



BEZEQ GROUP REPORTS SECOND QUARTER 2023 FINANCIAL RESULTS

Holon, Israel – August 9, 2023 – Bezeq – The Israel Telecommunication Corp., Ltd. (TASE: BEZQ), Israel's leading telecommunications provider, today announced its financial results for the three months ended June 30, 2023. Details regarding the investor webcast call to be held today are included below in this press release.

Bezeq Group Q2 2023 Financial Highlights¹

- Revenues totaled NIS 2.3 billion, up 3.3%
- Adjusted net profit totaled NIS 354 million, up 14.2%, the highest since 2017²
- Adjusted EBITDA totaled NIS 987 million, up 6.8%, the highest since 2018²
- Capital expenditures totaled NIS 441 million, or 19% of revenues, up 3.3%
- Free cash flow totaled NIS 238 million, down 33.7%

Gil Sharon, Bezeq Chairman, stated: "Our growth strategy, which we have been executing over the past two years, has led us to the highest quarterly Adjusted Net Profit since 2017. The in-depth process successfully implemented by the Group has allowed us to grow solidly, even in challenging times. All companies in the Group are well-focused on their fields of activity and are actively leading growth initiatives, allowing us to continue to lead the communications market in Israel. Fiber has been a key growth engine as we connect customers at a fast pace, alongside the continued development of the Telephone 5G network, growth in IP customers in yes, and the strengthening of Bezeq International in the business sector."

Tobi Fischbein, Bezeq Group CFO, commented: "The Group's strong business and operational performance is reflected in the excellent financial results, allowing us to continue strengthening the financial stability of the Group through debt reduction and improved coverage ratios which led to the upgrade of our credit rating outlook to "positive". As of the end of the second quarter, our net financial debt was NIS 5.42 billion, a decrease of NIS 222 million, or 3.9% year-over-year. In addition, we updated the Group's Adjusted Net Profit positively for 2023 and the board of directors recommended a dividend distribution based on the results of the first half of 2023, which reflects a dividend yield of approximately 5% annually."

¹ Q2-2023 results in this earnings release are presented in comparison to Q2-2022 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.



Press Release

Bezeq Group Results (Consolidated)

	<u>Q2 2023</u> <i>(NIS millions)</i>	<u>Q2 2022</u>	<u>% change</u>	<u>H1 2023</u> <i>(NIS millions)</i>	<u>H1 2022</u>	<u>% change</u>
Revenues	2,299	2,225	3.3%	4,607	4,480	2.8%
Operating profit	506	463	9.3%	974	923	5.5%
EBITDA	974	921	5.8%	1,900	1,829	3.9%
Adjusted EBITDA ¹	987	924	6.8%	1,923	1,882	2.2%
Adjusted EBITDA margin	42.9%	41.5%		41.7%	42.0%	
Net profit	343	307	11.7%	654	589	11.0%
Adjusted net profit ¹	354	310	14.2%	675	632	6.8%
Diluted EPS (NIS)	0.12	0.11	9.1%	0.24	0.21	14.3%
Operating cash flow	775	872	(11.1%)	1,628	1,968	(17.3%)
CapEx (gross)	441	427	3.3%	857	857	0.0%
Free cash flow ²	238	359	(33.7%)	583	929	(37.2%)
Net debt	5,415	5,637	(3.9%)	5,415	5,637	(3.9%)

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 billion, up 3.3%, due to higher revenues in Bezeq Fixed-Line and yes. Revenues in the first half of 2023 amounted to NIS 4.6 billion, up 2.8%.

Salary expenses were NIS 473 million, up 1.3%, primarily due to salary updates as well as the recruitment of employees for the fiber project in Bezeq Fixed-Line. **Operating expenses** were NIS 843 million, up 1.1%, due to an increase in Bezeq Fixed-Line partially offset by lower expenses at Pelephone, Bezeq International and yes. **Depreciation and amortization expenses** were NIS 468 million, up 2.2%.

