



BEZEQ GROUP REPORTS FOURTH QUARTER & FULL YEAR 2021 FINANCIAL RESULTS

Holon, Israel – March 23, 2022 – Bezeq – The Israel Telecommunication Corp., Ltd. (TASE: BEZQ), Israel's leading telecommunications provider, today announced its financial results for the three months and year ended December 31, 2021. Details regarding the investor conference call and webcast to be held today are included later in this press release.

Bezeq Group FY 2021 Financial Highlights

FY 2021 and Q4 2021 results in this earnings release are presented in comparison to the FY 2020 and Q4 2020 results unless stated otherwise.

- Revenues of NIS 8.82 billion, up 1.1% for the first yearly increase since 2016
- Adjusted net profit* totaled NIS 1.15 billion, up 0.9%
- Adjusted EBITDA* totaled NIS 3.71 billion, up 1.4%
- Capital expenditures totaled NIS 1.69 billion, or 19% of revenues, increasing 12.8% due to massive deployment of fiber optics infrastructure
- Free cash flow totaled NIS 1.04 billion, down 29.7%

* 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.

Gil Sharon, Bezeq Chairman, stated, "In 2021 we posted excellent financial results, mainly due to an improvement in the performance of Pelephone and yes, along with the continued increase in Bezeq Fixed-Line broadband Internet activity, resulting from the successful deployment of fiber optics. In addition, we reduced our net debt in 2021 by 10% to NIS 6.1 billion. The strong results together with robust cash flow generation and lower debt, allowed us to return to the distribution of dividends to our shareholders. Our dividend policy is to distribute to shareholders on a semi-annual basis, a cash dividend of 50% of the semi-annual net profit".

Sharon added, "Following our strategic plan, we managed to return to our growth path in 2021. Our financial results evidence the Group's strength and the ability of the group companies to develop and grow in the future. We recorded revenue growth as well as an increase in our profitability indices while increasing our investments 12.8% during 2021, promoting infrastructure and services deployment to ensure the continued leadership of the Bezeq Group."

Dudu Mizrahi, Bezeq CEO said, "After many years of continued revenue erosion, Bezeq Fixed-Line posted revenue growth in 2021 for the second consecutive year. Revenues from telephony services decreased together with a reduction in the regulated tariffs of wholesale broadband Internet. Despite these challenges, we posted revenue growth due to rapid growth in revenues from business



communications services, cloud services and retail broadband Internet services for residential customers. 2021 was marked by Bezeq's unprecedented deployment of fiber optics on a global scale. After years of regulatory delay, and after only one year since deployment launch, our fiber infrastructure already reaches 46% of Israeli households and we are already the largest owner of fiber infrastructure in Israel. As of today, 120,000 households are connected to our fiber infrastructure and our penetration rate is growing each quarter. In summary, we posted increases in revenues, operating and net profit, and concluded another strong year. At the same time, our capex increased significantly by 26.9% to NIS 1.15 billion, or approximately 28% of revenues. These investments in infrastructure will secure Bezeq's future by delivering a technological and service advantage."

Mizrahi added that, "For the first time, we have set ambitious ESG goals this year aiming at reducing our carbon footprint, together with promoting equality in the representation of women in management as well as increasing employment diversity. In the past two years, we have invested much effort in ESG, and just as we are focused on our business goals, we are also working to lead in corporate responsibility."

Ran Guron, CEO of Pelephone, Bezeq International and yes stated, "The past year was a turning point for Pelephone and yes. Pelephone returned to revenue growth after many years and yes recorded positive cash flow for the first time in several years. All three companies sum up a year of growth, along with the continuous decrease in operating expenses amounting to hundreds of millions of shekels.

Guron added, "We continued to strengthen our TV operations, recording for a second consecutive year subscriber growth and the transition to IP broadcasting with 250,000 IP subscribers, of which 88,000 are Sting TV subscribers. This trend will result in the coming weeks in establishing Bezeq as the largest IPTV player in Israel. In cellular, we continued to lead in 5G with over 590,000 subscribers already on 5G plans, and Bezeq International will continue to grow its business services and invest in cloud solutions. We have prepared ourselves in recent years to overcome the competitive challenges and ensure our resilience and future as the leader in the Israeli communications market."

