



 **Bezeq Group**

Investor Presentation
Financial Results Q3 2023



yes.



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Bezeq Group | Summary



Strong execution in strategic growth drivers – robust fiber take-up in Bezeq Fixed-Line and yes, consistent growth in 5G subscriber plans in Telephone reaching approximately 1 million



13.7% increase in Adjusted Net Profit to NIS 357 million; Adjusted EBITDA rose 2.9% to NIS 974 million



Stable revenues in Bezeq Fixed-Line despite the decrease in telephony tariffs; Increase in Telephone service revenues (excluding interconnect) offset by a decrease in equipment revenues; 4.1% growth in yes



At this stage, the war in Gaza has no material impact on the group's activities and results



ESG – Fourth consecutive annual report published, including subsidiaries



Bezeq Group is executing on its strategy while focusing on growth

Effect of the war on the Bezeq Group

(Based on the situation as of early November)

The group provides essential services, especially during times of emergency, and the strategic, business and financial positioning is strong. The company has cash and equivalent balances that cover debt service for at least one year

Positive effect

- Increased demand in the institutional business sector for projects and remote connections
- Short-term decrease in group customer churn
- Increase in fixed-line telephony usage and Internet traffic
- Savings in operating expenses connected to the scope of activities

Negative effect

- Decrease in roaming activity and in sales of handsets
- Short-term decrease in fiber deployment pace and in fiber sales/ installations
- Waiver of charges to evacuated residents; Expected removal/freezing of business lines in the areas that are affected by the war
- Exposure to foreign currency and the CPI – hedging pursuant to company policy

At this stage, there is no material impact on the group's activities and results.

However, the continuation of the war and a slide of the economy into recession may change the assessment



Technological & Business Roadmap



Migration to fiber

2020

Launch of fiber project

Today

- 2.01m homes passed
- 532k subscriber take-up (retail + wholesale)
- 26.4% fiber penetration rate
- 21.6% increase in broadband ARPU*

Mid-term

2.7m homes passed, approx.
85% of Israeli households



Transition to 5G

5G Tender Award

- 1 million subscribers (38%)
- 14% increase in service revenues*

Approx. 80% 5G subscriber plans

yes.

Migration to IPTV

Satellite to IP migration

- 383k subscribers (67%)

Completion of IP migration
Opex and Capex savings

Technology upgrades reflect potential for future growth



Bezeq Group | Q3-2023 Summary

Revenues

NIS **2.3** billion

↑ 0.1%

Adjusted EBITDA ⁽¹⁾

NIS **974** million

Adjusted EBITDA margin of **43.0%**

↑ 2.9%

Adjusted Net Profit ⁽¹⁾

NIS **357** million

↑ 13.7%

Free Cash Flow

NIS **406** million

↑ 1,253%

Decrease in Net Debt

NIS **627** million

↓ 11.1%

All results are compared to Q3-2022 unless otherwise stated

(1) After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation



Bezeq Group | Q3-2023 Summary (Cont'd)



Fiber Net Adds⁽²⁾
82k
(retail and wholesale)

Fiber Subscribers
532k⁽¹⁾
(retail and wholesale)

Retail Internet ARPU
NIS **124**
↑ 6.9%

Homes Passed
2.01 million⁽¹⁾
↑ 39.7%



Cellular subscribers
2.62 million
↑ 1.0%⁽²⁾
1 million subs (38%)
with 5G plans⁽¹⁾

21k
Net postpaid
subscriber adds⁽²⁾

Cellular ARPU
excluding interconnect fees
NIS **47**
↑ 4.4%

Cellular Service Revenues
excluding interconnect fees
NIS **371** million
↑ 2.8%



TV subscribers
576k
↓ 0.5%⁽²⁾
66% IP subscribers⁽¹⁾

TV ARPU
NIS **182**
Unchanged

All results are compared to Q3-2022 unless otherwise stated

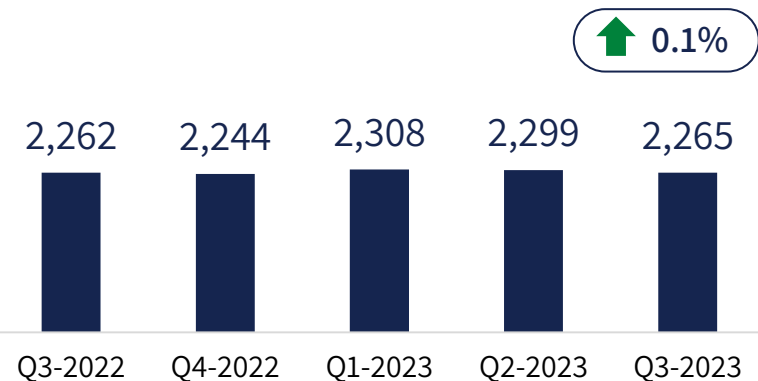
(1) As of reporting date

(2) Compared to Q2-2023

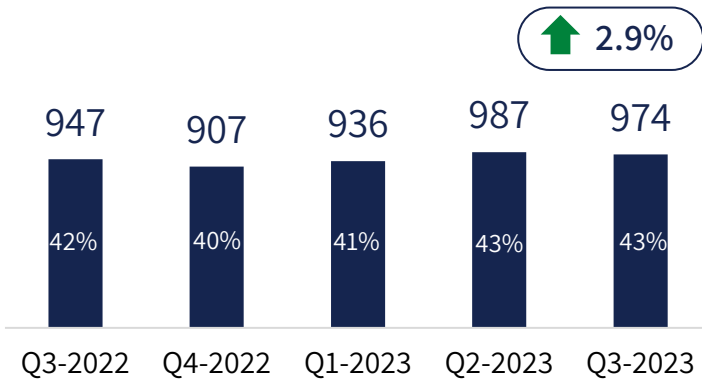


Bezeq Group | Q3-2023 Key Financial Highlights NIS Million

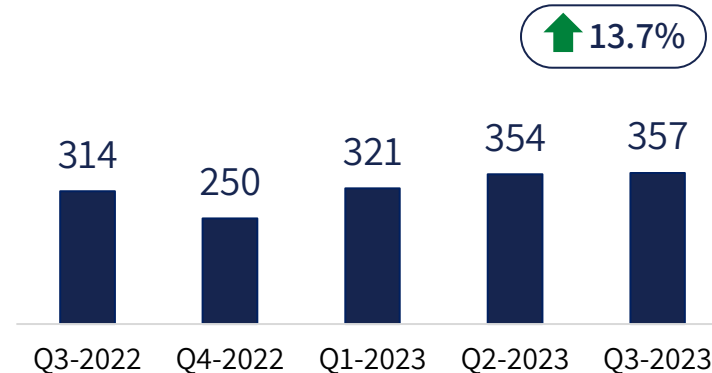
Revenues



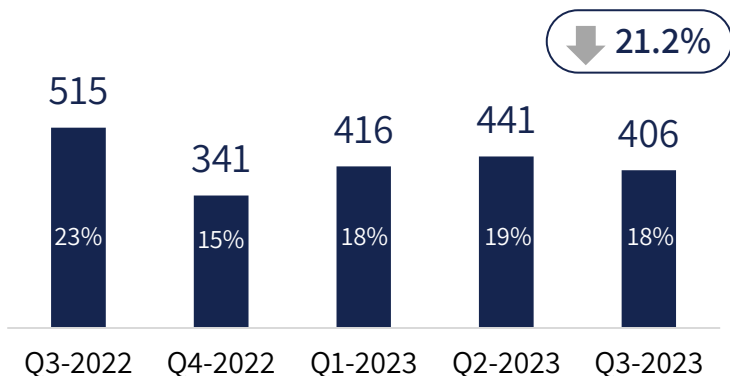
Adjusted EBITDA ⁽¹⁾



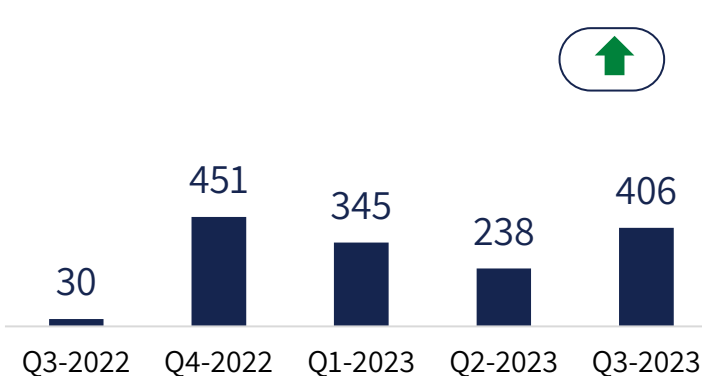
Adjusted Net Profit ⁽¹⁾



CapEx



Free Cash Flow



- Stable revenues despite the second tranche of the MOC telephony reform in Bezeq Fixed-Line and the decrease in Telephone interconnect revenues
- Increase in Adjusted EBITDA despite the decrease in Fixed-Line telephony tariffs
- Adjusted Net Profit grew 13.7% due to lower operating and financing expenses
- Significant improvement in free cash flow mainly impacted by timing differences in working capital

% - Capex/Sales

(1) After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation



Bezeq Group | 9M-2023 Key Financial Highlights NIS Million

Revenues

↑ 1.9%

6,742

6,872

9M-2022

9M-2023

Adjusted EBITDA ⁽¹⁾

↑ 2.4%

2,829

2,897

9M-2022

9M-2023

42%

42%

% - Adjusted EBITDA margin

Adjusted Net Profit ⁽¹⁾

↑ 9.1%

946

1,032

9M-2022

9M-2023

CapEx

↓ 7.9%

1,372

1,263

9M-2022

9M-2023

20%

18%

% - Capex/Sales

Free Cash Flow

↑ 3.1%

959

989

9M-2022

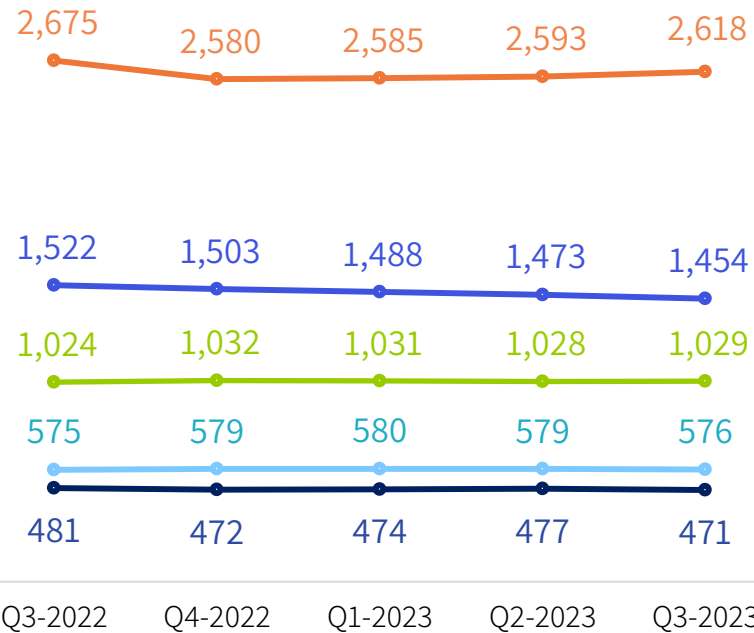
9M-2023

- Revenue growth driven by increases of 2.3% in Bezeq Fixed-Line and 4.9% in yes
- Increase in Adjusted EBITDA and Adjusted Net Profit driven by improved business results in most of the group sectors



Bezeq Group | Key Operational Metrics

Subscribers (end of period, in thousands)

