



Investor Presentation Financial Results Q2 2023



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Bezeq Group | Focus on Growth



3.3% growth in Group revenues, to NIS 2.3 billion, driven by Bezeq Fixed-Line (+5.9%) and yes (+6.3%)



Record profit quarterly results in last five years – 6.8% increase in Adjusted EBITDA to NIS 987 million; 14.2% growth in Adjusted Net Profit to NIS 354 million



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



Board recommendation to distribute semi-annual dividend of NIS 392 million, 0.14 per share, reflecting a dividend yield of ~5%

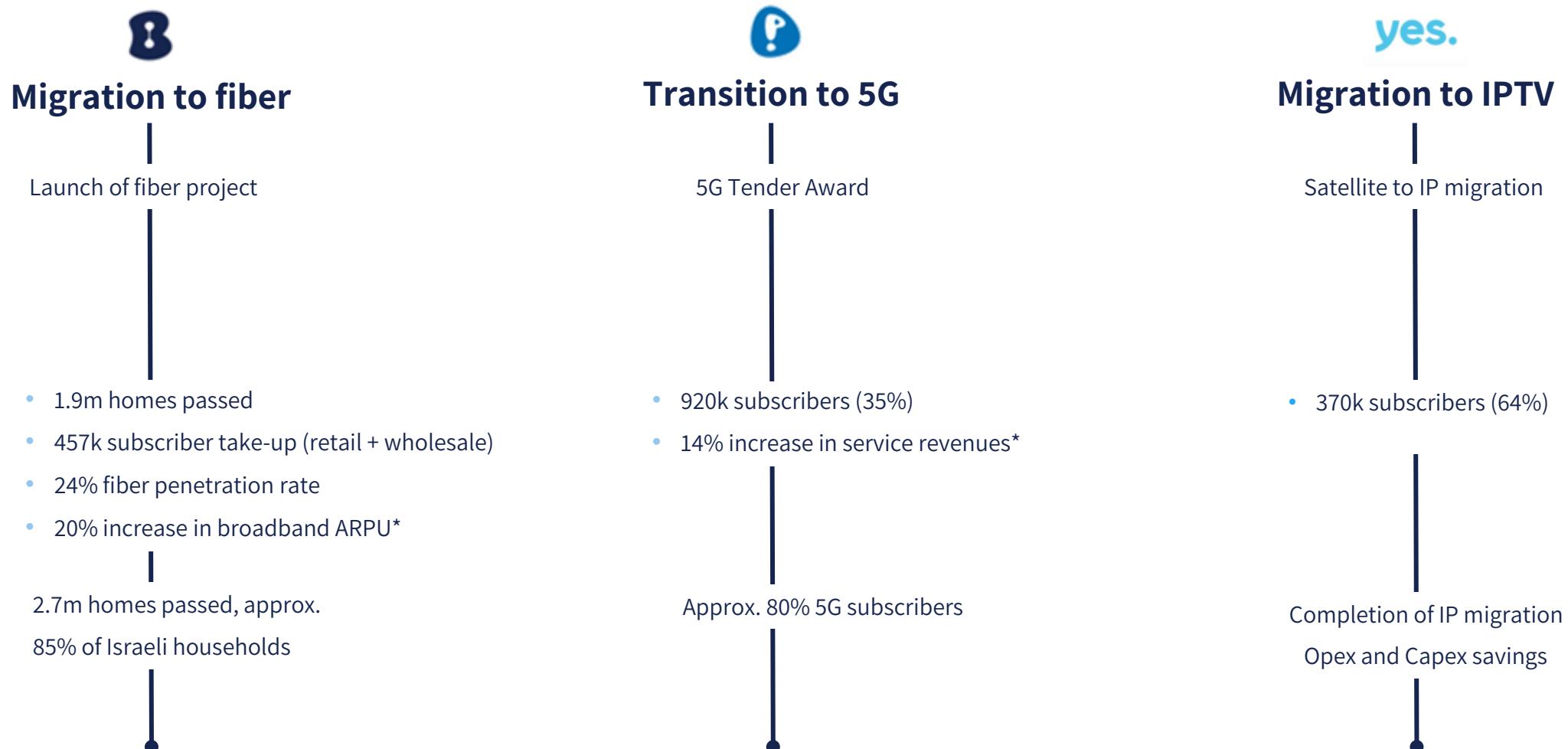


ESG – MSCI upgrade to AA rating



Bezeq Group is executing on its strategy while focusing on growth

Technological & Business Roadmap



Technology upgrades reflect potential for future growth



Bezeq Group | Q2-2023 Summary

Revenues

NIS 2.3 billion

 3.3%

Highest since 2018

Adjusted EBITDA ⁽¹⁾

NIS 987 million

Adjusted EBITDA margin of **42.9%**

 6.8%

Highest since 2017

Adjusted Net Profit ⁽¹⁾

NIS 354 million

 14.2%

Free Cash Flow

NIS 238 million

 33.7%

Decrease in Net Debt

NIS 222 million

 3.9%

All results are compared to Q2-2022 unless otherwise stated

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



Bezeq Group | Q2-2023 Summary (Cont'd)



Fiber Net Adds⁽²⁾

73k

(retail and wholesale)

Fiber Subscribers

457k

(retail and wholesale)

Retail Internet ARPU

NIS 122

8.0%

Homes Passed

1.88 million⁽¹⁾

44%

Cellular subscribers

2.59 million

0.3% ⁽²⁾

920k subs (35%)
with 5G plans⁽¹⁾

7k
Net postpaid
subscriber adds⁽²⁾

Cellular ARPU
excluding interconnect fees

NIS 45

4.7%

Cellular Service Revenues
excluding interconnect fees

NIS 350 million

2.9%

TV subscribers

579k

0.2% ⁽²⁾

64% IP subscribers⁽¹⁾

TV ARPU

NIS 185

0.5%



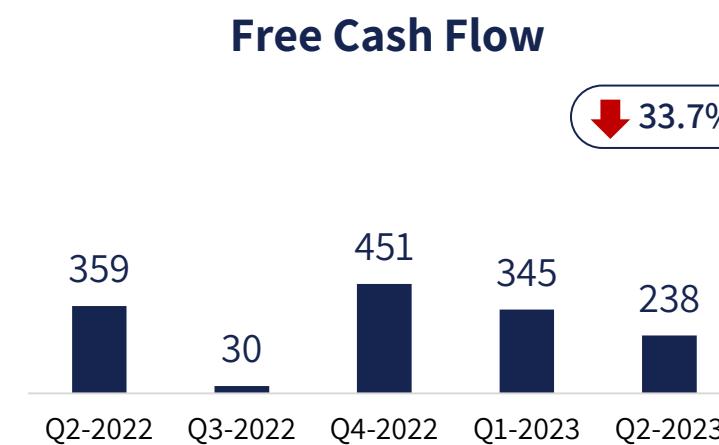
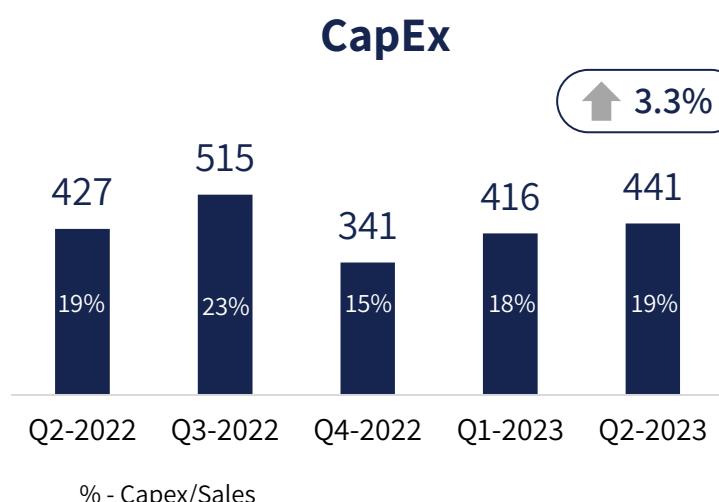
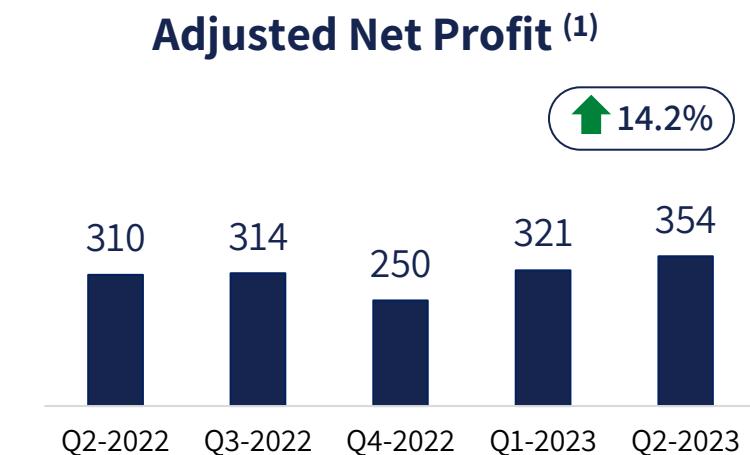
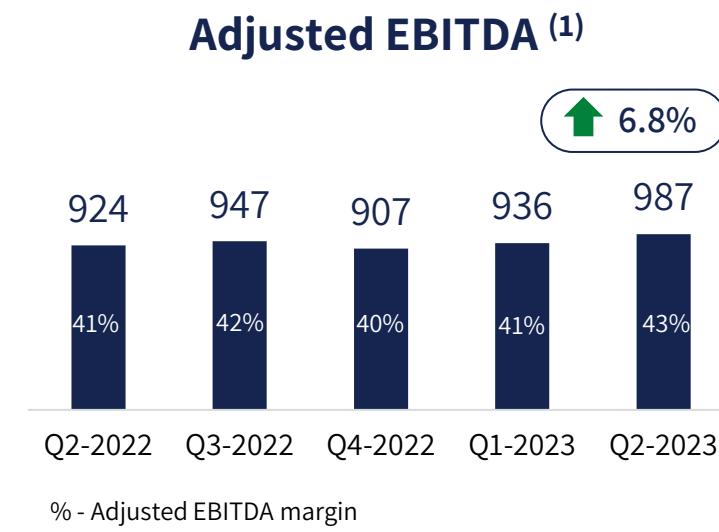
All results are compared to Q2-2022 unless otherwise stated

(1) As of reporting date

(2) Compared to Q1-2023



Bezeq Group | Q2-2023 Key Financial Highlights NIS Million



- Revenue growth driven by increases of 5.9% in Bezeq Fixed-Line and 6.3% in yes
- Highest quarterly Adjusted EBITDA since 2018 and Adjusted Net Profit since 2017
- Free cash flow was impacted by changes in working capital

