine months of 2022 was NIS 26 million, up 100.0%.

**Negative free cash flow** was NIS 27 million, compared to positive free cash flow of NIS 60 million in the corresponding quarter. The decrease in free cash flow was primarily due to timing differences in working capital resulting from employee sanctions in the corresponding period. Free cash flow in the first nine months of 2022 was NIS 51 million, down 30.1%.



## Conference Call & Webcast Information

Bezeq will conduct its Third Quarter Earnings 2022 webcast call on Wednesday, November 16, 2022, at 8:00 AM EST /3:00 PM Israel time, hosted by Mr. Gil Sharon, Bezeq's Chairman, Mr. Ran Guron, Bezeq's CEO, Mr. Ilan Sigal, CEO of Pelephone, yes and Bezeq International and Mr. Tobi Fischbein, Bezeq Group's Chief Financial Officer. Participants are invited to join the webcast by clicking <https://us06web.zoom.us/j/82941769301>

## About "Bezeq" The Israel Telecommunication Corp.

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

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# Press Release

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

### Condensed Consolidated Interim Statements of Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
<b>Revenues</b>	<b>6,742</b>	6,563	<b>2,262</b>	2,142	8,821
<b>Costs of activity</b>					
General and operating expenses	<b>2,509</b>	2,370	<b>848</b>	742	3,257
Salaries	<b>1,411</b>	1,415	<b>470</b>	468	1,882
Depreciation, amortization, and impairment losses	<b>1,374</b>	1,407	<b>468</b>	466	1,889
Other operating expenses (income), net	<b>59</b>	(143)	<b>10</b>	7	(77)
<b>Total operating expenses</b>	<b>5,353</b>	5,049	<b>1,796</b>	1,683	6,951
<b>Operating profit</b>	<b>1,389</b>	1,514	<b>466</b>	459	1,870
<b>Financing expenses (income)</b>					
Financing expenses	<b>334</b>	273	<b>99</b>	109	349
Financing income	<b>(109)</b>	(38)	<b>(26)</b>	(9)	(44)
Financing expenses, net	<b>225</b>	235	<b>73</b>	100	305
<b>Profit before income tax</b>	<b>1,164</b>	1,279	<b>393</b>	359	1,565
<b>Income tax</b>	<b>273</b>	293	<b>91</b>	75	382
<b>Profit for the period</b>	<b>891</b>	986	<b>302</b>	284	1,183
<b>Basic and diluted earnings per share (in NIS)</b>	<b>0.32</b>	0.36	<b>0.11</b>	0.10	0.43





# Press Release

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

### Condensed Consolidated Interim Statements of Financial Position

	September 30, 2022	September 30, 2021	December 31, 2021
	(Unaudited)	(Unaudited)	(Audited)
Assets	NIS million	NIS million	NIS million
Cash and cash equivalents	869	1,019	973
Investments	1,528	771	954
Trade receivables	1,461	1,672	1,859
Other receivables	350	192	279
Inventory	98	70	74
Assets held for sale	-	36	-
<b>Total current assets</b>	<b>4,306</b>	<b>3,760</b>	<b>4,139</b>
Trade and other receivables	445	496	433
Broadcasting rights	63	57	60
Right-of-use assets	1,779	1,763	1,828
Fixed assets	6,532	6,266	6,312
Intangible assets	922	927	912
Deferred expenses and non-current investments	235	226	226
Deferred tax assets	-	37	24
<b>Total non-current assets</b>	<b>9,976</b>	<b>9,772</b>	<b>9,795</b>
<b>Total assets</b>	<b>14,282</b>	<b>13,532</b>	<b>13,934</b>



