



BEZEQ GROUP REPORTS FOURTH QUARTER & FULL YEAR 2022 FINANCIAL RESULTS

Holon, Israel – March 14, 2023 – Bezeq – The Israel Telecommunication Corp., Ltd. (TASE: BEZQ), Israel's leading telecommunications provider, today announced its financial results for the three months and year ended December 31, 2022. Details regarding the investor webcast call to be held today are included later in this press release.

Bezeq Group FY 2022 Financial Highlights¹

- Revenues of NIS 9.0 billion, up 1.9%
- Adjusted net profit² totaled NIS 1.2 billion, up 3.6%
- Adjusted EBITDA² totaled NIS 3.7 billion, up 0.7%
- Capital expenditures totaled NIS 1.71 billion, or 19% of revenues, up 1.3%
- Free cash flow totaled NIS 1.41 billion, up 35.7%
- Board of Directors upgrades the dividend policy to 60% of net profit and recommends a distribution of NIS 246 million

Gil Sharon, Bezeq Chairman, stated: "2022 was a strong year for the Bezeq Group. Our focus on successfully executing our growth strategy is manifested in the robust financial results and growth recorded in the Group's core activities in fiber optics, 5G in cellular and yes's IPTV. We continued to increase our CapEx, which represented 19% of total revenues, as we transition to new technologies across all areas of activity, positively impacting the financial results. In addition, the accelerated deployment of fiber and subscriber take-up will continue to be an important growth engine for the group. All was achieved while strengthening our financial profile and reducing our debt by over half a billion shekels. In light of the strong financial results and debt reduction, the board of directors decided to upgrade the dividend policy to 60% of net profit and recommended a distribution of NIS 246 million.

Sharon added, "In 2022, we made structural changes in the Group. We separated Bezeq International from the joint management with Pelephone and yes to focus on the market for ICT, cloud and cyber services for businesses. In addition, we implemented strategic initiatives such as the launch of Disney+ as well as the launch of a TV + Bezeq fiber bundle in yes, and in recent months, the signing

¹ FY-2022 and Q4-2022 results in this earnings release are presented in comparison to FY-2021 and Q4-2021 results, respectively, unless stated otherwise.

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



of a long-term IRU agreement with Partner to use Bezeq's fiber infrastructure. These steps help strengthen the Bezeq Group's robustness and enable us to be well-prepared for competitive challenges."

Sharon concluded, "We published guidance for 2023, reflecting the continued strength of our business performance across relevant parameters: Adjusted Net Profit is expected to be NIS 1.2 billion and Adjusted EBITDA is expected to be NIS 3.8 billion."

Tobi Fischbein, Bezeq Group CFO, commented: "We met our group forecasts for 2022, recording the second consecutive year of increasing revenues to 9 billion shekels, and growing our Adjusted Net Profit by 3.6%. Free cash flow increased 35.7% to 1.4 billion shekels due to improved working capital. We continued to decrease debt significantly, further improving our leverage ratio which allows us to upgrade our dividend payout ratio to 60%. Our strong financial profile allows the Group companies to focus on infrastructure-driven growth and improving profitability and financial strength while positioning the Group to effectively handle challenges in the domestic and global economy."

Bezeq Group Results (Consolidated)

	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>% change</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	2,244	2,258	(0.6%)	8,986	8,821	1.9%
Operating profit	248	356	(30.3%)	1,637	1,870	(12.5%)
EBITDA	742	838	(11.5%)	3,505	3,759	(6.8%)
Adjusted EBITDA ¹	907	909	(0.2%)	3,736	3,709	0.7%
Adjusted EBITDA margin	40.4%	40.3%		41.6%	42.0%	
Net profit	109	197	(44.7%)	1,000	1,183	(15.5%)
Adjusted net profit ¹	250	256	(2.4%)	1,196	1,154	3.6%
Diluted EPS (NIS)	0.04	0.07	(42.9%)	0.36	0.43	(16.3%)
Operating cash flow	894	631	41.7%	3,503	2,839	23.4%
CapEx (gross)	341	370	(7.8%)	1,713	1,691	1.3%
Free cash flow ²	451	254	77.6%	1,410	1,039	35.7%
Net debt	5,622	6,135	(8.4%)	5,622	6,135	(8.4%)

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

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

Revenues in 2022 increased for the second consecutive year and totaled NIS 8.99 billion, up 1.9% primarily due to 5% and 3% growth in Pelephone and Bezeq Fixed-Line revenues, respectively. Revenues in the fourth quarter of 2022 totaled NIS 2.24 billion, down 0.6%, mainly impacted by a decrease in Pelephone handset revenues.