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

Bezeq Group | H1-2023 Key Financial Highlights NIS Million

Revenues

↑ 2.8%

4,480



H1-2022

4,607

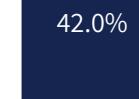


H1-2023

Adjusted EBITDA ⁽¹⁾

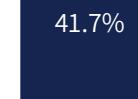
↑ 2.2%

1,882



H1-2022

1,923



H1-2023

Adjusted Net Profit ⁽¹⁾

↑ 6.8%

632



H1-2022

675

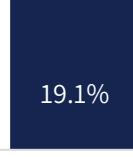


H1-2023

% - Adjusted EBITDA margin

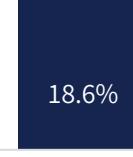
CapEx

857



H1-2022

857



H1-2023

% - Capex/Sales

Free Cash Flow

↓ 37.2%

929



H1-2022

583



H1-2023

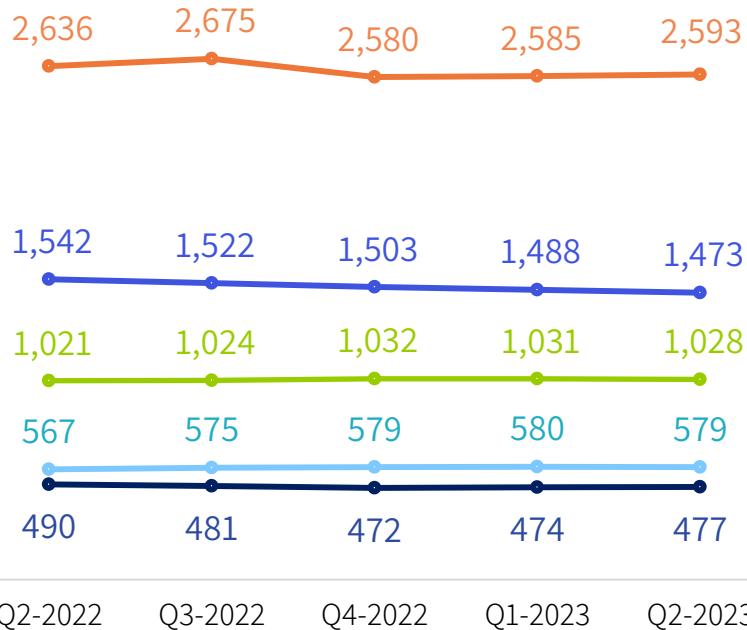
- Revenue growth driven by increases of 3.6% in Bezeq Fixed-Line and 5.2% in yes
- Increase in Adjusted EBITDA and Adjusted Net Profit driven by improved business results in Bezeq Fixed-Line and yes
- Free cash flow was impacted by changes in working capital

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



Bezeq Group | Key Operational Metrics

Subscribers (end of period, in thousands)



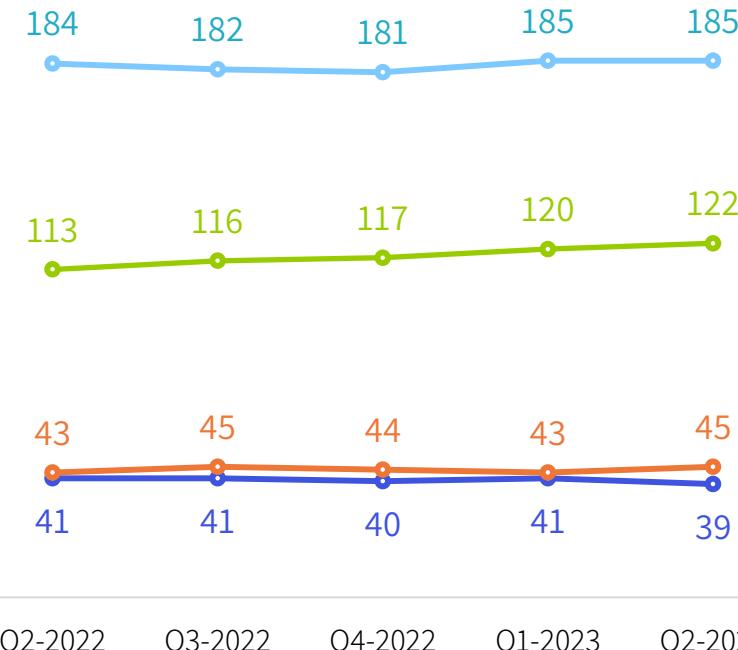
Second consecutive quarter of growth in wholesale Internet subscribers

Growth in TV subscribers y-o-y

● TV ● Wholesale Internet

● Retail Internet ● Telephony Lines ● Cellular*

ARPU (NIS)



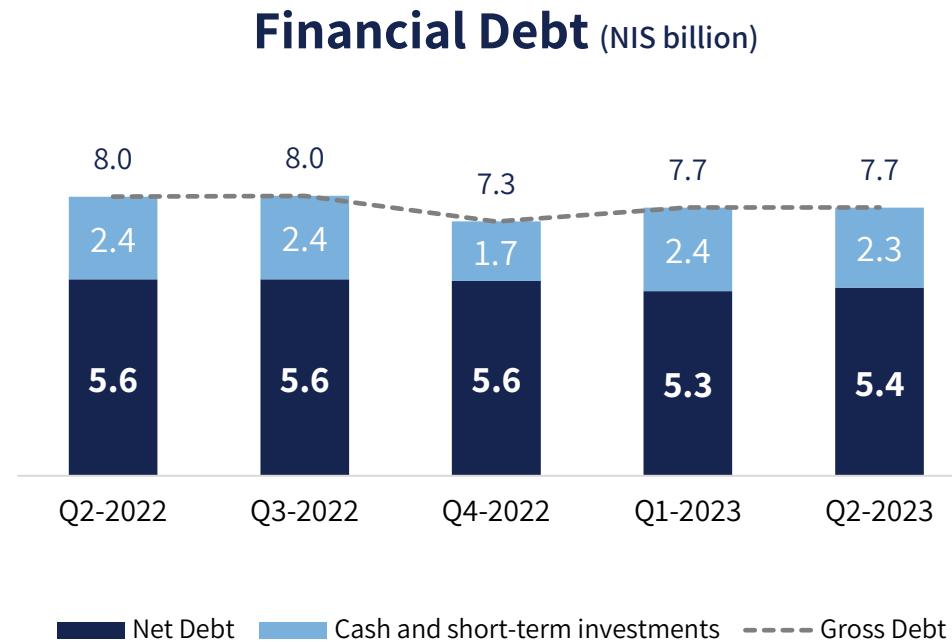
8.0% y-o-y increase in retail Internet ARPU

TV ARPU grew y-o-y due to agreements with international content providers

* Cellular ARPU - excluding interconnect fees



Bezeq Group | Financial Debt



The Group strives to maintain its high credit rating within the AA group

Decrease in net debt

- Decrease of NIS 222 million, or 4% y-o-y

Further improvement in Net debt/EBITDA ratio

- Decreased to 1.6 from 1.7 as of June 30, 2022

Debt ratings

- Increase in Israeli rating agencies' outlook in Q2-2023 from "stable" to "positive" due to continued improvement in Group financial ratios

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



Bezeq Group | 2023 Updated Guidance



Previous Outlook



Updated Outlook

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



Bezeq Fixed-Line | Q2-2023 Summary



Fiber net adds of 73k, of which 43k retail and 30k wholesale



Fiber network homes passed reached 1.88m with 457k customer take-up (24%) ⁽¹⁾



65% of retail broadband subscribers are combined infrastructure + ISP customers



Highest quarterly revenues since 2012 reaching NIS 1.13 billion, an increase of 5.9%



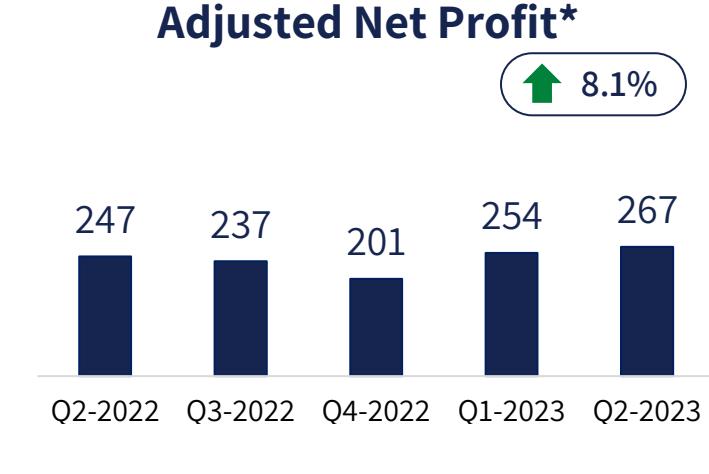
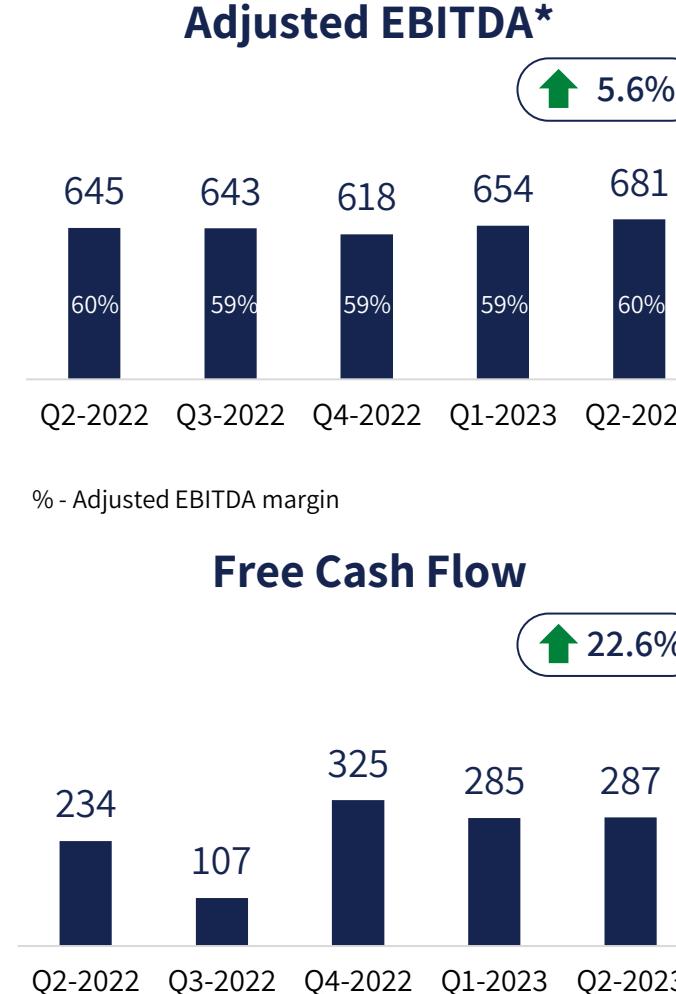
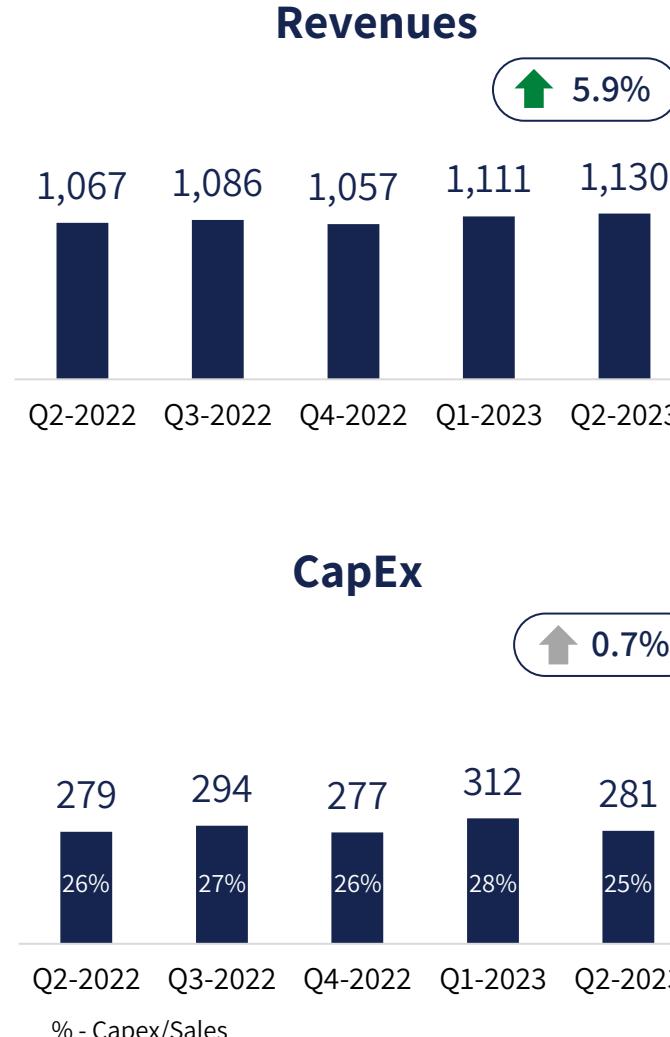
Highest quarterly Adjusted EBITDA since 2018 – NIS 681 million, up 5.6%