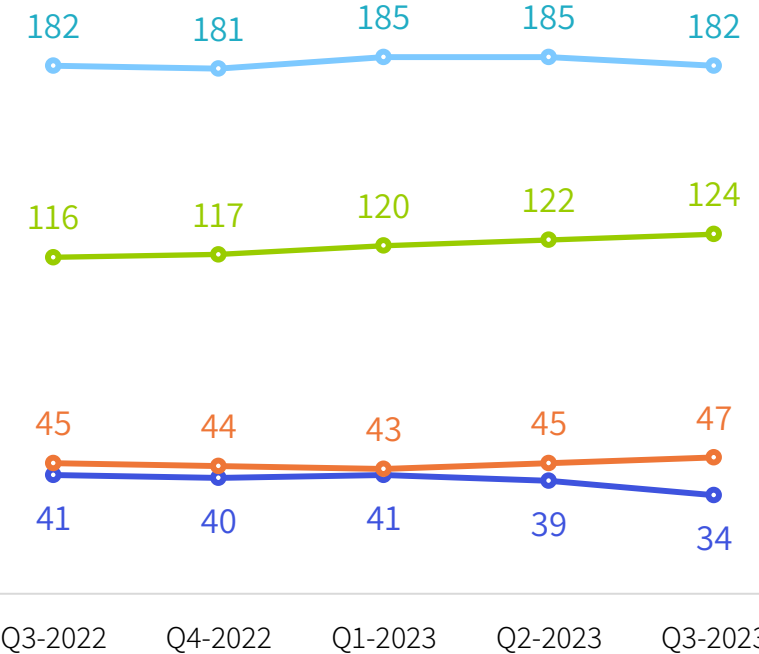


Increase in retail Internet subscribers

Growth in Pelephone subscribers q-o-q

● TV ● Wholesale Internet ● Retail Internet ● Telephony Lines ● Cellular*

ARPU (NIS)



6.9% y-o-y increase in retail Internet ARPU

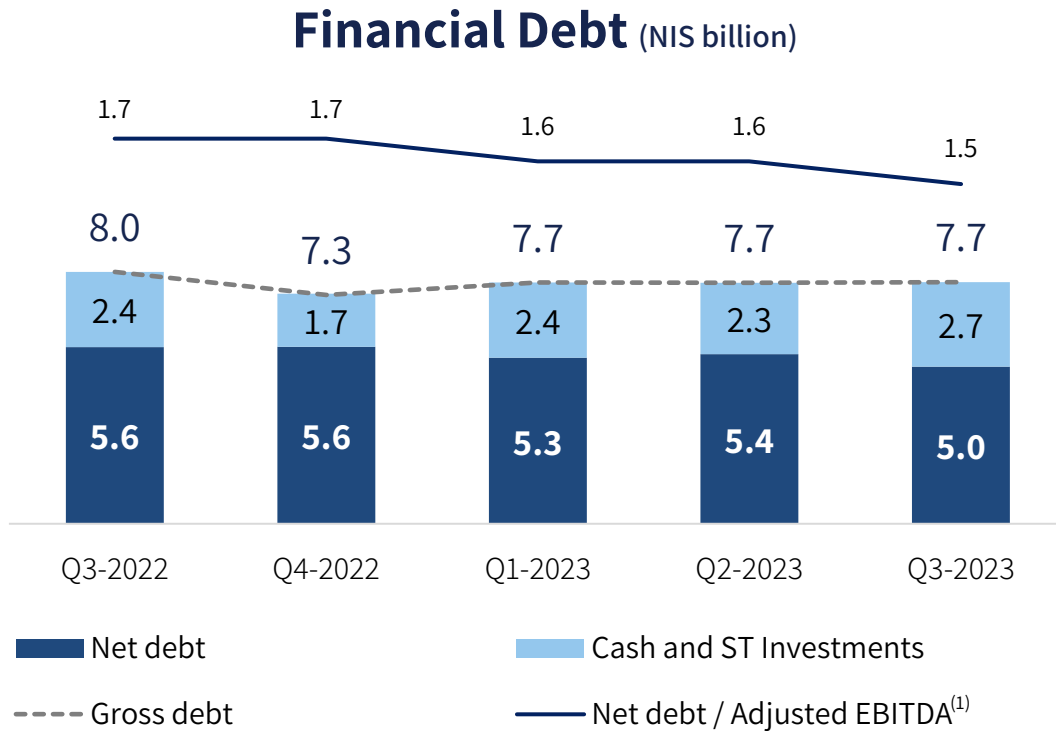
Telephone ARPU grew q-o-q due to an increase in roaming and transition to 5G plans

Decrease in telephony ARPL due to second tranche of MOC tariff reduction

* Cellular ARPU - excluding interconnect fees



Bezeq Group | Financial Debt



Decrease in net debt

- Decrease of NIS 600 million, or 11% y-o-y

Further improvement in Net debt/Adjusted EBITDA⁽¹⁾ ratio

- Decreased to 1.5 from 1.7 as of Sept 30, 2022

Debt ratings

Rating Agency	Rating	Outlook
S&P Global Maalot	ilAA-	Positive
Midroog	Aa3.il	Positive

The Group maintains its high credit rating within the AA group



Bezeq Group | 2023 Current Guidance (Unchanged)



Previous Outlook



Current Outlook

Adjusted EBITDA ⁽¹⁾	NIS 3.8 billion	Unchanged
Adjusted net profit ⁽¹⁾	NIS 1.2 billion	NIS 1.32 billion
CAPEX	NIS 1.75 billion	Unchanged
Fiber deployment	2 million households	Target achieved at the end of October
Financial stability	Maintain High Credit Rating, within the AA group	Unchanged



Bezeq Fixed-Line | Summary



Fiber net adds of 82k, of which 46k retail and 36k wholesale



Fiber network homes passed reached 2.01m with 532k customer take-up (26.4%) ⁽¹⁾



71% of retail broadband subscribers are combined infrastructure + ISP customers



Revenue growth in Internet services and cloud & digital, offset by decrease in telephony revenues due to an MOC reduction in tariffs



Adjusted Net Profit grew 6.3% to NIS 252 million



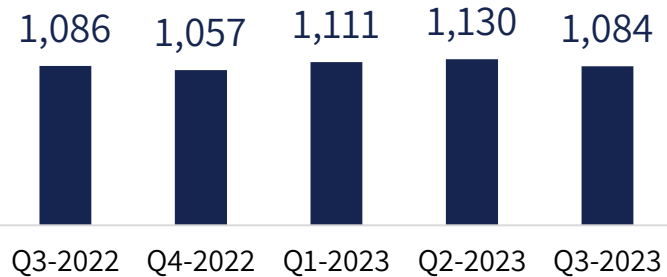
6.9% growth in retail Internet ARPU, reaching NIS 124



Bezeq Fixed-Line | Q3-2023 Key Financial Highlights NIS Million

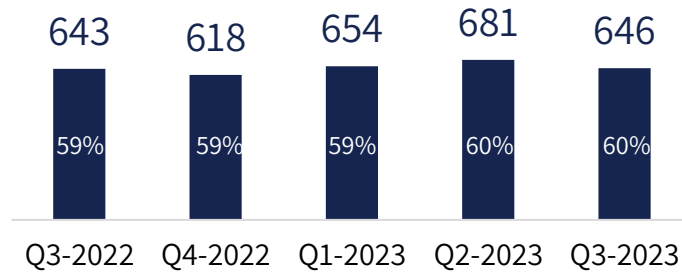
Revenues

↓ 0.2%



Adjusted EBITDA*

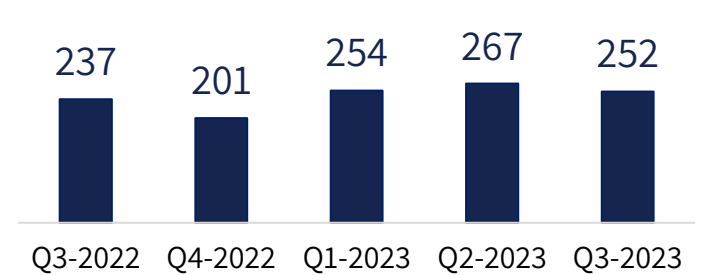
↑ 0.5%



% - Adjusted EBITDA margin

Adjusted Net Profit*

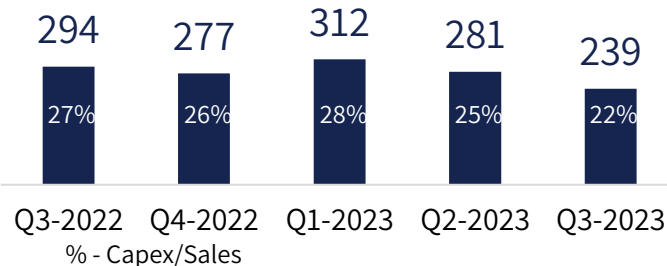
↑ 6.3%



- Revenue growth in Internet services and cloud & digital, offset by the decrease in telephony revenues due to the MOC reduction in tariffs
- Stable Adjusted EBITDA despite the decrease in Fixed-Line telephony tariffs
- Adjusted Net Profit grew 6.3%, as operating and financing expenses declined
- Significant improvement in free cash flow growth primarily due to timing differences in working capital