EBITDA amounted to NIS 974 million, up 5.8%. **Adjusted EBITDA** was NIS 987 million (Adjusted EBITDA margin of 42.9%), up 6.8%, representing the highest quarterly adjusted EBITDA since 2018. Adjusted EBITDA in the first half of 2023 amounted to NIS 1.9 billion (Adjusted EBITDA margin of 41.7%), up 2.2%.



Net profit totaled NIS 343 million, up 11.7%. **Adjusted Net Profit** was NIS 354 million, up 14.2%, representing the highest quarterly Adjusted Net Profit since 2017. Adjusted Net Profit in the first half of 2023 totaled NIS 675 million, up 6.8%.

Free cash flow was NIS 238 million, down 33.7%, primarily due to changes in working capital. Free cash flow in the first half of 2023 was NIS 583 million, down 37.2%.

Net financial debt of the Group amounted to NIS 5.42 billion as of June 30, 2023, compared to NIS 5.64 billion as of June 30, 2022, a decrease of 3.9%. The Group's net financial debt to Adjusted EBITDA ratio was 1.6 times as of June 30, 2023, compared to 1.7 times as of June 30, 2022.

Dividends

In accordance with the Company's dividend policy, the Board of Directors recommended to the General Meeting of Shareholders a dividend distribution of NIS 392 million, which as of the date of passing this resolution constitutes NIS 0.14 per share. The effective date and the ex-dividend date shall be on October 4, 2023. The payment is expected to be made on October 11, 2023.



2023 Outlook

Based on the information known to the Bezeq Group today, the Group's Outlook for 2023 (as published in the Company's immediate report dated July 26, 2023) is as follows:

	Previous Outlook	Updated Outlook
Adjusted net profit⁽¹⁾	NIS 1.2 billion	NIS 1.32 billion
Adjusted EBITDA⁽¹⁾	NIS 3.8 billion	Unchanged
CAPEX⁽²⁾	NIS 1.75 billion	Unchanged
Fiber deployment (Homes passed)	2 million	Unchanged
Financial stability	Maintain a high credit rating within the AA group	Unchanged

(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.

The Company's forecasts 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 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. Actual results may differ from these estimates considering changes that may occur in the future business conditions, 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.



Bezeq Fixed-Line Results

- Record quarterly revenues reaching NIS 1.1 billion, the highest since 2012, and up 5.9%
- Adjusted EBITDA grew 5.6% to NIS 681 million – the highest since 2018
- Bezeq is leading the fiber transformation in Israel, with total quarterly retail and wholesale fiber customer net adds of 73k, reaching 457k today. Fiber network deployment reached 1.88 million households as of today, the largest fiber network in Israel
- Broadband retail ARPU rose 8% reaching NIS 122; average broadband speed per subscriber grew 70% to 278 Mbps
- Growth of 9.5% in broadband Internet revenues, 7.2% in cloud & digital and 40.0% in other revenues; Adjusted net profit grew 8.1% to NIS 267 million
- Bezeq is preparing for the AI revolution which will require huge bandwidths and strong network capabilities, by strengthening its core network and building capabilities to deliver multi-gig rates

Ran Guron, Bezeq CEO, stated, "In the second quarter of 2023, we posted the highest revenues in more than a decade, due to the acceleration plan we have been implementing for the past year. Along with the impressive financial results, we are showing particularly fast growth rates in connecting customers to fiber optics, over 2.5 times compared to the corresponding quarter, and much higher than the growth rate of the overall fiber market. In addition, we operate the largest fiber network, and by the end of the year, we will reach more than 2 million households in Israel, enabling high-quality and safe communications throughout the country."

Guron added, "We are preparing for the AI revolution which will require huge bandwidths and strong network capabilities. In order to stay ahead of these rapidly changing demands, we are strengthening our core network and building capabilities to deliver ultra-fast multi-gig rates."