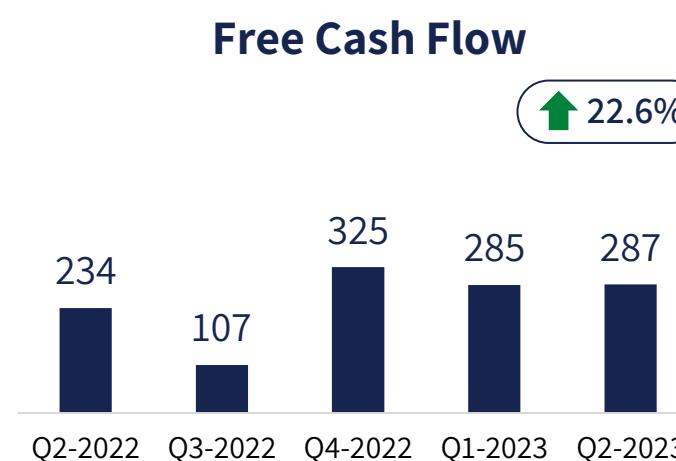
8.0% growth in retail Internet ARPU reaching NIS 122



Bezeq Fixed-Line | Q2-2023 Key Financial Highlights NIS Million



- Revenue growth recorded in all activity segments except for telephony services
- Strong growth in Adjusted EBITDA and Adjusted Net Profit
- Free cash flow growth primarily due to improved business results

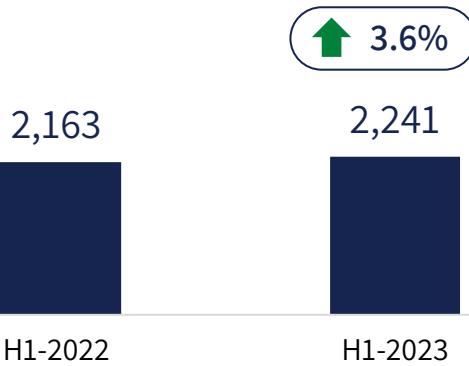


* After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation

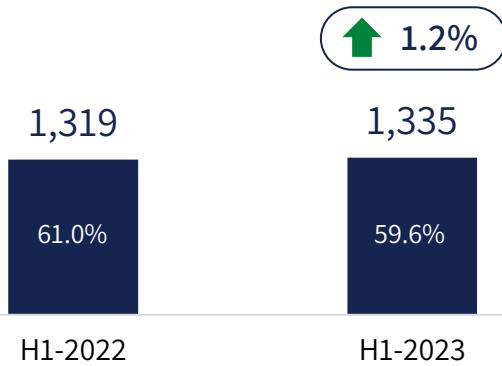


Bezeq Fixed-Line | H1-2023 Key Financial Highlights NIS Million

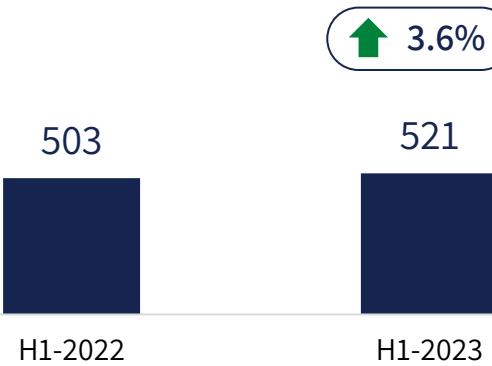
Revenues



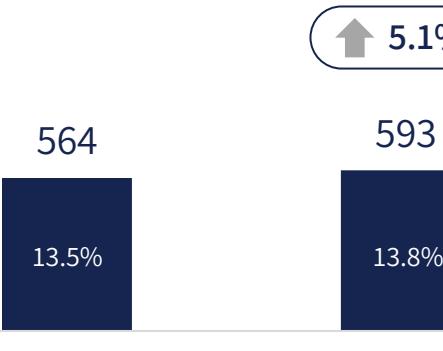
Adjusted EBITDA*



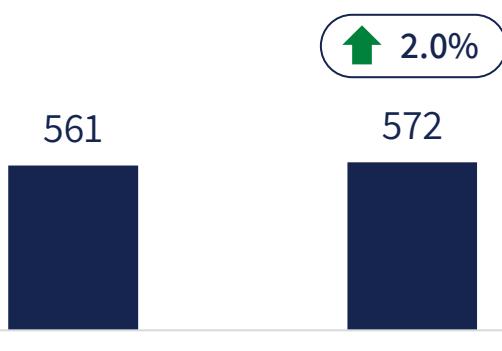
Adjusted Net Profit*



CapEx



Free Cash Flow



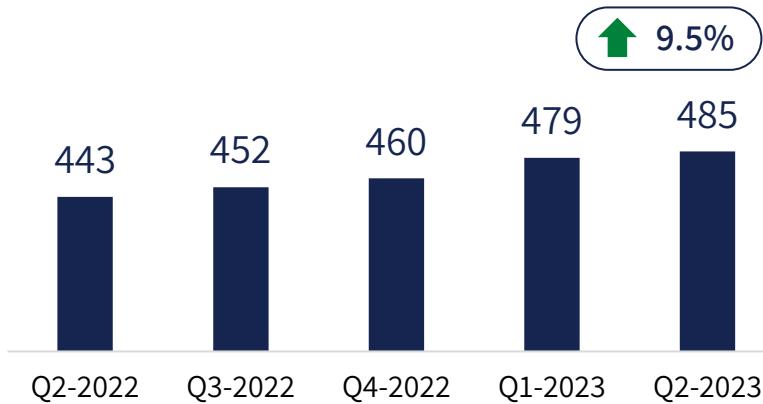
- Revenue growth recorded in all activity segments except for telephony services
- Increase in Adjusted Net Profit, primarily due to an increase in revenues and a decrease in net financing expenses
- Increase in free cash flow primarily due to improved business results

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

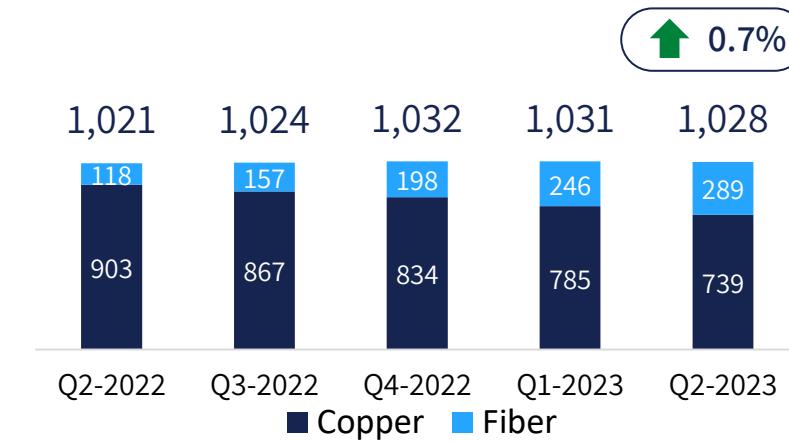


Bezeq Fixed-Line | Q2-2023 Broadband Internet

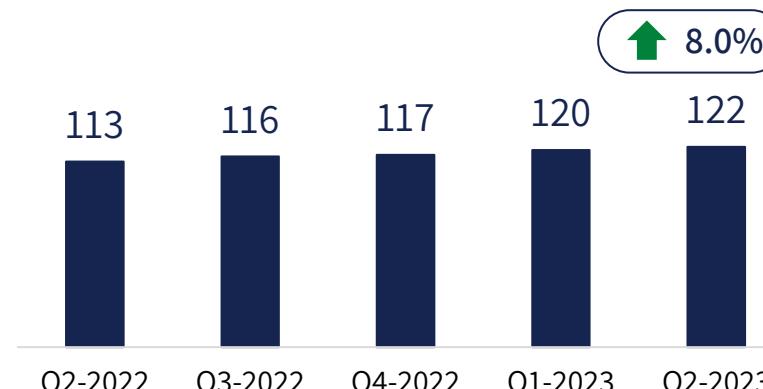
Broadband Revenues (NIS million)



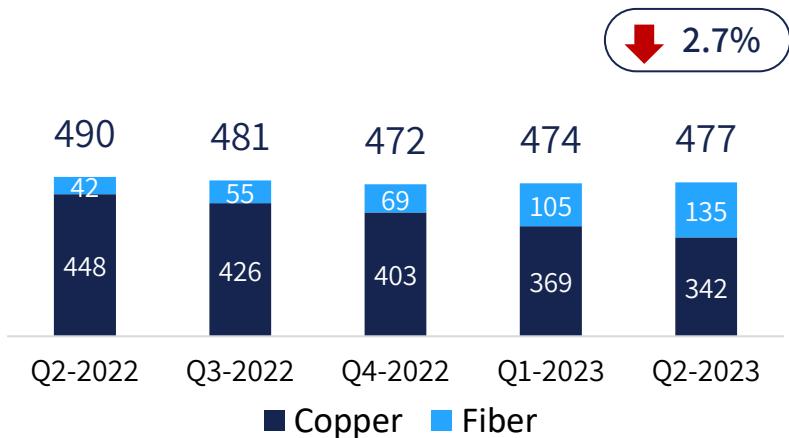
Retail Broadband Lines (thousands)



Retail ARPU (NIS)