Salary expenses in 2022 were NIS 1.87 billion, down 0.5%, primarily due to a decrease in Bezeq Online. **Operating expenses** in 2022 were NIS 3.39 billion, up 4.1%, mainly related to an increase in subcontractor expenses in connection with the fiber project, as well as higher interconnection fees and content expenses. **Depreciation expenses** in 2022 were NIS 1.87 billion, a decrease of 1.1%. **Other operating expenses** in 2022 totaled NIS 220 million, compared to income of NIS 77 million in 2021. The increase in other operating expenses was primarily due to a provision of NIS 102 million for the early retirement of employees at Pelephone and Bezeq International in 2022 as well as capital gains related to real estate sales of NIS 175 million recorded in 2021.

Reported EBITDA in 2022 amounted to NIS 3.51 billion, down 6.8%. **Adjusted EBITDA** in 2022 was NIS 3.74 billion (Adjusted EBITDA margin of 41.6%), up 0.7%. Adjusted EBITDA during the fourth quarter of 2022 totaled NIS 907 million (EBITDA margin of 40.4%), down 0.2%.

Net profit in 2022 amounted to NIS 1.00 billion, down 15.5%. **Adjusted net profit** in 2022 was NIS 1.20 billion, an increase of 3.6%. Adjusted net profit during the fourth quarter of 2022 was NIS 250 million, down 2.4%.

Free cash flow in 2022 was NIS 1.41 billion, up 35.7%, primarily due to timing differences resulting from employee sanctions in 2021, as well as improved working capital.

Net financial debt of the Group amounted to NIS 5.62 billion as of December 31, 2022, compared to NIS 6.14 billion as of December 31, 2021, a decrease of 8.4%. The Group's net financial debt to adjusted EBITDA ratio was 1.7 as of December 31, 2022, compared to 1.8 as of December 31, 2021.

Dividends

The Company's Board of Directors decided to upgrade its dividend distribution policy, according to which the Company will distribute to its shareholders on a semi-annual basis, a cash dividend of 60% of the semi-annual profit (after tax) according to the Company's consolidated financial statements, commencing from the upcoming distribution (for the second half of 2022).

Further to the dividend policy, the Company's Board of Directors decided to recommend to the General Meeting of Shareholders a dividend distribution in a total amount of NIS 246 million, which as of the date of the approval of this resolution equaled to NIS 0.09 per share. The effective date and the ex-dividend date will be on May 4, 2023, while the payment day will be on May 11, 2023.

In addition, the Company will strive to update its dividend policy to distribute 70% of the semi-annual profit (after tax) according to the company's consolidated financial statements, subject to maintaining the Company's credit rating in the AA group.



Bezeq

2023 Outlook

Press Release

Based on the information known to the Bezeq Group today, the Group's Outlook for 2023 and updated mid-term ambitions are as follows:

	2022 Performance	2023 Outlook	Mid-term Ambitions
Adjusted net profit⁽¹⁾	NIS 1.196 billion	Approx. NIS 1.2 billion	
Adjusted EBITDA⁽¹⁾	NIS 3.736 billion	Approx. NIS 3.8 billion	Growth of 1% in Adjusted EBITDA with 41%-43% margin
CapEx⁽²⁾	NIS 1.713 billion	Approx. NIS 1.75 billion	Stable CapEx and CapEx/Sales through 2025; gradual reduction thereafter
Free Cash Flow⁽³⁾	NIS 1.410 billion		Mid-single digit growth (CAGR)
Fiber deployment (Homes Passed)	1.526 million	2.0 million	2.7 million
Dividend distribution			70% of net profit, subject to maintaining credit rating in the AA group
Financial Stability	Maintain credit rating within the AA group		

- (1) Adjusted Net Profit and Adjusted EBITDA – after adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock based compensation.
- (2) CapEx – gross payments for investments in fixed and intangible assets.
- (3) Free Cash Flow - cash flow from operating activities less net payments for investments and leases.