Tobi Fischbein, Bezeq Group CFO, commented: "We met our group forecasts for 2021 by increasing revenues for the first time since 2016, which reached NIS 8.82 billion, along with a moderate increase in profitability. Together with a decent decrease in debt and an improvement in the net debt to EBITDA ratio from 2.1 in early 2021 to 1.8 at the end of the year, we aim to maintain our high debt rating, in the AA group. For the first time, along with the outlook for the coming year, we are publishing mid-term ambitions, aimed at reflecting our strategy goals and increasing transparency for investors and stakeholders in the company."

Bezeq Group Results (Consolidated)

| Bezeq Group (consolidated) | Q4 2021 | Q4 2020 | % change | FY 2021 | FY 2020 | % change |
|-------------------------------------|----------------|---------|----------|----------------|---------|----------|
| | (NIS millions) | | | (NIS millions) | | |
| Revenues | 2,258 | 2,203 | 2.5% | 8,821 | 8,723 | 1.1% |
| Operating profit | 356 | 296 | 20.3% | 1,870 | 1,455 | 28.5% |
| EBITDA | 838 | 759 | 10.4% | 3,759 | 3,292 | 14.2% |
| EBITDA margin | 37.1% | 34.5% | | 42.6% | 37.7% | |
| Adjusted EBITDA ¹ | 909 | 887 | 2.5% | 3,709 | 3,659 | 1.4% |
| Net profit | 197 | 174 | 13.2% | 1,183 | 796 | 48.6% |
| Adjusted net profit ¹ | 256 | 277 | (7.6%) | 1,154 | 1,144 | 0.9% |
| Diluted EPS (NIS) | 0.07 | 0.06 | 16.7% | 0.43 | 0.29 | 48.3% |
| Cash flow from operating activities | 631 | 950 | (33.6%) | 2,839 | 3,220 | (11.8%) |
| Payments for investments | 370 | 368 | 0.5% | 1,691 | 1,499 | 12.8% |
| Free cash flow ² | 254 | 613 | (58.6%) | 1,039 | 1,478 | (29.7%) |
| Net debt | 6,135 | 6,836 | (10.3%) | 6,135 | 6,836 | (10.3%) |

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

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

Revenues in 2021 were NIS 8.82 billion, up 1.1% primarily due to an increase in Telephone and Bezeq Fixed-Line revenues. The revenue increase was the first group revenue increase since 2016.

Salary expenses in 2021 were NIS 1.88 billion, down 0.5%, primarily due to decreases in Telephone, yes and Bezeq International following the continued reduction in headcount as part of their cost-efficiency programs. **Operating expenses** in 2021 were NIS 3.26 billion, up 2.6%, due to an increase in Bezeq Fixed-Line and Telephone, resulting mainly from the recognition of expenses for the universal fund for fiber deployment as well as an increase in sub-contractor expenses and in terminal equipment expenses in-line with the increase in revenues. **Depreciation expenses** in 2021 were NIS 1.89 billion, up 2.8%, mainly due to an increase in CapEx in Bezeq Fixed-Line. **Other income** in 2021 amounted to NIS 77 million compared to other expenses of NIS 74 million in 2020, primarily due to an increase in capital gains from the sale of real estate in Bezeq Fixed-Line.

Non-adjusted profitability metrics were impacted by the NIS 293 million impairment in assets recorded in 2020 in Bezeq International.

Reported EBITDA amounted to NIS 3.76 billion (EBITDA margin of 42.6%), up 14.2%. **Adjusted EBITDA** was NIS 3.71 billion, up 1.4% (Adjusted EBITDA margin of 42.1%).

Reported net profit amounted to NIS 1.18 billion, up 48.6%. **Adjusted net profit** was NIS 1.15 billion, up 0.9%.

Free cash flow was NIS 1.04 billion, decreasing 29.7% primarily due to the increase in CapEx as well as changes in working capital.

Net financial debt of the Group amounted to NIS 6.14 billion as of December 31, 2021, compared to NIS 6.84 billion as of December 31, 2020. As of December 31, 2021, the Group's net financial debt to adjusted EBITDA ratio was 1.8, compared to 2.1 as of December 31, 2020.

Dividends

The Company's Board of Directors decided to approve a new dividend distribution policy, according to which the Company will distribute to its shareholders on a semi-annual basis, a cash dividend of 50% of the semi-annual profit (after tax) according to the Company's consolidated financial statements, commencing from the upcoming distribution (for the second half of 2021).