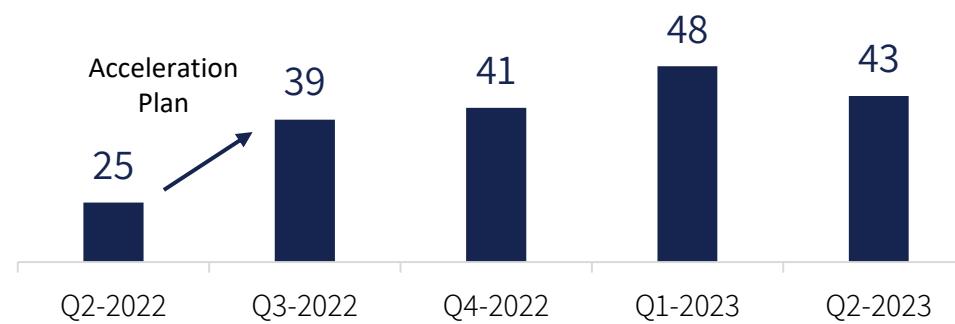
Wholesale Broadband Lines (thousands)



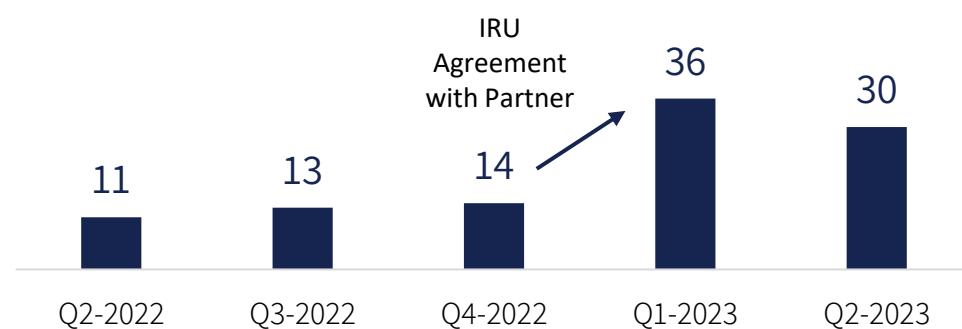
- Significant increase in fiber customer take up
- Continued significant growth in broadband revenues
- Continued growth in retail ARPU positively impacted by fiber customer take up

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

Retail Fiber – Net Adds
(Thousands)



Wholesale Fiber – Net Adds
(Thousands)

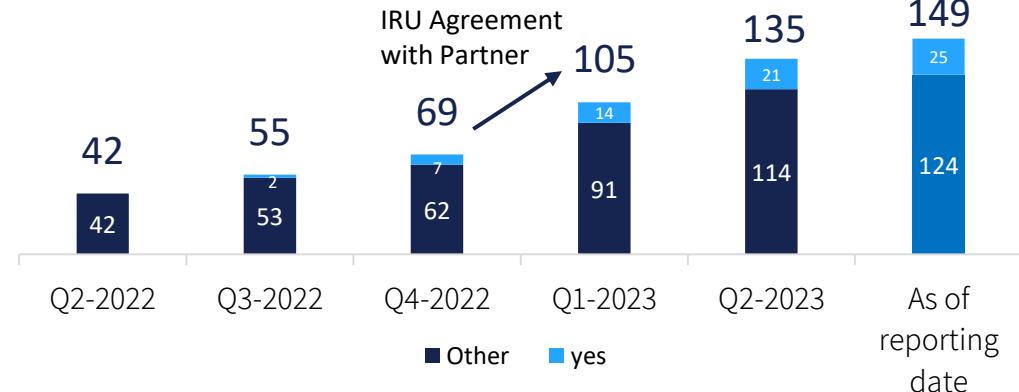


Total Retail Fiber Take-Up
(Thousands)



Significant acceleration of retail take-up starting in H2-2022

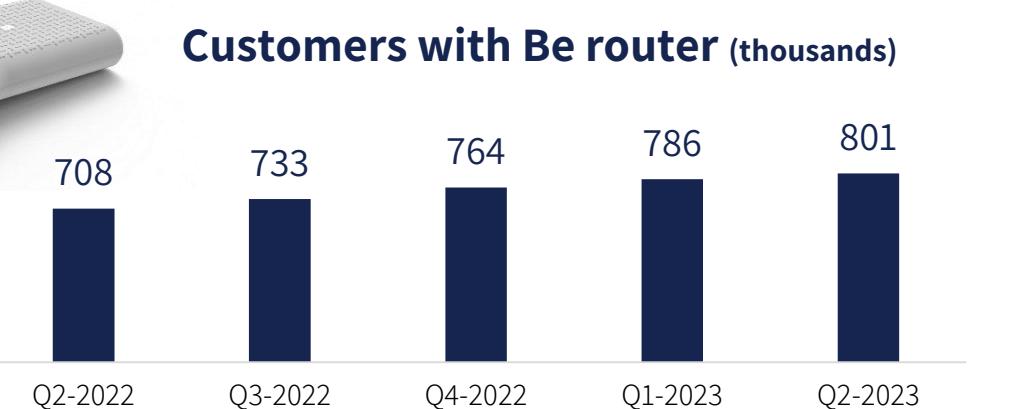
Total Wholesale Fiber Take-Up
(Thousands)



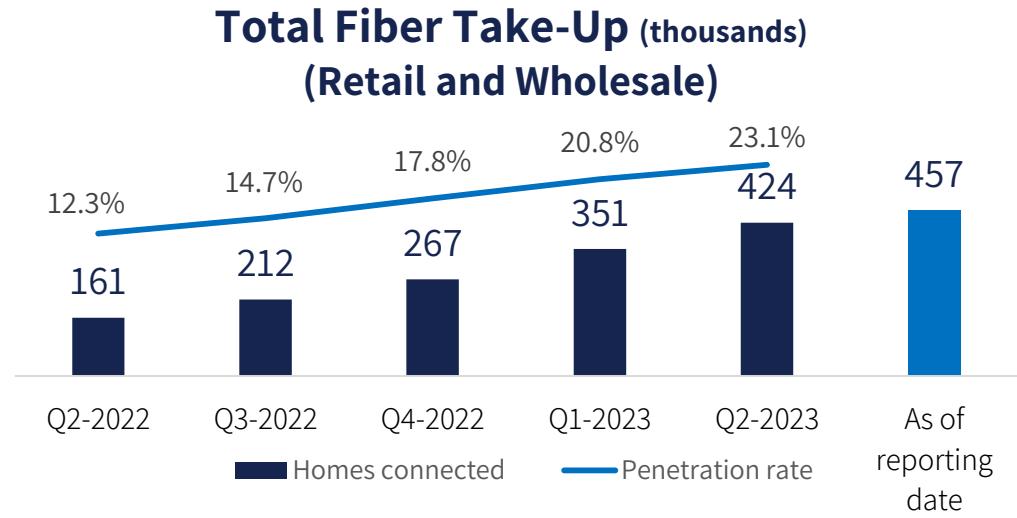
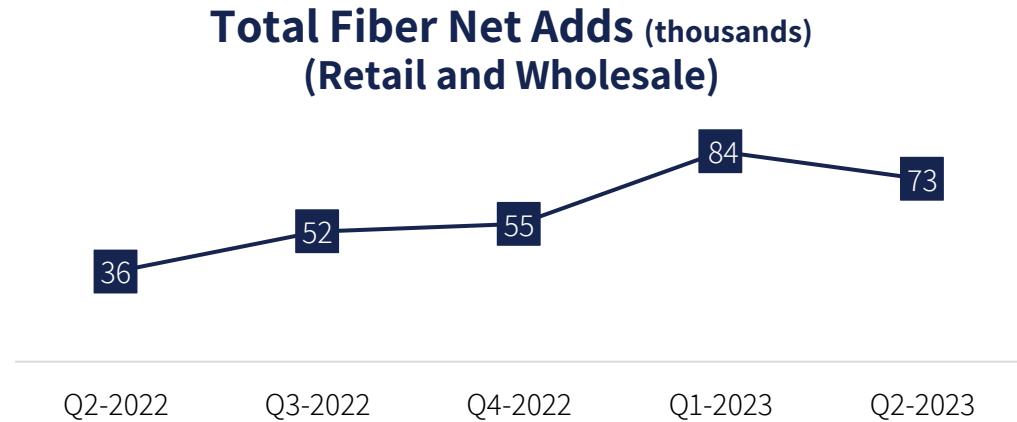
Accelerated wholesale take-up began in Q1-2023



Bezeq Fixed-Line | Continued Fiber Deployment with Increased Take-up Focus



70% y-o-y increase in average broadband speed to 278 Mbps

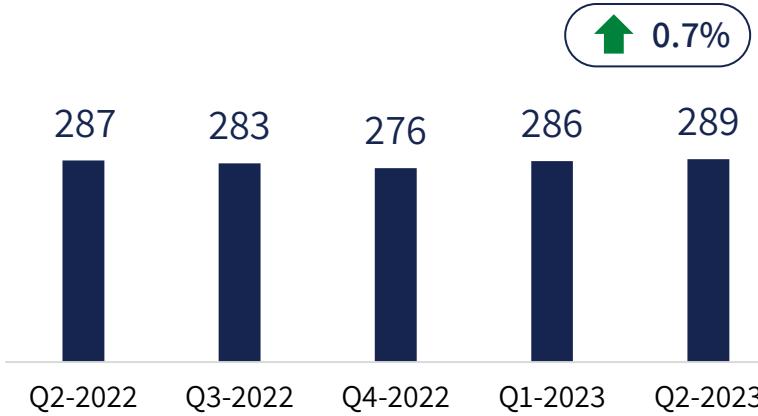


Bezeq is leading in fiber take-up (retail + wholesale)

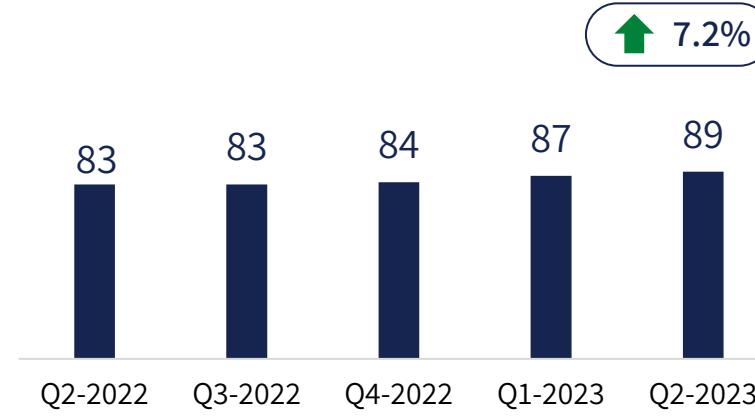


Bezeq Fixed-Line | Data, Telephony, Cloud & Digital Revenues | NIS millions

Transmission & Data

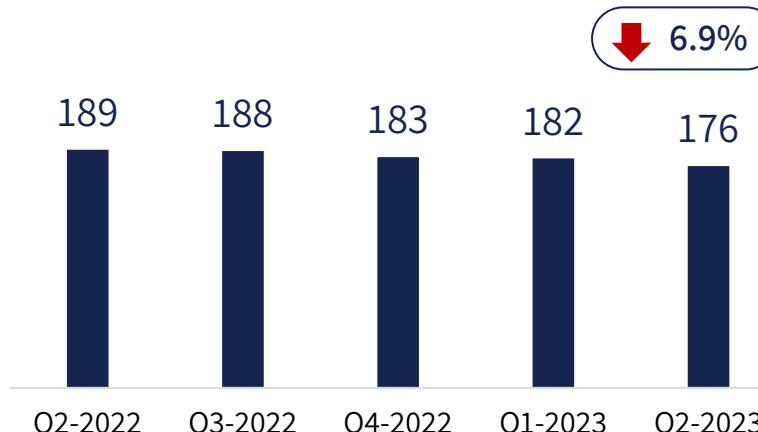


Cloud & Digital



- Continued growth in data revenues offset by a decrease in traffic revenues from ISP companies
- Growth in cloud & digital revenues driven by an increase in virtual exchange services
- Increase in other revenues mainly due to infrastructure projects