CapEx

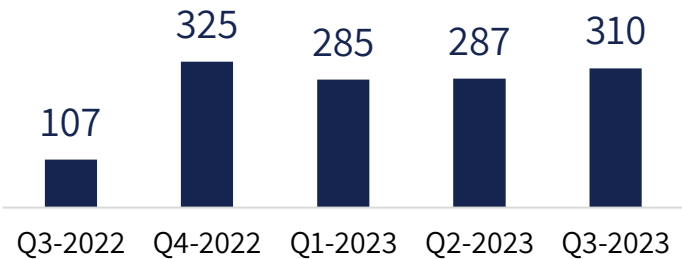
↓ 18.7%



% - Capex/Sales

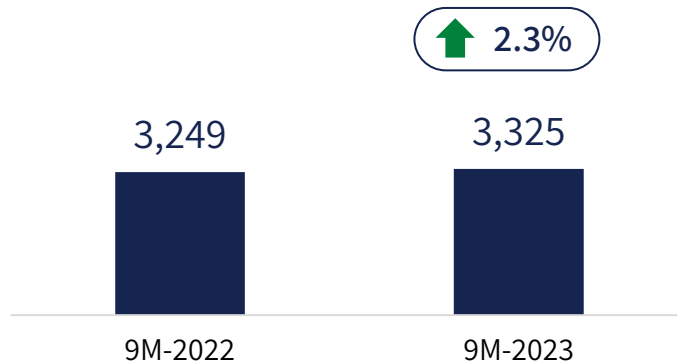
Free Cash Flow

↑ 190%

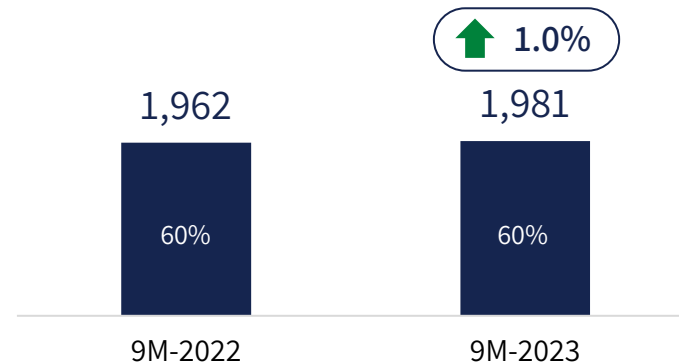


Bezeq Fixed-Line | 9M-2023 Key Financial Highlights NIS Million

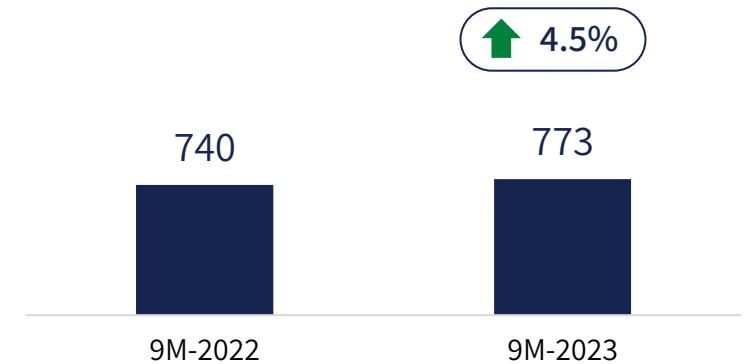
Revenues



Adjusted EBITDA*

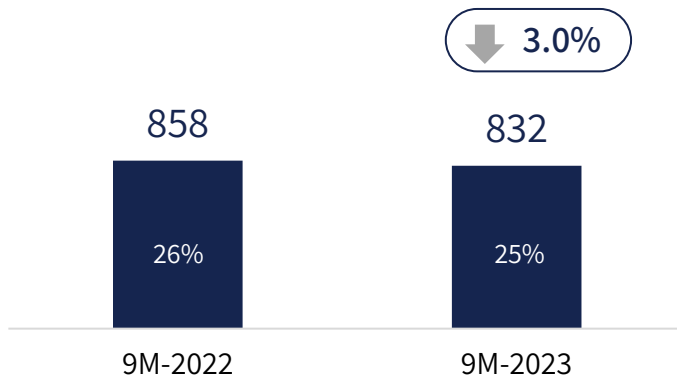


Adjusted Net Profit*



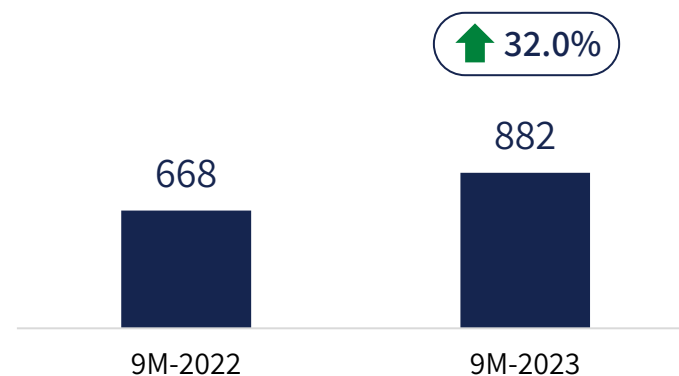
% - Adjusted EBITDA margin

CapEx



% - Capex/Sales

Free Cash Flow

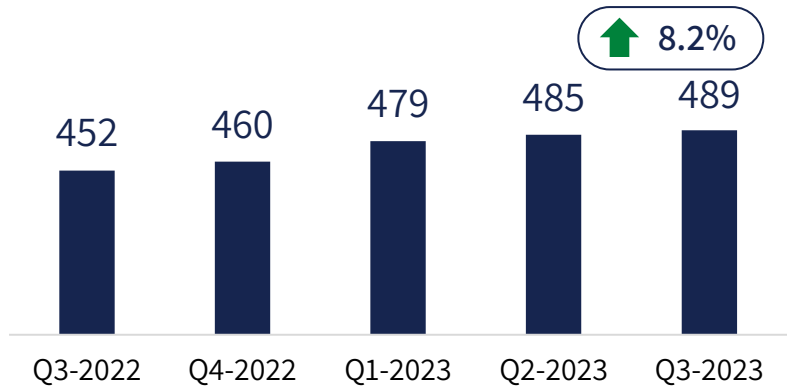


- Revenue growth recorded in all activity segments, except for telephony services
- Increase in Adjusted EBITDA and Adjusted Net Profit, primarily due to higher revenues and lower net financing expenses
- Increase in free cash flow primarily due to timing differences in working capital

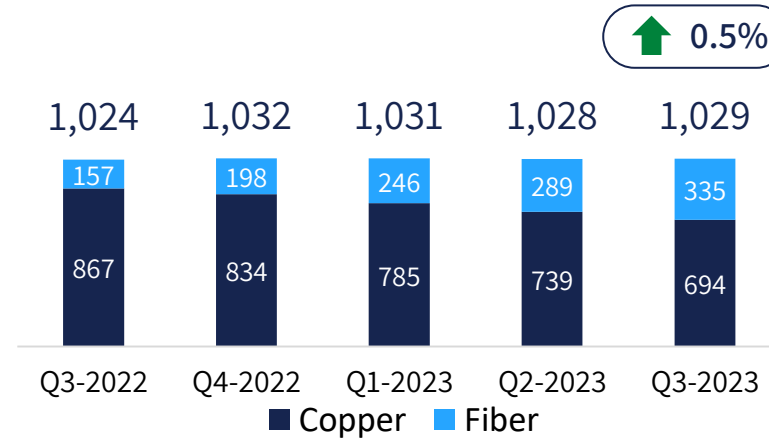


Bezeq Fixed-Line | Q3-2023 Broadband Internet

Broadband Revenues (NIS million)

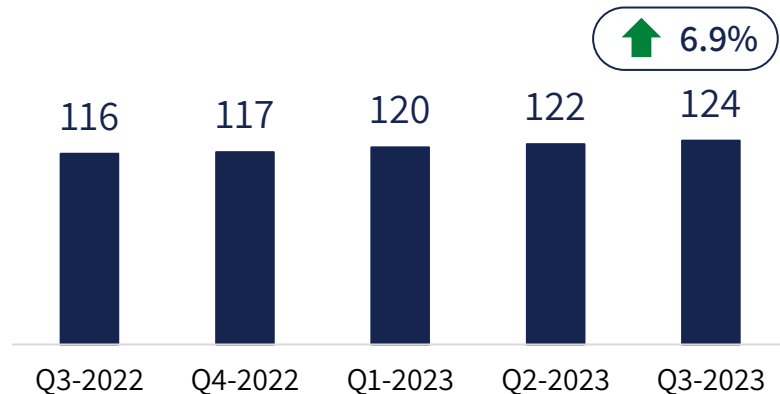


Retail Broadband Lines (thousands)

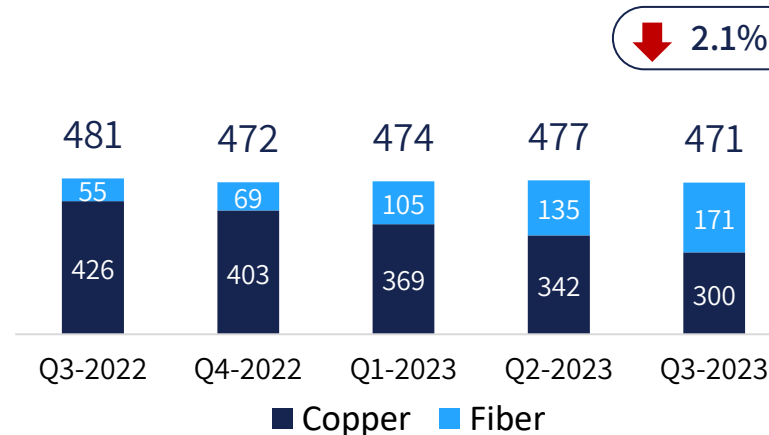


- Significant increase in fiber customer take up
- Continued significant growth in broadband revenues
- Continued growth in retail ARPU, positively impacted by fiber customer take up

Retail ARPU (NIS)

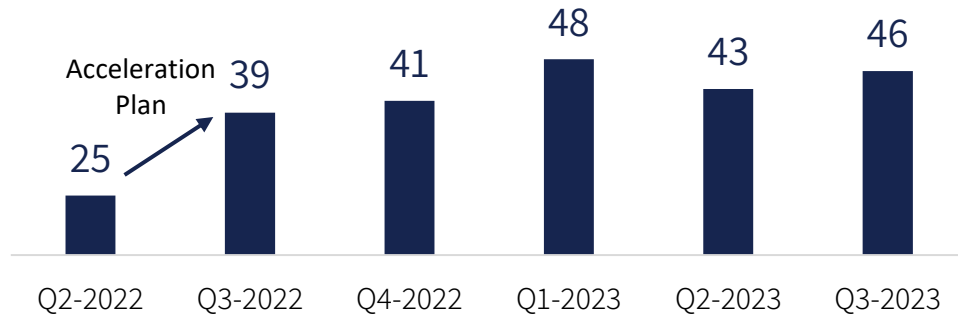


Wholesale Broadband Lines (thousands)



Bezeq Fixed-Line | Accelerated Fiber Take-Up – Retail and Wholesale

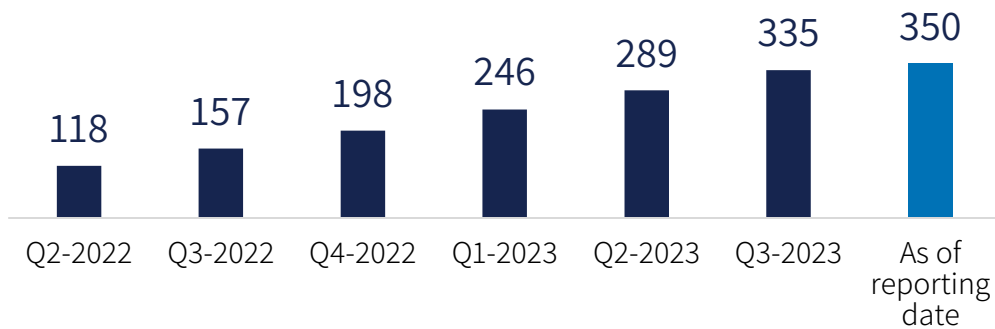
**Retail Fiber – Net Adds
(Thousands)**



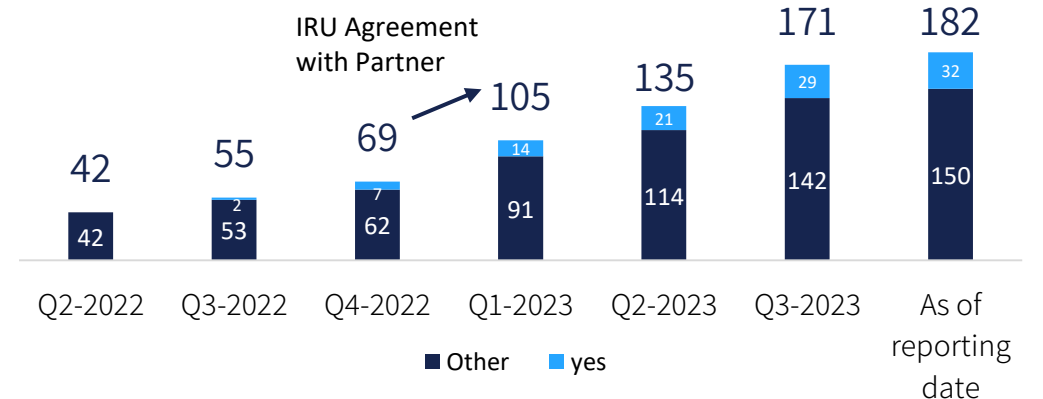
**Wholesale Fiber – Net Adds
(Thousands)**



**Total Retail Fiber Take-Up
(Thousands)**



**Total Wholesale Fiber Take-Up
(Thousands)**



49% y-o-y increase in retail net adds in 9M-2023

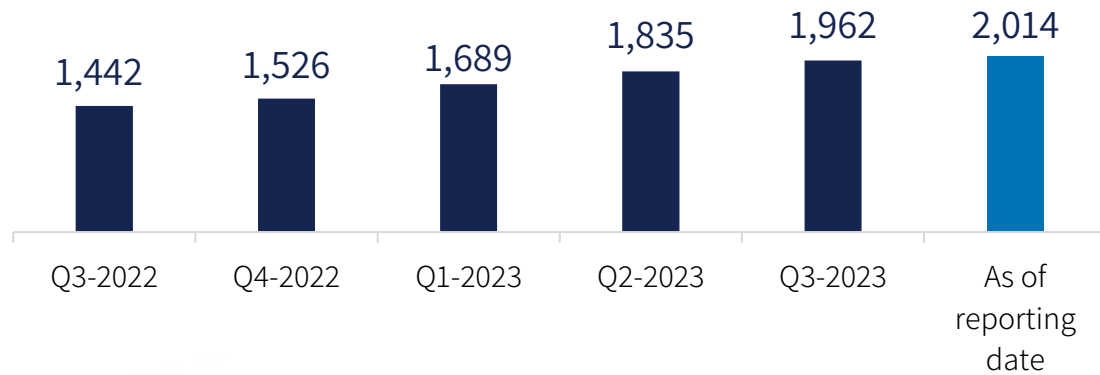
183% y-o-y increase in wholesale net adds in 9M-2023