Bezeq Fixed-Line – Financial data	<u>Q2 2023</u>	<u>Q2 2022</u>	<u>% change</u>	<u>H1 2023</u>	<u>H1 2022</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Total revenues	1,130	1,067	5.9%	2,241	2,163	3.6%
Broadband Internet	485	443	9.5%	964	877	9.9%
Transmission and data	289	287	0.7%	575	573	0.3%
Telephony	176	189	(6.9%)	358	409	(12.5%)
Cloud & digital services	89	83	7.2%	176	164	7.3%
Other revenues	91	65	40.0%	168	140	20.0%
Operating profit	418	393	6.4%	821	779	5.4%
EBITDA	674	641	5.1%	1,322	1,266	4.4%
Adjusted EBITDA ¹	681	645	5.6%	1,335	1,319	1.2%
Adjusted EBITDA margin	60.3%	60.4%		59.6%	61.0%	
Net profit	261	243	7.4%	510	461	10.6%
Adjusted net profit ²	267	247	8.1%	521	503	3.6%
Operating cash flow	602	541	11.3%	1,210	1,175	3.0%
CapEx (gross)	281	279	0.7%	593	564	5.1%
Free cash flow ³	287	234	22.6%	572	561	2.0%

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>Q2 2023</u>	<u>Q1 2023</u>	<u>Q2 2022</u>
Total broadband Internet lines (retail and wholesale, end of the period, in thousands)	1,505	1,505	1,511
Of which: Total fiber optic subscribers (retail and wholesale, in thousands)	424	351	160
Total retail broadband Internet lines (fiber and copper, end of the period, in thousands)	1,028	1,031	1,021
Of which: Retail fiber optic subscribers (in thousands)	289	246	118
Total wholesale broadband Internet lines (end of the period, in thousands)	477	474	490
Of which: Wholesale fiber optic subscribers (in thousands)	135	105	42
Of which: yes fiber subscribers	21	14	-
Fiber optics deployed – Homes passed (end of the period, in thousands)	1,835	1,689	1,308
Average monthly revenue per broadband Internet subscriber (NIS) – Retail ¹	122	120	113
Average broadband bandwidth per subscriber (Mbps)	278	250	164
Active telephony subscriber lines (end of the period, in thousands) ²	1,473	1,488	1,542
Average monthly revenue per line (NIS) ³	39	41	41
Telephony Churn rate (%) ⁴	2.6%	2.5%	2.6%
Outgoing minutes (millions)	658	705	726
Incoming minutes (millions)	852	918	951

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 grew 5.9% to NIS 1.1 billion, the highest quarterly revenues since 2012. The increase was driven by growth across all activities except for telephony services. Revenues in the first half of 2023 were NIS 2.2 billion, up 3.6%.



Salary expenses were NIS 253 million, up 3.3%, mainly due to salary updates as well as the recruitment of employees for the fiber project. **Operating expenses** were NIS 197 million, increasing 10.1%, primarily driven by higher materials and sub-contractor expenses for the fiber project and various infrastructure projects, as well as timing differences in advertising expenses. **Depreciation and amortization expenses** were NIS 256 million, up 3.2%, due to CapEx increases over previous periods due to the fiber deployment project, among other factors.

EBITDA was NIS 674 million, up 5.1%. **Adjusted EBITDA** was NIS 681 million (Adjusted EBITDA margin of 60.3%), up 5.6%. Adjusted EBITDA in the first half of 2023 was NIS 1.3 billion (Adjusted EBITDA margin of 59.6%), up 1.2%.

Net profit was NIS 261 million, up 7.4%. **Adjusted Net Profit** was NIS 267 million, up 8.1%. Adjusted Net Profit in the first half of 2023 was NIS 521 million, up 3.6%.

Free cash flow was NIS 287 million, up 22.6%, primarily due to improved business results. Free cash flow in the first half of 2023 was NIS 572 million, up 2.0%.

Subsidiary results

Ilan Sigal, CEO of Pelephone and yes, stated, "Our business-focused strategy in Pelephone and yes is bearing fruits. yes delivered record quarterly results leading to the highest net profit since 2016, while increasing revenues and improving profit metrics, a result of our focus on fiber as well as agreements with international content providers. Despite the competition in the television market, we successfully maintained our customer base and even grew customers year-over-year. We continue to grow and lead the IPTV market with approximately 370k subscribers, representing 64% of our customer base today.

