



BEZEQ GROUP REPORTS THIRD QUARTER 2023 FINANCIAL RESULTS

Holon, Israel – November 14, 2023 – 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, 2023. Details regarding the investor webcast call to be held today are included below in this press release.

Bezeq Group Q3 2023 Financial Highlights¹

- Revenues totaled NIS 2.3 billion, up 0.1%
- Adjusted net profit² totaled NIS 357 million, up 13.7%
- Adjusted EBITDA² totaled NIS 974 million, up 2.9%
- Capital expenditures totaled NIS 406 million, or 18% of revenues, down 21.2%
- Free cash flow totaled NIS 406 million, compared to NIS 30 million in Q3-2022

Gil Sharon, Bezeq Chairman, stated: "In this challenging period for Israel, the strength of the Bezeq Group is particularly evident. The services we provide are especially vital in emergency times, and our strength stems from our leading strategic positioning, the variety of our products and financial stability. Even in this period, we continue to invest in the infrastructure and services we provide, with a long-term vision to ensure the continued success of the group."

Sharon added, "I recently announced my intention to resign in a few months and embark on a new path where I can apply my experience to help turnaround companies across a variety of fields. In the past three years we have defined and implemented a growth strategy that has led the group to excellent business results, and consistent growth in revenues and profits along with a significant reduction in debt and returns to shareholders through dividend distributions. The strategy we defined, which included a focus on growth in fiber optics and upgrading subscribers to 5G plans in Pelephone, proves itself every quarter, as does yes' entry into the marketing of TV and fiber bundles, and other steps that have enabled yes to improve profits."

¹ Q3-2023 and 9M-2023 results in this earnings release are presented in comparison to Q3-2022 and 9M-2022 results, respectively, unless stated otherwise. The Q3-2023 and 9M-2023 results do not include the effects of the war in Gaza.

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.



Tobi Fischbein, Bezeq Group CFO, commented: "Our strong business and operational performance is reflected in the strong financial results recorded in the third quarter, allowing us to further solidify the financial stability of the group by reducing financial debt and improving the coverage ratio. The group's business positioning and financial strength allow us to effectively navigate the challenges in the Israeli economy and worldwide."

Fischbein also added, "During the war, the Bezeq Group is providing essential telecommunication services to consumers, businesses and the government, including security forces and the health care system. At this stage the effects of the war and its consequences do not have a material impact on the group's activities and business results. The group's strong liquidity and financial position allow us to function well during the war, without the need to raise capital or debt, and the group also has considerable hedging of exposures to financial risks according to the company's policy."

Bezeq Group Results (Consolidated)

	<u>Q3 2023</u>	<u>Q3 2022</u>	<u>% change</u>	<u>9M 2023</u>	<u>9M 2022</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	2,265	2,262	0.1%	6,872	6,742	1.9%
Operating profit	425	466	(8.8%)	1,399	1,389	0.7%
EBITDA	895	934	(4.2%)	2,795	2,763	1.2%
Adjusted EBITDA ¹	974	947	2.9%	2,897	2,829	2.4%
Adjusted EBITDA margin	43.0%	41.9%		42.2%	42.0%	
Net profit	297	302	(1.7%)	951	891	6.7%
Adjusted net profit ¹	357	314	13.7%	1,032	946	9.1%
Diluted EPS (NIS)	0.11	0.11	0.0%	0.34	0.32	6.3%
Operating cash flow	919	641	43.4%	2,547	2,609	(2.4%)
CapEx (gross)	406	515	(21.2%)	1,263	1,372	(7.9%)
Free cash flow ²	406	30	NM	989	959	3.1%
Net debt	5,014	5,641	(11.1%)	5,014	5,641	(11.1%)

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 amounted to NIS 2.3 million, up 0.1%, due to higher revenues in yes, offset by a decrease in Telephone interconnect revenues. Revenues in the first nine months of 2023 amounted to NIS 6.9 billion, up 1.9%.

