

"Bezeq" The Israel Telecommunication Corp., Ltd.**Event Transcript****Q1 2023 Financial Results**

Wednesday, May 17th, 2023, 15:00 Israel Time

DISCLAIMER

This document includes a transcript of the conference call held on the above date regarding the Company's financial results for the second quarter of 2020, following the publication of the Company's financial statements at that date, as well as the publication of the Company's investor presentation filed under the Israeli Securities Law 1968 ("Securities Law").

This document includes statements made at that conference call and accordingly contains only partial information regarding the Company's financial results and the Company's periodic reports published under the Securities Law. The reports can be accessed at the Israeli Securities Authority's website, www.magna.isa.gov.il. A review of this transcript and/or the aforementioned investor presentation published by the Company is not a substitute for a review of the detailed reports of the Company under the Securities Law and is not meant to replace or qualify the full reports. The Company is not responsible for the accuracy or completeness of the information contained in this document. This transcript does not constitute an offer or invitation to purchase or subscribe for any securities of the Company, and neither this transcript nor anything contained herein shall form the basis of, or be relied upon in connection with any contract or commitment whatsoever.

Q1 2023 Financial Results

Tobi Fischbein: Welcome everyone, and thank you for joining us on Bezeq's 2023 first-quarter earnings call. I am Tobi Fischbein, Bezeq Group CFO. With us from the Bezeq Group's senior management team are Mr. Gil Sharon, Bezeq's Chairman, Mr. Ran Guron, Bezeq's CEO, and Mr. Ilan Sigal, CEO of Pelephone and yes.

Before we start, I would like to draw your attention to the Safe Harbor statement on Slide 2 of our Q1-2023 investor presentation, which also applies to any statement made during today's call. We would like to inform you that this event is being recorded. After presenting our quarterly results we will have a questions and answer session. Let me now turn the call over to our Chairman, Mr. Gil Sharon, for his opening remarks. After his introduction, I will continue the presentation of our group financial highlights, followed by Ran, who will discuss Bezeq Fixed Line results, and Ilan who will address the results of Pelephone and yes.

Gil Sharon: Thank you, Tobi. Let's start on **Slide 3**. We are proud to announce that for the first quarter of 2023, we have achieved two record-breaking results. In terms of revenue, we showed growth in all key group companies, leading to our best quarterly revenue result since 2018. We also had a record quarter in fiber take-up in both retail and wholesale subscribers.

yes revenues continued to grow, as it successfully markets its' TV and fiber bundle, and Disney+ package. Pelephone continued to grow its 5G subscriber base contributing to ARPU growth. As a result of our continued debt reduction and improved leverage ratios, both Israeli credit rating agencies upgraded our outlook to "positive," reflecting our financial strength and positive momentum. The dividend payout was upgraded this year to 60% of net profit, reflecting a yield of roughly 4%.

The next slide demonstrates our technology and business roadmap and the progress made so far. In Bezeq Fixed-Line, we have over 1.7 million homes passed and a total take-up of 380 thousand subscribers on our network, resulting in an 18% increase in broadband ARPU since 2020. For 2023, our goal is to reach 2 million homes, and the midterm ambition is to pass 2.7 million homes, about 85% of Israeli households. In Pelephone, 5G subscribers reached 860 thousand, representing 33% of total subscribers, and led to a 12% increase in service revenues as compared to Q4-2020. In the midterm, we expect 5G users to reach 80% of all subscribers as we continue to provide excellent value for our customers.

In yes, our total TV subscribers reached 580 thousand, of which 356 thousand, or 61%, are IPTV customers, making yes the largest Israeli IPTV operator. In the midterm, we

expect 100% of our yes subscribers to migrate to IP, which will lead to significant opex and capex savings.