Further to the dividend policy, the Company's Board of Directors decided to recommend to the General Meeting of Shareholders a dividend distribution in a total amount of NIS 240 million, which as of the date of passing this resolution constitute NIS 0.09 per share. The effective date and the ex-dividend date shall be on May 9, 2022. The payment day shall be on May 16, 2022.



Press Release

2022 Outlook

Based on the information known to the Bezeq Group today, the Group's Outlook for 2022 and mid-term ambitions are as follows:

| | 2022 Outlook | Mid-term Ambitions |
|--|--|---|
| Adjusted net profit⁽¹⁾ | NIS 1.0-1.1 billion | |
| Adjusted EBITDA⁽¹⁾ | NIS 3.6-3.7 billion | Stable adj. EBITDA with 41%-43% margin |
| CapEx⁽²⁾ | NIS 1.7-1.8 billion | Stable CapEx and CapEx/Sales through 2024; gradual reduction thereafter |
| Free Cash Flow⁽³⁾ | | Mid-single digit growth (CAGR) |
| Fiber deployment (Homes Passed) | 1.4 million | 2.1 million |
| Financial stability | Maintain credit rating within the AA group | |

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

The Company shall report, as required, deviations of more/less than 5% of the amounts stated in the outlook. The Company does not undertake to update on a regular basis or otherwise its ambitions or such and other changes that will apply to the ambitions or actual results in relation to the ambitions.

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

The Group's forecasts 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 and in the mid-term, as relevant. Actual results may differ from these estimates considering changes that may occur in the future business conditions, and the effects of regulatory decisions, technology changes and developments in the structure of the telecommunications market, and so forth, as well as the realization of one or more of the risk factors listed in the Periodic Report of 2021. 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.

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

Bezeq Fixed-Line Results

- A year after its launch, the company's fiber optic network already reaches 1.17 million households in Israel with 120 thousand connected subscribers
- Revenues increased moderately due to the rapid increase in revenues from transmission and data communications and cloud & digital services, and in spite of the continued decrease in telephony revenues. Stable revenues from broadband Internet services due to the increase in retail broadband Internet revenues, and despite the sharp reduction in wholesale tariffs
- Retail broadband ARPU continued to grow and reached NIS 109 in the fourth quarter of 2021, mainly due to the uptake of fiber services and the continued implementation of Bezeq's customer premises strategy, through the increased penetration of Be routers and Wi-Fi enhancers
- Retail broadband Internet lines grew for the second consecutive year
- Average broadband speed in 2021 grew 75% year-over-year to 129.6 Mbps

| Bezeq Fixed-Line - Financial data | <u>Q4 2021</u> | <u>Q4 2020</u> | <u>%</u> <u>change</u> | <u>FY 2021</u> | <u>FY 2020</u> | <u>%</u> <u>change</u> |
|--|-----------------------|----------------|---------------------------|-----------------------|----------------|---------------------------|
| | <i>(NIS millions)</i> | | | <i>(NIS millions)</i> | | |
| Total revenues | 1,052 | 1,055 | (0.3%) | 4,182 | 4,159 | 0.6% |
| Broadband Internet revenues | 416 | 417 | (0.2%) | 1,624 | 1,622 | 0.1% |
| Telephony revenues | 222 | 248 | (10.5%) | 913 | 1,008 | (9.4%) |
| Transmission and data revenues | 273 | 266 | 2.6% | 1,087 | 1,011 | 7.5% |
| Cloud & digital services revenues | 80 | 75 | 6.7% | 318 | 288 | 10.4% |
| Other revenues | 61 | 49 | 24.5% | 240 | 230 | 4.3% |
| Operating profit | 358 | 356 | 0.6% | 1,748 | 1,705 | 2.5% |
| EBITDA | 603 | 581 | 3.8% | 2,686 | 2,582 | 4.0% |
| EBITDA margin | 57.3% | 55.1% | | 64.2% | 62.1% | |
| Adjusted EBITDA ² | 636 | 660 | (3.6%) | 2,596 | 2,650 | (2.0%) |
| Net profit ¹ | 206 | 216 | (4.6%) | 1,063 | 1,040 | 2.2% |
| Cash flows from operating activities | 593 | 600 | (1.2%) | 2,024 | 2,106 | (3.9%) |
| Payments for investments (gross) | 244 | 237 | 3.0% | 1,155 | 910 | 26.9% |
| Free cash flow ³ | 404 | 455 | (11.2%) | 1,026 | 1,231 | (16.7%) |