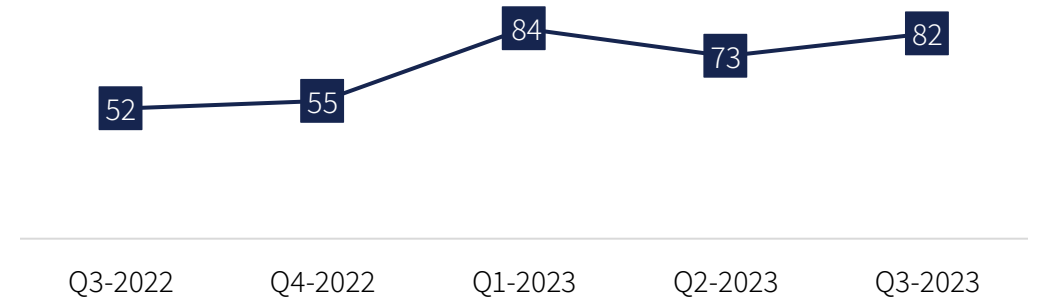
Bezeq Fixed-Line

Continued Fiber Deployment with Increased Take-up Focus

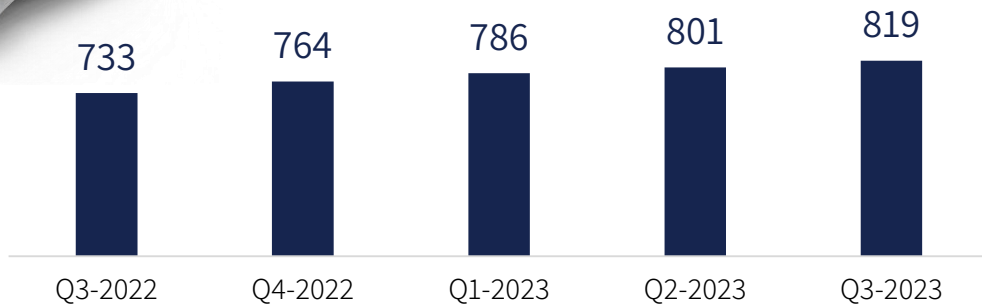
Homes Passed (thousands)



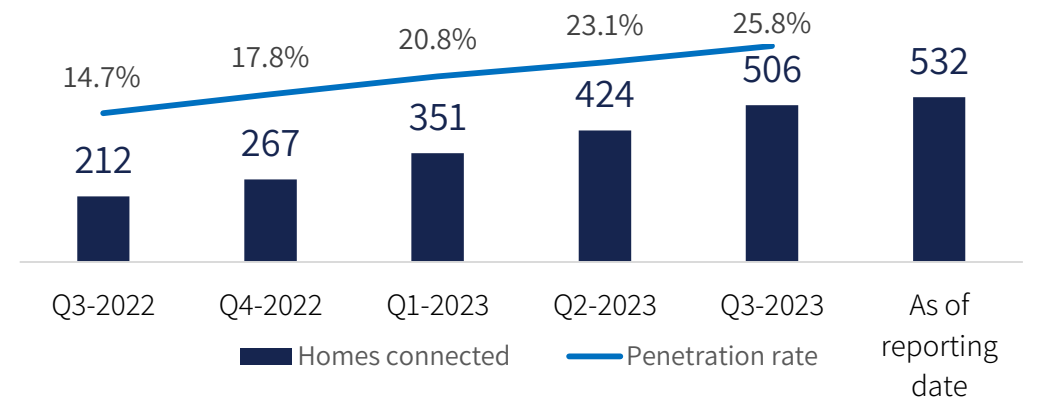
Total Fiber Net Adds (thousands)
(Retail and Wholesale)



Customers with Be router (thousands)



Total Fiber Take-Up (thousands)
(Retail and Wholesale)



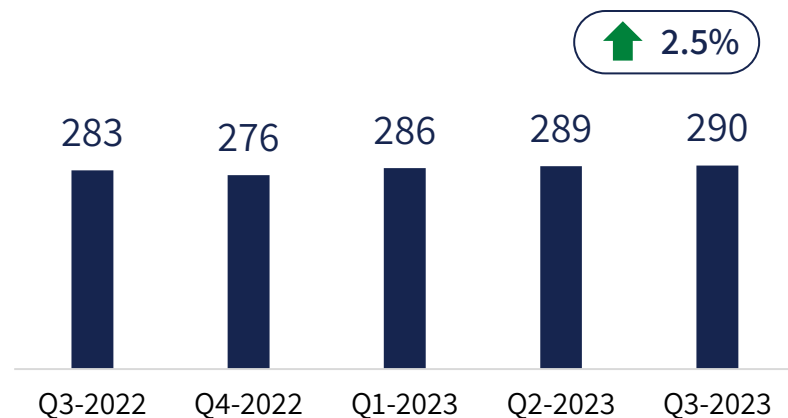
Over 2m homes passed

More than 500k active subscribers on fiber network

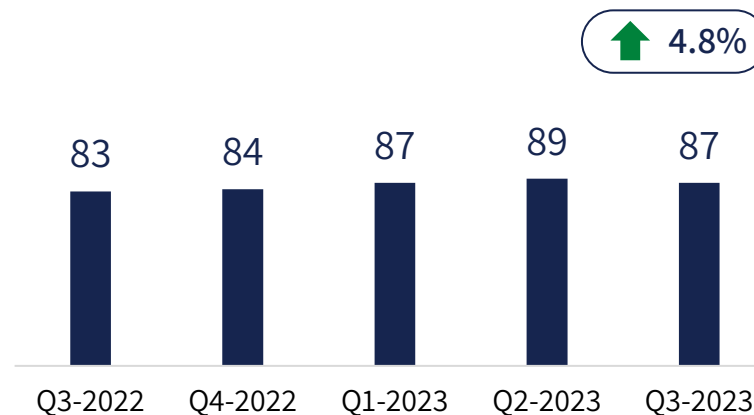


Bezeq Fixed-Line | Data, Telephony, Cloud & Digital Revenues | NIS million

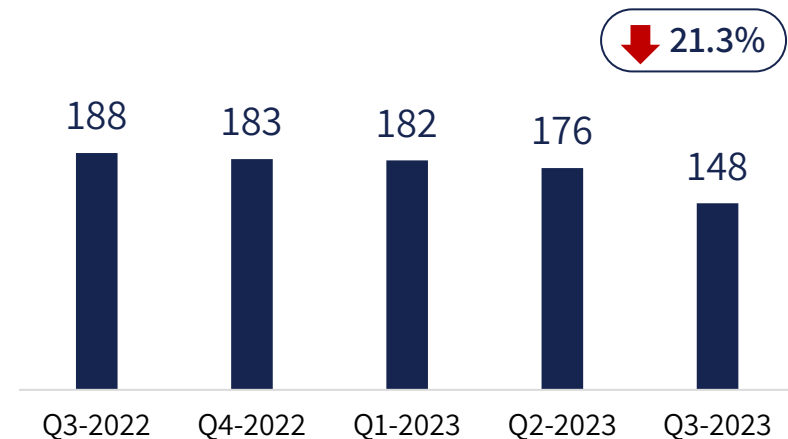
Transmission & Data



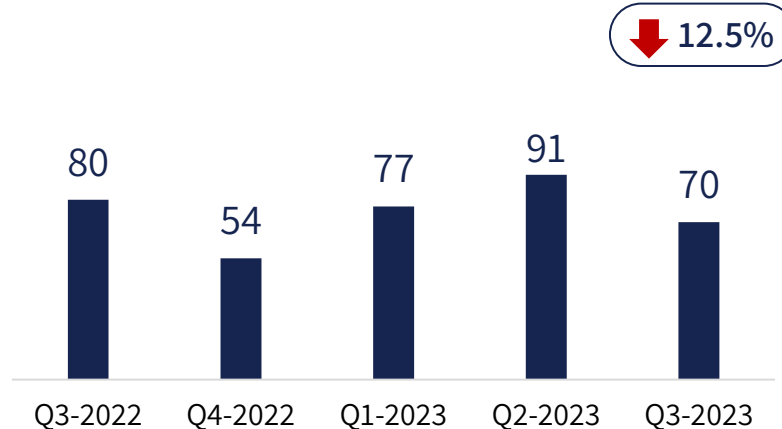
Cloud & Digital



Telephony



Other

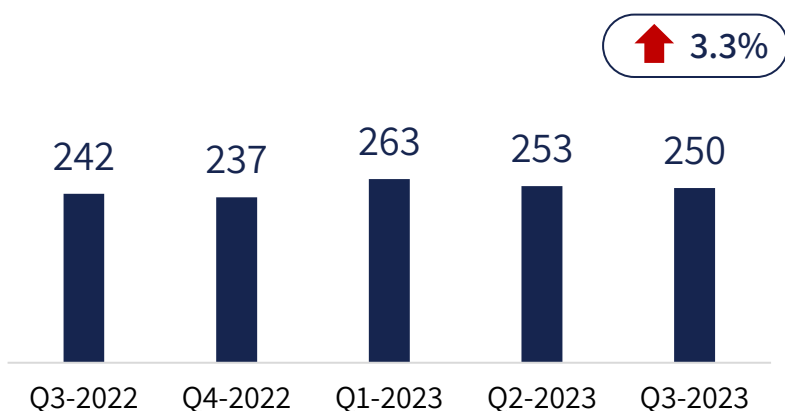


- Further step down in telephony revenues due to the second tranche of MOC tariff reductions
- Continued growth in data revenues offset by a decrease in traffic revenues from ISP companies
- Growth in cloud & digital revenues driven by higher virtual exchange services
- Decrease in other revenues, mainly due to timing differences in infrastructure projects

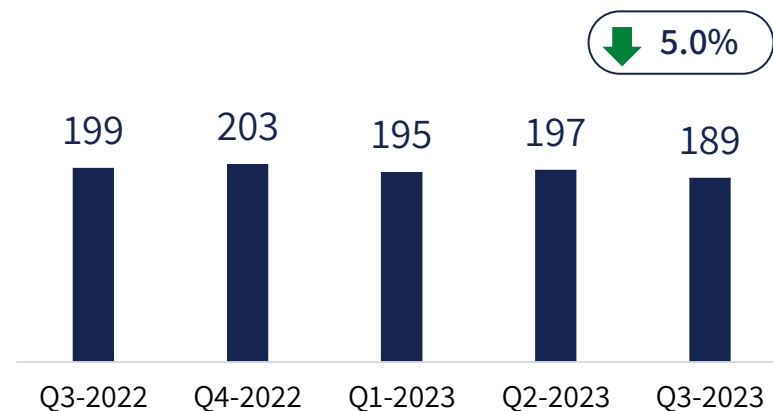


Bezeq Fixed-Line | Operating Expenses | NIS million

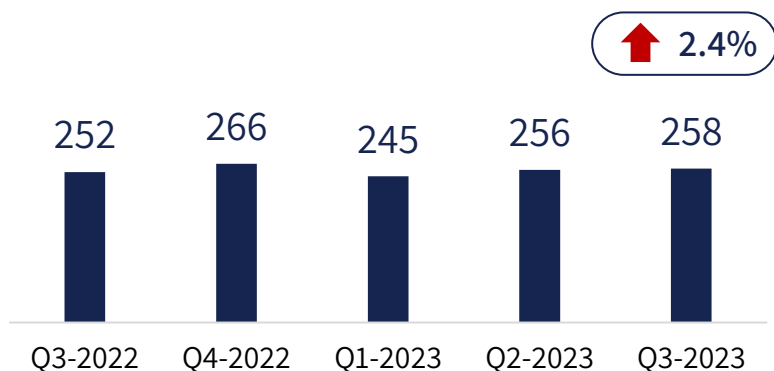
Salaries



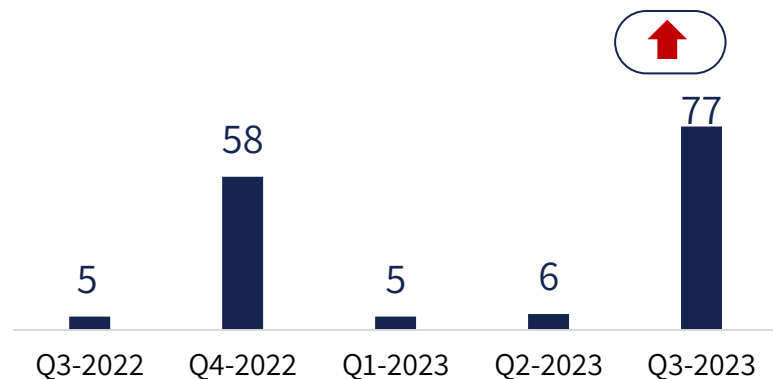
Operating Expenses



Depreciation & Amortization



Other Expenses



- Increase in salaries mainly due to salary updates as well as employee recruitment relating to the fiber project
- Decrease in operating expenses mainly due to lower interconnect payments to telecom operators as tariffs decreased as of June 2023, as well as lower payments to the fund for incentivizing deployment of fiber optics pursuant to an MOC decision
- Other expenses were impacted by 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