In the **next slide**, we present the Group's financial highlights for the first quarter showing that the Group's revenues in the quarter amounted to 2.3 billion shekels, up 2.4% year-over-year, and the highest since 2018. Adjusted EBITDA was 936 million shekels, down 2.3% and Adjusted Net Profit was stable at 321 million shekels. Free Cash Flow for the quarter was lower at 345 million shekels, mainly due to timing differences in working capital. Our financial debt decreased by 331 million shekels that helped improve our leverage ratios.

Turning to **the next slide**, which showcases our operational highlights. For Bezeq Fixed-line, we achieved excellent results across the board. Our fiber subscribers reached 380 thousand and we have now passed 1.75 million homes with our fiber deployment, 47% growth year-over-year.

For Pelephone, our cellular service revenue increased 1.8% to 445 million shekels for the quarter, and our ARPU excluding interconnect fees was up one shekel year-over-year. For yes, total TV subscribers reached 580 thousand, representing the tenth consecutive quarter of subscriber growth. ARPU was up 4 shekels sequentially and reached 185 shekels driven mainly by successful marketing of the Disney+ package.

Looking ahead, industry reports expect that artificial intelligence will become the catalyst that redefines the telecom industry, leveraging fiber optic and 5G networks. Our continuous investments in advanced communication infrastructures and technological leadership will allow us to continue leading the market and meet the exponentially growing data needs. Now let me turn the call over to Tobi to discuss the financial results in more detail.

Tobi Fischbein: Thank you, Gil. The **next slide** shows the Group's key financial metrics for the quarter. We posted record revenue since 2018, up 2.4% year-over-year to reach 2.3 billion shekels, driven by enhanced performance in all key segments. On the profitability side, Adjusted EBITDA declined slightly due to a decrease in telephony tariffs following the MOC regulatory change as of April 2022, as well as a one-time grant to fixed-line permanent employees following a salary agreement in principle in the public sector. Free cash flow was 345 million shekels, a decrease of 39.5% due to timing differences in working capital relating to employee sanctions that resulted in higher cash flow in Q1-2022.

Moving to the **next slide** where we show the key operational metrics for the past five quarters. On the subscriber side, we saw growth in cellular, retail broadband internet

and TV subscriber numbers. One thing to note here is that for the first quarter of 2023, we are seeing a sequential increase in total wholesale internet subscribers for the first time since 2018. On the ARPU side of the slide, we see an impressive 9.1% increase in retail Internet ARPU, and a 4 shekel sequential increase in TV ARPU, driven by our agreements with international content providers. Telephony ARPL decreased year-over-year, due to the MOC tariff reduction in Q2 2022.

Turning to the **next slide**, net debt decreased by 331 million shekels, or 6% year-over-year to 5.3 billion shekels. The Group's net debt to EBITDA ratio is now at 1.6, from 1.7 a year ago, and both Israeli credit rating agencies have upgraded our outlook from "stable" to "positive" due to our continued progress in improving the Group's financial ratios as well as the Group's overall strategy and business positioning.

Moving to the **next slide** – We would like to reaffirm our guidance for the year and remain confident in our progress.

Turning to the **next slide**, we are sharing our ESG milestones and targets. We have signed the UN Women's Empowerment Principles to help further advance gender equality movements. This commitment is in line with our goal to have equal representation of women in Bezeq management, with at least 40% of the board of directors being female by 2030. Similarly, we aim to have at least 20% of our workforce come from diverse populations by 2030. This year our subsidiary companies joined the ESG program and commitment to our ESG targets. Now I will hand it over to Ran, who will share results from our Fixed-Line operations.

Ran Guron: Thank you, Tobi. Q1 2023 was another strong quarter for us with a recording fiber take-up of 84 thousand for the quarter. The number of homes passed reached 1.75 million with 263 thousand retail fiber customers as of today. Total revenues grew 1.4%, driven primarily by broadband internet and cloud and digital services, which grew by 10.4% and 7.4% year-over-year, respectively. Further, retail internet ARPU grew 9.1% and reached 120 shekels.