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

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

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

| Bezeq Fixed-Line - KPIs | <u>Q4 2021</u> | <u>Q3 2021</u> | <u>Q4 2020</u> |
|---|----------------|----------------|----------------|
| Total broadband Internet lines (retail and wholesale, end of period, in thousands) ¹ | 1,524 | 1,524 | 1,556 |
| Retail broadband Internet lines (end of period, in thousands) ¹ | 1,023 | 1,014 | 999 |
| Wholesale broadband Internet lines (end of period, in thousands) ¹ | 501 | 510 | 557 |
| Average monthly revenue per broadband Internet subscriber (NIS) - Retail ² | 109 | 107 | 102 |
| Average broadband speed per subscriber (Mbps) | 129.6 | 104.2 | 74.2 |
| Active telephony subscriber lines (end of period, in thousands) ³ | 1,583 | 1,602 | 1,639 |
| Average monthly revenue per line (NIS) ⁴ | 46 | 46 | 50 |
| Churn rate (%) ⁵ | 2.8% | 2.4% | 3.2% |
| Outgoing minutes (millions) | 811 | 782 | 1,004 |
| Incoming minutes (millions) | 1,096 | 1,152 | 1,326 |

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 in 2021 increased 0.6% to NIS 4.18 billion representing the second consecutive year of increased revenues. The increase was due to an increase in all revenue items partially offset by a decrease in telephony revenues due to the moderating effect of COVID-19.

Salary expenses in 2021 were NIS 934 million, up 1.6% due to the recruitment of employees for the fiber project and the recognition of stock-based compensation, among other factors. **Operating expenses** totaled NIS 667 million, increasing 13.1% primarily due to recognition of expenses for the universal fund for fiber deployment as well as an increase in sub-contractor expenses and terminal equipment expenses in-line with the increase in revenues. **Depreciation expenses** in 2021 were NIS 938 million, up 7.0% due to the increase in CapEx, among other factors. **Other income** in 2021 amounted to NIS 105 million, compared to other expenses of NIS 68 million in 2020. Other income was positively impacted by an increase in capital gains from the sale of real estate, an update to the provision for legal claims and a one-time grant to employees in 2020.

EBITDA in 2021 was NIS 2.69 billion (EBITDA margin of 64.2%), up 4.0%.



Press Release

Net profit in 2021 amounted to NIS 1.06 billion, up 2.2%. The increase was primarily due to the aforementioned changes in revenues and expenses and a decrease of 15.1% in financing expenses due to the decrease in fees for the early repayment of debt as well as the decrease in interest expense due to the repayment of loans and debentures.

Free cash flow in 2021 was NIS 1.03 billion, down 16.7% primarily due to increased CapEx related to the deployment of fiber optics.

Telephone Results

- Telephone posted excellent results with revenue growth for the first time in many years alongside improved profitability and subscriber growth for the sixth year in a row
- Net profit in 2021 was NIS 64 million compared to a loss of NIS 25 million in 2020. EBITDA increased 20.2% to NIS 619 million
- Continued growth in net subscriber adds – 29k subscribers were added in Q4 2021 and 134k in the full year 2021. This is the sixth consecutive year of subscriber growth. Continuous growth in 5G subscribers which reached 590k as of today
- Total revenues in 2021 increased 4.7% to NIS 2.29 billion. Revenues from cellular services grew 3.2% to NIS 1.64 billion due to the partial recovery from COVID, a partial return of flights abroad and roaming service revenues as well as growth in the number of post-paid subscribers, including subscribers with 5G plans.
- ARPU in Q4 2021 was stable at NIS 55, compared to the prior and corresponding quarters

