



BEZEQ GROUP REPORTS SECOND QUARTER 2022 FINANCIAL RESULTS

Holon, Israel – August 10, 2022 – 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, 2022. Details regarding the investor webcast call to be held today are included later in this press release.

Bezeq Group Q2 2022 Financial Highlights¹

- Revenues of NIS 2.23 billion, up 1.1%
- Adjusted net profit² totaled NIS 310 million, up 2.0%
- Adjusted EBITDA² totaled NIS 924 million, down 2.1%
- Capital expenditures totaled NIS 427 million, or 19% of revenues, up 2.2%
- Free cash flow totaled NIS 359 million, up 322.4%

Gil Sharon, Bezeq Chairman, stated: "Our second quarter results continued the growth trend in line with the group's strategic plan. We grew in revenue with improved adjusted net profits and free cash flow. Last week we updated our annual guidance showing a projected improvement of NIS 100 million in the adjusted net profit range compared to the previous forecast. The strong results are the outcome of focused work in all areas of activity: growth in fiber optics, significant improvement in Pelephone, and yes managing to cope with the intense competition in the TV market, posting stability in revenues and subscriber growth.

Sharon added, "Our financial strength and strong cash flow generation enabled us to reduce our net debt by one billion shekels, and today we are announcing the board's recommendation to distribute a semi-annual dividend of NIS 294 million. I am convinced that the continued focus on our growth engines, fiber optic Internet infrastructure and 5G network, will further drive us towards greater success while helping boost the growth of the Israeli economy."

¹ Q2-2022 results in this earnings release are presented in comparison to Q2-2021 results 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.

Tobi Fischbein, Bezeq Group CFO, commented: "The Group's strong business and operating results enabled us to continue solidifying our financial strength with a year-over-year net debt decrease of over NIS 1 billion, or 15.4%, to NIS 5.64 billion at the end of Q2 2022. Free cash flow grew to NIS 929 million in the first half of 2022, further evidencing the company's financial strength. Our strong operating and financial results allowed us to raise our 2022 guidance and announce today the recommendation to distribute a semi-annual dividend based on the results of the first half of 2022, representing an annual dividend yield of approximately 3.5%."

Bezeq Group Results (Consolidated)

	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>% change</u>	<u>H1 2022</u>	<u>H1 2021</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	2,225	2,200	1.1%	4,480	4,421	1.3%
Operating profit	463	469	(1.3%)	923	1,055	(12.5%)
EBITDA	921	934	(1.4%)	1,829	1,996	(8.4%)
Adjusted EBITDA ¹	924	944	(2.1%)	1,882	1,862	1.1%
Adjusted EBITDA margin	41.5%	42.9%		42.0%	42.1%	
Net profit	307	294	4.4%	589	702	(16.1%)
Adjusted net profit ¹	310	304	2.0%	632	603	4.8%
Diluted EPS (NIS)	0.11	0.11	0.0%	0.21	0.25	(16.0%)
Cash flow from operating activities	872	594	46.8%	1,968	1,294	52.1%
CapEx (gross)	427	418	2.2%	857	876	(2.2%)
Free cash flow ²	359	85	322.4%	929	408	127.7%
Net debt	5,637	6,666	(15.4%)	5,637	6,666	(15.4%)

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

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

Revenues were NIS 2.23 billion, up 1.1% primarily due to 3-4% increases in Bezeq Fixed-Line and Pelephone. Revenues in the first half of 2022 were NIS 4.48 billion, up 1.3%.

Salary expenses were NIS 467 million, in line with the corresponding quarter. **Operating expenses** were NIS 834 million, up 4.6% primarily due to an increase in subcontractor expenses in connection with the fiber project as well as higher content expenses at yes. **Depreciation expenses** were NIS 458 million, down 1.5%, mainly due to decreases in Pelephone and Bezeq International, which were partially offset by an increase in Bezeq Fixed-Line.