Bezeq Fixed-Line | Key Takeaways



Accelerated retail fiber take-up as part of acceleration plan, combined with continued increase in ARPU



IRU agreement with Partner - Improving Bezeq's position in wholesale fiber market



Continued migration to combined infrastructure + ISP service



Growth in broadband revenues offset impact of MOC telephony tariff reduction



Growth in business sector revenues driven by increased demand for data and communications solutions, with decrease in revenues from ISP operators



Widespread fiber deployment combined with accelerated fiber take-up is reflected in continued growth in the residential market



Pelephone | Summary



Highest revenues from services excluding interconnect since 2017 with 2.8% growth reaching NIS 371 million, driven by an increase in postpaid subscribers, including 5G subscriber plans, as well as an increase in ARPU



Consistent growth in 5G subscriber plans reaching 1 million (38%) ⁽¹⁾ contributing to ARPU, alongside growth of 25k net subscriber adds, including 21k postpaid



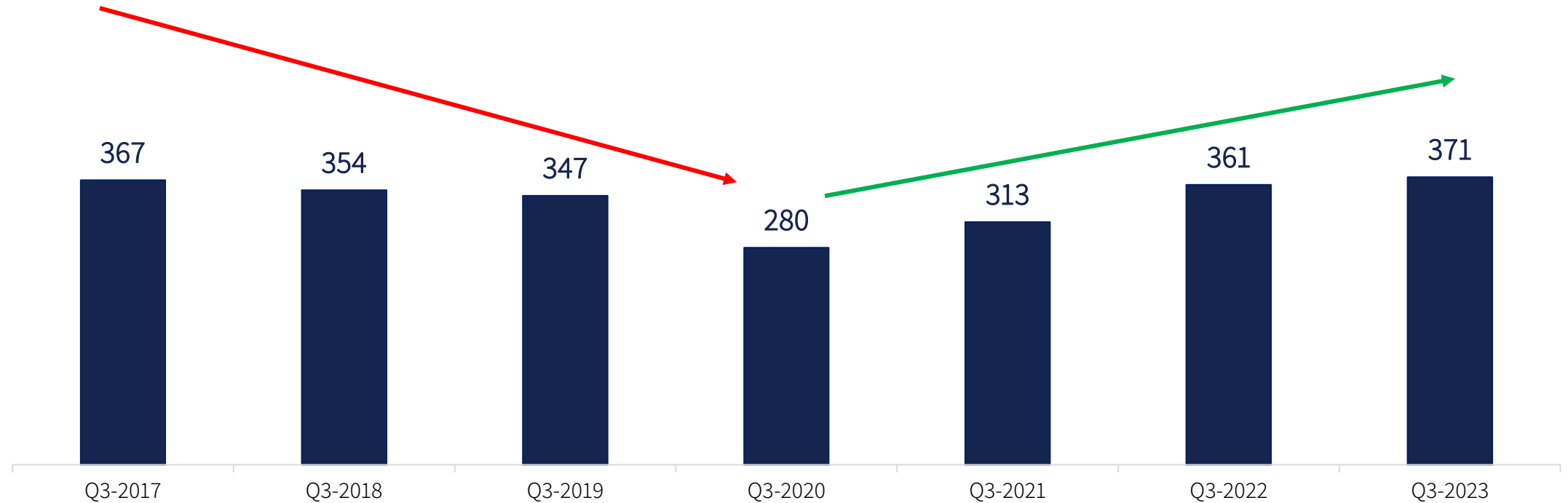
ARPU, excluding interconnect fees, increased NIS 2 to NIS 47



Acquisition of Roamability, a company specializing in providing solutions in the global roaming market through the ESIM technology



Pelephone | Continued Turnaround in Service Revenues (excluding interconnect fees) NIS Million

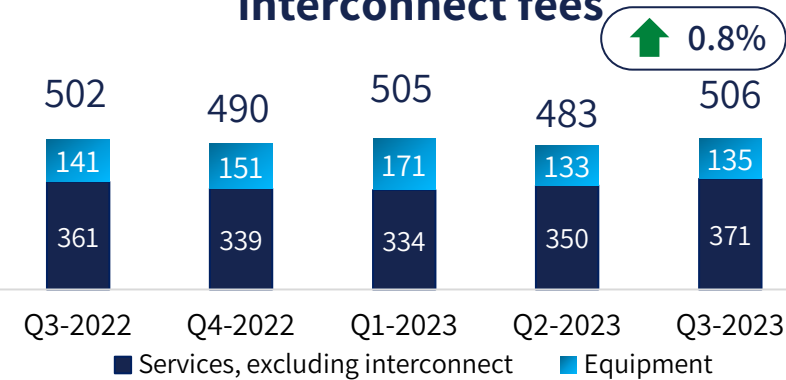


- Growth in service revenues excluding interconnect fees, driven by recovery in roaming revenues, increase in subscribers and growth in 5G subscriber plans
- Service revenues excluding interconnect fees in Q3-2023 were higher than Q3-2017

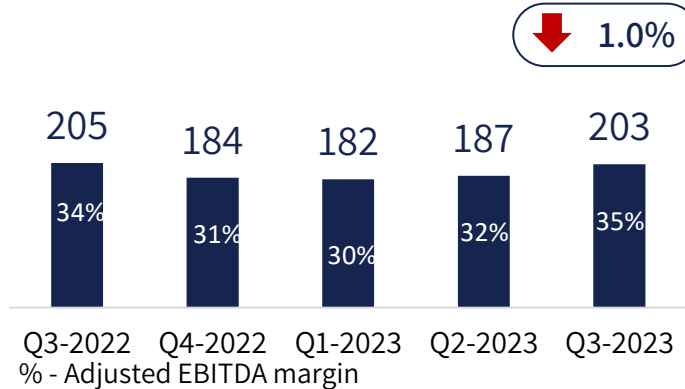


Pelephone | Q3-2023 Key Financial Highlights NIS Million

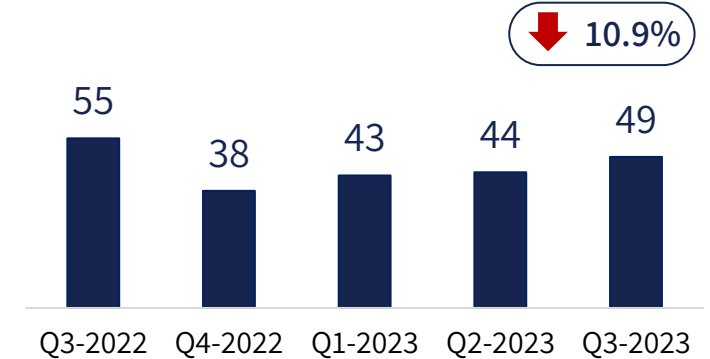
Revenues excluding interconnect fees



Adjusted EBITDA ⁽¹⁾

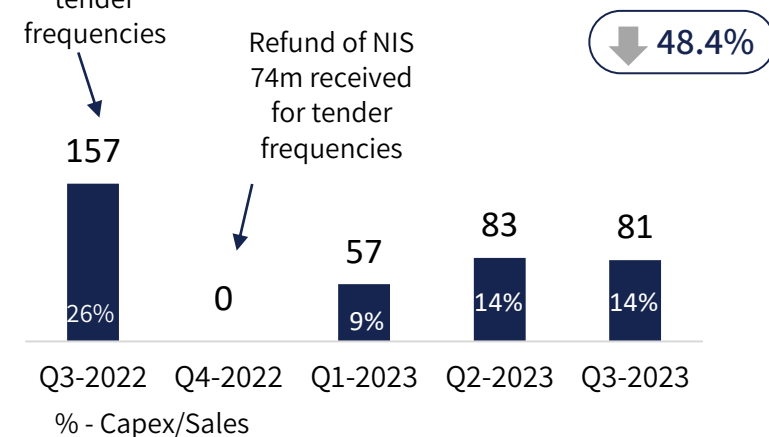


⁽¹⁾ Adjusted Net Profit

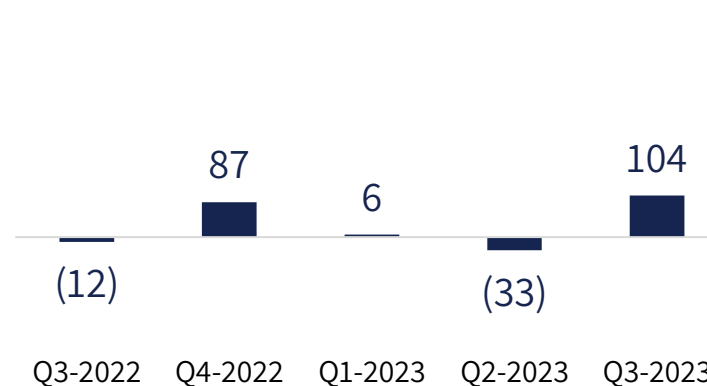


Payment of NIS 88m for acquisition of tender frequencies

CapEx



Free Cash Flow

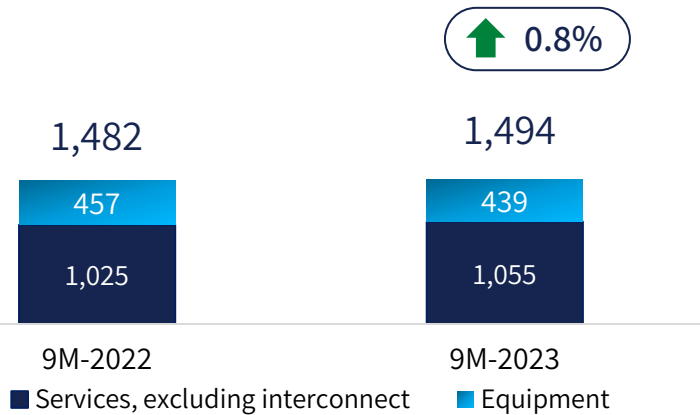


- 2.8% growth in revenues from services excluding interconnect fees to NIS 371 million, driven by an increase in postpaid subscribers, including 5G plans, and higher ARPU
- Adjusted Net Profit was impacted by increased service revenues excluding interconnect fees, offset by a decrease in equipment revenues, higher operating expenses due to an increase in the CPI and devaluation of the shekel as well as lower interest income from Bezeq Fixed-Line
- Significant improvement in free cash flow impacted by payment of NIS 88 million to the MOC for the acquisition of frequencies in the corresponding quarter