Salary expenses were NIS 478 million, up 1.7%, primarily due to salary updates as well as recruitment associated with the fiber project in Bezeq Fixed-Line. **Operating expenses** were NIS 815 million, down 3.9%, due to the cancellation of payments to the universal service fund in 2023. **Depreciation and amortization expenses** were NIS 470 million, up 0.4%. **Other operating expenses, net**, were NIS 77 million, compared to NIS 10 million in the corresponding quarter. The increase was mainly due to a one-time provision of NIS 75 million for a special grant to employees pursuant to the amendment of the labor agreement in Bezeq Fixed-Line and subject to the conditions being met.

EBITDA amounted to NIS 895 million, down 4.2%. **Adjusted EBITDA** was NIS 974 million (Adjusted EBITDA margin of 43.0%), up 2.9%. Adjusted EBITDA in the first nine months of 2023 amounted to NIS 2.9 billion (Adjusted EBITDA margin of 42.2%), up 2.4%.

Net profit totaled NIS 297 million, down 1.7%. **Adjusted Net Profit** was NIS 357 million, up 13.7%. Adjusted Net Profit in the first nine months of 2023 totaled NIS 1.0 billion, up 9.1%.

Free cash flow was NIS 406 million, compared to NIS 30 million in the corresponding quarter. The significant improvement was due to improved free cash flow in all key group companies, primarily due to timing differences in working capital. Free cash flow in the first nine months of 2023 was NIS 989 million, up 3.1%.

Net financial debt of the Group amounted to NIS 5.01 billion as of September 30, 2023, compared to NIS 5.64 billion as of September 30, 2022, a decrease of 11.1%. The Group's net financial debt to Adjusted EBITDA ratio was 1.5 times as of September 30, 2023, compared to 1.7 times as of September 30, 2022.

Effect of the war in Gaza on the Bezeq Group

At this stage, the effects of the war and its consequences have not had a material impact on the group's activities and business results. The group's liquidity and financial position allow us to function well during the war without the need for capital/debt raising. The scope and duration of the war and its consequences on the Israeli economy as well as on the group companies are unpredictable and difficult to forecast and depend, among other things, on the development and extent of the war and the possibility of the economy slipping into recession. In this context, attention is also drawn to the relevant risk factors detailed in the Periodic Report for 2022.



Bezeq Fixed-Line Results

- Continued strong momentum in the first nine months of 2023 with 137k retail fiber customer net adds, representing 49% growth year-over-year
- Bezeq has the highest number of fiber subscribers in Israel with 532k total retail and wholesale take-up as of today; Fiber network deployment reached 2.01 million households as of today – the largest fiber network in Israel
- Growth of 8.2% in broadband Internet revenues and 4.8% in cloud & digital offset the decrease in telephony revenues due to the MOC tariff reduction in July 2023
- Adjusted net profit grew 6.3% to NIS 252 million; Free cash flow improved 190% to NIS 310 million
- Average broadband speed per subscriber grew 64% to 315 Mbps

Ran Guron, Bezeq CEO, stated, "Since the beginning of the war, we have seen an increase in the use of our services, which are especially needed these days. We worked quickly to strengthen our core network, which is withstanding the additional load well, alongside field activity nationwide, including in risk areas to ensure the continuity of telecommunication services for everyone. The stability, wide deployment, skilled field teams, and the great need for telecommunication services, allow Bezeq to cope well during this challenging period."

Bezeq Fixed-Line – Financial data	<u>Q3 2023</u>	<u>Q3 2022</u>	<u>% change</u>	<u>9M 2023</u>	<u>9M 2022</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Total revenues	1,084	1,086	(0.2%)	3,325	3,249	2.3%
Broadband Internet	489	452	8.2%	1,453	1,329	9.3%
Transmission and data	290	283	2.5%	865	856	1.1%
Telephony	148	188	(21.3%)	506	597	(15.2%)
Cloud & digital services	87	83	4.8%	263	247	6.5%
Other revenues	70	80	(12.5%)	238	220	8.2%
Operating profit	310	388	(20.1%)	1,131	1,167	(3.1%)
EBITDA	568	640	(11.3%)	1,890	1,906	(0.8%)
Adjusted EBITDA ¹	646	643	0.5%	1,981	1,962	1.0%
Adjusted EBITDA margin	59.6%	59.2%		59.6%	60.4%	
Net profit	192	235	(18.3%)	702	696	0.9%
Adjusted net profit ²	252	237	6.3%	773	740	4.5%
Operating cash flow	586	427	37.2%	1,796	1,602	12.1%
CapEx (gross)	239	294	(18.7%)	832	858	(3.0%)
Free cash flow ³	310	107	189.7%	882	668	32.0%