The Company will report, as required, deviations of more/less than 10% of the amounts stated in the outlook. The Company does not undertake to update on a regular basis or otherwise its ambitions or such and other changes that will apply to the ambitions or actual results in relation to the ambitions.

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

The Group's forecasts and ambitions are based, among other things, on its estimates regarding the structure of competition in the telecommunications market and regulation in this sector, the economic situation and accordingly, the Group's ability to implement its plans in 2023 and in the mid-term, as relevant. Actual results may differ from these estimates considering changes that may occur in the future business conditions, and the effects of regulatory decisions, technology changes and developments in the structure of the telecommunications market, and so forth, as well as the realization of one or more of the risk factors listed in the Periodic Report of 2022.

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

Bezeq Fixed-Line Results

- **Bezeq is leading the fiber transformation in Israel with total fiber customer take-up reaching 332k today. Accelerated fiber take-up is showing record results with 235k retail fiber customers today and 198k as of Dec 31, 2022, for sequential growth of 26.1%**
- **Growth of 10.2% in broadband Internet revenues, 4.1% higher transmission and data communications and cloud and digital service revenues**
- **Bezeq solidified its status as the largest fiber network in Israel with deployment to over 1.53 million Israeli households, an increase of 462 thousand households in 2022**

Ran Guron, Bezeq CEO, stated, "The accelerated pace of fiber take-up seen in the second half of 2022 led to record results, reaching 332k customers on our fiber network today. We will continue to maintain the pace of deployment, and we expect to reach 2 million households at the end of 2023 to further solidify our position as the leading fiber infrastructure in Israel. Along with the growth in customer take-up, we recorded a 70% increase in the average broadband speed to 220 Mbps."

Guron added, "Our revenues grew 3% in 2022, reaching NIS 4.3 billion, mainly due to a 10.2% increase in broadband Internet revenues, and over 4% growth in transmission and data communications as well as cloud and digital services. This year, we will continue to focus on fiber take-up, while we increase the use of the network following the IRU agreement signed with Partner."

Bezeq Fixed-Line – Financial data	Q4 2022	Q4 2021	% change	FY 2022	FY 2021	% change
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Total revenues	1,057	1,052	0.5%	4,306	4,182	3.0%
Broadband Internet	460	416	10.6%	1,789	1,624	10.2%
Transmission and data	276	273	1.1%	1,132	1,087	4.1%
Telephony	183	222	(17.6%)	780	913	(14.6%)
Cloud & digital services	84	80	5.0%	331	318	4.1%
Other revenues	54	61	(11.5%)	274	240	14.2%
Operating profit	293	358	(18.2%)	1,460	1,748	(16.5%)
EBITDA	559	603	(7.3%)	2,465	2,686	(8.2%)
Adjusted EBITDA ¹	618	636	(2.8%)	2,580	2,596	(0.6%)
Adjusted EBITDA margin	58.5%	60.5%		59.9%	62.1%	
Net profit	153	206	(25.7%)	849	1,063	(20.1%)
Adjusted net profit ²	201	231	(13.0%)	938	997	(5.9%)
Operating cash flow	628	593	5.9%	2,230	2,024	10.2%
CapEx (gross)	277	244	13.5%	1,135	1,155	(1.7%)
Free cash flow ³	325	404	(19.6%)	993	1,026	(3.2%)