Other operating expenses amounted to NIS 3 million, compared to NIS 2 million in the corresponding quarter. Other operating expenses for the first half of 2022 were NIS 49 million compared to income of NIS 150 million in the corresponding period primarily due to capital gains of NIS 125 million relating to the sale of real estate recorded in Bezeq Fixed-Line.

Reported EBITDA amounted to NIS 921 million, down 1.4%. **Adjusted EBITDA** was NIS 924 million, down 2.1% (Adjusted EBITDA margin of 41.5%). **Adjusted EBITDA** for the first half of 2022 was NIS 1.88 billion, up 1.1% (Adjusted EBITDA margin of 42.0%).

Reported net profit amounted to NIS 307 million, up 4.4%. **Adjusted net profit** was NIS 310 million, an increase of 2.0%. **Adjusted net profit** for the first half of 2022 was NIS 632 million, up 4.8%. The increase in net profit was due to the decrease in financing expenses in Bezeq Fixed-Line mainly due to financing income related to employee benefits and dollar hedging transactions, as well as a decrease in interest expense on lower debt.

Free cash flow was NIS 359 million, up 322.4%, primarily due to timing differences in working capital in Bezeq Fixed-Line and improved profitability and working capital in Pelephone. Free cash flow for the first half of 2022 was NIS 929 million, up 127.7%.

Net financial debt of the Group amounted to NIS 5.64 billion as of June 30, 2022, compared to NIS 6.67 billion as of June 30, 2021. As of June 30, 2022, the Group's net financial debt to adjusted EBITDA ratio was 1.7, compared to 2.0 as of June 30, 2021.

Dividends

Further to the Company's dividend policy, the Board of Directors decided to recommend to the General Meeting of Shareholders a dividend distribution of NIS 294 million, which as of the date of passing this resolution constitute NIS 0.11 per share. The effective date and the ex-dividend date shall be on September 21, 2022. The payment shall be made on October 3, 2022.



2022 Outlook

Based on the information known to the Bezeq Group today, the Group's Outlook for 2022 (as published in the Company's immediate report dated July 31, 2022) is as follows:

	Updated Outlook	Previous Outlook
Adjusted net profit⁽¹⁾ attributable to shareholders	NIS 1.1 – 1.2 billion	NIS 1.0 – 1.1 billion
Adjusted EBITDA⁽¹⁾	NIS 3.65 – 3.75 billion	NIS 3.6 – 3.7 billion
CAPEX⁽²⁾	Unchanged	NIS 1.7 – 1.8 billion
Fiber deployment (Homes Passed)	1.5 million	1.4 million

(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 2022. Actual results may differ from these estimates considering changes that may occur in the future business conditions, and the effects of regulatory decisions, technology changes and developments in the structure of the telecommunications market, and so forth, as well as the realization of one or more of the risk factors listed in the Periodic Report of 2021.



Bezeq Fixed-Line Results

- **Record fiber subscribers in July**
- **Bezeq solidified its status as the largest fiber network in Israel with deployment to over 1.36 million Israeli households as of today**
- **Total revenues grew 2.7% due to a 9.9% increase in broadband Internet revenues, 4% higher transmission and data communication revenues and growth of 9.2% in revenues from cloud and digital services**
- **Average broadband speed grew 86% year-over-year to 164 Mbps**

Ran Guron, Bezeq CEO, stated, "We continue to solidify our position as the largest fiber network in Israel. As of today, we have deployed our fiber network to more than 1.36 million Israeli households. As fiber deployment continues, we are now focusing our efforts on connecting more and more customers. As of the date of publication of this report, the number of fiber subscribers stands at 180 thousand, with record net adds in July. The rapid increase in fiber subscribers resulted in an increase of 86% year-over-year in the average broadband speed per subscriber, reaching 164 Mbps.