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>Q3 2023</u>	<u>Q2 2023</u>	<u>Q3 2022</u>
Total broadband Internet lines (retail and wholesale, end of the period, in thousands)	1,500	1,505	1,505
Of which: Total fiber optic subscribers (retail and wholesale, in thousands)	506	424	212
Total retail broadband Internet lines (fiber and copper, end of the period, in thousands)	1,029	1,028	1,024
Of which: Retail fiber optic subscribers (in thousands)	335	289	157
Total wholesale broadband Internet lines (end of the period, in thousands)	471	477	481
Of which: Wholesale fiber optic subscribers (in thousands)	171	135	55
Of which: yes fiber subscribers	29	21	2
Fiber optics deployed – Homes passed (end of the period, in thousands)	1,962	1,835	1,442
Average monthly revenue per broadband Internet subscriber (NIS) – Retail ¹	124	122	116
Average broadband bandwidth per subscriber (Mbps)	315	278	192
Active telephony subscriber lines (end of the period, in thousands) ²	1,454	1,473	1,522
Average monthly revenue per line (NIS) ³	34	39	41
Telephony Churn rate (%) ⁴	2.8%	2.6%	2.8%

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 were NIS 1.1 billion, down 0.2%, primarily due to lower telephony revenues associated with the MOC tariff reduction in July 2023, which was offset by an 8.2% increase in broadband Internet revenues and a 4.8% increase in cloud & digital. Revenues in the first nine months of 2023 were NIS 3.3 billion, up 2.3%.

Salary expenses were NIS 250 million, up 3.3%, mainly due to salary updates as well as recruitment associated with the fiber project. **Operating expenses** were NIS 189 million, down 5.0%, primarily



driven by lower interconnect payments to telecom operators due to the MOC decrease in tariffs as of June 2023, as well as the cancellation of payments to the universal service fund in 2023. **Depreciation and amortization expenses** were NIS 258 million, up 2.4%, due to CapEx increases over previous periods due to the fiber deployment project, among other factors. **Other operating expenses, net**, were NIS 77 million, compared to NIS 5 million in the corresponding quarter. The increase was mainly due to a provision of NIS 75 million for a special grant to employees pursuant to the amendment of the labor agreement and subject to the conditions being met.

EBITDA was NIS 568 million, down 11.3%. **Adjusted EBITDA** was NIS 646 million (Adjusted EBITDA margin of 59.6%), up 0.5%. Adjusted EBITDA in the first nine months of 2023 was NIS 2.0 billion (Adjusted EBITDA margin of 59.6%), up 1.0%.

Net profit was NIS 192 million, down 18.3%. **Adjusted Net Profit** was NIS 252 million, up 6.3%. Adjusted Net Profit in the first nine months of 2023 was NIS 773 million, up 4.5%.

Free cash flow was NIS 310 million, up 189.7%, primarily due to timing differences in working capital. Free cash flow in the first nine months of 2023 was NIS 882 million, up 32.0%.

Subsidiary results

Ilan Sigal, CEO of Pelephone and yes, stated, "As essential and significant companies in the economy, Pelephone and yes have been involved since the beginning of the war in the national effort to ensure the operational continuity of the telecommunication and service infrastructures, thanks to the activities of our engineering and field teams who work courageously and sometimes at great risk. This is alongside our donations and assistance to the security forces and citizens of Israel.

Pelephone continued its growth trend in the third quarter due to its focus on core activities, including 5G. We posted an excellent quarter with the highest revenues from services excluding interconnect since 2017 and net subscriber adds of 25 thousand. We continue to lead in 5G with approximately 1 million subscribers, representing 46% of the company's postpaid subscribers.

