



## BEZEQ GROUP REPORTS FIRST QUARTER 2021 FINANCIAL RESULTS

**Holon, Israel – May 26, 2021 – Bezeq – The Israel Telecommunication Corp., Ltd. (TASE: BEZQ)**, Israel's leading telecommunications provider, today announced its financial results for the three months ended March 31, 2021. Details regarding the investor conference call and webcast to be held today are included later in this press release.

### **Bezeq Group First Quarter 2021 Financial Highlights (compared to the First Quarter of 2020):**

- Revenues of NIS 2.22 billion, up 1.6%
- Net profit of NIS 408 million, up 24.8%
- Adjusted net profit\* totaled NIS 299 million, down 8.0%
- EBITDA totaled NIS 1.06 billion, up 16.7%
- Adjusted EBITDA\* totaled NIS 918 million, up 1.2%
- Capital expenditures totaled NIS 458 million, up 35.5%
- Free cash flow totaled NIS 323 million, a decline of 25.9%

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

**Gil Sharon, Bezeq Chairman**, stated, "The Group is moving forward with strong financial results and accelerated deployment of advanced telecom infrastructures. Increased revenues and EBITDA and the deployment of fiber that has reached 480,000 homes, together with robust cash flow and decreasing debt are creating a solid foundation for our future growth. The Group's financial results for the first quarter of 2021 reflect the strong performance of Bezeq Fixed-Line, which saw a 3.5% year-over-year growth in revenues, as well as continued streamlining in the subsidiary companies.

**Sharon added**, "Bezeq's Board of Directors approved the plan for structural change in the subsidiaries: merger between Bezeq International and yes as well as the spin-off of the ICT business division to a new and separate company. This decision was driven by the convergence in activities in this sector, commercial and regulatory changes in the respective markets of both subsidiaries, as well as our intent to strengthen their operations through the sale of triple play bundles and to deepen the synergies and efficiencies of the subsidiary companies to generate value for all stakeholders."

**Tobi Fischbein, Bezeq Group CFO**, commented: "The Group's strong financial results for the first quarter of 2021 validate its operational and financial strength. It is important to note the continuous progress in our capital structure and further year-over-year reduction in net debt of NIS 887 million,



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about 12%, to NIS 6.6 billion. In addition, the coverage ratio of net debt to EBITDA improved to 2.0 from 2.3 in the corresponding quarter. Improvement in the Group's operating and financial strength led the domestic debt rating agencies to recently affirm the company's high rating with a stable outlook. On a personal level, I am happy to return to Bezeq after ten years, and look forward to working with the Board of Directors, management and employees in the finance division, and together march the group forward to realize its great potential.”

### Bezeq Group Results (Consolidated)

<b>Bezeq Group (consolidated)</b>	<u>Q1 2021</u>	<u>Q1 2020</u>	<u>% change</u>
	<i>(NIS millions)</i>		
Revenues	2,221	2,187	1.6%
Operating profit	586	459	27.7%
EBITDA	1,062	910	16.7%
EBITDA margin	47.8%	41.6%	
Adjusted EBITDA <sup>1</sup>	918	907	1.2%
Net profit	408	327	24.8%
Adjusted net profit <sup>1</sup>	299	325	(8.0%)
Diluted EPS (NIS)	0.15	0.12	25.0%
Cash flow from operating activities	700	879	(20.4%)
Payments for investments	458	338	35.5%
Free cash flow <sup>2</sup>	323	436	(25.9%)
Net debt	6,609	7,496	

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

<sup>2</sup> Free cash flow is defined as cash flow from operating activities less net payments for investments and leases

**Revenues** in the first quarter of 2021 were NIS 2.22 billion, compared to NIS 2.19 billion in the same quarter of 2020, an increase of 1.6%. The increase in revenues was primarily due to an increase in revenues in Bezeq Fixed-Line and Bezeq Online, partially offset by a decrease in revenues in yes.

**Salary expenses** in the first quarter of 2021 were NIS 480 million, compared to NIS 479 million in 2020, an increase of 0.2%. The increase in salary expenses was primarily due to an increase in salary expenses in Bezeq Online and Bezeq Fixed-Line, partially offset by lower expenses in Telephone, Bezeq International and yes due to a reduction in employee headcount.

**Operating expenses** in the first quarter of 2021 were NIS 831 million, compared to NIS 801 million in the same quarter of 2020, an increase of 3.7%. The increase in operating expenses was primarily due to an increase in expenses in Bezeq International, partially offset by a decrease in expenses in yes.



**Other operating income, net** in the first quarter of 2021 amounted to NIS 152 million, compared to NIS 3 million in the same quarter of 2020. The increase in other operating income was due to capital gains from the sale of real estate of NIS 125 million as well as the partial cancellation of a provision for legal claims, both in Bezeq Fixed-Line.