The next slide details the financial highlights. The decrease in Adjusted EBITDA by 3% was mainly due to the MOC decrease in telephony tariffs and a one-time grant to employees following a salary agreement in principle in the public sector. Decrease in cash flow was primarily due to changes in working capital.

The **following slide** shows our achievements in broadband Internet that reached revenues of 479 million shekels for the quarter, representing a 10.4% increase year-over-year. Retail Internet ARPU increased by 9.1% to 120 shekels, through continued growth in both fiber customer take-up and an increase in ISP customers.

The next slide details our fiber take-up, both in retail and wholesale. On the retail side, our acceleration plan in the second half of 2022 greatly improved retail take-up since Q3 of 2022, and momentum accelerated with 48 thousand net adds in the first quarter, pushing total retail fiber take-up to 263 thousand today. On the wholesale side, our IRU agreement with Partner, which began in Q1 this year, accelerated our wholesale take-up for the quarter with 36 thousand net adds.

Moving onto fiber deployment on the next slide, Bezeq continues to lead Israel in fiber take-up, with 380 thousand retail and wholesale customers. Also notable is the improvement in average broadband bandwidth, which is now at 250 Mbps, 66% higher year-over-year.

On the next slide, we share our roadmap for technology development in Israel. By the end of the year 2024, we are expecting to provide our customers with the Be Multi Fiber router that will bring the average broadband bandwidth to 10 Giga, and by the year 2027, we expect that our Be 4 router will provide Israeli users with a bandwidth of 25 Giga. This quarter, we also conducted a pilot with Nokia in which we demonstrated the ability to provide broadband bandwidth of up to 25 gigabytes using advanced technologies.

Moving forward to the **next slide**, we saw growth across the board except for the decrease in telephony revenue due to the MOC tariff reduction. Our data revenues continued to grow but were offset by a decrease in traffic revenue from ISP companies. Cloud & Digital revenues grew 7.4% year-over-year from virtual exchange services, and other revenues were also up, mainly from infrastructure projects.

On the **operating expenses slide**, salaries were up mainly due to the one-time grant to permanent employees following a salary agreement in principle in the public sector as well as fiber project recruitment. Operating expenses also went up year-over-year due to higher subcontractor and material costs related to fiber and other infrastructure projects. "Other" expenses declined mainly due to higher provisions for legal claims in Q1 2022.

Moving onto the **next slide**. In summary, despite the impact of the MOC telephony tariff reduction, our accelerating fiber take-up and continued deployment of fiber network, combined with the IRU agreement with Partner has further solidified our leading position in Israel. We are confident about our strategy, which has been proven effective with this quarter's record results. Looking forward, our widespread fiber deployment, combined with the strong take-up, will help Bezeq to maintain its leadership and capture additional growth potential. With that, I'll now turn the call to Ilan to discuss Pelephone and yes.

Ilan Sigal: Thanks, Ran. Pelephone posted strong results with the highest quarterly revenue since 2018, driven by a recovery in roaming revenues, growth in total subscribers and 5G subscribers, as well as an increase in equipment revenues.

In the **next slide**, our total revenue reached 616 million shekels in the first quarter, representing growth of 2.7%. Adjusted EBITDA and Adjusted Net Profit decreased mainly due to an update in estimated right-of-use assets for past periods recorded in Q1-2022. Free Cash Flow was impacted by timing differences in working capital related to the deferral of customer debt collection from 2021 to 2022, which was due to employee sanctions.

Moving to the **next slide**, total Pelephone subscribers reached 2.58 million for the quarter, including 11 thousand postpaid net adds. 5G subscribers reached 860 thousand today, representing 33% of total subscribers. ARPU, excluding interconnect fees, increased by one shekel year-over-year.

The graph displayed on the **next slide** shows the continued turnaround in service revenues over the last few years. We continue to show positive momentum, and we have posted higher service revenues in Q1-2023 than pre-COVID levels in Q1-2019.