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

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

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

Bezeq Fixed-Line – KPIs	<u>Q4 2022</u>	<u>Q3 2022</u>	<u>Q4 2021</u>
Total broadband Internet lines (retail and wholesale, end of the period, in thousands)	1,504	1,505	1,524
Of which: Total fiber optic subscribers (retail and wholesale, in thousands)	267	212	84
Total retail broadband Internet lines (fiber and copper, end of the period, in thousands)	1,032	1,024	1,023
Of which: Retail fiber optic subscribers (in thousands)	198	157	65
Total wholesale broadband Internet lines (end of the period, in thousands)	472	481	501
Of which: Wholesale fiber optic subscribers (in thousands)	69	55	19
Fiber optics deployed – Homes passed (end of the period, in thousands)	1,526	1,442	1,064
Average monthly revenue per broadband Internet subscriber (NIS) – Retail ¹	117	116	109
Average broadband speed per subscriber (Mbps)	220	192	130
Active telephony subscriber lines (end of the period, in thousands) ²	1,503	1,522	1,583
Average monthly revenue per line (NIS) ³	40	41	46
Churn rate (%) ⁴	2.5%	2.8%	2.8%
Outgoing minutes (millions)	698	754	811
Incoming minutes (millions)	922	986	1,096

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

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

³ Based on average lines for the period.

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

Revenues in 2022 increased for the third consecutive year and reached NIS 4.31 billion, a 3.0% increase related to the growth recorded in all activities except for telephony services, which decreased mainly due to the MOC reduction in tariffs beginning in April 2022. Revenues during the fourth quarter of 2022 totaled NIS 1.06 billion, up 0.5%.

Salary expenses in 2022 were NIS 970 million, up 3.9% mainly due to the recruitment of employees for the fiber project. **Operating expenses** in 2022 were NIS 759 million, increasing 13.8%, primarily driven by increased sub-contractor and materials expenses for the fiber project and various infrastructure work. **Depreciation expenses** in 2022 were NIS 1.01 billion, up 7.1% as CapEx rose



over previous periods due to the fiber deployment project. **Other operating expenses** in 2022 were NIS 112 million, compared to income of NIS 105 million in 2021. The increase in other operating expenses was primarily related to capital gains from real estate sales of NIS 173 million recorded in 2021.

EBITDA in 2022 was NIS 2.47 billion, down 8.2%. **Adjusted EBITDA** in 2022 was NIS 2.58 billion, down 0.6% (Adjusted EBITDA margin of 59.9%). Adjusted EBITDA during the fourth quarter of 2022 totaled NIS 618 million, down 2.8% (Adjusted EBITDA margin of 58.5%).

Net profit in 2022 was NIS 849 million, down 20.1%. **Adjusted Net Profit** in 2022 was NIS 938 million, down 5.9%. The decrease in adjusted net profit was primarily due to the aforementioned increase in operating expenses. Adjusted net profit during the fourth quarter of 2022 totaled NIS 201 million, down 13.0%.

Free cash flow in 2022 was NIS 993 million, down 3.2% primarily due to proceeds received from the sale of real estate in 2021.

Subsidiary results

Ilan Sigal, CEO of Pelephone and yes, stated, "The companies concluded an excellent year and continued to establish their position as leaders in their field in the telecommunications market. Pelephone posted a four-year record in revenues and significant increases in all profitability metrics, including adjusted net profit and free cash flow. All this together with the consistent increase in 5G subscribers that crossed the 800k subscriber mark, representing 37% of the company's postpaid subscribers. Despite the fierce competition in the TV market, yes' revenues were stable given the 16 thousand new subscriber growth recorded in the last year along with the collaboration with international streaming companies. yes continued to be the largest Israeli IPTV player with over 340k subscribers today, representing 60% of our customer base."

Sigal added, "Our entry into the world of fiber is already showing good results and we are seeing higher demand for the combined package of yes + fiber. All this alongside the continued investment in the excellent content and product quality that will continue to move the company forward."

Ron Glav, CEO of Bezeq International, commented, "The growth in revenues from business activities are an indicator of our success in adapting the company's activities and business focus. Revenue growth was driven by all the company's business sectors: ICT services, integration, public cloud, cyber and data centers. The acquisition of CloudEdge contributed strong growth. The public cloud sector is one of our main growth engines, as such, we will continue to invest and develop it."