**Depreciation, amortization and ongoing impairment expenses** in the first quarter of 2021 were NIS 476 million, compared to NIS 451 million in the same quarter of 2020, an increase of 5.5%. The increase in depreciation, amortization and ongoing impairment expenses was due to an increase in yes and Bezeq Fixed-Line.

**Profitability metrics in the first quarter of 2021 were impacted by the aforementioned changes in other operating income.**

**Operating profit** in the first quarter of 2021 amounted to NIS 586 million, compared to NIS 459 million in the same quarter of 2020, an increase of 27.7%.

**Reported EBITDA** in the first quarter of 2021 amounted to NIS 1.06 billion (EBITDA margin of 47.8%), compared to NIS 910 million (EBITDA margin of 41.6%) in the same quarter of 2020, an increase of 16.7%.

**After adjusting for other operating income and stock-based compensation, adjusted EBITDA** in the first quarter of 2021 was NIS 918 million (Adjusted EBITDA margin of 41.3%) compared to NIS 907 million (Adjusted EBITDA margin of 41.5%) in the same quarter of 2020, an increase of 1.2%.

**Financing expenses** in the first quarter of 2021 were NIS 51 million, compared to NIS 34 million in the same quarter of 2020, an increase of 50.0%. The increase in financing expenses was due to an increase in financing expenses in Bezeq Fixed-Line as a result of financing expenses in respect of employee benefits in the current quarter compared to financing income in the corresponding quarter, partially offset by a decrease in interest expense due to the repayment of debt in 2020.

**Reported net profit** in the first quarter of 2021 amounted to NIS 408 million, compared to NIS 327 million in the same quarter of 2020, an increase of 24.8%. The increase in net profit was primarily due to the aforementioned changes in other operating income.

**After adjusting for other operating income and stock-based compensation, adjusted net profit** in the first quarter of 2021 was NIS 299 million, compared to NIS 325 million in the same quarter of 2020, a decrease of 8.0%.

**Cash flow from operating activities** in the first quarter of 2021 was NIS 700 million, compared to NIS 879 million in the same quarter of 2020, a decrease of 20.4%. The decrease in cash flow from operating activities was primarily due to an increase in income tax payments in Bezeq Fixed-Line and changes in working capital in Pelephone.



**Payments for investments** in the first quarter of 2021 amounted to NIS 458 million, compared to NIS 338 million in the same quarter of 2020, an increase of 35.5%. The increase in payments for investments was due to an increase in capex in Bezeq Fixed-Line due to the launch of the fiber project.

**Free cash flow** in the first quarter of 2021 was NIS 323 million, compared to NIS 436 million in the same quarter of 2020, a decrease of 25.9%. The decrease in free cash flow was due to the aforementioned decrease in cash flow from operating activities, partially offset by an increase in proceeds from the sale of real estate in the current quarter.

**Net financial debt** of the Group was NIS 6.61 billion as of March 31, 2021, compared to NIS 7.50 billion as of March 31, 2020. As of March 31, 2021, the Group's net financial debt to adjusted EBITDA ratio was 2.0, compared to 2.3 as of March 31, 2020.

**2021 Outlook**

As of the date of publication of the Q1-21 report, there is no change to the Bezeq Group's outlook for 2021, as published in the Company's periodic report for the year 2020. We continue to expect:

<b>Adjusted net profit* attributable to shareholders</b>	<b>NIS 1.0 billion</b>
<b>Adjusted EBITDA*</b>	<b>NIS 3.5 billion</b>
<b>CAPEX**</b>	<b>NIS 1.7 billion</b>

The Company's forecasts in this section are forward-looking information, as defined in the Securities Law. The 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 2021. Actual results may differ from these estimates taking note of changes that may occur in the foregoing, in business conditions, and the effects of regulatory decisions, technology changes and developments in the structure of the telecommunications market, and so forth, or the realization of one or more of the risk factors listed in the Periodic Report of 2020. In addition, there is no certainty that the outlook will be fully or partially fulfilled, among other things, due to the COVID-19 pandemic and the resulting uncertainty.

The Company shall report, as required, deviations of more/less than 10% of the amounts stated in the outlook.

\* 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. Adjusted EBITDA and Adjusted Net Profit in 2020 were NIS 3.66 billion and NIS 1.14 billion, respectively.

\*\* CAPEX – gross payments for investments in fixed and intangible assets. CAPEX in 2020 amounted to NIS 1.50 billion.