Moving onto **yes on the next slide**, as the largest IPTV operator in Israel, Q1 2023 marks the tenth consecutive quarter of subscriber growth for yes. We reached 580 thousand subscribers, 356 thousand of them are watching through IP broadcasting, of which 110 thousand are STINGTV customers today.

Looking at the key financial highlights for yes in the **next slide**. Revenue for the quarter increased by 4.1% to 329 million shekels, mainly driven by the TV + Bezeq fiber bundle launch, and agreements with leading international content providers. Adjusted EBITDA decreased due to an increase in content expenses and the launch of the bundle. Free cash flow for the quarter increased by 115% due to timing differences in working capital.

Moving onto the **following slide** on yes operational metrics, net subscribers grew for the tenth consecutive quarter by 2.8% year-over-year to 580 thousand, and 61% of yes subscribers are now watching IPTV. STINGTV subscribers reached 108 thousand at the end of Q1 2023, a 21.3% increase year-over-year. ARPU grew 4 shekels sequentially, driven by agreements with leading international content providers.

The graph on the **following slide** showcases our continued turnaround in yes. As you can see, our strategy has consistently enabled us to grow revenues for the segment over the last few quarters. Now, with that, let me now turn the call back to Tobi.

Tobi Fischbein: Moving on to Bezeq International - in the **next slide**, revenue growth was driven by the increase in ICT activity, which offset the decrease in consumer ISP revenues following the regulatory reform in April 2022.

The next slide details the financial highlights for the business. Adjusted EBITDA increased by 45.7% to 51 million shekels mainly due to lower expenses driven by lower consumer ISP activities. Adjusted Net Profit for the quarter was 20 million shekels, compared to a net loss of 4 million shekels in Q1-2022. Our focus on ICT solutions for the business sector is paying off, and we are investing significant resources in this sector, which will continue to be the growth focus of Bezeq International in the coming years.

Turning to our **last slide**, Bezeq's Q1 results show record quarterly results in revenues and fiber take-up. yes revenues continued to grow, as it successfully markets its' TV and fiber bundle, and Disney+ package. Pelephone continued to grow its 5G subscriber base contributing to ARPU growth. As a result of our continued debt reduction and improved leverage ratios, both Israeli credit rating agencies upgraded our outlook to "positive," reflecting our financial strength and positive momentum. The dividend payout was upgraded this year to 60% of net profit, reflecting a yield of roughly 4%. Lastly, I want to remind our listeners today that after this call in English, we will hold an earnings call with Israeli investors and analysts in Hebrew.

With that, I will open the Q&A session. If you would like to ask a question, please raise your hand virtually using the "Raise Hand" button in the "Participants" tab. In the mobile app, you can raise your hand by tapping the "Raise Hand" option in the "More" tab. As you hear your name, please be sure to unmute your microphone, and ask your question. For the benefit of the people in the room, please introduce yourself and share the name of the company you represent. We will address questions as we see the hands raised. If you later change your mind about raising your hand, you can lower it by clicking "Lower Hand." I will now pause to poll for questions. The first question comes from Tavy Rosner with Barclay's. Hi, Tavy.

Tavy Rosner (Barclays): Hi, good afternoon. Thanks for taking my questions. I wanted to touch on Pelephone, please. If we look at slide 23, with the underlying ARPU between 42 and 43 shekel, but in the same period you talked about an increase in the level of penetration of 5G to 33% this quarter. So, I guess I was kind of expecting that a higher 5G penetration would translate into a higher ARPU. So am I missing something? Or is there a driving force that's keeping ARPUs where they are now?

Ilan Sigal: Thank you for the question. As you can see on the slide, we reported an increase of one shekel in ARPU. Without the incoming airtime and with it. On the one

hand, the ARPU was positively affected by increasing roaming, and the transition to 5G packages. But on the other hand, we see a decrease in other revenues. One is from the end of the Ministry of Education project that we had in Q1 2022, and in some content services in 4G packages that were reflected in the ARPU. But 5G and roaming are taking the ARPU up.