Guron added, "Our main focus is growing fiber subscriber take-up in order to increase revenues from Internet services. During the second quarter, revenues from this segment grew 9.9% year-over-year and reached NIS 443 million. Revenues from transmission services grew 4% year-over-year, and revenues from the cloud and digital services increased 9.2% year-over-year. All of these resulted in an increase of 2.7% in total Fixed-Line revenues year-over-year, totaling NIS 1.07 billion, which contributed to offset the significant decrease in telephony revenues due to the MOC tariff reduction."

Bezeq Fixed-Line – Financial data	Q2 2022	Q2 2021	% change	H1 2022	H1 2021	% change
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Total revenues	1,067	1,039	2.7%	2,163	2,093	3.3%
Broadband Internet	443	403	9.9%	877	801	9.5%
Transmission and data	287	276	4.0%	573	544	5.3%
Telephony	189	229	(17.5%)	409	471	(13.2%)
Cloud & digital services	83	76	9.2%	164	158	3.8%
Other revenues	65	55	18.2%	140	119	17.6%
Operating profit	393	407	(3.4%)	779	1,000	(22.1%)
EBITDA	641	638	0.5%	1,266	1,454	(12.9%)
Adjusted EBITDA ¹	645	649	(0.6%)	1,319	1,320	(0.1%)
Adjusted EBITDA margin	60.4%	62.5%		61.0%	63.1%	
Net profit	243	238	2.1%	461	638	(27.7%)
Adjusted net profit ²	247	248	(0.4%)	503	538	(6.5%)
Cash flows from operating activities	541	354	52.8%	1,175	864	36.0%
CapEx (gross)	279	285	(2.1%)	564	597	(5.5%)
Free cash flow ³	234	45	420.0%	561	396	41.7%

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 2022</u>	<u>Q1 2022</u>	<u>Q2 2021</u>
Total broadband Internet lines (retail and wholesale, end of the period, in thousands) ¹	1,512	1,519	1,529
Retail broadband Internet lines (end of the period, in thousands) ¹	1,022	1,024	1,009
Wholesale broadband Internet lines (end of the period, in thousands) ¹	490	495	520
Fiber optics deployed – Homes passed (end of the period, in thousands)	1,308	1,193	597
Fiber optic subscribers (end of the period, in thousands)	161	124	16
Average monthly revenue per broadband Internet subscriber (NIS) - Retail ²	113	110	106
Average broadband speed per subscriber (Mbps)	164	151	88
Active telephony subscriber lines (end of the period, in thousands) ³	1,542	1,563	1,615
Average monthly revenue per line (NIS) ⁴	41	47	47
Churn rate (%) ⁵	2.6%	3.0%	2.6%
Outgoing minutes (millions)	726	801	827
Incoming minutes (millions)	952	1,058	1,095

¹ 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.

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

³ 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).

⁴ Based on average lines for the period.

⁵ 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 increased 2.7% to NIS 1.07 billion, due to growth in all activities except for a decrease in telephony services due to the MOC reduction in tariffs introduced in April 2022. Revenues in the first half of 2022 were NIS 2.16 billion, up 3.3%.

Salary expenses were NIS 245 million, up 5.2% due to the recruitment of employees for the fiber project, salary increases and a decrease in capitalized salaries. **Operating expenses** were NIS 179 million, an increase of 10.5%, primarily driven by an increase in sub-contractor expenses for the fiber project and various infrastructure work. **Depreciation expenses** were NIS 248 million, up 7.4%, driven by the increase in CapEx over previous periods, among other factors.

Reported EBITDA was NIS 641 million, up 0.5%. **Adjusted EBITDA** was NIS 645 million (Adjusted EBITDA margin of 60.4%), a decrease of 0.6%. Adjusted EBITDA in the first half of 2022 was NIS 1.32 billion, a decrease of 0.1% (Adjusted EBITDA margin of 61.0%).

Net profit was NIS 243 million, up 2.1%. **Adjusted Net Profit** was NIS 247 million, down 0.4%. Adjusted Net Profit in the first half of 2022 was NIS 503 million, a decrease of 6.5%.