Telephone Results

- Highest revenues in the last four years, increasing 4.8% to NIS 2.4 billion, driven by growth in roaming revenues, 5G subscriber plans and total subscribers
- Adjusted net profit grew 155% to NIS 193 million; Adjusted EBITDA grew 20.2% to NIS 761 million
- Significant increase in free cash flow to NIS 351 million, compared to negative free cash flow of 47 million in 2021
- Postpaid subscribers grew 53k in 2022 together with the consistent growth in subscribers on 5G plans which totaled 813k as of today. Total Telephone subscribers as of December 31, 2022, reached 2.58 million
- ARPU in 2022 grew to NIS 57, a year-over-year increase of NIS 3

Telephone – Financial data	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>% change</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Total revenues	592	602	(1.7%)	2,399	2,289	4.8%
Service revenues	441	424	4.0%	1,791	1,642	9.1%
Equipment revenues	151	178	(15.2%)	608	647	(6.0%)
Operating profit	17	8	112.5%	193	42	359.5%
EBITDA	152	155	(1.9%)	725	619	17.1%
Adjusted EBITDA ¹	184	168	9.5%	761	633	20.2%
Adjusted EBITDA margin	31.1%	27.9%		31.7%	27.7%	
Net profit	13	13	0.0%	165	64	157.8%
Adjusted net profit ¹	38	23	65.2%	193	76	154.7%
Operating cash flow	149	19	684.2%	874	425	105.6%
CapEx (gross)	-	55	NA	295	254	16.1%
Free cash flow ²	87	(89)	NA	351	(47)	NA

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

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

Telephone – KPIs	<u>Q4 2022</u>	<u>Q3 2022</u>	<u>Q4 2021</u>
Total subscribers (end of the period, in thousands) ¹	2,580	2,675	2,576
Postpaid subscribers (end of the period, in thousands) ¹	2,149	2,137	2,096
Prepaid subscribers (end of the period, in thousands) ¹	431	538	480
Average revenue per user (ARPU, NIS) ²	57	58	55
Churn rate ³	6.1%	5.7%	5.8%

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. In a review carried out by the company of prepaid subscribers, 96 thousand subscribers who did not meet the definition of an active subscriber were removed in Q4-22.

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 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. The one-time removal of prepaid subscribers in Q4-22 led to an increase of NIS 2 in ARPU for the fourth quarter 2022 and no change in the churn rate in the quarter.

³ 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 in 2022 grew 9.1% to NIS 1.79 billion, primarily due to higher roaming revenues, continued growth in 5G plans and an increase in total subscribers. Revenues from services during the fourth quarter of 2022 totaled NIS 441 million, up 4.0%.

Revenues from equipment sales in 2022 were NIS 608 million, down 6.0%, primarily due to a decrease in the number of handsets sold. Revenues from equipment sales during the fourth quarter of 2022 totaled NIS 151 million, down 15.2%.

Total revenues in 2022 grew 4.8% to NIS 2.4 billion. Total revenues during the fourth quarter of 2022 were NIS 592 million, down 1.7%.

Operating expenses in 2022 were NIS 2.2 billion, down 2.9%, primarily due to a decrease in the cost of handsets in line with lower revenues, as well as lower interconnection fees and depreciation expenses. **Other operating expenses** in 2022 totaled NIS 33 million, compared to NIS 9 million in 2021. The increase was primarily due to the impact of the collective labor agreement signed in December 2022 resulting in a grant to employees and a provision for early retirement.

EBITDA in 2022 was NIS 725 million, up 17.1%. **Adjusted EBITDA** in 2022 grew 20.2% to NIS 761 million (Adjusted EBITDA margin of 31.7%). Adjusted EBITDA during the fourth quarter of 2022 was NIS 184 million, up 9.5% (Adjusted EBITDA margin of 31.1%).

Net profit in 2022 grew 157.8% to NIS 165 million. **Adjusted Net Profit** in 2022 grew 154.7% to NIS 193 million. Adjusted Net Profit during the fourth quarter of 2022 totaled NIS 38 million, up 65.2%.