Pelephone's focus on its core business, including 5G and roaming services, is proving itself as we continued our growth trend, and posted an increase in service revenues, along with an increase in the number of postpaid subscribers for the seventh consecutive year. We continued to lead in 5G in Israel with over 920,000 subscribers, representing 42% of our postpaid subscribers.

We continue investing and developing growth strategies in order to continue to establish our leadership in the Israeli communications market."

Ron Glav, CEO of Bezeq International, commented, "Our strategic focus on the business sector and public cloud activities is paying off, and we are seeing growth in these segments. We posted an increase of 23.5% year-over-year in Adjusted EBITDA in the first half of the year and improved the company's profit metrics due to stable revenues and lower operating expenses. We are also looking at additional investments in our areas of activity that will be growth engines for the coming years."

Telephone Results

- Increase in service revenues excluding interconnect fees to NIS 350 million driven by growth in roaming revenues, 5G subscriber plans and postpaid subscribers
- ARPU excluding interconnect fees increased by NIS 2 year-over-year, to NIS 45
- Consistent subscriber growth in 5G plans, which totaled over 920k as of today
- Total subscribers grew by 8k and reached 2.6 million as of June 30, 2023
- Stable Adjusted EBITDA of NIS 187 million, and Adjusted Net Profit which totaled NIS 44 million
- Increase in H1-2023 profit metrics after adjusting for an update in estimated right-of-use assets for past periods recorded in H1-2022

Telephone – Financial data	Q2 2023	Q2 2022	% change	H1 2023	H1 2022	% change
	(NIS millions)			(NIS millions)		
Total revenues	585	599	(2.3%)	1,201	1,199	0.2%
Service revenues	452	446	1.3%	897	883	1.6%
Service revenues excluding interconnect fees	350	340	2.9%	684	664	3.0%
Equipment revenues	133	153	(13.1%)	304	316	(3.8%)
Operating profit	49	52	(5.8%)	100	116	(13.8%)
EBITDA	184	188	(2.1%)	368	374	(1.6%)
Adjusted EBITDA ¹	187	187	0.0%	369	372	(0.8%)
Adjusted EBITDA margin	32.0%	31.2%		30.7%	31.0%	
Net profit	41	46	(10.9%)	85	102	(16.7%)
Adjusted net profit ¹	44	45	(2.2%)	87	100	(13.0%)
Operating cash flow	98	244	(59.8%)	231	522	(55.7%)
CapEx (gross)	83	66	25.8%	140	138	1.4%
Free cash flow ²	(33)	131	NA	(27)	276	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.

Pelephone – KPIs	<u>Q2 2023</u>	<u>Q1 2023</u>	<u>Q2 2022</u>
Total subscribers (end of period, in thousands) ¹	2,593	2,585	2,636
Postpaid subscribers (end of period, in thousands) ¹	2,166	2,159	2,122
Prepaid subscribers (end of period, in thousands) ¹	427	426	514
5G subscriber plans (end of period, in thousands)	898	834	677
Average revenue per user (ARPU, NIS) ^{2,3}	58	57	57
Average revenue per user, excluding interconnect fees (ARPU, NIS) ^{2,3}	45	43	43
Churn rate ⁴	5.9%	6.7%	5.5%

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 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.

³ In a review of prepaid subscribers carried out by the company, 96 thousand subscribers who did not meet the definition of an active subscriber were removed in Q4-22. The one-time removal of prepaid subscribers in Q4-22 led to an increase of NIS 2 in ARPU for the fourth quarter of 2022 and no change in the churn rate for the quarter.

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 fees totaled NIS 350 million, up 2.9%, primarily due to higher roaming revenues and continued growth in 5G plans, along with an increase in total subscribers. **Total revenues from services** grew 1.3% to NIS 452 million.

Revenues from equipment sales were NIS 133 million, down 13.1%, primarily due to a decrease in the number of handsets sold.

Total revenues excluding interconnect fees were NIS 483 million, down 2.0%. Total revenues excluding interconnect fees in the first half of 2023 were NIS 988 million, an increase of NIS 8 million compared with the corresponding period.