| Telephone - Financial data | Q4 2021 | Q4 2020 | % | FY 2021 | FY 2020 | % |
|--------------------------------------|----------------|---------|---------|----------------|---------|----------|
| | (NIS millions) | | | (NIS millions) | | |
| | | | change | | | change |
| Total revenues | 602 | 533 | 12.9% | 2,289 | 2,186 | 4.7% |
| Service revenues | 424 | 396 | 7.1% | 1,642 | 1,591 | 3.2% |
| Equipment revenues | 178 | 137 | 29.9% | 647 | 595 | 8.7% |
| Operating profit (loss) | 8 | (36) | | 42 | (84) | |
| EBITDA | 155 | 115 | 34.8% | 619 | 515 | 20.2% |
| EBITDA margin | 25.7% | 21.6% | | 27.0% | 23.6% | |
| Adjusted EBITDA ² | 168 | 136 | 23.5% | 632 | 533 | 18.6% |
| Net profit (loss) | 13 | (12) | | 64 | (25) | |
| Cash flows from operating activities | 19 | 241 | (92.1%) | 425 | 697 | (39.0%) |
| Payments for investments (gross) | 55 | 81 | (32.1%) | 254 | 319 | (20.4%) |
| Free cash flow ¹ | (89) | 113 | | (47) | 149 | (131.5%) |

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

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

| Pelephone - KPIs | <u>Q4 2021</u> | <u>Q3 2021</u> | <u>Q4 2020</u> |
|---|----------------|----------------|----------------|
| Total subscribers (end of period, in thousands) ¹ | 2,576 | 2,547 | 2,442 |
| Postpaid subscribers (end of period, in thousands) ¹ | 2,096 | 2,074 | 2,004 |
| Prepaid subscribers (end of period, in thousands) ¹ | 480 | 473 | 438 |
| Average revenue per user (ARPU, NIS) ² | 55 | 55 | 55 |
| Churn rate ³ | 5.8% | 5.5% | 5.9% |

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 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.

² 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.

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.

Total revenues in 2021 increased 4.7% to NIS 2.29 billion. Total revenues in the fourth quarter of 2021 increased 12.9% to NIS 602 million.

Revenues from services in 2021 were NIS 1.64 billion, up 3.2%, primarily due to a partial recovery from the effects of COVID-19, which resulted in an increase in roaming revenues although still far from reaching 2019 levels. The increase was partially offset by lower revenues from incoming calls. In addition, there was an increase in postpaid subscribers, including subscribers on 5G plans. Revenues from services in the fourth quarter of 2021 increased 7.1% to NIS 424 million.

Revenues from equipment sales in 2021 increased 8.7% to NIS 647 million, due to the increase in retail sales following the launching of new handset models. Revenues from equipment sales in the fourth quarter of 2021 were NIS 178 million, up 29.9%.

Operating expenses in 2021 were NIS 2.25 billion, down 1.0%.

EBITDA in 2021 was NIS 619 million (EBITDA margin of 27.0%), up 20.2%. EBITDA in the fourth quarter of 2021 increased 34.8% to NIS 155 million (EBITDA margin of 25.7%).

Net profit in 2021 was NIS 64 million, compared to a loss of NIS 25 million in 2020. Net profit in the fourth quarter of 2021 was NIS 13 million, compared to a loss of NIS 12 million in the corresponding quarter.

Negative free cash flow in 2021 was NIS 47 million, compared to positive free cash flow of NIS 149 million in 2020. The decrease was primarily due to employee sanctions that resulted in non-collection of debts from customers for several months. The amounts are expected to be collected during 2022.

yes Results

- Turnaround year in yes with move to positive cash flow, an increase in net profit and growth in the number of subscribers for the second consecutive year
- Continued subscriber growth with 5,300 net subscribers added in 2021. IP subscribers were 44% of total subscribers, or 250 thousand, of which 88 thousand were StingTV subscribers
- Revenues in 2021 amounted to NIS 1.27 billion, down 1.3%
- Net profit in 2021 was NIS 30 million, compared to NIS 24 million in 2020
- Free cash flow in 2021 amounted to NIS 29 million, compared to negative free cash flow of NIS 4 million in 2020
- ARPU in Q4 2021 grew NIS 2 sequentially, to NIS 190

| yes - Financial data | <u>Q4 2021</u> | <u>Q4 2020</u> | <u>% change</u> | <u>FY 2021</u> | <u>FY 2020</u> | <u>% change</u> |
|--------------------------------------|-----------------------|----------------|-----------------|-----------------------|----------------|-----------------|
| | <i>(NIS millions)</i> | | | <i>(NIS millions)</i> | | |
| Revenues | 322 | 317 | 1.6% | 1,270 | 1,287 | (1.3%) |
| Operating profit | (14) | (11) | 27.3% | 32 | 39 | (17.9%) |
| EBITDA | 38 | 48 | (20.8%) | 235 | 242 | (2.9%) |
| EBITDA margin | 11.8% | 15.1% | | 18.5% | 18.8% | |
| Adjusted EBITDA ² | 50 | 45 | 11.1% | 247 | 227 | 8.8% |
| Net profit | (17) | (24) | (29.2%) | 30 | 24 | 25.0% |
| Cash flows from operating activities | 42 | 14 | 200.0% | 233 | 163 | 42.9% |
| Payments for investments (gross) | 55 | 26 | 111.5% | 180 | 142 | 26.8% |
| Free cash flow ¹ | (20) | (18) | 11.1% | 29 | (4) | |