Free cash flow was NIS 234 million, up 420.0%, due to timing differences in working capital. Free cash flow in the first half of 2022 was NIS 561 million, up 41.7%, due to timing differences and improved working capital.

Pelephone Results

- **Record quarterly revenues from services in the last three years, reaching NIS 446 million, an increase of 9.0% year-over-year, driven by an increase in roaming revenues, growth in 5G subscriber plans and total subscribers**
- **Net Profit grew 130% and Adjusted EBITDA grew 18.4%**
- **Total subscribers grew by 53k sequentially, including continued growth in subscribers on 5G plans which totaled 702k as of today. Total Pelephone subscribers as of June 30, 2022 reached 2.636 million**
- **Free cash flow improved by over NIS 95 million on a year-over-year basis, reaching NIS 131 million, an increase of 264%**
- **ARPU in Q2 2022 increased by NIS 3 on a year-over-year basis to NIS 57**

Dganit Kramer, Acting CEO of Pelephone, yes and Bezeq International, stated, "The subsidiaries continue to make progress in the implementation of the group's strategy with excellent financial results in Pelephone, growth in yes subscribers and the continued migration to IP alongside the focus on cloud services and data centers in Bezeq International, which are the fruits of the work done in the companies in recent years. yes showed a seven-year quarterly record in the number of net new subscribers, and Pelephone posted an increase in subscribers for the seventh year in a row. In terms of the financial results, Pelephone recorded a significant increase in profitability, together with the highest service quarterly revenues in three years. yes posted stable revenues and positive free cash flow in the first half, and Bezeq International showed higher net profit on lower depreciation expenses."

Kramer added, "In this quarter, we launched the strategic partnership with Disney+ in Israel, and we are already seeing an impressive response from our customers and new subscribers. In addition, Pelephone posted an increase in customers with 5G packages."

Telephone – Financial data	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>% change</u>	<u>H1 2022</u>	<u>H1 2021</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Total revenues	599	576	4.0%	1,199	1,146	4.6%
Service revenues	446	409	9.0%	883	801	10.2%
Equipment revenues	153	167	(8.4%)	316	345	(8.4%)
Operating profit	52	15	246.7%	116	12	866.7%
EBITDA	188	159	18.2%	374	298	25.5%
Adjusted EBITDA ¹	187	158	18.4%	372	298	24.8%
Adjusted EBITDA margin	31.2%	27.4%		31.0%	26.0%	
Net profit	46	20	130.0%	102	28	264.3%
Cash flows from operating activities	244	149	63.8%	522	221	136.2%
CapEx (gross)	66	60	10.0%	138	131	5.3%
Free cash flow ²	131	36	263.9%	276	(23)	

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

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

Telephone – KPIs	<u>Q2 2022</u>	<u>Q1 2022</u>	<u>Q2 2021</u>
Total subscribers (end of the period, in thousands) ¹	2,636	2,583	2,521
Postpaid subscribers (end of the period, in thousands) ¹	2,122	2,093	2,050
Prepaid subscribers (end of the period, in thousands) ¹	514	490	471
Average revenue per user (ARPU, NIS) ²	57	57	54
Churn rate ³	5.5%	6.8%	5.8%

¹ 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 paid 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), and whose average revenue is significantly lower than 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 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 were NIS 446 million, up 9.0%, primarily due to an increase in roaming revenues, growth in 5G plans and total subscribers.

Revenues from equipment sales were NIS 153 million, down 8.4%, primarily due to the change in the different launch dates of new handset models.

Total revenues were NIS 599 million, up 4.0%. Total revenues in the first half of 2022 were NIS 1.2 billion, up 4.6%.

Operating expenses were NIS 548 million, down 2.8%, primarily due to a decrease in the cost of handsets in line with the decrease in revenues.

Reported EBITDA was NIS 188 million, up 18.2%. **Adjusted EBITDA** was NIS 187 million (Adjusted EBITDA margin of 31.2%), an increase of 18.4%. Adjusted EBITDA in the first half of 2022 was NIS 372 million, up 24.8% (Adjusted EBITDA margin of 31.0%).