Our results in the third quarter validate our continued strategic focus. yes grew in revenues and in all profitability metrics, despite increasing competition in the TV market, driven by our strength in the fiber sector, where we have over 32 thousand subscribers as of today, and as a result of our agreements with leading international content providers. We continue to lead the IPTV market with 383 thousand subscribers, representing 67% of our subscriber base today."

Ron Glav, CEO of Bezeq International, commented, "Bezeq International mobilized as soon as the war broke out in order to support and serve around the clock the IDF, security and rescue forces as well as businesses all over the country. In these challenging days, we understand the importance of our role in an emergency and all employees mobilized for the effort in an inspiring way.

Our focus on the business sector is proving successful, reflected by an increase in revenues from business activities, growth of 65% in adjusted net profit and growth in adjusted EBIDTA in the first nine months of 2023. We continue the trend of increasing activity from business services in the fields of telecommunications, cyber, integration, data centers and public cloud."

Telephone Results

- Highest service revenues excluding interconnect since 2017, reaching NIS 371 million, up 2.8% year-over-year, driven by growth in postpaid subscribers and 5G subscriber plans
- Total subscribers grew by 25k, of which 21k were postpaid and reached 2.618 million as of September 30, 2023
- ARPU excluding interconnect fees increased quarter-over-quarter and year-over-year by NIS 2 to NIS 47
- Consistent subscriber growth in 5G plans, reaching approx. 1 million subscribers as of today
- Free cash flow totaled NIS 104 million, compared to negative free cash flow of NIS 12 million in the corresponding quarter

Telephone – Financial data	<u>Q3 2023</u>	<u>Q3 2022</u>	<u>% change</u>	<u>9M 2023</u>	<u>9M 2022</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Total revenues	585	608	(3.8%)	1,786	1,807	(1.2%)
Total revenues excluding interconnect fees	506	502	0.8%	1,494	1,482	0.8%
Service revenues excluding interconnect fees	371	361	2.8%	1,055	1,025	2.9%
Equipment revenues	135	141	(4.3%)	439	457	(3.9%)
Operating profit	59	60	(1.7%)	159	176	(9.7%)
EBITDA	202	199	1.5%	570	573	(0.5%)
Adjusted EBITDA ¹	203	205	(1.0%)	572	577	(0.9%)
Adjusted EBITDA margin	34.7%	33.7%		32.0%	31.9%	
Net profit	48	50	(4.0%)	133	152	(12.5%)
Adjusted net profit ¹	49	55	(10.9%)	136	155	(12.3%)
Operating cash flow	242	203	19.2%	473	725	(34.8%)
CapEx (gross)	81	157	(48.4%)	221	295	(25.1%)
Free cash flow ²	104	(12)	NM	77	264	(70.8%)

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.

Pelephone – KPIs	<u>Q3 2023</u>	<u>Q2 2023</u>	<u>Q2 2022</u>
Total subscribers (end of period, in thousands) ^{1,3}	2,618	2,593	2,675
Postpaid subscribers (end of period, in thousands) ¹	2,187	2,166	2,137
Prepaid subscribers (end of period, in thousands) ^{1,2}	431	427	538
5G subscriber plans (end of period, in thousands)	961	898	738
Average revenue per user, excluding interconnect fees (ARPU, NIS) ²	47	45	45
Churn rate ⁴	6.0%	5.9%	5.7%

¹ Subscriber data includes Pelephone subscribers (excluding subscribers of operators that Pelephone hosts on its network as well as IOT subscribers) and does 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 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 revenue from cellular services, both from Pelephone subscribers and from other telecommunications operators, including revenues from cellular operators who use Pelephone's network and repair and warranty services in the period by average Pelephone active subscribers in the same period.

³ In Pelephone'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 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 excluding interconnect totaled NIS 371 million, up 2.8%, primarily due to growth in postpaid subscribers, including 5G subscriber plans, and an increase in ARPU. Revenues from services excluding interconnect in the first nine months of 2023 were NIS 1.1 billion, up 2.9%.