Tavy Rosner (Barclays): Got it. Okay, thanks for that. And I wanted to touch on costs. So, we're seeing a wave of inflation in Israel, not specifically to Bezeq, but I was thinking how you guys are thinking of costs going forward. The last two years you've kind of managed to keep the OpEx level rather flat. Is that something that you think is manageable in '23 and '24?

Tobi Fischbein: I will address the question on costs. Naturally, as the Group is expanding and growing its revenues, the cost base grows as well. In this quarter, we had some one-time costs, such as, the one-time grant to permanent employees at Bezeq Fixed-Line, which, by the way, has to do with the public sector agreement in principle, and not necessarily anything new at Bezeq. But, as I said, it is one-time. There are some other areas that are growing together with revenues. But as we get more experience in deploying fiber, and making installations, we are also becoming more efficient in doing so. In other parts of the Group, we can look, for example, at yes, where we now have contribution from the TV and fiber bundle, that also comes with some costs. But it's going to contribute to our bottom line, group-wide, already this year. At Pelephone, in comparison with Q1 of 2022, which had some reduction in costs, but again, of a one-time nature – and that's why it seems like a bit of an increase in costs there. Going forward, we see the Group revenue growth also contributing to the EBIDTA growth, and we have reiterated our full year guidance, which calls for an increase in adjusted EBIDTA and stable adjusted net profit. When you look also at the reported net profit, you would probably see an increase there as well.

Tavy Rosner (Barclays): Great, thank you. That's all for me.

Tobi Fischbein: Thank you, Tavy. Next question from Ondrej, from UBS. Hi, Ondrej.

Ondrej Cabejsek (UBS): Hi, everyone. Thank you for the presentation. Ondrej here, from UBS. I have two questions, please. One was a follow-up on Tavy's question on costs, specifically on the subcontractor cost. I understand you now have an accelerated kind of trend in take-up every quarter, in terms of fiber homes. How should we think about the relationship between various KPIs that you have on these subcontractor costs, and when do you expect them to level off, or even start coming down? I guess this is not a very short-term period, but what are the considerations here, and the relationship? And second, just, what was the one off, that you mentioned, in terms of

the employee cost that you had with the unions, this quarter, please?

Tobi Fischbein: Sure. Ran, do you want to discuss the subcontractor cost behavior?

Ran Guron: Yes. Well, since we are growing above our plan, mainly installing a lot more than we intended to do, we in fact used more subcontractors. But we renegotiated our contracts with subcontractors, so the tariff is actually lower. So we managed to maintain the cost of subcontractors relatively moderate, in relation to the number of installations that we do. I believe that the level that you see now is approximately the level that you will see in the future, even though we intend to accelerate installations even more. In the future, in two-three years, this cost will be lower, once we get out of the fast growing phase of the network.

Ondrej Cabejsek (UBS): Thank you very much.

Tobi Fischbein: I will address the second question, Ondrej. The collective agreement of Bezeq goes back almost 20 years. It provides for permanent employees, which today are less than 50% of the employee base, about 1,800 employees – the ability to get whatever public sector employees in this country get. And there has recently been an agreement in principle, and we paid a one-time grant of about 11 million shekels, which we recognized in the first quarter. Most of that amount is in the salary cost line. There will be some additional components to that going forward, but this was a specific one-time grant.

Ondrej Cabejsek (UBS): Thank you. That is clear enough. And I have a second question, please, on regulated rates. If you can remind us, I think you're now stepping down to another, kind of, lower rate, in terms of the fixed voice that is the run rate decline from 2Q '23 onwards expected to be roughly the same that you've seen over the past years? That's one. And then, also, you mentioned a new product, in terms of fiber over the next couple of years, higher speed. So what is the negotiating process with respect to wholesale rates on those new fiber products with the regulator, please? Thank you.

Tobi Fischbein: Could you please repeat the first question? Because I didn't get it completely.