## Bezeq Fixed-Line Results

**Dudu Mizrahi, Bezeq CEO said**, “We finished another strong quarter with growth in revenues and in most operating and financial metrics. The strong results are based on record level activity in all the fixed-line sectors despite higher competition in the market. Our growth trend continued with a 3.5% year-over-year increase in revenues. Cloud and digital revenues continued to increase and grew 13.9% year-over-year. The end of the first quarter saw a revolution in the Israeli telecom market with the launch of our fiber optic project at an unprecedented speed and intensity worldwide. As of today, Bezeq’s fiber network already reaches 480,000 Israeli households and we expect to reach one million households by the end of the year.

**Mizrahi added**, “Bezeq is at the start of an exciting and challenging time, as we get ready to launch innovative services and products, which will revolutionize Internet capabilities in every household in Israel”.

<b>Bezeq Fixed-Line - Financial data</b>	<u>Q1 2021</u>	<u>Q1 2020</u>	<u>% change</u>
	<i>(NIS millions)</i>		
Total revenues	1,054	1,018	3.5%
Broadband Internet revenues	398	395	0.8%
Telephony revenues	242	248	(2.4%)
Transmission and data revenues	268	244	9.8%
Cloud & digital services revenues	82	72	13.9%
Other revenues	64	59	8.5%
Operating profit	593	439	35.1%
EBITDA	816	651	25.3%
EBITDA margin	77.4%	63.9%	
Adjusted EBITDA <sup>2</sup>	671	647	3.7%
Net profit <sup>1</sup>	400	295	35.6%
Adjusted net profit <sup>2</sup>	290	292	(0.7%)
Cash flows from operating activities	510	611	(16.5%)
Payments for investments	312	200	56.0%
Free cash flow <sup>3</sup>	351	386	(9.1%)

<sup>1</sup> Excluding share in profits/losses of equity-accounted investees

<sup>2</sup> Excluding other operating expenses/income, net and stock based compensation

<sup>3</sup> Free cash flow is defined as cash flow from operating activities less net payments for investments and leases

<b>Bezeq Fixed-Line - KPIs</b>	<u>Q1 2021</u>	<u>Q4 2020</u>	<u>Q1 2020</u>
Total broadband Internet lines (retail and wholesale, end of period, in thousands) <sup>1</sup>	1,540	1,556	1,566
Retail broadband Internet lines (end of period, in thousands) <sup>1</sup>	1,001	999	982
Wholesale broadband Internet lines (end of period, in thousands) <sup>1</sup>	539	557	584
Average monthly revenue per broadband Internet subscriber (NIS) - Retail <sup>2</sup>	103	102	98
Average broadband speed per subscriber (Mbps)	77.7	74.2	69.1
Active telephony subscriber lines (end of period, in thousands) <sup>3</sup>	1,630	1,639	1,693
Average monthly revenue per line (NIS) <sup>4</sup>	49	50	48
Churn rate (%) <sup>5</sup>	2.8%	3.2%	3.2%
Outgoing minutes (millions)	965	1,004	883
Incoming minutes (millions)	1,282	1,326	1,120

<sup>1</sup> The total number of broadband Internet lines includes retail and wholesale lines. Retail - direct Internet subscriber of the Company; Wholesale - Internet line through Bezeq's wholesale service for telecom operators.

<sup>2</sup> ARPU - Revenues from retail broadband Internet services divided by the average number of retail subscribers in the period.

<sup>3</sup> Inactive subscribers are those whose lines have been physically disconnected (except for a subscriber who did not pay his balance due to the Company in the first three months of collection proceedings).

<sup>4</sup> Based on average lines for the period.

<sup>5</sup> Churn rate is calculated according to the number of telephone subscribers who have disconnected from the Company's services during the period divided by the average number of telephone subscribers during the period.

**Revenues** in the first quarter of 2021 were NIS 1.05 billion, compared to NIS 1.02 billion in the same quarter of 2020, an increase of 3.5%. The increase in revenues was due to an increase in most revenue items, partially offset by a moderate decrease in revenues from telephony services.

**Revenues from broadband Internet services** in the first quarter of 2021 were NIS 398 million, compared to NIS 395 million in the same quarter of 2020, an increase of 0.8%. The increase in revenues from broadband Internet services was due to an increase in the average revenue per retail subscriber that was driven by an increase in revenues from terminal equipment. In addition, there was an increase in the number of retail broadband Internet subscribers. The increase was partially offset by a decrease in wholesale broadband Internet tariffs as well as a decrease in the number of wholesale Internet lines.



**Revenues from telephony services** in the first quarter of 2021 were NIS 242 million, compared to NIS 248 million in the same quarter of 2020, a decrease of 2.4%. The decrease in revenues from telephony services was due to a decrease in the number of access lines, partially offset by an increase in the average revenue per line due to an increase in call revenue as a result of the COVID-19 pandemic.