Free cash flow in 2022 was NIS 351 million, compared to negative free cash flow of NIS 47 million in 2021. The improvement in free cash flow was mainly due to the deferral of customer debt collections from Q4-2021 to Q1-2022 because of employee sanctions, improved credit terms with acquiring companies as well as higher profitability.

yes Results

- **Highest growth in net subscribers since 2014, increasing 16k in 2022 and 3.9k in Q4-2022, representing the ninth consecutive quarter with net subscriber growth. Total subscribers as of December 31, 2022, reached 579k**
- **Annual revenues grew for the first time since 2015 and reached NIS 1.28 billion, mainly due to the sales of content to international providers that partially offset the impact of the change in subscriber mix**
- **Launch of fiber activity allowing for the marketing of a TV + fiber bundle; launch of collaboration with international streaming companies: Disney+, Discovery+ and Netflix**
- **yes is the largest IPTV operator in Israel with continued growth in IPTV subscribers reaching 344k today, representing 60% of total subscribers. In 2022, over 100k subscribers joined the IP service**

yes – Financial data	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>% change</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	330	322	2.5%	1,277	1,270	0.6%
Operating profit	-	(14)	NA	8	32	(75.0%)
EBITDA	57	38	50.0%	207	235	(11.9%)
Adjusted EBITDA ¹	59	51	15.7%	212	250	(15.2%)
Adjusted EBITDA margin	17.9%	15.8%		16.6%	19.7%	
Net profit	1	(17)	NA	13	30	(56.7%)
Adjusted net profit ¹	3	(4)	NA	18	45	(60.0%)
Operating cash flow	56	42	33.3%	186	233	(20.2%)
CapEx (gross)	44	55	(20.0%)	180	180	0.0%
Free cash flow ²	5	(20)	NA	(17)	29	NA

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>Q4 2022</u>	<u>Q3 2022</u>	<u>Q4 2021</u>
Total number of subscribers (end of the period, in thousands) ¹	579	575	563
IP subscribers (end of the period, in thousands) ²	329	307	226
Average revenue per user (ARPU, NIS) ³	181	182	190
Churn rate (%) ⁴	3.0%	3.2%	3.4%

¹ 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 60% of all yes subscribers as of 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 in 2022 grew for the first time since 2015 and totaled NIS 1.28 billion, up 0.6%. Revenues during the fourth quarter of 2022 were NIS 330 million, up 2.5%. The increase in revenues in 2022 and in the fourth quarter of 2022 was primarily due to the sales of content, which partially offset the impact of the change in subscriber mix.

Operating expenses in 2022 were NIS 1.27 billion, up 3.3%, mainly due to higher content expenses and expenses relating to the implementation of the collective labor agreement.

EBITDA in 2022 was NIS 207 million, a decrease of 11.9%. **Adjusted EBITDA** in 2022 was NIS 212 million (Adjusted EBITDA margin of 16.6%), a decrease of 15.2%, primarily due to higher salary and content expenses partially offset by the increase in revenues. Adjusted EBITDA during the fourth quarter of 2022 was NIS 59 million (Adjusted EBITDA margin of 17.9%), up 15.7%

Net profit in 2022 was NIS 13 million, down 56.7%. **Adjusted Net Profit** in 2022 was NIS 18 million, down 60.0%, primarily due to higher salary and content expenses partially offset by an increase in revenues and financing expenses. Adjusted Net Profit during the fourth quarter of 2022 was NIS 3 million, compared to a net loss of NIS 4 million in the corresponding period.

Negative free cash flow in 2022 was NIS 17 million, compared to positive free cash flow of NIS 29 million in 2021. The decrease in free cash flow was primarily due to timing differences relating to increased payments for content and the decline in profitability. Free cash flow in the fourth quarter of 2022 was NIS 5 million, compared to negative free cash flow of NIS 20 million in the corresponding quarter.