Net profit was NIS 46 million, up 130.0%. Net profit in the first half of 2022 was NIS 102 million, up 264.3%.

Free cash flow was NIS 131 million, up 263.9%, primarily driven by increased profitability as well as timing differences and improvement in working capital. Free cash flow in the first half of 2022 was NIS 276 million, compared to a negative free cash flow of NIS 23 million in the corresponding period.

yes Results

- Record growth in net subscribers of 3.6k in Q2 2022 with 4.6k new subscribers since the beginning of the year. Total subscribers as of June 30, 2022 reached 567k
- yes continues to be the largest IPTV operator in Israel with 291k subscribers, representing more than half of its total subscribers, of which 97k are STING TV subscribers
- Launch of a strategic agreement with Disney+ in mid June
- Stable revenues totaling NIS 632 million, EBITDA of NIS 104 million and net profit of NIS 12 million in the first half of 2022
- ARPU in Q2 2022 was NIS 184
- Positive free cash flow in the first half of 2022 reaching NIS 14 million

yes – Financial data	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>% change</u>	<u>H1 2022</u>	<u>H1 2021</u>	<u>% change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	316	315	0.3%	632	630	0.3%
Operating profit	(2)	22		8	16	(50.0%)
EBITDA	44	67	(34.3%)	104	122	(14.8%)
Adjusted EBITDA ¹	46	68	(32.4%)	106	122	(13.1%)
Adjusted EBITDA margin	14.6%	21.6%		16.8%	19.2%	
Net profit	2	18	(88.9%)	12	18	(33.3%)
Cash flows from operating activities	43	56	(23.2%)	121	118	2.5%
CapEx (gross)	49	43	14.0%	96	86	11.6%
Free cash flow ²	(12)	7		14	20	(30.0%)

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	<u>Q2 2022</u>	<u>Q1 2022</u>	<u>Q2 2021</u>
Total number of subscribers (end of the period, in thousands) ¹	567	564	560
IP subscribers ²	280	253	173
Average revenue per user (ARPU, NIS) ³	184	186	186
Churn rate (%) ⁴	2.9%	3.7%	3.7%

¹ 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.

² The rate of yes subscribers using yes+ and STINGTV services broadcast via the Internet is approximately 47% of all yes subscribers as of the date of approval of the reports. 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 and revenues from terminal equipment) 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 were NIS 316 million, up 0.3%.

Operating expenses were NIS 316 million, up 7.8%, mainly due to higher content expenses.

Reported EBITDA was NIS 44 million, a decrease of 34.3%. **Adjusted EBITDA** was NIS 46 million (Adjusted EBITDA margin of 14.6%), a decrease of 32.4%. Adjusted EBITDA in the first half of 2022 was NIS 106 million, down 13.1% (Adjusted EBITDA margin of 16.8%).

Net profit was NIS 2 million, compared to NIS 18 million in the corresponding quarter. Net profit in the first half of 2022 was NIS 12 million, compared to NIS 18 in the corresponding period.

Negative Free cash flow was NIS 12 million, compared to a positive free cash flow of NIS 7 million in the corresponding quarter. Free cash flow in the first half of 2022 was NIS 14 million, down 30.0%.

Bezeq International Results

- Revenues amounted to NIS 302 million, a 2.6% decrease
- Net profit increased 36.4% to NIS 15 million
- Free cash flow in the first half of 2022 grew to NIS 78 million
- Continued growth in cloud services and data centers in growing and developing markets