**Revenues from transmission and data communication services** in the first quarter of 2021 were NIS 268 million, compared to NIS 244 million in the same quarter of 2020, an increase of 9.8%. The increase in revenues from transmission and data communication services was primarily due to an increase in revenues from transmission services for Internet Service Providers and business customers.

**Revenues from cloud & digital services** in the first quarter of 2021 were NIS 82 million, compared to NIS 72 million in the same quarter of 2020, an increase of 13.9%. The increase in revenues from cloud and digital services was primarily due to an increase in revenues from virtual exchanges and cloud services for businesses.

**Revenues from other services** in the first quarter of 2021 were NIS 64 million, compared to NIS 59 million in the same quarter of 2020, an increase of 8.5%. The increase in revenues from other services was primarily due an increase in revenues from the sale of cellular handsets.

**Operating expenses** in the first quarter of 2021 were NIS 155 million, compared to NIS 142 million in the same quarter of 2020, an increase of 9.2%. The increase in operating expenses was primarily due to an increase in sub-contractor expenses.

**Salary expenses** in the first quarter of 2021 were NIS 233 million, compared to NIS 229 million in the same quarter of 2020, an increase of 1.7%. The increase in salary expenses was due to the recognition of stock-based compensation in the current quarter as well as an increase in salary adjustments partially offset by an increase in capitalized salaries.

**Other operating income, net** in the first quarter of 2021 amounted to NIS 150 million, compared to NIS 4 million in the same quarter of 2020. Other operating income was impacted by capital gains from the sale of real estate of NIS 125 million as well as the partial cancellation of a provision for legal claims.

**Profitability metrics in the first quarter of 2021 were impacted by the aforementioned changes to other operating income.**

**Operating profit** in the first quarter of 2021 amounted to NIS 593 million, compared to NIS 439 million in the same quarter of 2020, an increase of 35.1%.

**Reported EBITDA** in the first quarter of 2021 was NIS 816 million (EBITDA margin of 77.4%), compared to NIS 651 million (EBITDA margin of 63.9%) in the same quarter of 2020, an increase of 25.3%.





**After adjusting for other operating income and stock-based compensation, adjusted EBITDA** in the first quarter of 2021 was NIS 671 million (EBITDA margin of 63.7%), compared to NIS 647 million (EBITDA margin of 63.6%) in the same quarter of 2020, an increase of 3.7%.

**Financing expenses** in the first quarter of 2021 were NIS 68 million, compared to NIS 49 million in the same quarter of 2020, an increase of 38.8%. The increase in financing expenses was primarily due to financing expenses in respect of employee benefits in the current quarter compared to financing income in the corresponding quarter, partially offset by a decrease in interest expense due to the repayment of debt in 2020.

**Reported net profit** in the first quarter of 2021 amounted to NIS 400 million, compared to NIS 295 million in the same quarter of 2020, an increase of 35.6%.

**After adjusting for other operating income and stock-based compensation, adjusted net profit** in the first quarter of 2021 was NIS 290 million, compared to NIS 292 million in the same quarter of 2020, a decrease of 0.7%.

**Cash flow from operating activities** in the first quarter of 2021 amounted to NIS 510 million, compared to NIS 611 million in the same quarter of 2020, a decrease of 16.5%. The decrease in cash flow from operating activities was primarily due to an increase in income tax payments in the current quarter compared to a tax refund received in the corresponding quarter.

**Payments for investments** in the first quarter of 2021 were NIS 312 million, compared to NIS 200 million in the same quarter of 2020, an increase of 56.0%. The increase in investments was due to the launch of the fiber project.

**Free cash flow** in the first quarter of 2021 was NIS 351 million, compared to NIS 386 million in the same quarter of 2020, a decrease of 9.1%. The decrease in free cash flow was due to the aforementioned decrease in cash flow from operating activities, partially offset by an increase in proceeds from the sale of real estate in the current quarter.

## Subsidiary Company Results (Project Alpha) (Pelephone / Bezeq International / yes)

The first quarter of 2021 marked the beginning of the exit from the COVID pandemic in Israel. Pelephone returned to profitability with stable revenues; yes continued to grow subscribers with an increase in customers watching TV through IP and Bezeq International posted stable financial metrics together with the launch of its FIBER+ service over Bezeq's fiber optics. The following are the key results of the subsidiary companies for this quarter:

- Revenues of all three subsidiaries amounted to NIS 1.20 billion
- The board of directors approved the second phase of Project Alpha for the years 2022-2024 to deepen the synergies between the companies: merger of Bezeq International into yes; spin-off of ICT business division into a separate company and continued streamlining
- Pelephone is recovering from the impact of COVID and posted a strong quarter - Net profit of NIS 8 million; equipment revenues increased 6% year-over-year and stability in total revenues that amounted to NIS 570 million
- yes posted a significant improvement in free cash flow which amounted to NIS 13 million, compared to negative free cash flow of NIS 3 million in the corresponding quarter
- Bezeq International's free cash flow grew 27.8% year-over-year alongside the launch of its FIBER+ service over Bezeq's fiber optics
- Growth in subscribers in all three companies - Pelephone added 50,000 subscribers, the fifth consecutive year of subscriber growth. yes added 2,000 subscribers with 160,000 customers watching TV through IP broadcasting