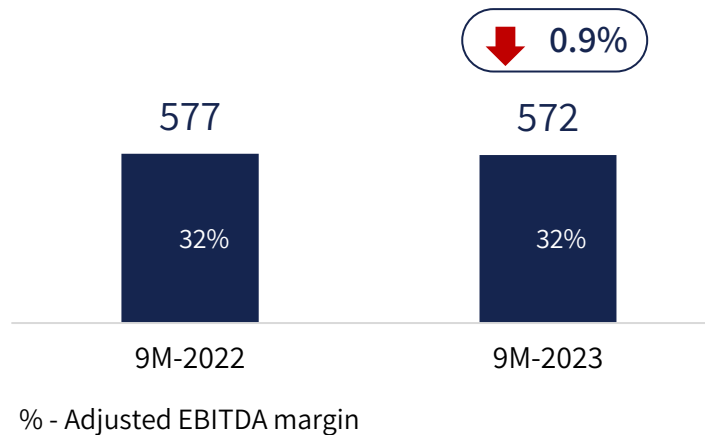


Pelephone | 9M-2023 Key Financial Highlights NIS Million

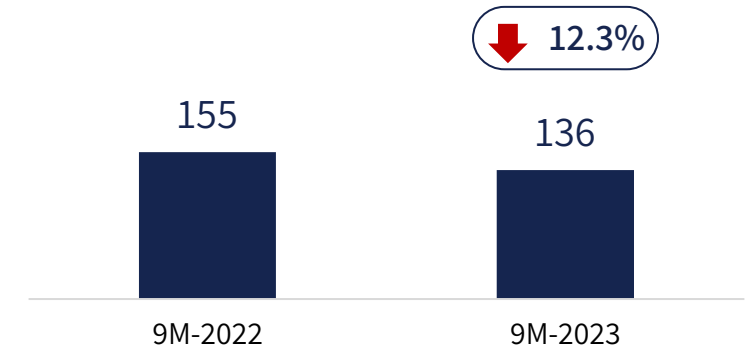
Revenues



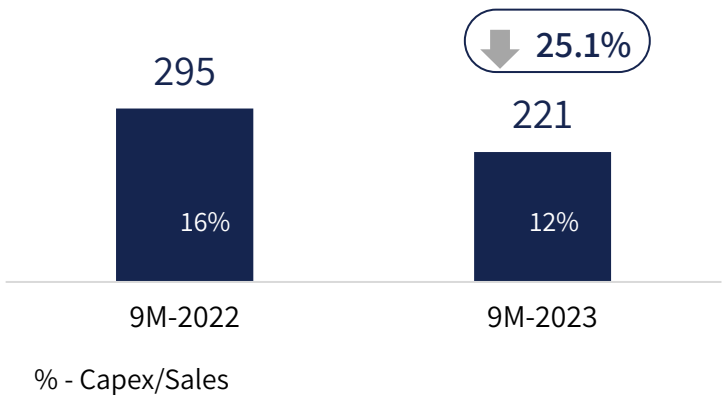
Adjusted EBITDA ⁽¹⁾



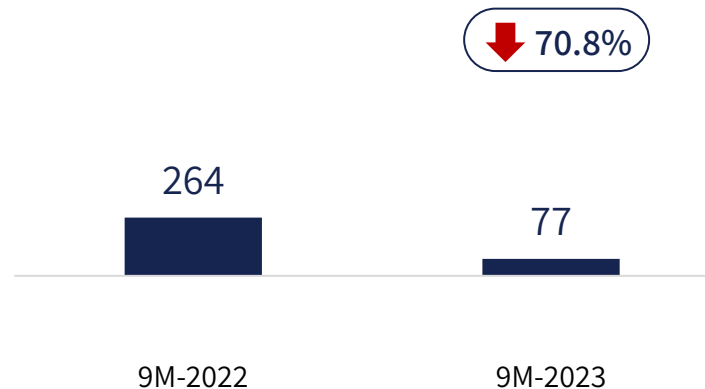
Adjusted Net Profit ⁽¹⁾



CapEx



Free Cash Flow



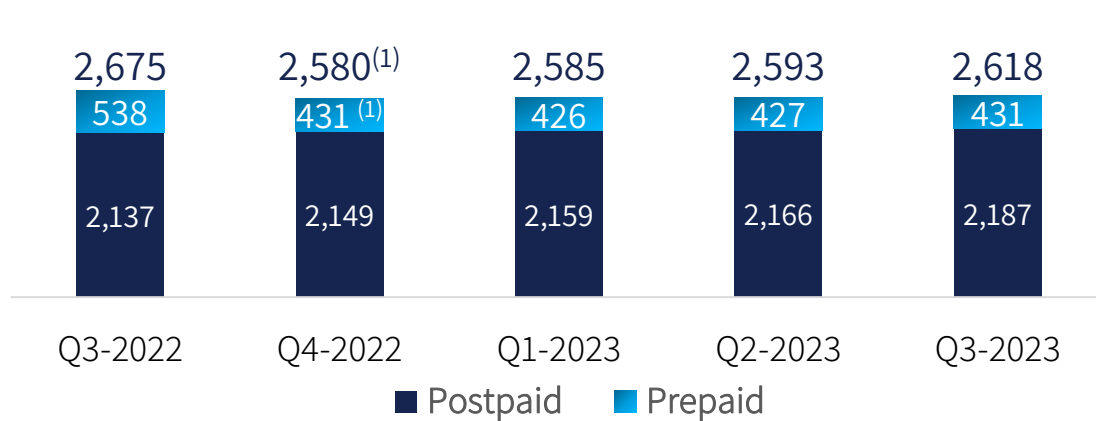
- Adjusted EBITDA was impacted by an increase in revenues from services excluding interconnect fees, offset by a decrease in equipment revenues and an increase in operating expenses due to an increase in the CPI and devaluation of the shekel
- Adjusted Net Profit was impacted by an increase in depreciation, due to an update in estimated right-of-use assets for past periods recorded in the corresponding period
- Free cash flow was impacted by the upfront payment of frequency fees for the year 2023 in 9M-2023, timing differences in working capital related to the deferral of customer debt collections from 2021 to 2022 due to employee sanctions as well as improved credit terms with acquiring companies in the corresponding period



Pelephone | Q3-2023 Key Operational Metrics

Subscribers (Thousands)

↓ 2.1%



(1) The decrease is due to a one-time removal of 96k prepaid subscribers in Q4-22 who did not meet the definition of an active subscriber

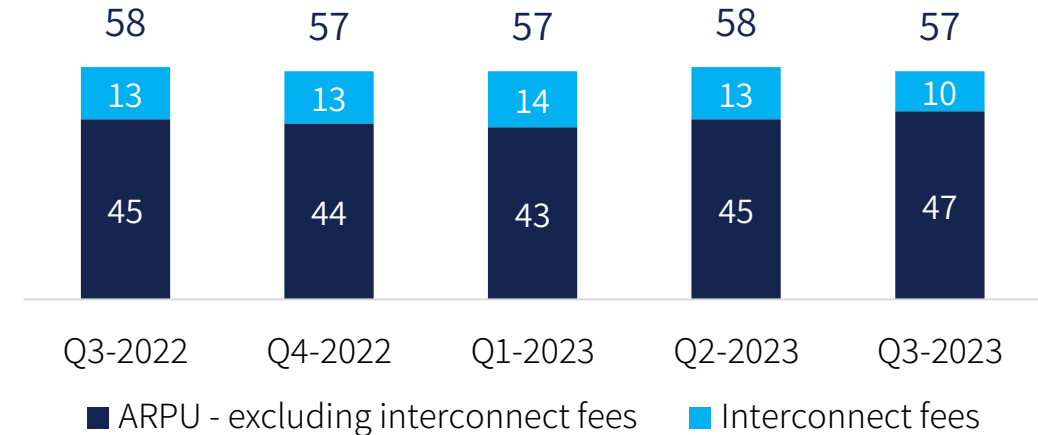
Subscribers on 5G Plans (Thousands)

↑ 30.2%



ARPU (NIS)

↑ 4.4%⁽²⁾



- Subscribers on 5G plans were 38% of total subscribers and 46% of postpaid subscribers ⁽³⁾
- ARPU, excluding interconnect fees, increased NIS 2

(2) Year-over-year change in ARPU, excluding interconnect fees

(3) As of reporting date



yes | Summary



Revenue growth of 4.1% to NIS 328 million, driven by the launch of TV + Bezeq fiber bundle, together with agreements with leading international content providers



20.8% growth in Adjusted EBITDA to NIS 58 million ⁽²⁾



Continued growth in fiber subscribers reaching 32k⁽¹⁾



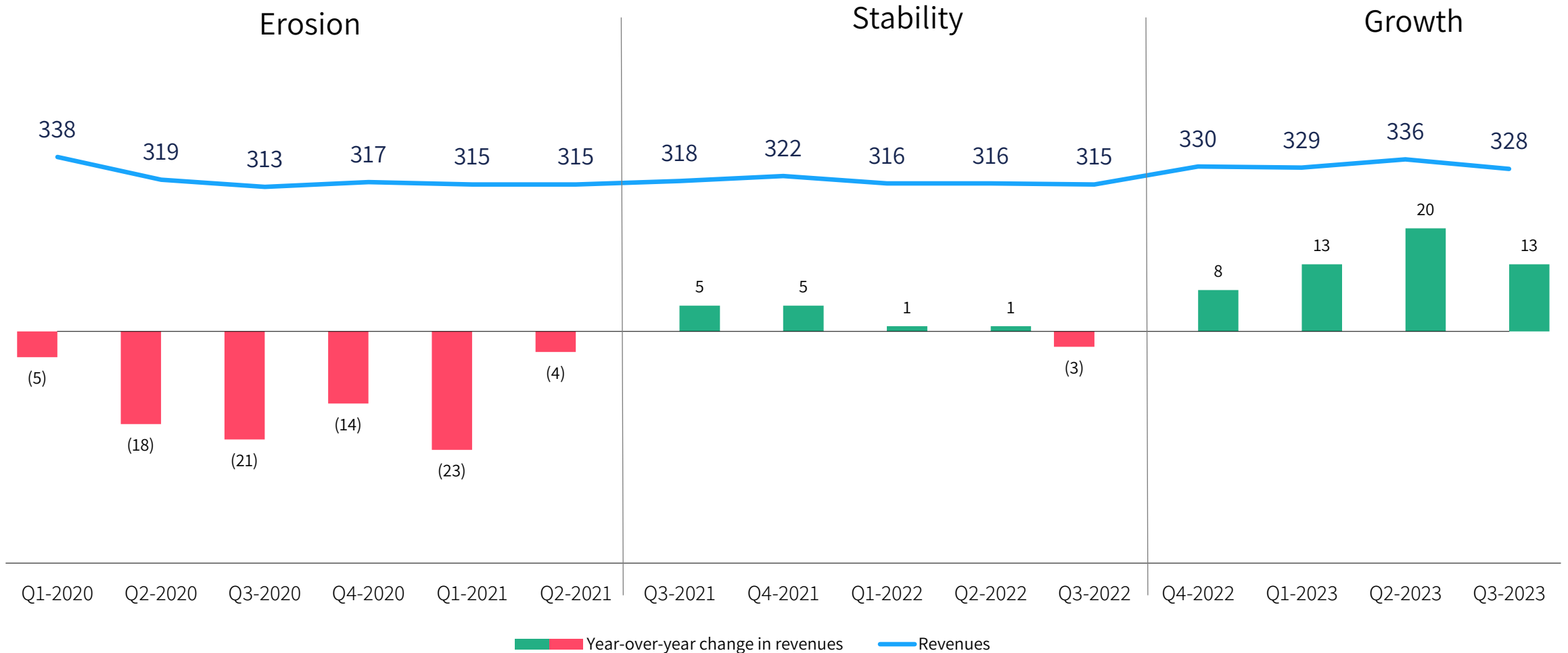
yes is the largest Israeli IPTV operator with 383k customers watching TV through IP broadcasting (67% of total subscribers), of which 118k are STINGTV customers ⁽¹⁾



Adjusted Net Profit of NIS 18 million in the first nine months of 2023, compared to an adjusted net loss of NIS 29 million in the corresponding period ⁽²⁾