Ondrej Cabejsek (UBS): Yeah. So, from 1st April, I believe, you have a new rate applied. So I was just curious if the rates have declined, that you are expecting, going forward, is quite similar to what you've seen in the prior year. And then the second one was around rates that you expect to be negotiated on this 10 and 25 gig tariff that you expect to launch in the coming years, if those will also create an opportunity for upsell,

you think?

Tobi Fischbein: Right. I'll take the first one, and Ran the second one. On the telephony tariff reduction, the second step down is in July. So in the second quarter, we will have a quarter which is comparable, sort of apples to apples, to Q2 of 2022, when the first step down took place. Ran?

Ran Guron: I'll take the second one. While in general, upgrades of fiber to fiber will be a day to day part of our lives during, I believe, 2024 and 2025. In fact, now most of the customers are in 1 gigabyte, so there is a lot of room to upgrade them to 2.5, which is in the existing technology. As we announced, during 2024 we'll also launch a 10 gigabyte plan, so it will leave more room for upgrades. And, of course, we'll announce it when it's ready and it will be available to our competitors that are using our network, as well.

Ondrej Cabejsek (UBS): Thank you very much.

Tobi Fischbein: Thank you. Next question from Sabina, from Leader. Hi, Sabina.

Sabina Levi (Leader): Hi. Good afternoon. First of all, congratulations on the results. A nice impressive quarter. I have a question regarding the fiber optics you mentioned. It was a very positive surprise of net adds, both in the retail and the wholesale segments. And I was just wondering if we should expect the same scope in the coming quarters? How much Partner influenced the wholesale, and should it continue, or maybe at a lesser extent during the next quarters? Just to understand how to model it for the rest of the year.

Ran Guron: Okay. So I'll take this one. The second quarter includes the Passover vacation, and many national holidays. The second quarter, of course will be lower, because of fewer working days, but should be at the same pace. I cannot say how it will be the second half of the year, but of course, we intend to keep it going the same way, pushing to be number one in the retail fiber market. So that's for Bezeq. For Partner, Partner can use the whole agreement, it's 124 thousand lines, and then 48 thousand more. So they can use as much as they want. I don't know if they will keep on growing, but they are growing at a good pace, and you will probably see it in Partner's quarterly reports - in two weeks or so we'll see their results. I cannot say anything about the future, but they have a lot more to take as part of that agreement.

Sabina Levi (Leader): And maybe another follow-up on that. Regarding the competitive dynamics in this segment. So, you guys are doing a very impressive job, but I assume that your competitors are not very happy with this, and the stronger you

get, they might be more stressed. Do you see any changes in the competitive environment regarding pricing and marketing of the competitors? Because as you're growing, the ARPU is growing, and I'm just trying to understand, going forward, what confidence level you have that there will be no significant change in the pricing environment or competitive pressure in this segment?

Ran Guron: Well, I cannot say, but I assume that in the coming year, the main dynamic in the market will be the strong demand for fiber optics. So once we reach new territory, there is at least 20 or 30% of households that are waiting for us, and there is a strong demand. The fiber optic market is growing rapidly. And as I see it now, there is enough for everyone. So I can say that, maybe this dynamic will continue in the next year. And when the market becomes more saturated, we might see changed dynamics, but now the market is only accelerating. So there is enough for everyone.

Sabina Levi (Leader): Thank you.

Tobi Fischbein: Thank you, Sabina. Next question is from Siyi He of Citi. Hi Siyi.

Siyi He (Citi): Hi, good afternoon. I have two questions, please. The first question is on your international business. I understand that you will face a tailwind from the ISP shutting down, and you continue to report growth on the ICT side. I was wondering if you can elaborate - where is it growing and how should we expect the trends going forward. The second question is on TV. You mentioned that you have content cost increases, and I was wondering if you can give us an update of where are you with that negotiation, and should we expect the content costs to stay at the current level going forward? Thank you.