**Ran Guron, CEO of Pelephone, Bezeq International and yes stated,** "During the first quarter of 2021, we progressed full steam ahead with the Alpha 2 program to develop the synergies between the companies. We have already approached the Ministry of Communications and we will be starting negotiations with the labor unions next month. The continuation and extension of the Alpha project will allow us to provide customers with a significant value experience and to increase competition in the Israeli telecommunications market."

**Guron added** that "we are ending a strong quarter, and we can already see the pathway out of the COVID-19 period. In Pelephone we are seeing a recovery with noticeable improvement in the profitability indices alongside stability in revenues, despite roaming services not having returned to full operation. At yes, we are continuing to grow the number of subscribers, and already 29% of the customer base is using IP services, together with a significant improvement in free cash flow. At Bezeq International we are seeing stable revenues, increased free cash flow and growth in the company's commercial services."

## Telephone Results

<b>Telephone - Financial data</b>	<u>Q1 2021</u>	<u>Q1 2020</u>	<u>% change</u>
	<i>(NIS millions)</i>		
Total revenues	570	573	(0.5%)
Service revenues	392	405	(3.2%)
Equipment revenues	178	168	6.0%
Operating loss	(3)	(13)	76.9%
EBITDA	139	137	1.5%
EBITDA margin	24.4%	23.9%	
Net profit (loss)	8	(2)	
Cash flows from operating activities	72	164	(56.1%)
Payments for investments	71	65	9.2%
Free cash flow <sup>1</sup>	(59)	32	

<sup>1</sup> Free cash flow is defined as cash flow from operating activities less net payments for investments and leases

<b>Telephone - KPIs</b>	<u>Q1 2021</u>	<u>Q4 2020</u>	<u>Q1 2020</u>
Total subscribers (end of period, in thousands) <sup>1</sup>	2,492	2,442	2,356
Postpaid subscribers (end of period, in thousands) <sup>1</sup>	2,030	2,004	1,928
Prepaid subscribers (end of period, in thousands) <sup>1</sup>	462	438	428
Average revenue per user (ARPU, NIS) <sup>2</sup>	53	55	58
Churn rate <sup>3</sup>	5.8%	5.9%	7.2%

<sup>1</sup> Subscriber data includes Pelephone subscribers (excluding subscribers of operators that Pelephone hosts on its network as well as IOT subscribers) and do not include inactive subscribers who are connected to Pelephone's services for six months or more. An inactive subscriber is one who in the past six months has not received at least one call, not made at least one call/SMS, did not take one Internet action nor pay for any Pelephone services. Prepaid subscribers are included in the list of active subscribers from the date on which the subscriber loaded his device, and are removed from the list of active subscribers if he makes no outgoing use of his device for six months or more. A customer may have more than one subscriber line. Subscriber data includes subscribers who use different services (such as data for car media systems), whose average revenue is significantly lower than other subscribers.

<sup>2</sup> Average monthly revenue per subscriber (postpaid and prepaid) is calculated by dividing average monthly revenue from cellular services, both from Pelephone subscribers and from other communications operators, including revenues from cellular operators who use Pelephone's network, and repair and warranty services in the period by average Pelephone active subscribers in the same period.

<sup>3</sup> Churn rate is calculated according to the proportion of subscribers who have disconnected from Pelephone's services and subscribers who have become inactive during the period divided by the total number of average active subscribers during the period.



**Revenues from services** in the first quarter of 2021 were NIS 392 million, compared to NIS 405 million in the same quarter of 2020, decrease of 3.2%. The decrease in revenues from services was primarily due to a decrease in roaming revenues as a result of the impact of the COVID-19 pandemic, partially offset by an increase in revenues from incoming calls.

**Revenues from equipment sales** in the first quarter of 2021 were NIS 178 million, compared to NIS 168 million in the same quarter of 2020, an increase of 6.0%. The increase in revenues from equipment sales was primarily due to the launch of the new iPhone model.

**Total revenues** in the first quarter of 2021 were NIS 570 million, compared to NIS 573 million in the same quarter of 2020, a decrease of 0.5%.

**Operating expenses** in the first quarter of 2021 totaled NIS 573 million, compared to NIS 586 million in the same quarter of 2020, a decrease of 2.2%.