Operating expenses were NIS 534 million, down 2.6%, due to the decrease in equipment costs in-line with the decrease in revenues, among other factors.



EBITDA was NIS 184 million, down 2.1%. **Adjusted EBITDA** was NIS 187 million (Adjusted EBITDA margin of 32.0%), in line with the corresponding quarter. Adjusted EBITDA in the first half of 2023 totaled NIS 369 million (EBITDA margin of 30.7%), down 0.8%. After adjusting for an update in estimated right-of-use assets for past periods recorded in Q1-2022, adjusted EBITDA increased compared to the corresponding period.

Net profit was NIS 41 million, down 10.9%. **Adjusted Net Profit** was NIS 44 million, down 2.2%. Adjusted Net Profit in the first half of 2023 was NIS 87 million, down 13.0%. After adjusting for an update in estimated right-of-use assets for past periods recorded in Q1-2022, Adjusted Net Profit increased compared to the corresponding period.

Negative free cash flow was NIS 33 million, compared to positive free cash flow of NIS 131 million in Q2-2022. The decrease was due to the upfront payment of frequency fees for the year 2023 as well as the timing of inventory stock in the current quarter and improved credit terms with acquiring companies in the corresponding period.

yes Results

- Revenues grew 6.3% to NIS 336 million, driven by the launch of the TV + Bezeq fiber bundle, together with agreements with leading international content providers
- Highest quarterly Adjusted Net Profit since 2016, reaching NIS 30 million, compared to NIS 4 million in the corresponding quarter
- Adjusted EBITDA grew 56.5% to NIS 72 million; Adjusted EBITDA margin of 21.4% compared to 14.6% in the corresponding quarter
- ARPU grew NIS 1 year-over-year, to NIS 185
- The number of fiber subscribers reached 25k as of today

yes – Financial data	Q2 2023	Q2 2022	% change	H1 2023	H1 2022	% change
	(NIS millions)			(NIS millions)		
Revenues	336	316	6.3%	665	632	5.2%
Operating profit	26	(2)	NA	26	8	225.0%
EBITDA	72	44	63.6%	122	104	17.3%
Adjusted EBITDA ¹	72	46	56.5%	122	106	15.1%
Adjusted EBITDA margin	21.4%	14.6%		18.3%	16.5%	
Net profit	30	2	1,400.0%	35	12	191.7%
Adjusted net profit ¹	30	4	650.0%	35	14	150.0%
Operating cash flow	31	43	(27.9%)	123	121	1.7%
CapEx (gross)	61	49	24.5%	92	96	(4.2%)
Free cash flow ²	(35)	(12)	191.7%	21	14	50.0%

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	Q2 2023	Q1 2023	Q2 2022
Total number of TV subscribers (end of the period, in thousands) ¹	579	580	567
IP subscribers (end of the period, in thousands) ²	364	348	280
Fiber customers (end of period, in thousands)	21	14	-
Average revenue per user (ARPU, NIS) ³	185	185	184
Churn rate (%) ⁴	3.3%	3.5%	2.9%

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 64% 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 6.3% to NIS 336 million, driven by the launch of the TV + Bezeq fiber bundle, together with agreements with leading international content providers. Revenues in the first half of 2023 were NIS 665 million, up 5.2%.

Operating expenses were NIS 310 million, down 1.9%.

EBITDA was NIS 72 million, up 63.6%. **Adjusted EBITDA** was NIS 72 million (Adjusted EBITDA margin of 21.4%), up 56.5%. Adjusted EBITDA in the first half of 2023 was NIS 122 million (EBITDA margin of 18.3%), up 15.1%.

Net profit was NIS 30 million, compared to NIS 2 million in Q2-2022. **Adjusted Net Profit** was NIS 30 million, compared to NIS 4 million in Q2-2022. Adjusted Net Profit in the first half of 2023 was NIS 35 million, compared to NIS 14 million in the corresponding period.