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

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

| yes - KPIs | <u>Q4 2021</u> | <u>Q3 2021</u> | <u>Q4 2020</u> |
|--|----------------|----------------|----------------|
| Total number of subscribers (end of period, in thousands) ¹ | 563 | 560 | 557 |
| IP subscribers ² | 226 | 198 | 120 |
| Average revenue per user (ARPU, NIS) ³ | 190 | 188 | 186 |
| Churn rate (%) ⁴ | 3.4% | 3.7% | 4.9% |

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. 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 40% of all subscribers. This rate also includes subscribers who use satellite services simultaneously.

² The rate of yes subscribers using yes + and STINGTV services broadcast via the Internet is approximately 44% of all yes subscribers. 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 in the period.

Revenues in 2021 were NIS 1.27 billion, down 1.3%, primarily due to a decrease in the average revenue per subscriber, as a result of a change in the mix of subscribers from premium to discount, as well as a decrease in revenue from the sale of content. Revenues in the fourth quarter of 2021 were NIS 322 million, up 1.6%.

Salary expenses in 2021 were NIS 188 million, down 7.4%, due to a decrease in headcount as part of the cost-efficiency plan. **Operating expenses** in 2021 were NIS 835 million, down 2.6%, primarily due to a decrease in content expenses. **Other expenses** in 2021 were NIS 12 million, compared to income of NIS 15 million in 2020. In 2021, an expense was recorded for the new collective employee agreement and 2020 included income in respect of a settlement agreement with a supplier and an update to the provision for the early retirement of employees.

EBITDA in 2021 amounted to NIS 235 million (EBITDA margin of 18.5%), down 2.9%.

Net profit in 2021 increased 25.0% to NIS 30 million.

Free cash flow in 2021 was NIS 29 million, compared to negative free cash flow of NIS 4 million in 2020. The increase was primarily due to an increase in profitability and changes in working capital.

Bezeq International Results

- Bezeq International continues to grow in business services with an increase in cloud activity, business applications and data centers in a growing and developing market
- Revenues amounted to NIS 1.24 billion, a 2.7% decrease
- EBITDA was NIS 195 million compared to negative EBITDA of NIS 92 million in 2020. Net profit was NIS 8 million compared to a net loss of NIS 275 million in 2020. The prior year was impacted by a one-time impairment loss of NIS 307 million

| Bezeq International | <u>Q4 2021</u> | <u>Q4 2020</u> | <u>%</u> | <u>FY 2021</u> | <u>FY 2020</u> | <u>%</u> |
|--------------------------------------|-----------------------|----------------|---------------|-----------------------|----------------|---------------|
| | <i>(NIS millions)</i> | | | <i>(NIS millions)</i> | | |
| | | | <u>change</u> | | | <u>change</u> |
| Revenues | 328 | 325 | 0.9% | 1,237 | 1,271 | (2.7%) |
| Operating profit | 1 | (22) | | 22 | (241) | |
| EBITDA | 41 | 4 | 925.0% | 195 | (92) | |
| EBITDA margin | 12.5% | 1.2% | | 15.8% | (7.2%) | |
| Adjusted EBITDA ² | 49 | 35 | 40.0% | 203 | 221 | (8.1%) |
| Net profit | (5) | (13) | (61.5%) | 8 | (275) | |
| Cash flows from operating activities | (52) | 75 | | 131 | 230 | (43.0%) |
| Payments for investments (gross) | 15 | 21 | (28.6%) | 100 | 116 | (13.8%) |
| Free cash flow ¹ | (73) | 47 | | - | 84 | |

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

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

Revenues in 2021 were NIS 1.24 billion, down 2.7% primarily due to a decrease in Internet revenues, international call revenues and revenues from the sale of communication equipment to businesses as a result of the supply chain delays worldwide, the effect of COVID-19 and the effect of labor sanctions from August-November 2021. The decrease was partially offset by an increase in business services.