**Operating loss** in the first quarter of 2021 was NIS 3 million, compared to NIS 13 million in the same quarter of 2020, an improvement of 76.9%.

**EBITDA** in the first quarter of 2021 was NIS 139 million (EBITDA margin of 24.4%), compared to NIS 137 million (EBITDA margin of 23.9%) in the same quarter of 2020, an increase of 1.5%.

**Net profit** in the first quarter of 2021 was NIS 8 million, compared to net loss of NIS 2 million in the same quarter of 2020.

**Cash flow from operating activities** in the first quarter of 2021 was NIS 72 million, compared to NIS 164 million in the same quarter of 2020, a decrease of 56.1%. This decline is mainly due to working capital changes related, among other, to the launch of the new iPhone model.

**Negative free cash flow** in the first quarter of 2021 was NIS 59 million, compared to positive free cash flow of NIS 32 million in the same quarter of 2020.

## yes Results

<b>yes - Financial data</b>	<u>Q1 2021</u>	<u>Q1 2020</u>	<u>% change</u>
	<i>(NIS millions)</i>		
Revenues	315	338	(6.8%)
Operating profit (loss)	(6)	9	
EBITDA	55	53	3.8%
EBITDA margin	17.5%	15.7%	
Net profit (loss)	-	14	
Cash flows from operating activities	62	41	51.2%
Payments for investments	43	37	16.2%
Free cash flow <sup>1</sup>	13	(3)	

<sup>1</sup> Free cash flow is defined as cash flow from operating activities less net payments for investments and leases

<b>yes - KPIs</b>	<u>Q1 2021</u>	<u>Q4 2020</u>	<u>Q1 2020</u>
Number of subscribers (end of period, in thousands) <sup>1</sup>	559	557	556
Average revenue per user (ARPU, NIS) <sup>2</sup>	187	186	195
Churn rate (%) <sup>3</sup>	4.3%	4.9%	5.9%

<sup>1</sup> Subscriber – one household or small business customer. For a business customer with numerous set top boxes (such as a hotel, kibbutz or gym), the number of subscribers is standardized. 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. As at the date of approval of the reports, the rate of yes subscribers who use the yes+ and STING TV services broadcasted through the Internet is approximately 29% of all subscribers. This rate also includes subscribers who use satellite services simultaneously.

<sup>2</sup> ARPU includes total yes revenues (excluding the sale of content to external broadcasters) divided by average subscribers for the period. In Q1 2020, yes updated its ARPU definition so that ARPU does not include revenue from content sales to external broadcasters. As a result, ARPU data for the previous periods were restated.

<sup>3</sup> Churn rate - the number of yes subscribers who left yes during the period divided by the average number of registered yes subscribers in the period.

**Revenues** in the first quarter of 2021 were NIS 315 million, compared to NIS 338 million the same quarter of 2020, a decrease of 6.8%. The decrease in revenues was primarily due to a reduction in the average revenue per subscriber.



**Operating expenses** in the first quarter of 2021 were NIS 321 million, compared to NIS 329 million in the same quarter of 2020, a decrease of 2.4%. The decrease in operating expenses was primarily due to the continued streamlining in operating and salary expenses.

**Operating loss** in the first quarter of 2021 was NIS 6 million, compared to operating profit of NIS 9 million in the same quarter of 2020.

**EBITDA** in the first quarter of 2021 amounted to NIS 55 million (EBITDA margin of 17.5%), compared to NIS 53 million (EBITDA margin of 15.7%) in the same quarter of 2020, an increase of 3.8%.

**Net profit** in the first quarter of 2021 was breakeven, compared to NIS 14 million in the same quarter of 2020.

**Cash flow from operating activities** in the first quarter of 2021 was NIS 62 million, compared to NIS 41 million in the same quarter of 2020, an increase of 51.2%.

**Free cash flow** in the first quarter of 2021 was NIS 13 million, compared to negative free cash flow of NIS 3 million in the same quarter of 2020.

## Bezeq International Results

<b>Bezeq International</b>	<u>Q1 2021</u>	<u>Q1 2020</u>	<u>% change</u>
	<i>(NIS millions)</i>		
Revenues	312	317	(1.6%)
Operating profit	(8)	29	
EBITDA	41	72	(43.1%)
EBITDA margin	13.1%	22.7%	
Net profit	(8)	22	
Cash flows from operating activities	61	60	1.7%
Payments for investments	30	34	(11.8%)
Free cash flow <sup>1</sup>	23	18	27.8%

<sup>1</sup> Free cash flow is defined as cash flow from operating activities less net payments for investments and leases

**Revenues** in the first quarter of 2021 were NIS 312 million, compared to NIS 317 million in the same quarter of 2020, a decrease of 1.6%. The decrease in revenues was primarily due to the decrease in revenues from Internet services and international calls, partially offset by an increase in sales of business communication services.