Revenues from equipment sales were NIS 135 million, down 4.3%, primarily due to a lower number and mix of handsets sold.

Total revenues excluding interconnect fees were NIS 506 million, up 0.8%.

Operating expenses were NIS 526 million, down 3.3%, due to the decrease in interconnect expenses in-line with the decrease in revenues.

EBITDA was NIS 202 million, up 1.5%. **Adjusted EBITDA** was NIS 203 million (Adjusted EBITDA margin of 34.7%), down 1.0%. Adjusted EBITDA in the first nine months of 2023 totaled NIS 572 million (EBITDA margin of 32.0%), down 0.9%.



Press Release

Net profit was NIS 48 million, down 4.0%. **Adjusted Net Profit** was NIS 49 million, down 10.9%, primarily due to lower interest income from Bezeq Fixed-Line. Adjusted Net Profit in the first nine months of 2023 was NIS 136 million, down 12.3%.

Free cash flow was NIS 104 million, compared to negative free cash flow of NIS 12 million in the corresponding quarter. Free cash flow was positively impacted by an NIS 88 million payment to the MOC for the acquisition of frequencies in the corresponding quarter.

yes Results

- **Revenues grew 4.1% to NIS 328 million, driven by subscriber growth in the TV + Bezeq fiber bundle, together with agreements with leading international content providers**
- **Adjusted EBITDA grew 61.7% to NIS 76 million; Adjusted EBITDA margin of 23.2% compared to 14.9% in the corresponding quarter**
- **Adjusted Net Profit reached NIS 40 million, compared to NIS 1 million in the corresponding quarter**
- **ARPU was NIS 182, in line with the corresponding quarter**
- **Continued growth in fiber subscribers reaching over 32k as of today**

yes – Financial data	Q3 2023	Q3 2022	% change	9M 2023	9M 2022	% change
	(NIS millions)			(NIS millions)		
Revenues	328	315	4.1%	993	947	4.9%
Operating profit	35	-	NM	61	8	662.5%
EBITDA	76	46	65.2%	198	150	32.0%
Adjusted EBITDA ¹	76	47	61.7%	198	154	28.6%
Adjusted EBITDA margin	23.2%	14.9%		19.9%	16.3%	
Net profit	40	-	NM	75	12	525.0%
Adjusted net profit ¹	40	1	NM	75	16	368.8%
Operating cash flow	66	9	633.3%	189	130	45.4%
CapEx (gross)	59	40	47.5%	151	136	11.0%
Free cash flow ²	-	(36)	NM	21	(22)	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.

yes – KPIs	<u>Q3 2023</u>	<u>Q2 2023</u>	<u>Q2 2022</u>
Total number of TV subscribers (end of the period, in thousands) ¹	576	579	575
IP subscribers (end of the period, in thousands) ²	377	364	307
Fiber customers (end of period, in thousands)	29	21	2
Average revenue per user (ARPU, NIS) ³	182	185	182
Churn rate (%) ⁴	3.9%	3.3%	3.2%

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 ISP 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 grew 4.1% to NIS 328 million, driven by subscriber growth in the TV + Bezeq fiber bundle, along with agreements with leading international content providers. Revenues in the first nine months of 2023 were NIS 993 million, up 4.9%.

Operating expenses were NIS 294 million, down 6.7%.

EBITDA was NIS 76 million, up 65.2%. **Adjusted EBITDA** was NIS 76 million (Adjusted EBITDA margin of 23.2%), up 61.7%. Adjusted EBITDA in the first nine months of 2023 was NIS 198 million (EBITDA margin of 19.9%), up 28.6%.

Adjusted Net Profit was NIS 40 million (similar to reported net profit), compared to NIS 1 million in Q3-2022. Adjusted Net Profit in the first nine months of 2023 was NIS 75 million, compared to NIS 16 million in the corresponding period.

Free cash flow was breakeven, compared to negative free cash flow of NIS 36 million in the corresponding quarter. Free cash flow in the first nine months of 2023 was NIS 21 million compared to negative free cash flow of NIS 22 million in the corresponding period. Free cash flow was positively impacted by improved business results and timing differences in working capital.