Bezeq International – Financial data	Q2 2022	Q2 2021	% change	H1 2022	H1 2021	% change
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	302	310	(2.6%)	609	622	(2.1%)
Operating profit	17	16	6.3%	13	8	62.5%
EBITDA	46	62	(25.8%)	80	103	(22.3%)
Adjusted EBITDA ¹	46	62	(25.8%)	81	104	(22.1%)
Adjusted EBITDA margin	15.2%	20.0%		13.3%	16.7%	
Net profit	15	11	36.4%	10	3	233.3%
Cash flows from operating activities	37	26	42.3%	149	87	71.3%
CapEx (gross)	28	28	0.0%	54	58	(6.9%)
Free cash flow ²	1	(10)		78	13	500.0%

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 compensation

Revenues were NIS 302 million, down 2.6%, primarily due to a decrease in revenues from Internet services (ISP) as a result of a decrease in subscribers following the removal of the separation between Internet infrastructure and ISP as of April 2022, a decrease in the sale of communication equipment to businesses as a result of supply chain delays worldwide as well as lower international long distance revenues. The decrease was partially offset by an increase in revenues from business services.

Operating expenses decreased by NIS 9 million, or 3.1%, to NIS 285 million, primarily due to changes in the consumer segment activity as well as a decrease in depreciation expenses.



Reported EBITDA amounted to NIS 46 million, down 25.8%. **Adjusted EBITDA** (Adjusted EBITDA margin – 15.2%) was similar to reported EBITDA. Adjusted EBITDA in the first half of 2022 was NIS 81 million, down 22.1% (Adjusted EBITDA margin – 13.3%).

Net profit was NIS 15 million, up 36.4%. Net profit in the first half of 2022 was NIS 10 million, up 233.3%. The increase in net profit was mainly due to lower depreciation expenses.

Free cash flow improved by NIS 11 million to positive NIS 1 million, compared to a negative free cash flow of NIS 10 million in the corresponding quarter. The improvement was due to changes in working capital including a decrease in trade receivables due to changes in the payment schedule from credit card companies. Free cash flow in the first half of 2022 was NIS 78 million, up 500.0%, mainly due to timing differences in customer debt collection due to employee sanctions in the second half of 2021.



Conference Call & Webcast Information

Bezeq will conduct its Second Quarter Earnings 2022 webcast call on Wednesday, August 10, 2022, at 8:00 AM EST /3:00 PM Israel time, hosted by Mr. Gil Sharon, Bezeq's Chairman, Mr. Ran Guron, Bezeq's CEO and Mr. Tobi Fischbein, Bezeq's Chief Financial Officer. Participants are invited to join the webcast by clicking <https://us06web.zoom.us/j/88564368060>

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 domestic and international cellular phone services, broadband Internet, other data communications, cloud and digital services, satellite and Internet-based multi-channel TV, and corporate networks.

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

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

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Press Release

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Income

	Six months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues	4,480	4,421	2,225	2,200	8,821
Costs of activity					
General and operating expenses	1,661	1,628	834	797	3,257
Salaries	941	947	467	467	1,882
Depreciation, amortization, and impairment losses	906	941	458	465	1,889
Other operating expenses (income), net	49	(150)	3	2	(77)
Total operating expenses	3,557	3,366	1,762	1,731	6,951
Operating profit	923	1,055	463	469	1,870
Financing expenses (income)					
Financing expenses	235	166	116	92	349
Financing income	(83)	(31)	(49)	(8)	(44)
Financing expenses, net	152	135	67	84	305
Profit before income tax	771	920	396	385	1,565
Income tax	182	218	89	91	382
Profit for the period	589	702	307	294	1,183
Basic and diluted earnings per share (in NIS)	0.21	0.25	0.11	0.11	0.43



Press Release

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Financial Position

	June 30, 2022	June 30, 2021	December 31, 2021
	(Unaudited)	(Unaudited)	(Audited)
Assets	NIS million	NIS million	NIS million
Cash and cash equivalents	994	907	973
Investments	1,383	739	954
Trade receivables	1,461	1,661	1,859
Other receivables	365	195	279
Inventory	92	82	74
Total current assets	4,295	3,584	4,139
Trade and other receivables	436	513	433
Broadcasting rights	62	60	60
Right-of-use assets	1,797	1,786	1,828
Fixed assets	6,459	6,267	6,312
Intangible assets	923	938	912
Deferred expenses and non-current investments	231	323	226
Deferred tax assets	-	42	24
Total non-current assets	9,908	9,929	9,795
Total assets	14,203	13,513	13,934



Press Release

"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Financial Position (Contd.)