Bezeq International Results

- Revenues from the business sector in 2022 grew 7.2% primarily due the acquisition of CloudEdge and the continued growth in revenues from cloud services and data centers
- Total revenues increased 0.2% to NIS 1.24 billion, driven by growth in revenues from the business sector as well as cloud activities, partially offset by a decrease in the consumer ISP activity due to the MOC regulatory reform
- Free cash flow in 2022 was NIS 81 million, compared to break even in 2021
- New voluntary retirement plan for employees, as part of the agreement reached between management and the labor union

Bezeq International – Financial data ³	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>% change</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	319	328	(2.7%)	1,239	1,237	0.2%
Operating profit	(60)	1	NA	(30)	22	NA
EBITDA	(25)	41	NA	104	195	(46.7%)
Adjusted EBITDA ¹	44	50	(12.0%)	177	203	(12.8%)
Adjusted EBITDA margin	13.8%	15.2%		14.3%	16.4%	
Net profit	(58)	(5)	1,060%	(32)	8	NA
Adjusted net profit ¹	11	4	175.0%	41	16	156.3%
Operating cash flow	56	(52)	NA	210	131	60.3%
CapEx (gross)	17	15	13.3%	94	100	6.0%
Free cash flow ²	30	(73)	NA	81	-	NA

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.

³ The financial results in FY 2022 and Q4 2022 include the first-time consolidation of CloudEdge which was acquired in Q1 2022.

Revenues in 2022 totaled NIS 1.24 billion, up 0.2%, primarily due to an increase in revenues from business services due to the acquisition of CloudEdge during the first quarter of 2022. The increase was partially offset by a decrease in ISP revenues as subscribers declined following the MOC regulatory reform for unified Internet service. Revenues during fourth quarter of 2022 were NIS 319 million, down 2.7%.



Operating expenses in 2022 were NIS 1.2 billion, down 0.9%, primarily due to a decrease in depreciation expenses partially offset by an increase in cloud expenses in line with the rise in revenues, as well as an increase in interconnection expenses. **Other operating expenses** in 2022 were NIS 71 million, compared to NIS 6 million in 2021. The increase was due to a provision for the retirement of employees in accordance with the collective labor agreement and voluntary employee retirement plan.

EBITDA in 2022 was NIS 104 million, down 46.7%. **Adjusted EBITDA** in 2022 was NIS 177 million, down 12.8% (Adjusted EBITDA margin – 14.3%). Adjusted EBITDA during the fourth quarter of 2022 was NIS 44 million, down 12.0% (Adjusted EBITDA margin – 13.8%).

Net loss in 2022 was NIS 32 million, compared to net profit of NIS 8 million in 2021. **Adjusted Net Profit** in 2022 was NIS 41 million, up 156.3%, primarily due to lower depreciation and tax expenses. Adjusted Net Profit during the fourth quarter of 2022 was NIS 11 million, up 175.0%.

Free cash flow in 2022 was NIS 81 million, compared to break even in 2021. The improvement in free cash flow was primarily due to timing differences in working capital resulting from employee sanctions in 2021.



Conference Call & Webcast Information

Bezeq will conduct its Fourth Quarter & Full Year Earnings 2022 webcast call on Tuesday, March 14, 2023, at 9:00 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/86217789981>.

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 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 reports can be accessed at the Israeli Securities Authority's website, www.magna.isa.gov.il. A review of this press release is not a substitute for a review of the detailed reports of Bezeq under the Securities Law and is not meant to replace or qualify them; rather, the press release is prepared merely for the convenience of the reader, with the understanding that the detailed reports are being reviewed simultaneously. No representation is made regarding the accuracy or completeness of the information contained herein.

This press release does not constitute an offer or invitation to purchase or subscribe to any securities. Neither this presentation nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

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Press Release

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Income

	2022	2021	2020
	NIS million	NIS million	NIS million
Revenues	8,986	8,821	8,723
Costs of activity			
General and operating expenses	3,389	3,257	3,173
Salaries	1,872	1,882	1,891
Depreciation, amortization, and impairment losses	1,868	1,889	1,837
Impairment loss	-	-	293
Other operating expenses (income), net	220	(77)	74
Total operating expenses	7,349	6,951	7,268
Operating profit	1,637	1,870	1,455
Financing expenses			
Financing expenses	424	349	416
Financing income	(123)	(44)	(45)
Financing expenses, net	301	305	371
Profit before income tax	1,336	1,565	1,084
Income tax	336	382	288
Profit (loss) for the period	1,000	1,183	796
Basic and diluted earnings per share (in NIS)	0.36	0.43	0.29