Negative free cash flow was NIS 35 million, compared to NIS 12 million in Q2-2022. The increase was primarily due to timing differences in working capital and CapEx. Free cash flow in the first half of 2023 was positive NIS 21 million, up 50.0%.

Bezeq International Results

- Continued increase in business sector and public cloud activities
- Adjusted EBITDA grew 23.5% in the first half of 2023 to NIS 100 million
- Adjusted Net Profit in the first half of 2023 grew 200% to NIS 33 million, compared to NIS 15 million in the corresponding period
- Revenues in the first half of 2023 were NIS 605 million, a decrease of 0.7%, mainly due to lower consumer ISP revenues following the MOC ISP regulatory reform

Bezeq International – Financial data	Q2 2023	Q2 2022	% change	H1 2023	H1 2022	% change
	(NIS millions)			(NIS millions)		
Revenues	293	302	(3.0%)	605	609	(0.7%)
Operating profit	16	17	(5.9%)	30	13	130.8%
EBITDA	49	46	6.5%	93	80	16.3%
Adjusted EBITDA ¹	49	46	6.5%	100	81	23.5%
Adjusted EBITDA margin	16.7%	15.2%		16.5%	13.3%	
Net profit	13	15	(13.3%)	26	10	160.0%
Adjusted net profit ¹	13	15	(13.3%)	33	11	200.0%
Operating cash flow	57	37	54.1%	76	149	(49.0%)
CapEx (gross)	20	28	(28.6%)	33	54	(38.9%)
Free cash flow ²	28	1	2,700.0%	27	78	(65.4%)

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 293 million, down 3.0%, due to the decrease in consumer ISP revenues following the MOC regulatory reform for unified Internet service, partially offset by an increase in ICT revenues driven by activity growth. Revenues in the first half of 2023 totaled NIS 605 million, in line with the corresponding period.

Operating expenses were NIS 277 million, down 2.8%, primarily due to a decrease in consumer ISP expenses driven by a decline in the number of ISP subscribers due to the regulatory reform, partially offset by an increase in depreciation expenses.

EBITDA and Adjusted EBITDA grew 6.5% to NIS 49 million (Adjusted EBITDA margin of 16.7%). Adjusted EBITDA in the first half of 2023 was NIS 100 million (Adjusted EBITDA margin of 16.5%), up 23.5%.

Net profit and Adjusted Net Profit were NIS 13 million, compared to NIS 15 million in the corresponding quarter. **Adjusted Net Profit** in the first half of 2023 was NIS 33 million, up 200.0%.

Free cash flow was NIS 28 million, compared to NIS 1 million in the corresponding quarter. The increase in free cash flow was primarily due to timing differences in working capital and a decrease in CapEx compared to Q2-2022.



Conference Call & Webcast Information

Bezeq will conduct its Second Quarter 2023 earnings webcast call on Wednesday, August 9, 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/85903291482>

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 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

	Six months ended June 30		Three months ended June 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
Revenues	4,607	4,480	2,299	2,225	8,986
Costs of activity					
General and operating expenses	1,727	1,661	843	834	3,389
Salaries	964	941	473	467	1,872
Depreciation, amortization, and impairment losses	926	906	468	458	1,868
Other operating expenses (income), net	16	49	9	3	220
Total operating expenses	3,633	3,557	1,793	1,762	7,349
Operating profit	974	923	506	463	1,637
Financing expenses (income)					
Financing expenses	212	235	114	116	424
Financing income	(84)	(83)	(51)	(49)	(123)
Financing expenses, net	128	152	63	67	301
Profit before income tax	846	771	443	396	1,336
Income tax	192	182	100	89	336
Profit for the period	654	589	343	307	1,000
Basic and diluted earnings per share (in NIS)	0.24	0.21	0.12	0.11	0.36



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"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Financial Position

	June 30, 2023	June 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
Assets	NIS million	NIS million	NIS million
Cash and cash equivalents	752	994	741
Investments	1,524	1,383	910
Trade receivables	1,501	1,461	1,440
Other receivables	274	365	288
Inventory	125	92	85
Total current assets	4,176	4,295	3,464
Trade and other receivables	411	436	460
Broadcasting rights	53	62	57
Right-of-use assets	1,924	1,797	1,746
Fixed assets	6,725	6,459	6,542
Intangible assets	909	923	912
Deferred expenses and non-current investments	246	231	231
Total non-current assets	10,268	9,908	9,948
Total assets	14,444	14,203	13,412



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"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Financial Position (Contd.)