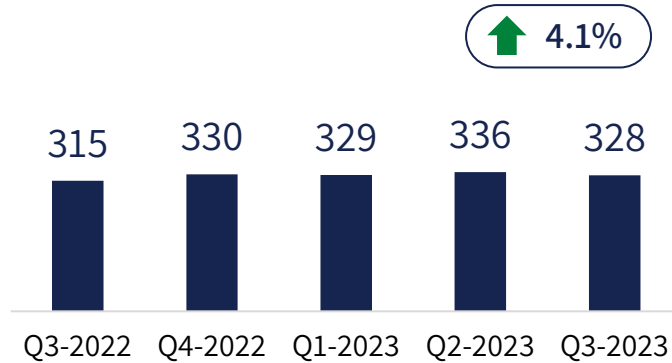


yes | Revenue Growth Turnaround NIS Million

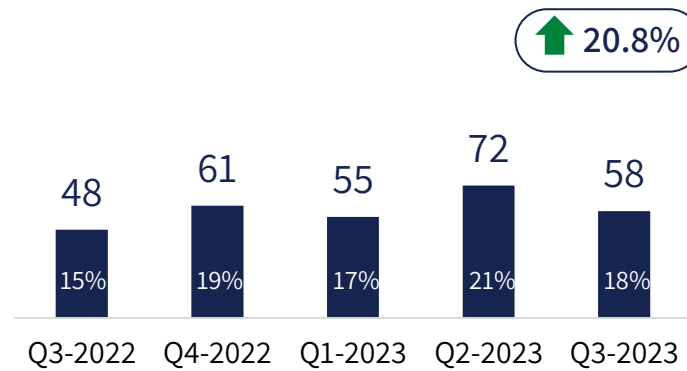


yes | Q3-2023 Key Financial Highlights NIS Million

Revenues

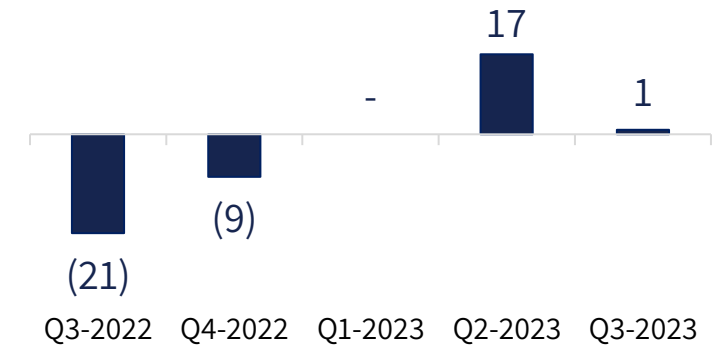


Adjusted EBITDA ⁽¹⁾

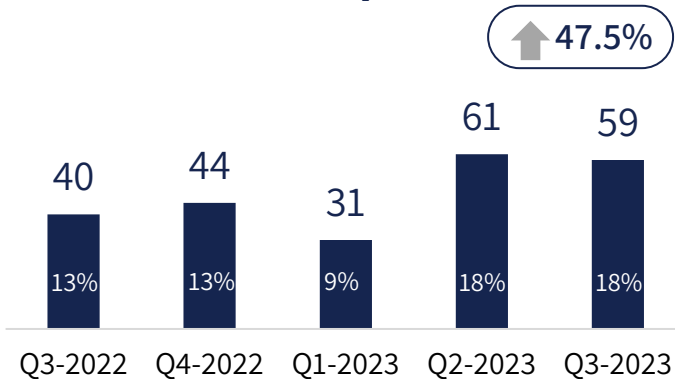


% - Adjusted EBITDA margin

Adjusted Net Profit (Loss) ⁽¹⁾

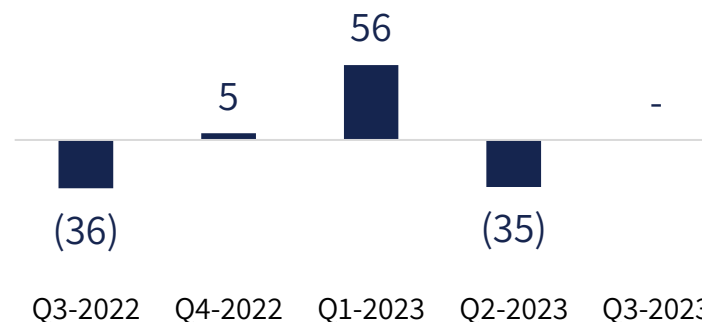


CapEx



% - Capex/Sales

Free Cash Flow



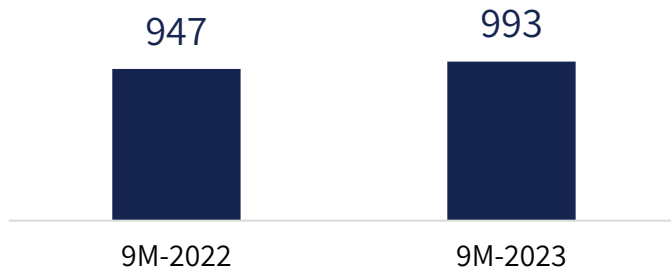
- Revenue growth driven by the launch of TV + Bezeq fiber bundle, together with agreements with leading international content providers
- Significant growth in Adjusted EBITDA, driven by an increase in revenues and a decrease in salaries. The improvement in Adjusted Net Profit was due to higher revenues and lower salaries and depreciation expenses
- Free cash flow was impacted by improved business results as well as timing differences in working capital



yes | 9M-2023 Key Financial Highlights NIS Million

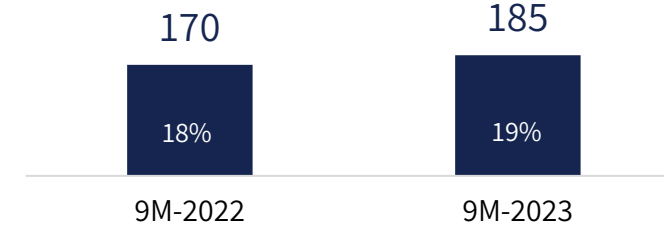
Revenues

↑ 4.9%



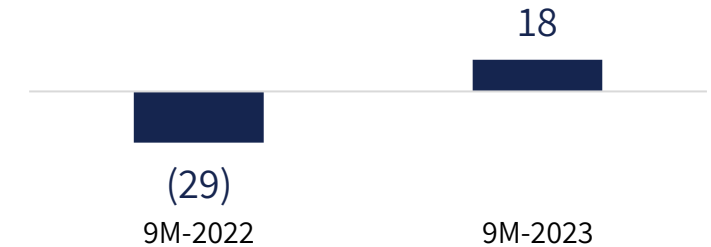
Adjusted EBITDA ⁽¹⁾

↑ 8.8%



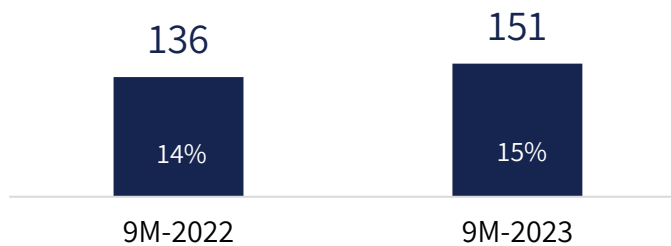
% - Adjusted EBITDA margin

Adjusted Net Profit (Loss) ⁽¹⁾



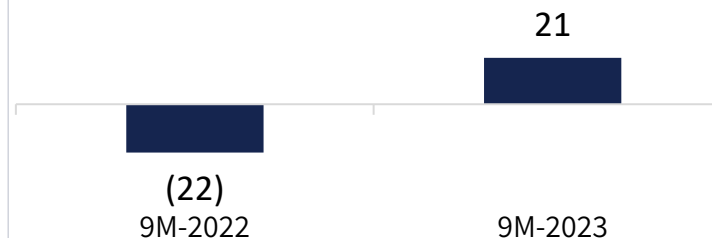
CapEx

↑ 11.0%



% - Capex/Sales

Free Cash Flow

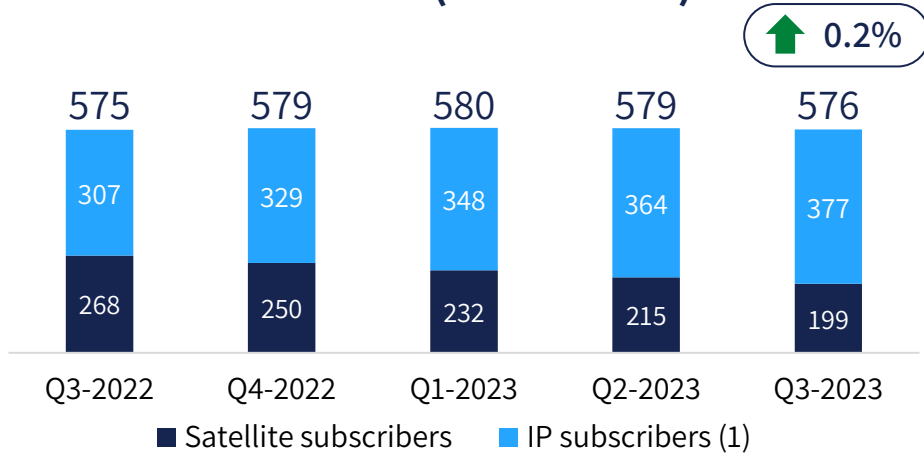


- Revenue growth driven by the launch of TV + Bezeq fiber bundle, together with agreements with leading international content providers
- Increase in Adjusted EBITDA driven by higher revenues. Adjusted Net Profit grew due to higher revenues and lower salaries and depreciation expenses
- Free cash flow increased due to improved business results as well as timing differences in working capital

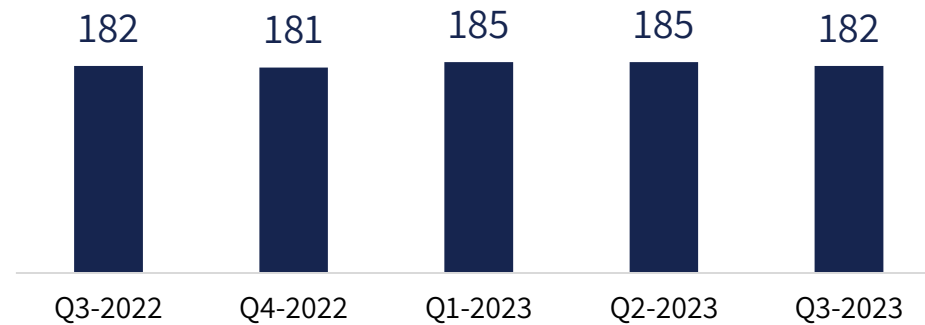


yes | Key Operational Metrics

Subscribers (Thousands)

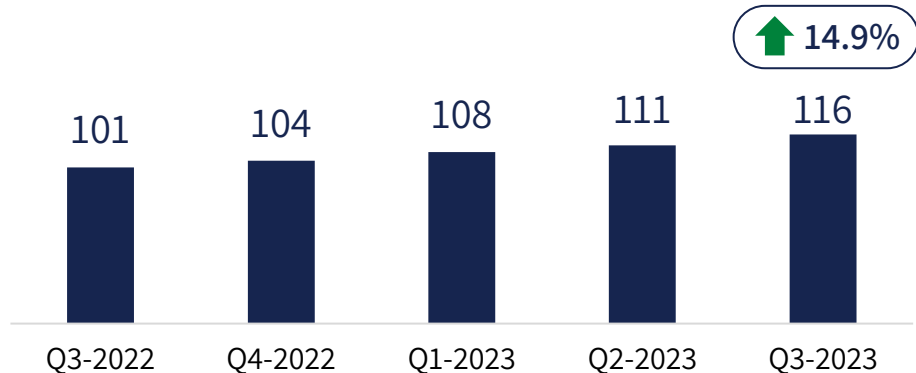


ARPU (NIS)