"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Financial Position

Assets	2022 NIS million	2021 NIS million
Cash and cash equivalents	741	973
Investments	910	954
Trade receivables	1,440	1,859
Other receivables	288	279
Inventory	85	74
Total current assets	3,464	4,139
Trade and other receivables	460	433
Broadcasting rights	57	60
Right-of-use assets	1,746	1,828
Fixed assets	6,542	6,312
Intangible assets	912	912
Deferred expenses and non-current investments	231	226
Deferred tax assets	-	24
Total non-current assets	9,948	9,795
Total assets	13,412	13,934



Press Release

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Financial Position (Contd.)

Liabilities and equity	2022 NIS million	2021 NIS million
Debentures, loans and borrowings	921	980
Current maturities of liabilities for leases	456	466
Trade and other payables	1,590	1,748
Employee benefits	399	510
Provisions	168	69
Total current liabilities	3,534	3,773
Loans and debentures	6,352	7,082
Liability for leases	1,452	1,511
Employee benefits	201	243
Derivatives and other liabilities	151	142
Liabilities for deferred taxes	61	38
Provisions	37	49
Total non-current liabilities	8,254	9,065
Total liabilities	11,788	12,838
Total equity	1,624	1,096
Total liabilities and equity	13,412	13,934

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Cash Flows

	2022	2021	2020
	NIS million	NIS million	NIS million
Cash flows from operating activities			
Profit (loss) for the period	1,000	1,183	796
Adjustments:			
Depreciation and amortization	1,868	1,889	1,837
Impairment loss of assets	-	-	293
Capital gain, net	(8)	(175)	(40)
Financing expenses, net	351	324	403
Stock-based compensation	11	27	-
Income tax expenses	336	382	288
Change in trade and other receivables	342	(229)	57
Change in inventory	(21)	(19)	13
Change in trade and other payables	(56)	(41)	17
Change in provisions	24	(47)	(8)
Change in employee benefits	(91)	(65)	(192)
Change in other liabilities	18	(5)	(1)
Net income tax paid	(271)	(385)	(243)
Net cash from operating activities	3,503	2,839	3,220



"Bezeq" The Israel Telecommunication Corp., Limited

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

	2022	2021	2020
	NIS million	NIS million	NIS million
Cash flow used for investing activities			
Purchase of fixed assets	(1,353)	(1,328)	(1,133)
Investment in intangible assets and deferred expenses	(346)	(363)	(366)
Investment in bank deposits and securities	(1,835)	(1,031)	(1,335)
Proceeds from bank deposits and others	1,895	800	1,786
Proceeds from the sale of fixed assets	40	278	148
Payment to Ministry of Communications for frequencies	(88)	-	-
Government grant received for frequencies	74	-	-
Sale of Walla, net	-	-	44
Miscellaneous	28	(2)	17
Net cash used in investing activities	(1,585)	(1,646)	(839)

"Bezeq" The Israel Telecommunication Corp., Limited

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

	2022	2021	2020
	NIS million	NIS million	NIS million
Cash flows from financing activities			
Issue of debentures and receipt of loans	400	695	718
Repayment of debentures and loans	(1,320)	(1,067)	(1,828)
Payments of principal and interest for leases	(420)	(387)	(391)
Interest paid	(232)	(254)	(314)
Dividend paid	(534)	-	-
Costs for early repayment of loans and debentures	(26)	(15)	(65)
Payment for hedging transactions	(18)	(30)	(57)
Miscellaneous	-	(2)	(4)
Net cash used for financing activities	(2,150)	(1,060)	(1,941)
Increase (decrease) in cash and cash equivalents, net	(232)	133	440
Cash and cash equivalents as at January 1	973	840	400
Cash and cash equivalents as at year-end	741	973	840