Bezeq International Results

- **Continued growth in business sector activities: telecommunications, integration, data centers, public cloud and cyber**
- **Revenues in the first nine months of 2023 were NIS 908 million, a decrease of 1.3%, due to lower consumer ISP revenues mainly offset by higher revenues from business sector activities**
- **Adjusted EBITDA grew 11.9% in the first nine months of 2023 to NIS 150 million; Adjusted Net Profit in the first nine months of 2023 grew 64.5% to NIS 51 million**
- **Operating expenses decreased by 3.9% to NIS 852 million in the first nine months of 2023, due to lower consumer ISP expenses driven by a decrease in ISP subscribers following the MOC ISP regulatory reform**
- **Launch of AWS public cloud activity**

Bezeq International – Financial data	<u>Q3 2023</u>	<u>Q3 2022</u>	<u>% change</u>	<u>9M 2023</u>	<u>9M 2022</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	303	311	(2.6%)	908	920	(1.3%)
Operating profit	20	17	17.6%	50	30	66.7%
EBITDA	49	49	-	142	129	10.1%
Adjusted EBITDA ¹	50	52	(3.8%)	150	134	11.9%
Adjusted EBITDA margin	16.5%	16.7%		16.5%	14.6%	
Net profit	17	16	6.3%	43	26	65.4%
Adjusted net profit ¹	18	19	(5.3%)	51	31	64.5%
Operating cash flow	36	5	620.0%	112	154	(27.3%)
CapEx (gross)	26	23	13.0%	59	77	(23.4%)
Free cash flow ²	1	(27)	NM	28	51	(45.1%)

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 compensation.

Revenues totaled NIS 303 million, down 2.6%, due to lower consumer ISP revenues resulting from a decrease in ISP subscribers following the MOC regulatory reform for unified Internet service, mainly offset by an increase in ICT revenues driven by activity growth. Revenues in the first nine months of 2023 totaled NIS 908 million, down 1.3%.



Press Release

Operating expenses were NIS 283 million, down 3.1%, primarily due to a decrease in consumer ISP expenses driven by a decline in the number of ISP subscribers due to the regulatory reform, as well as a decrease in salaries.

EBITDA was NIS 49 million, in line with the corresponding quarter. **Adjusted EBITDA** was NIS 50 million (Adjusted EBITDA margin of 16.5%), down 3.8%. Adjusted EBITDA in the first nine months of 2023 was NIS 150 million (Adjusted EBITDA margin of 16.5%), up 11.9%.

Net profit was NIS 17 million, up 6.3%. **Adjusted Net Profit** was NIS 18 million, down 5.3%. Adjusted Net Profit in the first nine months of 2023 was NIS 51 million, up 64.5%.

Free cash flow was NIS 1 million, compared to negative free cash flow of NIS 27 million in the corresponding quarter. Free cash flow was positively impacted by timing differences in working capital.



Conference Call & Webcast Information

Bezeq will conduct its Third Quarter 2023 earnings webcast call on Tuesday, November 14, 2023, 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 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/84903683488>

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 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 5728-1968 (the "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.

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"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
	2023	2022	2023	2022	2022
	(Unaudited) NIS million	(Unaudited) NIS million	(Unaudited) NIS million	(Unaudited) NIS million	(Audited) NIS million
Revenues	6,872	6,742	2,265	2,262	8,986
Costs of activity					
General and operating expenses	2,542	2,509	815	848	3,389
Salaries	1,442	1,411	478	470	1,872
Depreciation, amortization, and impairment losses	1,396	1,374	470	468	1,868
Other operating expenses net	93	59	77	10	220
Total operating expenses	5,473	5,353	1,840	1,796	7,349
Operating profit	1,399	1,389	425	466	1,637
Financing expenses (income)					
Financing expenses	316	334	104	99	424
Financing income	(134)	(109)	(50)	(26)	(123)
Financing expenses, net	182	225	54	73	301
Profit before income tax	1,217	1,164	371	393	1,336
Income tax	266	273	74	91	336
Profit for the period	951	891	297	302	1,000
Basic and diluted earnings per share (in NIS)	0.34	0.32	0.11	0.11	0.36