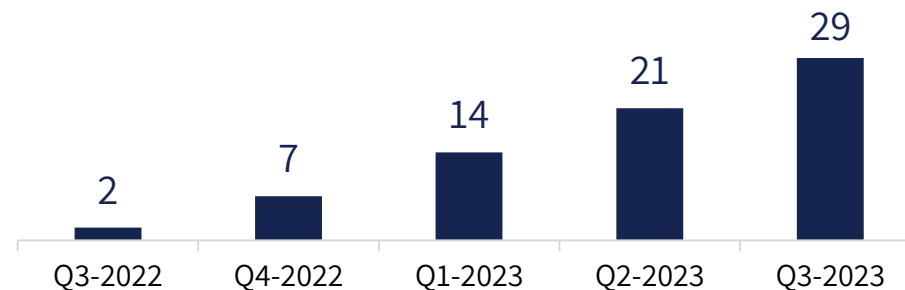


- Continued growth in IP subscribers - 67% of yes subscribers watch IPTV⁽²⁾
- Continued growth in fiber subscribers
- Increased competition in the TV market

STINGTV Subscribers (Thousands)



Fiber Subscribers (Thousands)



(1) IP subscribers - the number of yes subscribers viewing IP broadcasting through the yes+ and STINGTV services. This includes subscribers that use satellite services as well
 (2) As of reporting date



Bezeq International | Summary



Increase in ICT activity
mainly offset decrease in
consumer ISP revenues



Focus on growth in ICT
market with emphasis on
cyber, integration, public
cloud and data centers



Cost savings due to
reduction in
consumer ISP activity



11.9% growth in Adjusted
EBITDA to NIS 150 million in
the first nine months of 2023

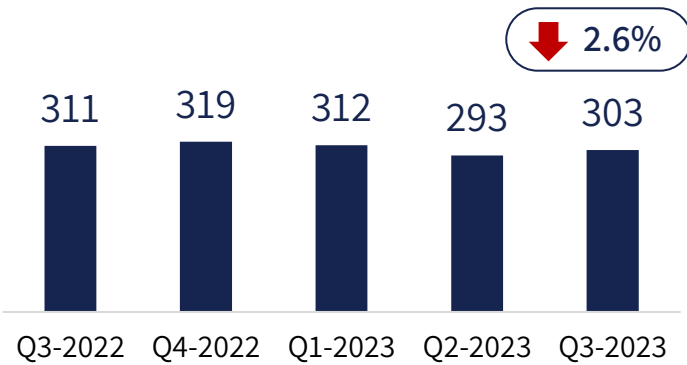


Adjusted Net Profit grew
64.5% in the first nine
months of 2023 to NIS 51
million

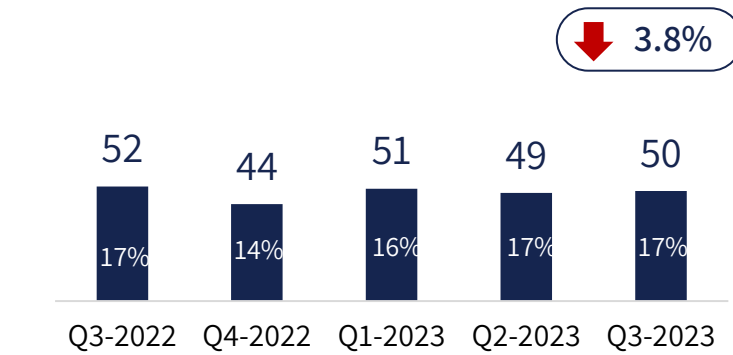


Bezeq International | Q3-2023 Key Financial Highlights NIS Million

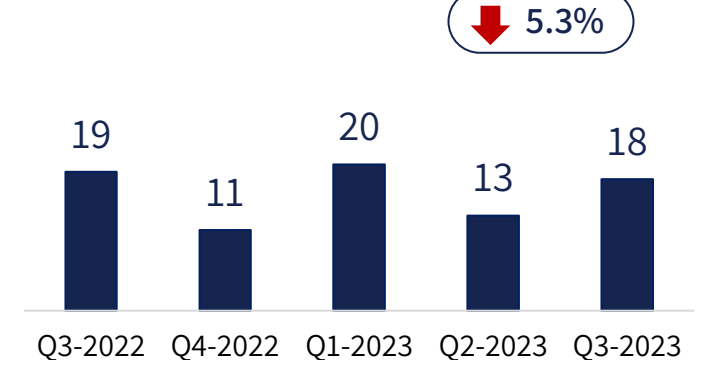
Revenues



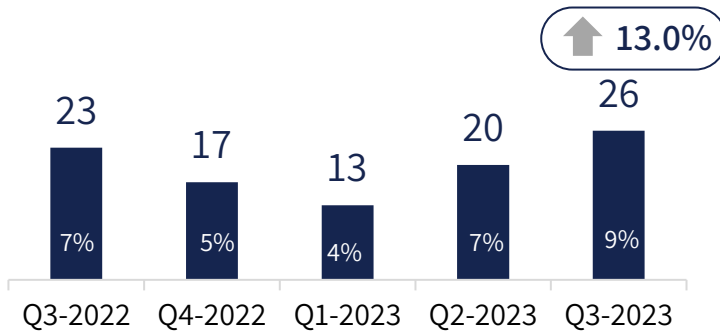
Adjusted EBITDA ⁽¹⁾



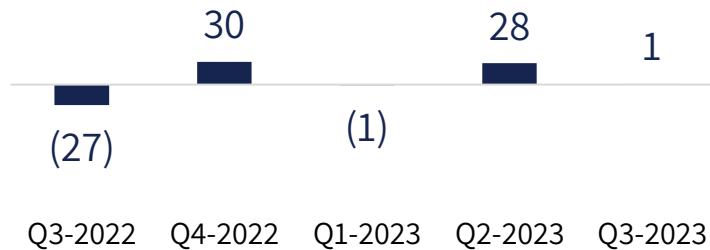
Adjusted Net Profit ⁽¹⁾



CapEx



Free Cash Flow



- Decrease in revenues due a reduction in the consumer ISP activity following the regulatory reform for unified Internet service in Q2-2022, mainly offset by an increase in ICT activity
- Significant improvement in free cash flow, mainly due to timing differences in working capital

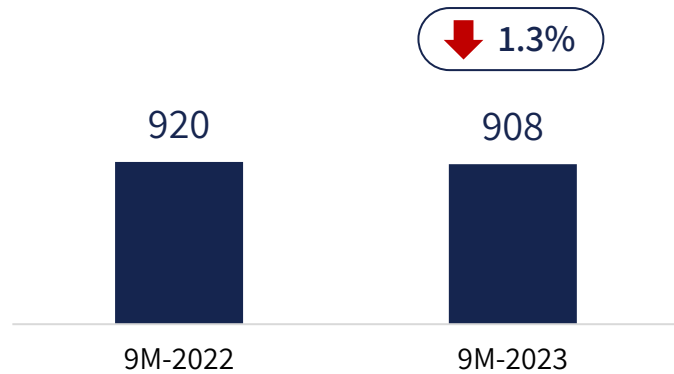
% - Capex/Sales

(1) After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation

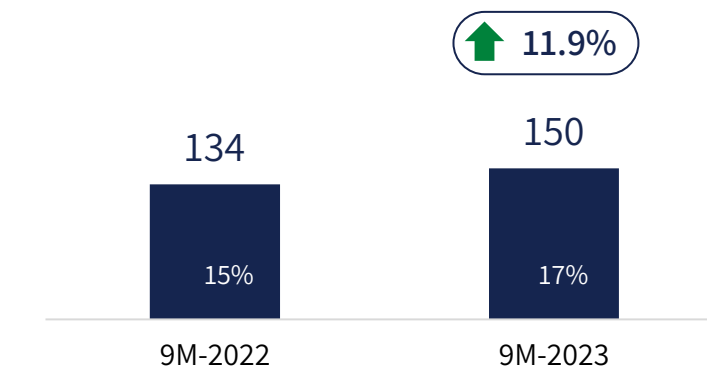


Bezeq International | 9M-2023 Key Financial Highlights NIS Million

Revenues

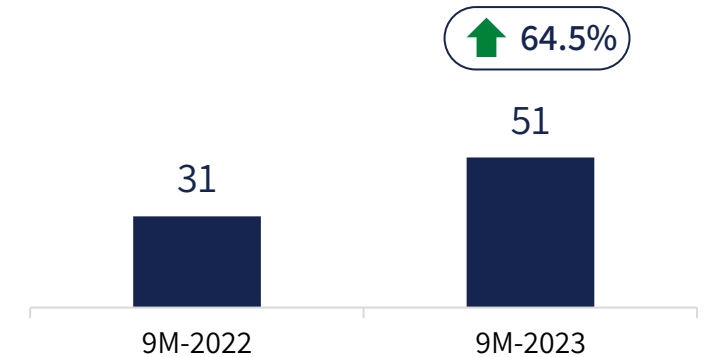


Adjusted EBITDA ⁽¹⁾



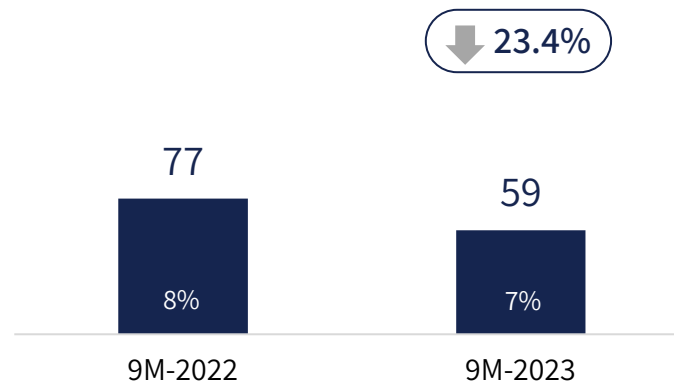
% - Adjusted EBITDA margin

Adjusted Net Profit ⁽¹⁾



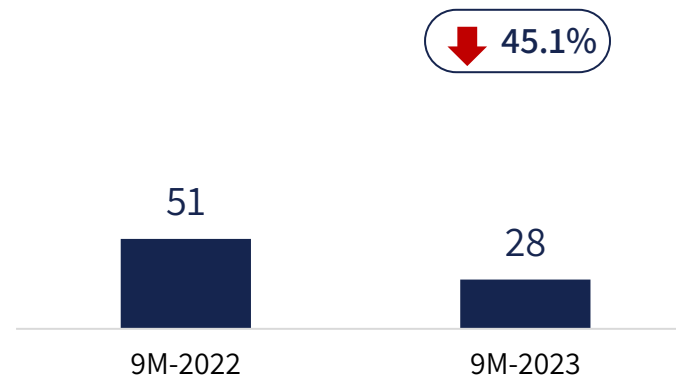
- Increase in revenues from business services due to activity growth and CloudEdge acquisition, offset by decrease in consumer ISP revenues following the regulatory reform for unified Internet service
- Significant increase in Adjusted EBITDA and Adjusted Net Profit mainly due to lower expenses driven by decrease in consumer ISP activity
- Free cash flow was impacted by payments for employee retirement in 2023 as well as timing differences in working capital related to the deferral of customer debt collections from 2021 to 2022 due to employee sanctions in 2021

CapEx



% - Capex/Sales

Free Cash Flow



Bezeq Group | Summary



Strong execution in strategic growth drivers – robust fiber take-up in Bezeq Fixed-Line and yes, consistent growth in 5G subscriber plans in Telephone reaching approximately 1 million



13.7% increase in Adjusted Net Profit to NIS 357 million; Adjusted EBITDA rose 2.9% to NIS 974 million



Stable revenues in Bezeq Fixed-Line despite to the decrease in telephony tariffs; Increase in Telephone service revenues (excluding interconnect) offset by a decrease in equipment revenues; 4.1% growth in yes



At this stage, the war in Gaza has no material impact on the group's activities and results



ESG – Fourth consecutive annual report published, including subsidiaries

Bezeq Group is executing on its strategy while focusing on growth





Thank You!

For more information please visit us
ir.bezeq.co.il