# Press Release

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

### Condensed Consolidated Interim Statements of Financial Position (Contd.)

	September 30, 2022	September 30, 2021	December 31, 2021
	(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	NIS million	NIS million	NIS million
Debentures, loans and borrowings	964	745	980
Current maturities of liabilities for leases	471	440	466
Trade and other payables	1,613	1,699	1,748
Dividend payable	294	-	-
Employee benefits	273	439	510
Provisions	173	83	69
<b>Total current liabilities</b>	<b>3,788</b>	<b>3,406</b>	<b>3,773</b>
Loans and debentures	7,074	7,279	7,082
Liability for leases	1,463	1,457	1,511
Employee benefits	193	228	243
Derivatives and other liabilities	137	178	142
Liabilities for deferred taxes	73	44	38
Provisions	41	49	49
<b>Total non-current liabilities</b>	<b>8,981</b>	<b>9,235</b>	<b>9,065</b>
<b>Total liabilities</b>	<b>12,769</b>	<b>12,641</b>	<b>12,838</b>
<b>Total equity</b>	<b>1,513</b>	<b>891</b>	<b>1,096</b>
<b>Total liabilities and equity</b>	<b>14,282</b>	<b>13,532</b>	<b>13,934</b>



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

### Condensed Consolidated Interim Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
<b>Cash flows from operating activities</b>					
Profit for the period	891	986	302	284	1,183
Adjustments:					
Depreciation, amortization, and impairment losses	1,374	1,407	468	466	1,889
Financing expenses, net	268	245	86	104	324
Capital loss (gain), net	(1)	(123)	(4)	4	(175)
Stock-based compensation	7	22	3	6	27
Income tax expenses	273	293	91	75	382
Change in trade and other receivables	335	(30)	11	17	(229)
Change in inventory	(37)	(14)	(8)	1	(19)
Change in trade and other payables	(117)	(98)	(98)	60	(41)
Change in provisions	30	(34)	2	(2)	(47)
Change in employee benefits	(230)	(150)	(118)	(20)	(65)
Change in other liabilities	(2)	6	6	3	(5)
Net income tax paid	(202)	(302)	(100)	(84)	(385)
<b>Net cash from operating activities</b>	<b>2,609</b>	<b>2,208</b>	<b>641</b>	<b>914</b>	<b>2,839</b>



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

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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
<b>Cash flows for investing activities</b>					
Purchase of fixed assets	(1,020)	(1,040)	(347)	(361)	(1,328)
Investment in intangible assets and deferred expenses	(264)	(281)	(80)	(84)	(363)
Payment to Ministry of Communications for frequencies	(88)	-	(88)	-	-
Investment in bank deposits	(1,651)	(730)	(472)	(15)	(1,031)
Proceeds from bank deposits	1,098	683	326	83	800
Proceeds from the sale of fixed assets	31	189	10	5	278
Miscellaneous	12	-	6	(5)	(2)
<b>Net cash used for investing activities</b>	<b>(1,882)</b>	<b>(1,179)</b>	<b>(645)</b>	<b>(377)</b>	<b>(1,646)</b>



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

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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
<b>Cash flow from financing activities</b>					
Issue of debentures and receipt of loans	300	-	-	-	695
Repayment of debentures and loans	(435)	(409)	(6)	(306)	(1,067)
Payments of principal and interest for leases	(309)	(291)	(106)	(97)	(387)
Interest paid	(121)	(135)	(9)	(7)	(254)
Dividends paid	(240)	-	-	-	-
Costs for early repayment of loans and debentures	(26)	(15)	-	(15)	(15)
Payments for hedging transactions	-	-	-	-	(30)
Miscellaneous	-	-	-	-	(2)
<b>Net cash used for financing activities</b>	<b>(831)</b>	<b>(850)</b>	<b>(121)</b>	<b>(425)</b>	<b>(1,060)</b>
<b>Increase (decrease) in cash and cash equivalents, net</b>	<b>(104)</b>	179	<b>(125)</b>	112	133
Cash and cash equivalents at beginning of period	973	840	994	907	840
<b>Cash and cash equivalents at end of period</b>	<b>869</b>	1,019	<b>869</b>	1,019	973