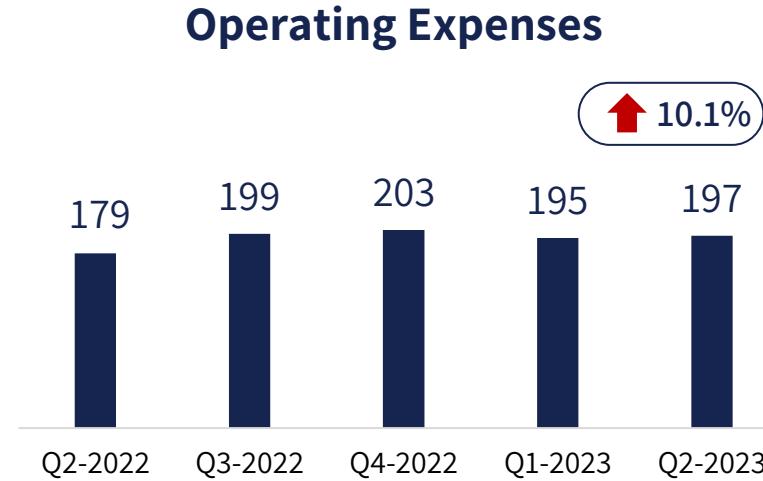
Telephony



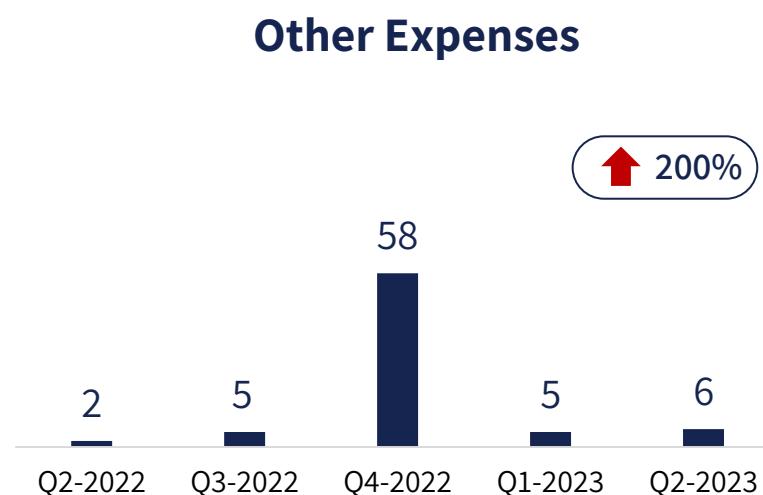
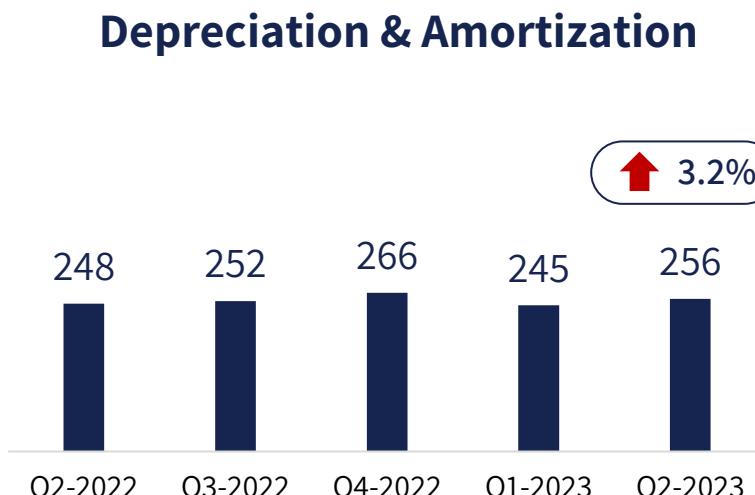
Other



Bezeq Fixed-Line | Operating Expenses | NIS million



- Increase in salaries mainly due to salary updates as well as employee recruitment relating to the fiber project
- Increase in operating expenses mainly due to higher materials and subcontractor expenses relating to fiber and other infrastructure projects, as well as timing differences in advertising expenses



Bezeq Fixed-Line | Key Takeaways



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



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



Continued migration to combined infrastructure + ISP service



Growth in broadband revenues offset impact of MOC telephony tariff reduction



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



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

Pelephone | Q2-2023 Summary



2.9% growth in revenues from services excluding interconnect fees, driven by an increase in roaming revenues and growth in subscribers, including 5G subscriber plans



Stable Adjusted EBITDA and Adjusted Net Profit



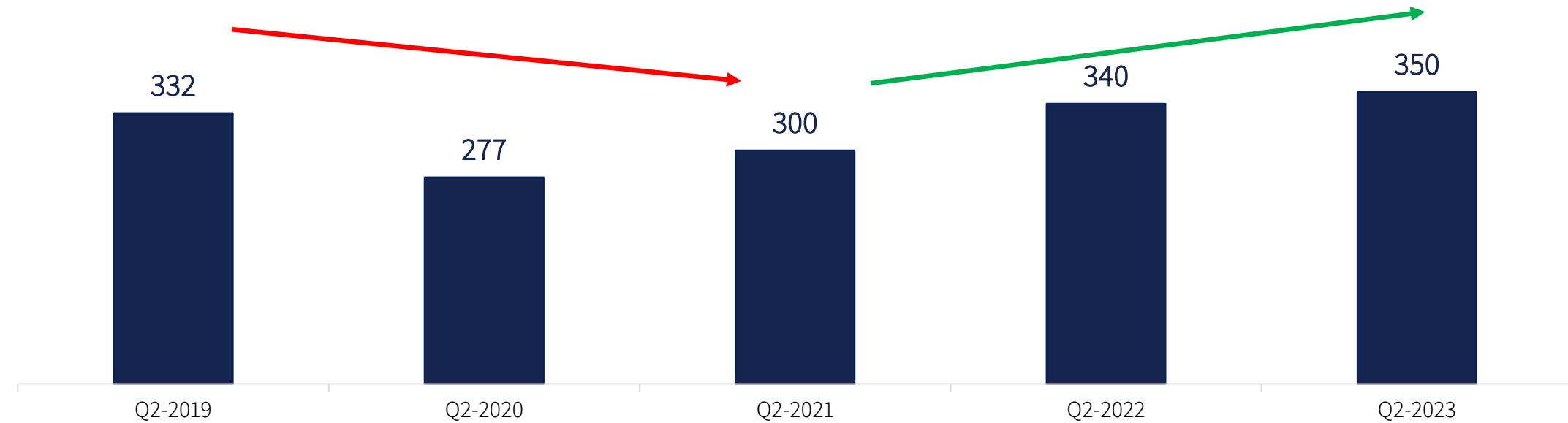
Consistent growth in 5G subscriber plans reaching 920k (35%) ⁽¹⁾ contributing to ARPU, alongside growth in postpaid subscribers with 7k net adds;



ARPU, excluding interconnect fees, increased NIS 2 year-over-year

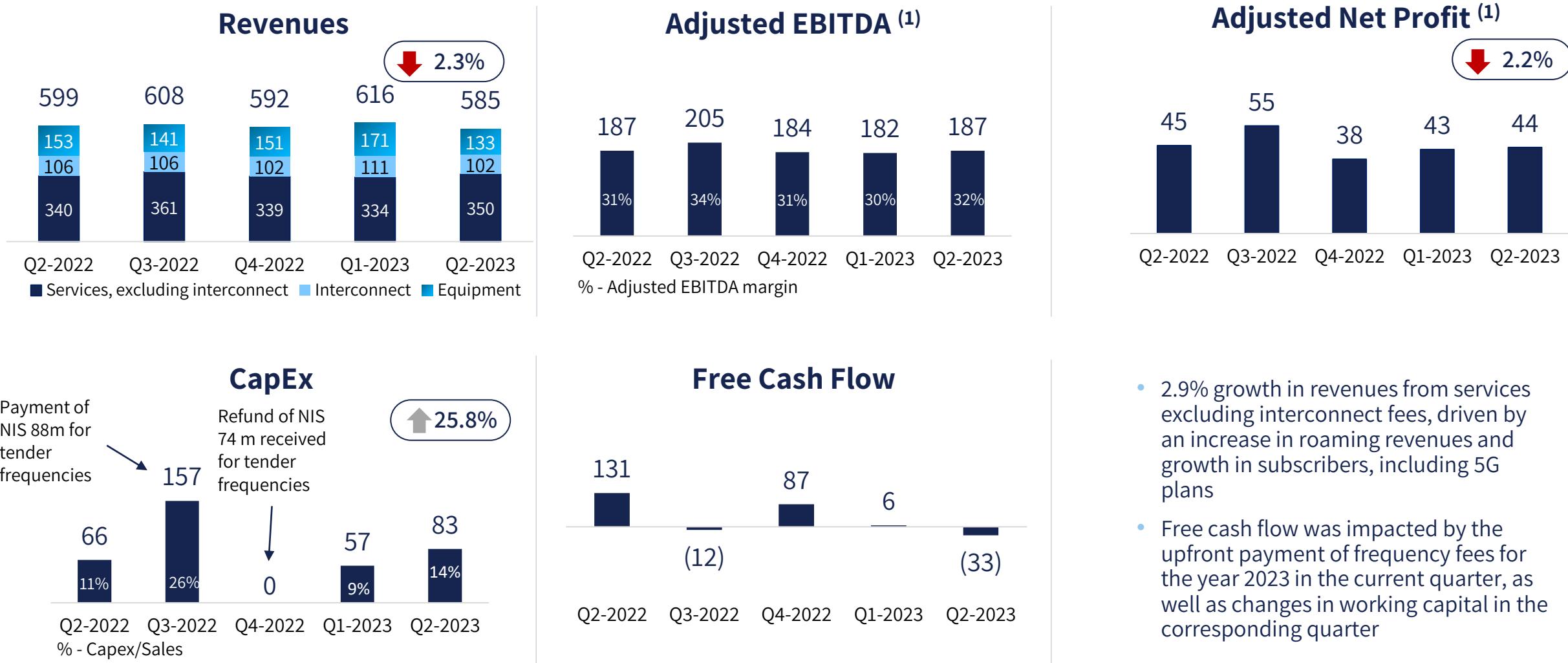


Pelephone | Continued Turnaround in Service Revenues Excluding Interconnect Fees NIS Million