Press Release

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Financial Position

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
Assets	NIS million	NIS million	NIS million
Cash and cash equivalents	1,153	869	741
Investments	1,541	1,528	910
Trade receivables	1,539	1,461	1,440
Other receivables	245	350	288
Inventory	94	98	85
Total current assets	4,572	4,306	3,464
Trade and other receivables	438	445	460
Broadcasting rights	54	63	57
Right-of-use assets	1,902	1,779	1,746
Fixed assets	6,772	6,532	6,542
Intangible assets	900	922	912
Deferred expenses and non-current investments	251	235	231
Total non-current assets	10,317	9,976	9,948
Total assets	14,889	14,282	13,412



Press Release

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Financial Position (Contd.)

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	NIS million	NIS million	NIS million
Debentures, loans and borrowings	1,092	964	921
Current maturities of liabilities for leases	459	471	456
Trade and other payables	1,841	1,613	1,590
Dividend payable	392	294	-
Employee benefits	301	273	399
Provisions	90	173	168
Total current liabilities	4,175	3,788	3,534
Loans and debentures	6,616	7,074	6,352
Liability for leases	1,642	1,463	1,452
Employee benefits	261	193	201
Derivatives and other liabilities	151	137	151
Liabilities for deferred taxes	70	73	61
Provisions	32	41	37
Total non-current liabilities	8,772	8,981	8,254
Total liabilities	12,947	12,769	11,788
Total equity	1,942	1,513	1,624
Total liabilities and equity	14,889	14,282	13,412



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
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from operating activities					
Profit for the period	951	891	297	302	1,000
Adjustments:					
Depreciation, amortization, and impairment losses	1,396	1,374	470	468	1,868
Financing expenses, net	198	268	56	86	351
Capital loss (gain), net	1	(1)	3	(4)	(8)
Stock-based compensation	9	7	2	3	11
Income tax expenses	266	273	74	91	336
Change in trade and other receivables	(146)	355	(30)	11	342
Change in inventory	(23)	(37)	22	(8)	(21)
Change in trade and other payables	116	(117)	71	(98)	(56)
Change in provisions	(3)	30	(5)	2	24
Change in employee benefits	(38)	(230)	49	(118)	(91)
Change in other liabilities	2	(2)	(1)	6	18
Net income tax paid	(182)	(202)	(89)	(100)	(271)
Net cash from operating activities	2,547	2,609	919	641	3,503



"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
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows for investing activities					
Purchase of fixed assets	(988)	(1,020)	(313)	(347)	(1,353)
Investment in intangible assets and deferred expenses	(275)	(264)	(93)	(80)	(346)
Investment in bank deposits and other financial investments	(1,211)	(1,651)	(101)	(472)	(1,835)
Proceeds from bank deposits and other financial investments	609	1,098	100	326	1,895
Proceeds from the sale of fixed assets	36	31	1	10	40
Payment to Ministry of Communications for frequencies	-	(88)	-	(88)	(88)
Government grant received for frequencies	-	-	-	-	74
Interest from bank deposits	42	11	14	3	23
Miscellaneous	10	1	4	3	5
Net cash used for investing activities	(1,777)	(1,882)	(388)	(645)	(1,585)

"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
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flow from financing activities					
Issue of debentures and receipt of loans	415	300	-	-	400
Repayment of debentures and loans	(62)	(435)	(4)	(6)	(1,320)
Payments of principal and interest for leases	(331)	(309)	(108)	(106)	(420)
Interest paid	(134)	(121)	(18)	(9)	(232)
Dividends paid	(246)	(240)	-	-	(534)
Costs for early repayment of loans and debentures	-	(26)	-	-	(26)
Payments for hedging transactions	-	-	-	-	(18)
Net cash used for financing activities	(358)	(831)	(130)	(121)	(2,150)
Increase (decrease) in cash and cash equivalents, net	412	(104)	401	(125)	(232)
Cash and cash equivalents at beginning of period	741	973	752	994	973
Cash and cash equivalents at end of period	1,153	869	1,153	869	741