Tobi Fischbein: All right. Thank you, Siyi. I'll take the first question, and let Ilan address the second one. At Bezeq International, we are managing a transition, where you rightly said, our consumer ISP business is coming down due to regulatory changes, and we are focusing on growing our ICT business. In this quarter, we have delivered that kind of growth, some of which came as a result of a small acquisition we did a year ago, of a company called CloudEdge, which focuses on the Microsoft Azure's cloud. We are growing in most areas of the ICT business. Plus, at the same time, reducing costs, as we are laying off employees as part of the labor agreement we reached with the unions of Bezeq International, and we have more of that in the next several quarters. Ilan?

Ilan Sigal: Yes. About the content payments - the main increase is due to payments in connection with international content providers. We continue our collaboration with those international content providers, like Disney Plus, Netflix, and Discovery. We will continue to collaborate and we are very happy with the cooperation. So we will stay

here.

Siyi He (Citi): Thank you very much.

Tobi Fischbein: Thank you, Siyi. We have a question from David Kaplan of Psagot.

David Kaplan (Psagot): On Bezeq International - as we talked a little bit about, we see the beginning of the tailwinds, or the beginning of the lowering of costs. Is that something we should see accelerating over the course of this year? Or should we expect it all at once in 2024?

Tobi Fischbein: This quarter was very positive for Bezeq International. In managing that transition, we cannot promise that every quarter will be the same. We still have a substantial amount of ISP customers there. But eventually we'll shift. Some of them will move over to Bezeq, or elsewhere. So we cannot anticipate exactly what will be the magnitude of those shifts, vis-à-vis the growth we are experiencing on the ICT side. Having said that, in the medium term, we definitely see this company overcoming that kind of turnaround, and focusing completely on the ICT business, which is a growth area, and improving profitability along the way.

David Kaplan (Psagot): Okay. And the second question is on the wholesale, on the Fixed-line side, and to the question of regulation, I think if I'm doing my calculations correctly, I believe the average revenue per line on the wholesale actually increased significantly in the first quarter, relative to what it was in the past. Now, I know part of that has to do with— or most of it has to do with Partner, and an agreed upon price set in the IRU agreement with Partner. But is that something that you think the regulators might look at, and have something to say? That's it for me.

Ran Guron: It's Ran. I'm not sure what your calculations were exactly, but there are more fiber optic wholesale lines and the ARPU for fiber is more than copper, obviously. So, once the share of fiber is increasing, in the base of the wholesale, obviously the average will go up. And, of course, the IRU deal with Partner accelerated the number of wholesale fiber lines that are active. So, that's the case, from my point of view.

Tobi Fischbein: Thank you, David. We have a question from Omri Lapidot, from Leumi Partners. Hi, Omri.

Omri Lapidot (Leumi Partners): Hi, Omri Lapidot from Leumi Partners here. I wanted to touch on IFRS 16 costs. It seems like this quarter, you had an increase, roughly, of over 10% on IFRS 16 costs. Is there something unusual here? Do you think – it is representative? what do you see for the upcoming years? Is it mostly inflation? Thanks.

Tobi Fischbein: Thank you for your question. We have two elements here. One is a one-time nature, especially compared to Q1 of 2022 where we had a reduction in IFRS 16 costs at Pelephone, due to an agreement with the Israel Land Authority. It's related to the rights of use of certain assets in the cellular network. So when you do the comparison, you see the kind of an increase that you mentioned. In addition, there are some additional increases in energy costs, and a little bit of inflation too, influencing the IFRS 16 costs. But we wouldn't see a similar increase as you have seen this quarter, going forward.

Omri Lapidot (Leumi Partners): Okay. Thanks.

Tobi Fischbein: If there are no further questions at this time, I would like to thank you all for taking the time to join us today. Should you have any follow-up questions please feel free to contact our investor relations department. We look forward to speaking to you on the second quarter 2023 earnings call. Thank you.

[END OF TRANSCRIPT]