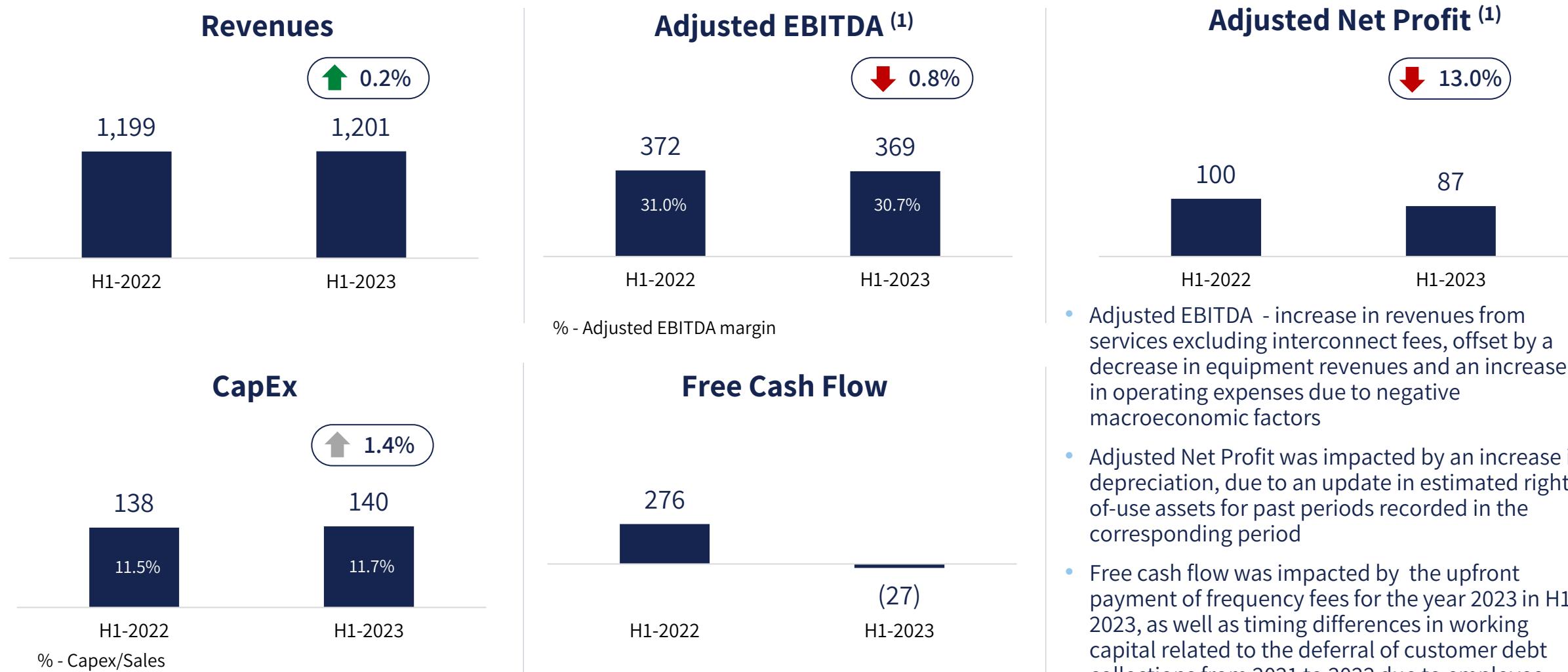


- Growth in service revenues excluding interconnect fees, driven by recovery in roaming revenues, increase in subscribers and growth in 5G subscriber plans
- Service revenues excluding interconnect fees in Q2-2023 were higher than Q2-2019 (pre-COVID period)

Pelephone | Q2-2023 Key Financial Highlights NIS Million



Pelephone | H1-2023 Key Financial Highlights NIS Million



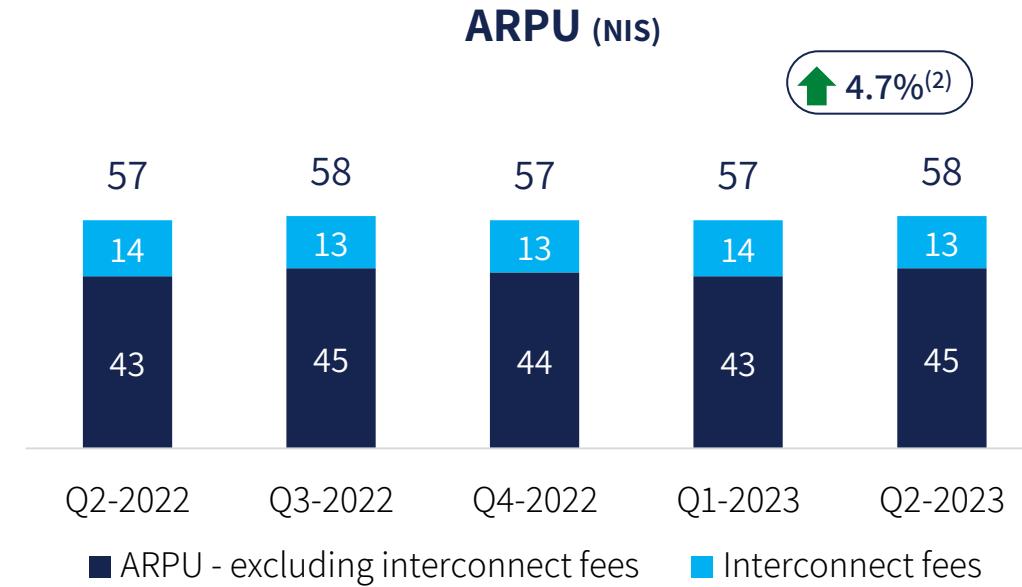
(1) After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation



Pelephone | Q2-2023 Key Operational Metrics



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



- Subscribers on 5G plans were 35% of total subscribers and 42% of postpaid subscribers⁽³⁾
- ARPU, excluding interconnect fees, increased NIS 2 y-o-y mainly due to an increase in roaming and transition to 5G subscriber plans, partially offset by the termination of the Ministry of Education project and a decrease in content services in 4G plans



yes | Q2-2023 Summary



Revenue growth of 6.3% driven by the launch of TV + Bezeq fiber bundle, together with agreements with leading international content providers



ARPU growth year-over-year due to agreements with leading international content providers



Growth in fiber subscribers reaching 25k⁽¹⁾



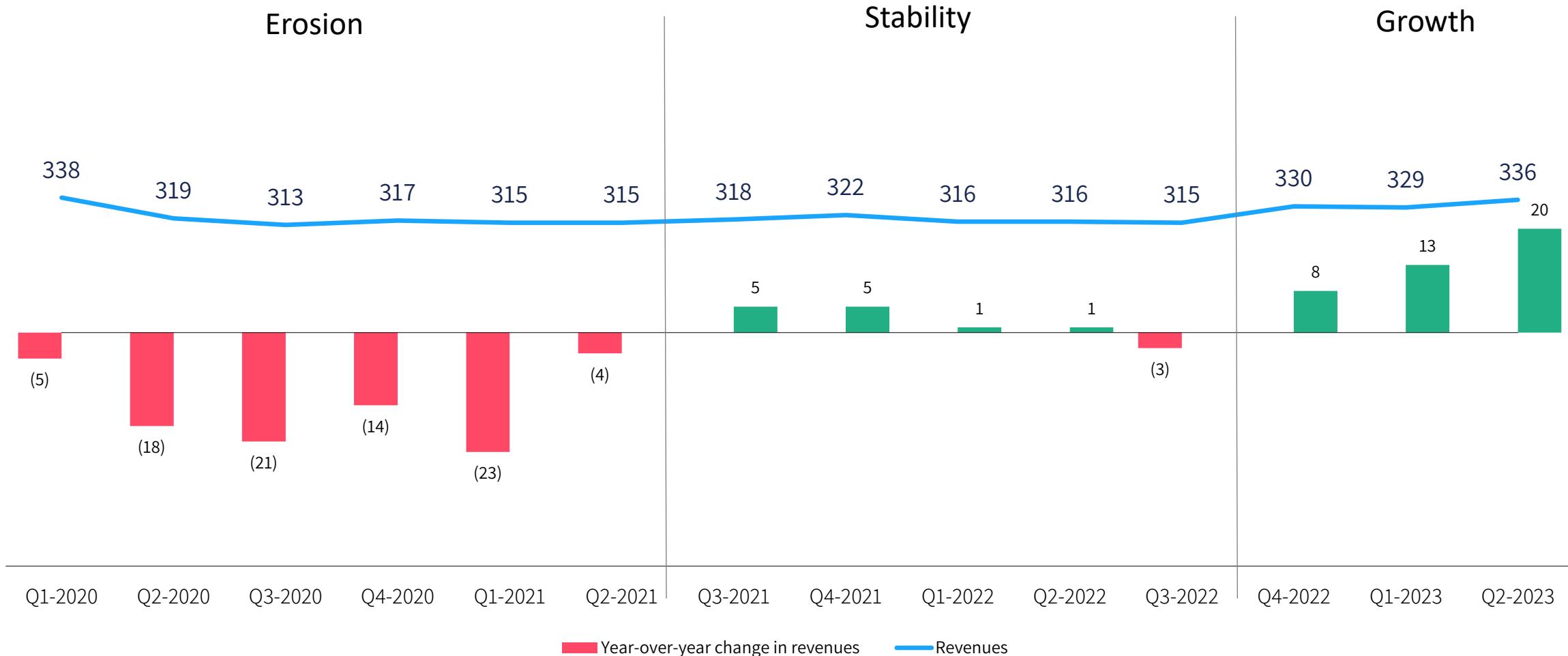
yes is the largest Israeli IPTV operator with 370k customers watching TV through IP broadcasting (64% of total subscribers), of which 113k are STINGTV customers⁽¹⁾