Salary expenses in 2021 were NIS 237 million, down 4.4% due to the continued reduction in headcount as part of the cost-efficiency program. **Operating expenses** in 2021 were NIS 799 million, down 0.4% primarily due to a decrease in the sales of communication equipment to businesses in-line with the reduction in revenues. **Other expenses** in 2021 were NIS 6 million compared to NIS 313 million in 2020 due to the recognition of a one-time impairment in assets of NIS 307 million in 2020.

EBITDA amounted to NIS 195 million (EBITDA margin of 15.8%), compared to negative EBITDA of NIS 92 million in 2020. EBITDA was impacted by the recognition of a one-time impairment in assets of NIS 307 million in 2020.

Net profit in 2021 was NIS 8 million, compared to a net loss of NIS 275 million in 2020. Net profit was impacted by the recognition of the aforementioned one-time impairment in assets as well as the cancellation of a tax asset of NIS 30 million in 2020.

Free cash flow was break even, compared to NIS 84 million in 2020. The decrease was primarily due to employee sanctions that resulted in non-collection of debts from customers for several months. The amounts are expected to be collected during 2022.



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 March 23, 2022, at 4:30 PM Israel Time / 10:30 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.ir.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, March 29, 2022. 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



Press Release

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. 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.

Investor Relations Contact:

Mr. Naftali Sternlicht
Bezeq
Phone: +972-2-539-5441
Email: ir@bezeq.co.il

Media Relations Contact:

Mr. Guy Hadass
Bezeq
Phone: +972-3-626-2600
Email: pr@bezeq.co.il

"Bezeq" The Israel Telecommunication Corp., Limited

Consolidated Statements of Income for the Year Ended December 31

| | 2021 | 2020 | 2019 |
|--|--------------|--------------|----------------|
| | NIS million | NIS million | NIS million |
| Revenues | 8,821 | 8,723 | 8,929 |
| Costs of activity | | | |
| General and operating expenses | 3,257 | 3,173 | 3,308 |
| Salaries | 1,882 | 1,891 | 1,933 |
| Depreciation, amortization, and impairment losses | 1,889 | 1,837 | 1,912 |
| Impairment loss | - | 293 | 1,147 |
| Other operating expenses (income), net | (77) | 74 | (221) |
| Total operating expenses | 6,951 | 7,268 | 8,079 |
| Operating profit | 1,870 | 1,455 | 850 |
| Financing expenses | | | |
| Financing expenses | 349 | 416 | 624 |
| Financing income | (44) | (45) | (75) |
| Financing expenses, net | 305 | 371 | 549 |
| Profit after financing expenses, net | 1,565 | 1,084 | 301 |
| Share in losses of equity-accounted investees | - | - | (2) |
| Profit before income tax | 1,565 | 1,084 | 299 |
| Income tax | 382 | 288 | 1,493 |
| Profit (loss) for the period | 1,183 | 796 | (1,194) |
| Basic and diluted earnings per share (in NIS) | 0.43 | 0.29 | (0.43) |



Press Release

"Bezeq" The Israel Telecommunication Corp., Limited

Consolidated Statements of Financial Position as at December 31

| Assets | 2021 NIS million | 2020 NIS million |
|---|-----------------------------|-----------------------------|
| Cash and cash equivalents | 973 | 840 |
| Investments | 954 | 724 |
| Trade receivables | 1,859 | 1,621 |
| Other receivables | 279 | 178 |
| Inventory | 74 | 73 |
| Assets held for sale | - | 10 |
| Total current assets | 4,139 | 3,446 |
| Trade and other receivables | 433 | 514 |
| Broadcasting rights | 60 | 67 |
| Right-of-use assets | 1,828 | 1,804 |
| Fixed assets | 6,312 | 6,131 |
| Intangible assets | 912 | 929 |
| Deferred expenses and non-current investments | 226 | 242 |
| Deferred tax assets | 24 | 108 |
| Total non-current assets | 9,795 | 9,795 |
| Total assets | 13,934 | 13,241 |

"Bezeq" The Israel Telecommunication Corp., Limited

Consolidated Statements of Financial Position as at December 31 (Contd.)