**Operating expenses (excluding depreciation, amortization and ongoing impairment in assets)** in the first quarter of 2021 were NIS 271 million, compared to NIS 245 million in the same quarter of 2020, an increase of 10.6%. The increase in operating expenses was primarily due to an increase in expenses related to Internet traffic due to a one-time credit recorded in the corresponding quarter as well as an increase in business equipment expenses in line with the increase in revenues. The increase was partially offset by a decrease in salary expenses due to a reduction in employee headcount.

**Operating loss** in the first quarter of 2021 was NIS 8 million, compared to operating profit of NIS 29 million in the same quarter of 2020. The operating loss was due to an increase in depreciation and amortization expenses due to the ongoing impairment in assets, a one-time credit recorded in the corresponding quarter as well as an increase in expenses for Internet traffic in the current quarter due to increased usage.

**EBITDA** in the first quarter of 2021 amounted to NIS 41 million (EBITDA margin – 13.1%), compared to NIS 72 million (EBITDA margin – 22.7%) in the same quarter of 2020, a decrease of 43.1%.

**Net loss** in the first quarter of 2021 was NIS 8 million, compared to net profit of NIS 22 million in the same quarter of 2020. The net loss was due to the aforementioned increase in operating loss.

**Cash flow from operating** activities in the first quarter of 2021 was NIS 61 million, compared to NIS 60 million in the same quarter of 2020, an increase of 1.7%. **Free cash flow** in 2021 totaled NIS 23 million compared to NIS 18 million in 2020, an increase of 27.8%.



## Press Release

### Conference Call & Webcast Information

Bezeq will conduct a conference call hosted by Mr. Gil Sharon, Bezeq Chairman, Mr. Dudu Mizrahi, Bezeq CEO, Mr. Ran Guron, CEO of Pelephone, Bezeq International and yes and Mr. Tobi Fischbein, Bezeq CFO, on May 26, 2021, at 3:00 PM Israel Time / 8:00 AM Eastern Time. Participants may join the live conference call by dialing:

International Phone Number: + 972-3-918-0685

Israel Phone Number: 03-918-0685

A live webcast of the conference call will be available on the investor relations section of the Bezeq corporate website at [www.bezeq.co.il](http://www.bezeq.co.il). Please visit the website at least 15 minutes early to register for the webcast and download any necessary audio software.

A webcast replay will be made available on the investor relations section of Bezeq's corporate website. An automated telephone replay will also be available approximately three hours after the completion of the live call through Tuesday, June 1, 2021. Participants can access and listen to the conference call replay by dialing:

International Phone Number: + 972-3-925-5918

Israel Phone Number: 03-925-5918





## About "Bezeq" The Israel Telecommunication Corp.

Bezeq is Israel's leading telecommunications service provider. Established in 1984, the Company has led Israel into the new era of communications, based on the most advanced technologies and services. Bezeq and its subsidiaries offer the full range of telecommunications services including domestic, international and cellular phone services; broadband Internet, cloud and digital services, and other data communications; satellite and Internet based multi-channel TV; and corporate networks.

For more information about Bezeq please visit the corporate website at <http://ir.bezeq.co.il>.

*This press release contains partial information from the public reports of Bezeq under the Israeli Securities Law 5728-1968 (the "Securities Law"), which reports can be accessed at the Israeli Securities Authority's website, [www.magna.isa.gov.il](http://www.magna.isa.gov.il). A review of this press release is not a substitute for a review of the detailed reports of Bezeq under the Securities Law and is not meant to replace or qualify them; rather, the press release is prepared merely for the convenience of the reader, with the understanding that the detailed reports are being reviewed simultaneously. No representation is made as to the accuracy or completeness of the information contained herein.*

*This press release does not constitute an offer or invitation to purchase or subscribe for any securities, and 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			
	Three months ended March 31		Year ended December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
<b>Revenues</b>	<b>2,221</b>	2,187	8,723
<b>Costs of activity</b>			
General & operating expenses	831	801	3,173
Salaries	480	479	1,891
Depreciation, amortization, and loss from impairment	476	451	1,837
Other operating (income) expenses, net	(152)	(3)	74
Impairment loss	-	-	293
<b>Total operating expenses</b>	<b>1,635</b>	1,728	7,268
<b>Operating profit</b>	<b>586</b>	459	1,455
<b>Financing expenses (income)</b>			
Financing expenses	77	84	416
Financing income	(26)	(50)	(45)
Financing expenses, net	51	34	371
<b>Profit before income tax</b>	<b>535</b>	425	1,084
<b>Income tax</b>	<b>127</b>	98	288
<b>Profit (loss) for the year attributable to shareholders of the Company</b>	<b>408</b>	327	796
<b>Earnings per share (NIS)</b>			
Basic earnings (loss) per share	0.15	0.12	0.29