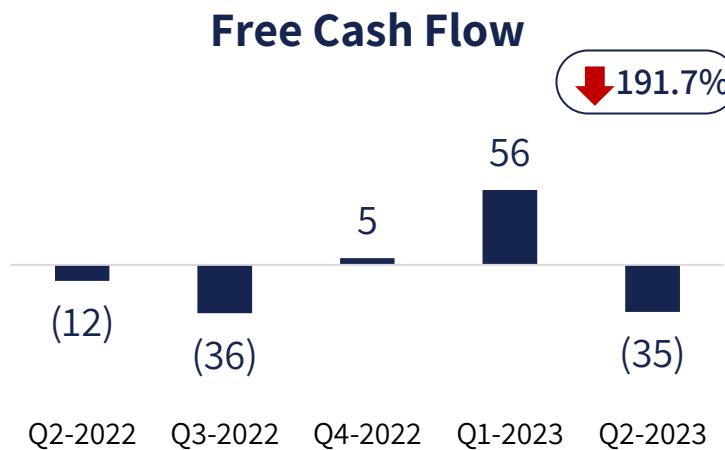
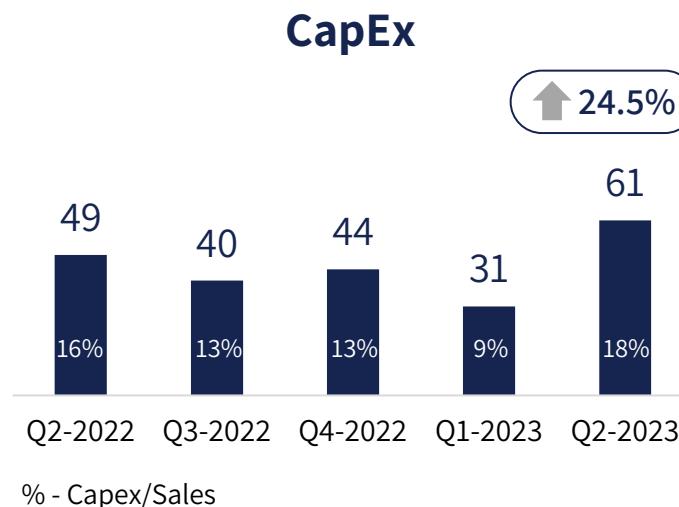
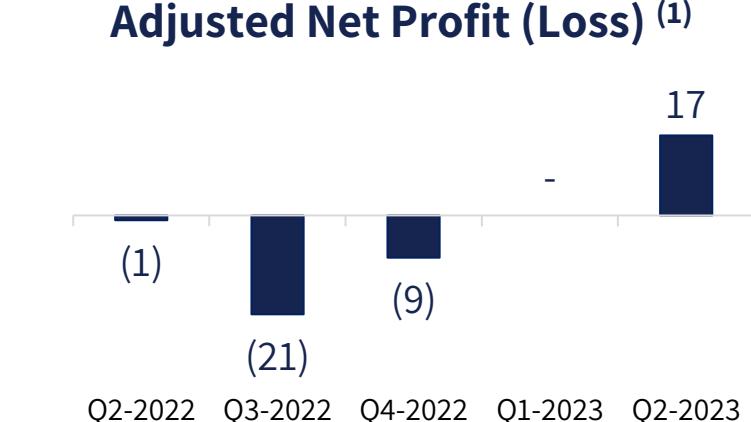
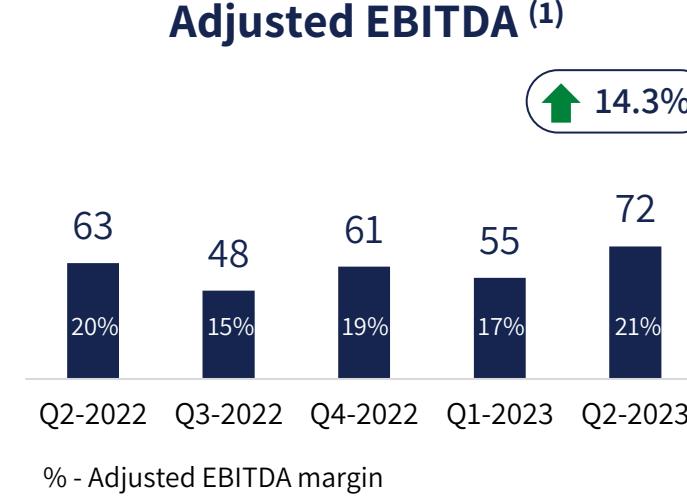
Highest quarterly Adjusted Net Profit since 2016 reaching NIS 17 million; Adjusted EBITDA grew 14.3% reaching NIS 72 million⁽²⁾



yes | Revenue Growth Turnaround NIS Million



yes | Q2-2023 Key Financial Highlights NIS Million

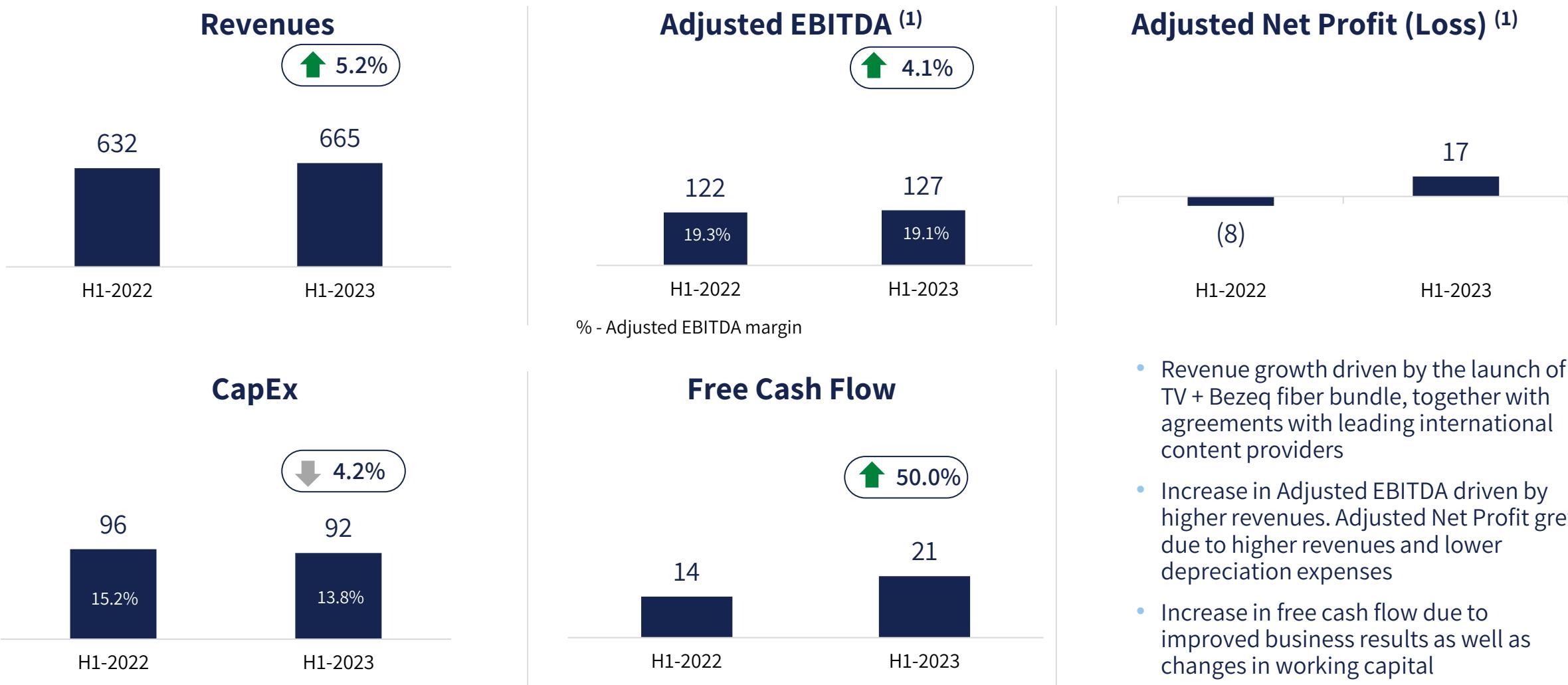


- Third consecutive quarter of y-o-y revenue growth driven by the launch of TV + Bezeq fiber bundle, together with agreements with leading international content providers
- Significant growth in Adjusted EBITDA, driven by an increase in revenues. Adjusted Net Profit grew due to higher revenues and lower depreciation expenses
- CapEx was impacted by timing differences between Q1-2023 and Q2-2023
- Free cash flow was impacted by changes in working capital

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



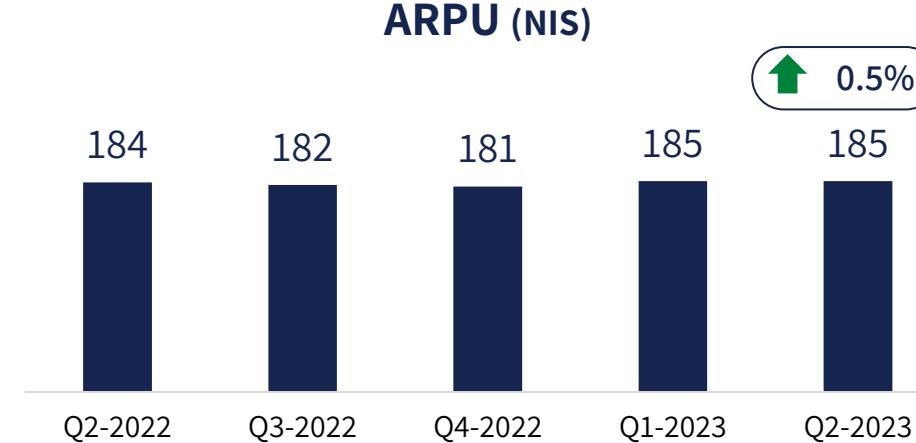
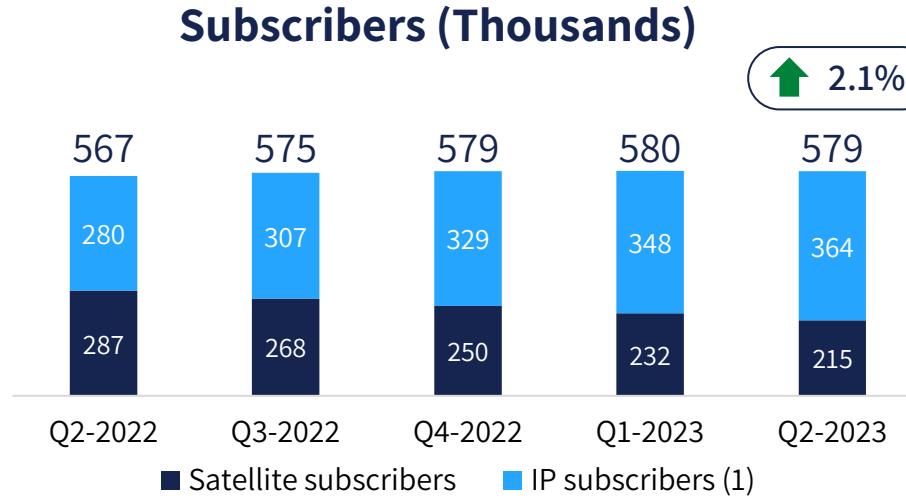
yes | H1-2023 Key Financial Highlights NIS Million



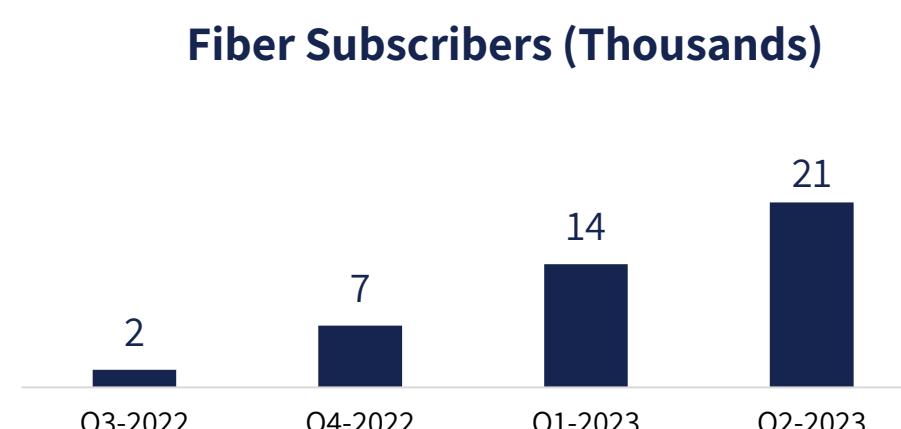
(1) Pro-forma; After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation



yes | Key Operational Metrics



- Continued growth in IP subscribers - 64% of yes subscribers watch IPTV⁽²⁾
- ARPU growth year-over-year driven by agreements with international content providers
- Growth in fiber subscribers



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

(2) As of reporting date



Bezeq International | Q2-2023 Summary



0.9% increase in LTM revenues reaching 1.2 billion, compared to corresponding period



Adjusted Net Profit reached NIS 33 million in the first half of 2023, compared with NIS 11 million in H1-2022