| | 2021 | 2020 |
|--|---------------|---------------|
| Liabilities and equity | NIS million | NIS million |
| Debtures, loans and borrowings | 980 | 786 |
| Current maturities of liabilities for leases | 466 | 415 |
| Trade and other payables | 1,748 | 1,759 |
| Employee benefits | 510 | 482 |
| Provisions | 69 | 117 |
| Total current liabilities | 3,773 | 3,559 |
| Loans and debtures | 7,082 | 7,614 |
| Liability for leases | 1,511 | 1,492 |
| Employee benefits | 243 | 335 |
| Derivatives and other liabilities | 142 | 307 |
| Liabilities for deferred taxes | 38 | 32 |
| Provisions | 49 | 52 |
| Total non-current liabilities | 9,065 | 9,832 |
| Total liabilities | 12,838 | 13,391 |
| Total equity (deficit) | 1,096 | (150) |
| Total liabilities and equity | 13,934 | 13,241 |



Press Release

"Bezeq" The Israel Telecommunication Corp., Limited

Consolidated Statements of Cash Flows for the Year Ended December 31

| | 2021 | 2020 | 2019 |
|---|--------------|-------------|-------------|
| | NIS million | NIS million | NIS million |
| Cash flows from operating activities | | | |
| Profit (loss) for the period | 1,183 | 796 | (1,194) |
| Adjustments: | | | |
| Depreciation and amortization | 1,889 | 1,837 | 1,912 |
| Impairment loss of assets | - | 293 | 1,147 |
| Capital gain, net | (175) | (40) | (508) |
| Share in losses of equity-accounted investees | - | - | 2 |
| Financing expenses, net | 324 | 403 | 497 |
| Stock-based compensation | 27 | - | - |
| Income tax expenses | 382 | 288 | 1,493 |
| Change in trade and other receivables | (229) | 57 | 103 |
| Change in inventory | (19) | 13 | (19) |
| Change in trade and other payables | (41) | 17 | (77) |
| Change in provisions | (47) | (8) | (49) |
| Change in employee benefits | (65) | (192) | (50) |
| Change in other liabilities | (5) | (1) | (8) |
| Net income tax paid | (385) | (243) | (325) |
| Net cash from operating activities | 2,839 | 3,220 | 2,924 |

"Bezeq" The Israel Telecommunication Corp., Limited

Consolidated Statements of Cash Flows for the Year Ended December 31 (Cont'd)

| | 2021 | 2020 | 2019 |
|--|----------------|--------------|--------------|
| | NIS million | NIS million | NIS million |
| Cash flow used for investing activities | | | |
| Purchase of fixed assets | (1,328) | (1,133) | (1,095) |
| Investment in intangible assets and deferred expenses | (363) | (366) | (382) |
| Investment in bank deposits and securities | (1,031) | (1,335) | (2,067) |
| Proceeds from bank deposits and others | 800 | 1,786 | 2,297 |
| Proceeds from the sale of fixed assets | 278 | 148 | 76 |
| Sale of Walla, net | - | 44 | - |
| Proceeds from the sale of the "Sakia" complex | - | - | 328 |
| Payment of permit fees and taxes to the authorities in connection with the sale of the "Sakia" complex | - | - | (69) |
| Miscellaneous | (2) | 17 | 29 |
| Net cash used in investing activities | (1,646) | (839) | (883) |



Press Release

"Bezeq" The Israel Telecommunication Corp., Limited

Consolidated Statements of Cash Flows for the Year Ended December 31 (Cont'd)

| | 2021 | 2020 | 2019 |
|--|----------------|----------------|----------------|
| | NIS million | NIS million | NIS million |
| Cash flows from financing activities | | | |
| Issue of debentures and receipt of loans | 695 | 718 | 1,865 |
| Repayment of debentures and loans | (1,067) | (1,828) | (3,447) |
| Payments of principal and interest for leases | (387) | (391) | (414) |
| Interest paid | (254) | (314) | (392) |
| Costs for early repayment of loans and | (15) | (65) | (93) |
| Payment for hedging transactions | (30) | (57) | (46) |
| Miscellaneous | (2) | (4) | (4) |
| Net cash used for financing activities | (1,060) | (1,941) | (2,531) |
| Increase (decrease) in cash and cash equivalents, net | | | |
| | 133 | 440 | (490) |
| Cash and cash equivalents as at January 1 | 840 | 400 | 890 |
| Cash and cash equivalents as at the end of the year | 973 | 840 | 400 |