# Press Release

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

### Condensed Consolidated Interim Statements of Financial Position

	March 31, 2021	March 31, 2020	December 31, 2020
	(Unaudited)	(Unaudited)	(Audited)
Assets	NIS million	NIS million	NIS million
Cash and cash equivalents	1,124	927	840
Investments	663	1,114	724
Trade receivables	1,648	1,674	1,621
Other receivables	209	357	178
Inventory	87	109	73
Assets held for sale	2	45	10
<b>Total current assets</b>	<b>3,733</b>	<b>4,226</b>	<b>3,446</b>
Trade and other receivables	512	476	514
Broadcasting rights	62	65	67
Right-of-use assets	1,735	1,394	1,804
Fixed assets	6,182	6,072	6,131
Intangible assets	937	916	929
Deferred expenses and non-current investments	330	364	242
Deferred tax assets	57	61	108
<b>Total non-current assets</b>	<b>9,815</b>	<b>9,348</b>	<b>9,795</b>
<b>Total assets</b>	<b>13,548</b>	<b>13,574</b>	<b>13,241</b>



# Press Release

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

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

	March 31, 2021	March 31, 2021	December 31, 2021
	(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	NIS million	NIS million	NIS million
Debentures, loans and borrowings	785	1,002	786
Current maturities of liabilities for leases	402	415	415
Trade and other payables	1,793	1,885	1,759
Employee benefits	442	587	482
Provisions	87	125	117
<b>Total current liabilities</b>	<b>3,509</b>	<b>4,014</b>	<b>3,559</b>
Loans and debentures	7,611	8,535	7,614
Liability for leases	1,438	1,049	1,492
Employee benefits	337	314	335
Derivatives and other liabilities	282	163	307
Provisions	49	50	52
Liabilities for deferred taxes	34	46	32
<b>Total non-current liabilities</b>	<b>9,751</b>	<b>10,157</b>	<b>9,832</b>
<b>Total liabilities</b>	<b>13,260</b>	<b>14,171</b>	<b>13,391</b>
<b>Total equity (deficit)</b>	<b>288</b>	<b>(597)</b>	<b>(150)</b>
<b>Total liabilities and equity</b>	<b>13,548</b>	<b>13,574</b>	<b>13,241</b>

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

### Condensed Consolidated Interim Statements of Cash Flows

	Three months ended		Year ended
	March 31		December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
<b>Cash flows from operating activities</b>			
Profit for the period	408	327	796
Adjustments:			
Depreciation, amortization, and impairment loss	476	451	1,837
Loss from impairment	-	-	293
Capital gain, net	(125)	(9)	(40)
Financing expenses, net	56	70	403
Stock based compensation	8	-	-
Income tax expenses	127	98	288
Change in trade and other receivables	(59)	(44)	57
Change in inventory	(18)	(17)	13
Change in trade and other payables	26	98	17
Change in provisions	(29)	-	(8)
Change in employee benefits	(37)	(88)	(192)
Change in other liabilities	2	(7)	(1)
Net income tax paid	(135)	-	(243)
<b>Net cash from operating activities</b>	<b>700</b>	<b>879</b>	<b>3,220</b>
<b>Cash flow used for investing activities</b>			
Purchase of fixed assets	(356)	(244)	(1,133)
Investment in intangible assets and deferred expenses	(102)	(94)	(366)
Investment in bank deposits and securities	(511)	(510)	(1,335)
Proceeds from bank deposits and securities	474	600	1,786
Proceeds from the sale of fixed assets	183	8	148
Sale of Walla, net	-	-	44
Miscellaneous	3	6	17
<b>Net cash used in investing activities</b>	<b>(309)</b>	<b>(234)</b>	<b>(839)</b>



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

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

	Three months ended		Year ended
	March 31		December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
<b>Cash flows used in financing activities</b>			
Payments of principal and interest for leases	(102)	(113)	(391)
Interest paid	(5)	(5)	(314)
Issue of debentures and receipt of loans	-	-	718
Repayment of debentures and loans	-	-	(1,828)
Costs for early repayment of loans and debentures	-	-	(65)
Payments for hedging transactions	-	-	(57)
Miscellaneous	-	-	(4)
<b>Net cash used in financing activities</b>	<b>(107)</b>	<b>(118)</b>	<b>(1,941)</b>
<b>Increase (decrease) in cash and cash equivalents, net</b>	<b>284</b>	<b>527</b>	<b>440</b>
Cash and cash equivalents at beginning of period	840	400	400
<b>Cash and cash equivalents at end of period</b>	<b>1,124</b>	<b>927</b>	<b>840</b>