23.5% increase in Adjusted EBITDA to NIS 100 million in the first half of 2023



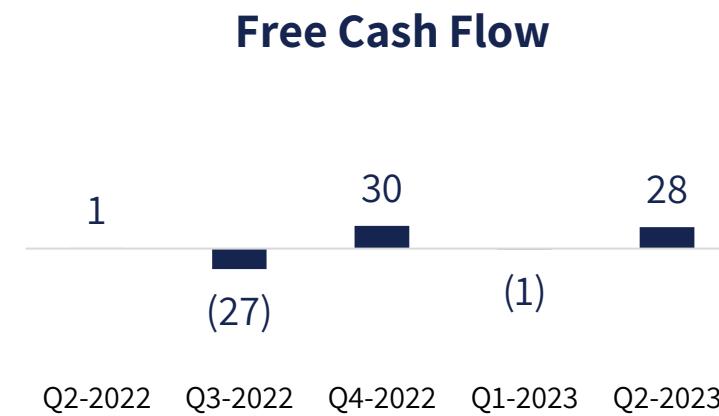
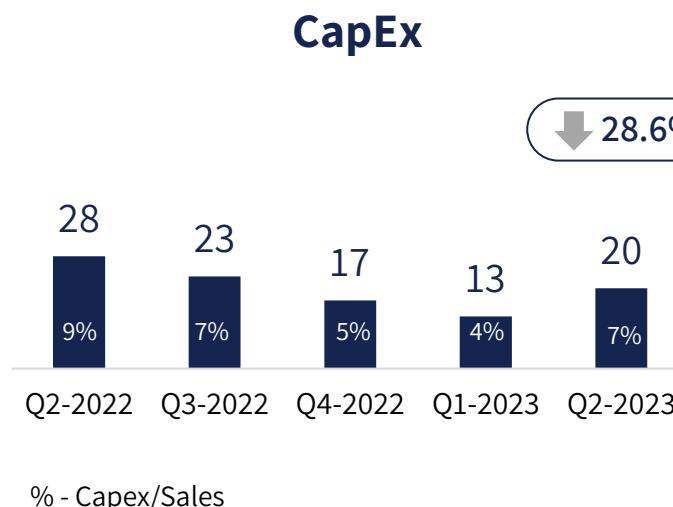
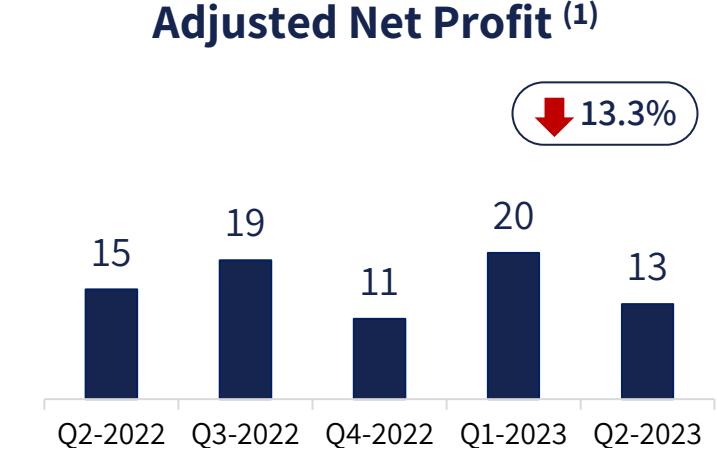
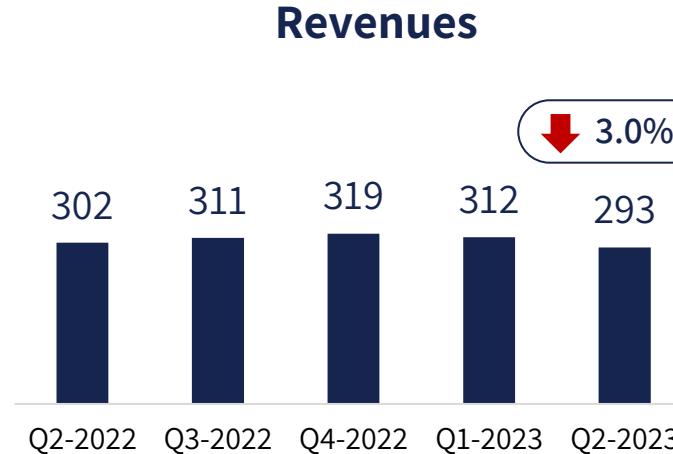
Focus on growth in ICT market with emphasis on cyber, integration, public cloud and data centers



Cost savings due to reduction in consumer ISP activity



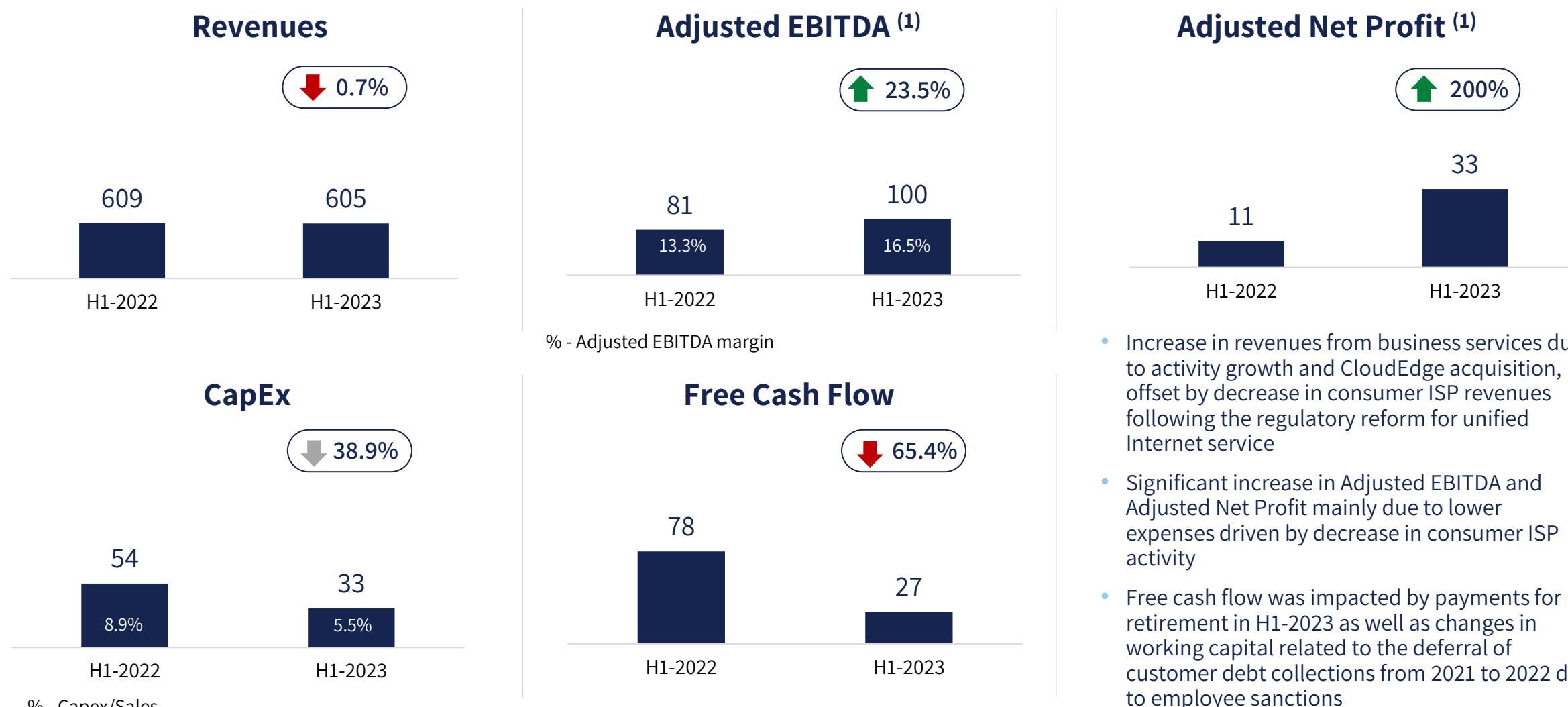
Bezeq International | Q2-2023 Key Financial Highlights NIS Million



- Decrease in revenues due a reduction in the consumer ISP activity following the regulatory reform for unified Internet service in Q2-2022, partially offset by an increase in ICT activity
- Increase in Adjusted EBITDA mainly due to lower expenses driven by decrease in consumer ISP activity
- Significant improvement in free cash flow, mainly due to changes in working capital



Bezeq International | H1-2023 Key Financial Highlights NIS Million



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



Bezeq Group | Focus on Growth



3.3% growth in Group revenues, to NIS 2.3 billion, driven by Bezeq Fixed-Line (+5.9%) and yes (+6.3%)



Record profit quarterly results in last five years – 6.8% increase in Adjusted EBITDA to NIS 987 million; 14.2% growth in Adjusted Net Profit, to NIS 354 million



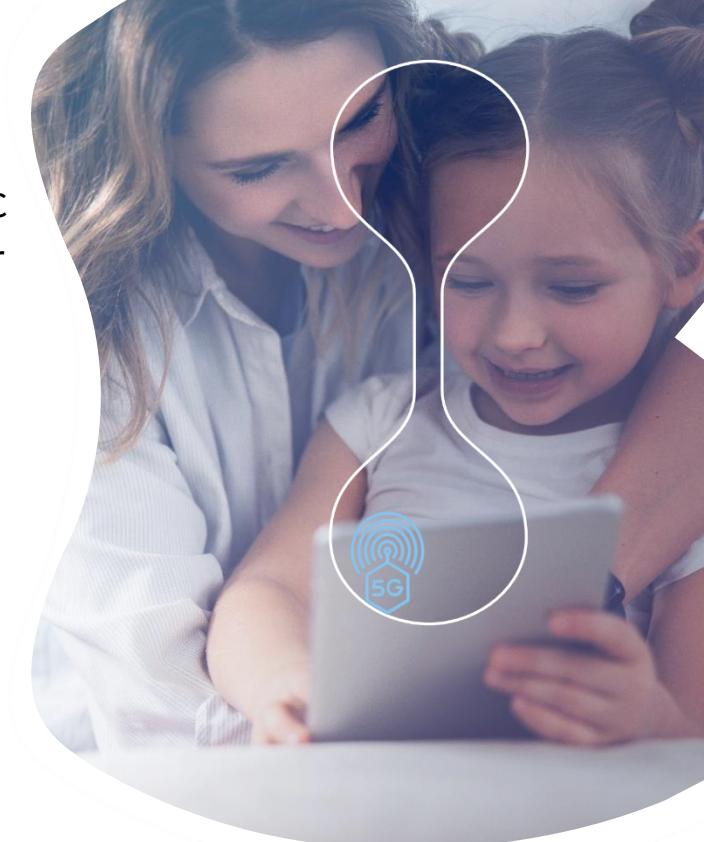
Strong execution in strategic growth drivers – robust fiber take-up in Bezeq Fixed-Line and yes, consistent growth in 5G subscriber plans in Telephone



Board recommendation to distribute semi-annual dividend of NIS 392 million, 0.14 per share, reflecting a dividend yield of ~5%



ESG – MSCI upgrade to AA rating



Bezeq Group is executing on its strategy while focusing on growth





Thank You!

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