	June 30, 2023	June 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	NIS million	NIS million	NIS million
Debentures, loans and borrowings	1,088	959	921
Current maturities of liabilities for leases	447	466	456
Trade and other payables	1,756	1,748	1,590
Employee benefits	320	390	399
Provisions	94	172	168
Total current liabilities	3,705	3,735	3,534
Loans and debentures	6,603	7,055	6,352
Liability for leases	1,651	1,477	1,452
Employee benefits	194	211	201
Derivatives and other liabilities	152	140	151
Liabilities for deferred taxes	70	57	61
Provisions	34	43	37
Total non-current liabilities	8,704	8,983	8,254
Total liabilities	12,409	12,718	11,788
Total equity	2,035	1,485	1,624

Total liabilities and equity	14,444	14,203	13,412
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Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited) NIS million	(Unaudited) NIS million	(Unaudited) NIS million	(Unaudited) NIS million	(Audited) NIS million
Cash flows from operating activities					
Profit for the period	654	589	343	307	1,000
Adjustments:					
Depreciation, amortization, and impairment losses	926	906	468	458	1,868
Financing expenses, net	142	182	73	76	351
Capital loss (gain), net	(2)	3	(1)	1	(8)
Stock-based compensation	7	4	4	-	11
Income tax expenses	192	182	100	89	336
Change in trade and other receivables	(116)	344	(12)	126	342
Change in inventory	(45)	(29)	11	8	(21)
Change in trade and other payables	45	(19)	(128)	(108)	(56)
Change in provisions	2	28	(2)	(15)	24
Change in employee benefits	(87)	(112)	(56)	(29)	(91)
Change in other liabilities	3	(8)	3	(6)	18
Net income tax paid	(93)	(102)	(28)	(35)	(271)
Net cash from operating activities	1,628	1,968	775	872	3,503



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"Bezeq" The Israel Telecommunication Corp., Limited

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited) NIS million	(Unaudited) NIS million	(Unaudited) NIS million	(Unaudited) NIS million	(Audited) NIS million
Cash flows for investing activities					
Purchase of fixed assets	(675)	(673)	(340)	(338)	(1,353)
Investment in intangible assets and deferred expenses	(182)	(184)	(101)	(89)	(346)
Investment in bank deposits and other financial investments	(1,110)	(1,179)	(470)	(770)	(1,835)
Proceeds from bank deposits and other financial investments	509	772	300	273	1,895
Proceeds from the sale of fixed assets	35	21	2	6	40
Payment to Ministry of Communications for frequencies	-	-	-	-	(88)
Government grant received for frequencies	-	-	-	-	74
Interest from bank deposits	28	8	21	6	23
Miscellaneous	6	(2)	4	2	5
Net cash used for investing activities	(1,389)	(1,237)	(584)	(910)	(1,585)



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"Bezeq" The Israel Telecommunication Corp., Limited

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	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	-	300	400
Repayment of debentures and loans	(58)	(429)	(58)	(59)	(1,320)
Payments of principal and interest for leases	(223)	(203)	(98)	(92)	(420)
Interest paid	(116)	(112)	(102)	(103)	(232)
Dividends paid	(246)	(240)	(246)	(240)	(534)
Costs for early repayment of loans and debentures	-	(26)	-	-	(26)
Payments for hedging transactions	-	-	-	-	(18)
Net cash used for financing activities	(228)	(710)	(504)	(194)	(2,150)
Increase (decrease) in cash and cash equivalents, net	11	21	(313)	(232)	(232)
Cash and cash equivalents at beginning of period	741	973	1,065	1,226	973
Cash and cash equivalents at end of period	752	994	752	994	741