	June 30, 2022	June 30, 2021	December 31, 2021
	(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	NIS million	NIS million	NIS million
Debentures, loans and borrowings	959	743	980
Current maturities of liabilities for leases	466	432	466
Trade and other payables	1,748	1,567	1,748
Employee benefits	390	462	510
Provisions	172	84	69
Total current liabilities	3,735	3,288	3,773
Loans and debentures	7,055	7,569	7,082
Liability for leases	1,477	1,477	1,511
Employee benefits	211	226	243
Derivatives and other liabilities	140	273	142
Liabilities for deferred taxes	57	40	38
Provisions	43	49	49
Total non-current liabilities	8,983	9,634	9,065
Total liabilities	12,718	12,922	12,838
Total equity	1,485	591	1,096
Total liabilities and equity	14,203	13,513	13,934



"Bezeq" The Israel Telecommunication Corp., Limited

Condensed Consolidated Interim Statements of Cash Flows

	Six months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from operating activities					
Profit for the period	589	702	307	294	1,183
Adjustments:					
Depreciation, amortization, and impairment losses	906	941	458	465	1,889
Financing expenses, net	182	141	76	85	324
Capital loss (gain), net	3	(127)	1	(2)	(175)
Stock-based compensation	4	16	-	8	27
Income tax expenses	182	218	89	91	382
Change in trade and other receivables	344	(47)	126	12	(229)
Change in inventory	(29)	(15)	8	3	(19)
Change in trade and other payables	(19)	(158)	(108)	(184)	(41)
Change in provisions	28	(32)	(15)	(3)	(47)
Change in employee benefits	(112)	(130)	(29)	(93)	(65)
Change in other liabilities	(8)	3	(6)	1	(5)
Net income tax paid	(102)	(218)	(35)	(83)	(385)
Net cash from operating activities	1,968	1,294	872	594	2,839



"Bezeq" The Israel Telecommunication Corp., Limited

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

	Six months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows for investing activities					
Purchase of fixed assets	(673)	(679)	(338)	(323)	(1,328)
Investment in intangible assets and deferred expenses	(184)	(197)	(89)	(95)	(363)
Investment in bank deposits	(1,179)	(715)	(770)	(204)	(1,031)
Proceeds from bank deposits	772	600	273	126	800
Proceeds from the sale of fixed assets	21	184	6	1	278
Miscellaneous	6	5	8	2	(2)
Net cash used for investing activities	(1,237)	(802)	(910)	(493)	(1,646)



"Bezeq" The Israel Telecommunication Corp., Limited

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

	Six months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited) NIS million	(Unaudited) NIS million	(Unaudited) NIS million	(Unaudited) NIS million	(Audited) NIS million
Cash flow from financing activities					
Issue of debentures and receipt of loans	300	-	300	-	695
Repayment of debentures and loans	(429)	(103)	(59)	(103)	(1,067)
Payments of principal and interest for leases	(203)	(194)	(92)	(92)	(387)
Interest paid	(112)	(128)	(103)	(123)	(254)
Dividends paid	(240)	-	(240)	-	-
Costs for early repayment of loans and debentures	(26)	-	-	-	(15)
Payments for hedging transactions	-	-	-	-	(30)
Miscellaneous	-	-	-	-	(2)
Net cash used for financing activities	(710)	(425)	(194)	(318)	(1,060)
Increase (decrease) in cash and cash equivalents, net	21	67	(232)	(217)	133
Cash and cash equivalents at beginning of period	973	840	1,226	1,124	840
Cash and cash equivalents at end of period	994	907	994	907	973