

"Bezeq" The Israel Telecommunication Corp., Ltd.**Event Transcript****Q1 2024 Financial Results**

Wednesday, May 22nd, 2024, 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 fourth quarter and year 2023, following the publication of the Company's financial statements at that date according to the Israeli Securities Law 1968 ("Securities Law"), as well as the publication of the Company's investor presentation.

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 2024 Financial Results

Tobi Fischbein (Bezeq Group CFO): Welcome everyone and thank you for joining us on Bezeq's 2024 first quarter earnings call. I am Tobi Fischbein, CFO of the Bezeq Group. Joining us from the senior management team, we have Mr. Tomer Raved, Bezeq's Chairman, Mr. Nir David, Bezeq's new Fixed-Line CEO, and Mr. Ilan Sigal, CEO of Pelephone and yes. Before we start, I would like to direct your attention to the Safe Harbor statement on Slide 2 of our 2024 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 Q&A session.

With that said, let me now turn the call over to Tomer, for his opening remarks. After his introduction, I will continue the presentation of our group financial highlights, followed by Nir, who will discuss Bezeq Fixed Line results, and Ilan who will cover the results from Pelephone and yes.

Tomer Raved (Bezeq Group Executive Chairman): Welcome everyone. Let's start on Slide 3. We continued to see strong execution in our strategic growth drivers, with 80% year-over-year growth in fiber take-up, 30% growth in 5G subscriber plans and a 6% increase in retail broadband ARPU. Our core revenues grew 2.1% to 2 billion shekels driven by higher revenues in Fixed Line and despite the impact of the war on Pelephone roaming revenues. Core Group revenues represented approximately 90% of total Group revenues in Q1-2024 and reflect total Group revenues excluding telephony revenues, Pelephone interconnect fees and Bezeq International consumer revenues.

These are the second financial statements that we are publishing that reflect the impact of the war, which is not material for the Bezeq Group, but reflects a decrease of 2% in adjusted EBITDA mainly due to the decrease in Pelephone roaming services and the non-billing of customers in the line of conflict. Notwithstanding, the quarterly results met our expectations.

On the following slide, we present the highlights of the quarter. I want to point out the free cash flow growth by almost 36% and the decrease of 11% in net debt.

The next slide shows key indicators by business. Bezeq Fixed-Line had 70 thousand fiber net adds in Q1-2024, showing improvement from the previous quarter. The retail broadband ARPU is growing nicely, increasing to 127 shekels. On the mobile side, we saw continued growth in 5G subscriber plans, reaching over 1.1 million subscribers as of today, or 43% of total subscribers.

Slide 6 shows where we are today in the evolution of all our businesses as well as the roadmap for the mid-term. We are on target to reach the completion of our fiber roll-out

with a 40% take-up rate, reach 80% of mobile subscribers on 5G plans and complete our satellite to IP migration.

Bezeq is currently an “island of stability” – despite all the major events, beginning with Covid-19 a few years ago and today with the ongoing war in Israel, we are still delivering strong results. Our execution on our strategy continues to be successful, and we will remain focused on revenue and profitability growth.

Now I would like to turn the call over to Tobi, to discuss the financial results in more detail.

Tobi Fischbein: Thank you, Tomer. Slide 7 shows a 2.3% decline in reported revenues for the first quarter of 2024, mainly as a result of the second tranche of the MOC telephony reform in July 2023 and the decrease in Pelephone interconnect revenues as of June 2023. The Adjusted EBITDA was slightly lower by 2% and the Adjusted Net Profit decreased 6.9% in the first quarter of 2024. The growth of 36% in free cash flow stems primarily from timing differences in working capital and CapEx.

In the next slide we show our operational metrics. I would like to highlight the 6% increase in our retail broadband ARPU in the quarter along with a continued increase in cellular and 5G subscribers.

Slide 9 shows an 11% decrease in our net debt to 4.7 billion shekels, the lowest debt level since 2010, which has resulted in improved coverage ratios. Our net debt to EBITDA ratio decreased further from 1.6 times to 1.4 times. Both domestic credit rating agencies recently upgraded our credit rating to AA with Stable outlook. This is a major achievement, especially amidst a challenging macro background, further reflecting Bezeq’s resilience. We also continued to payout dividends and recently upgraded our payout ratio to 70%, which shows careful management of our capital structure.

Turning to the next slide, for the full year 2024, we reiterate our full-year guidance given last quarter. I will now turn the call over to Nir, who will share more detailed results from our Fixed-Line operations.

Nir David (CEO Bezeq Fixed-Line): Thank you, Tobi. I am proud to present the Fixed-Line reports for the first time as CEO. It is a great honor to be leading Bezeq at this exciting time and I am sure that we will continue to grow and strengthen our position as the leader of the telecom market in Israel.

On the next slide we note the 2% growth in fixed-line core revenues, due to higher revenues from broadband services and transmission and data communications. Fiber take-up continued to grow in both retail and wholesale subscribers and broadband retail ARPU grew 5.8% to 127 shekels. We also recently signed an agreement to enter the electricity supply sector. We expect to launch this service very soon through a joint venture with Powergen.

On the following slide, we show an increase of 1.6% in Adjusted Net Profit due to a decrease in financing expenses. We also saw a 58% increase in Free Cash Flow, mainly due to timing differences in working capital.

Turning to the next slide, in the first quarter of 2024 we saw again significant growth in broadband revenues driven by an increase in fiber take-up which also resulted in continued growth in broadband retail ARPU.

Moving to the next slide, we show the take-up trend. Q1 saw 40 thousand retail net adds, up 8 thousand from last quarter. As of today, we have a total retail fiber take-up of 424 thousand. I would like to note that fiber subscribers represent 40% of total retail subscribers and we saw a wholesale take-up increase of 117% on a year-over-year basis.

Slide 15 shows continued fiber deployment with an increased focus on take-up. As of this quarter, we have more than 650 thousand active subscribers on Bezeq's fiber network and over 2.2 million homes passed resulting in the continued growth of our take-up rate, reaching approximately 30% today.

The next slide shows continued revenue growth in the first quarter of 2024 in Transmission & Data Communications, offset by a decrease in traffic revenues from ISP companies. Cloud & Digital revenues were stable in the quarter, but Telephony revenues declined due to the second decrease in MOC tariffs. That said, Telephony revenues were only 13% of total Fixed-Line revenues in Q1-2024.

The operating expenses slide shows a decrease in salaries due to the credit received from the National Insurance for employees on military reserve duty. There was also a one-time grant in the previous quarter following the public sector wage agreement. Operating expenses were positively impacted by lower materials and sub-contractor expenses and lower interconnect fees.

In summary, Fixed-Line operations saw solid results, with the continued increase in the company's growth drivers: both residential broadband and the business sector.

With that, I'll now turn the call to Ilan to discuss Pelephone and yes.

Ilan Sigal (CEO Pelephone & yes): Thank you, Nir. Moving to slide 18, Pelephone posted stable service revenues despite the impact of the war on roaming revenues, driven by higher 5G subscriber plans and postpaid subscribers. This is our third consecutive quarter with an increase in equipment revenues. Adjusted EBITDA rose 1.6% to 185 million shekels.

Moving to the next slide, here we show 5G subscriber plans reached over 1.1 million subscribers today. Subscribers on 5G plans amounted to 43% of total subscribers and 50% of postpaid subscribers.

On slide 20, we recorded a 1.6% increase in Adjusted EBITDA following the rise in revenues from 5G subscriber plans and post-paid subscriber growth. The decrease in Adjusted Net profit reflects the decline in roaming revenues and lower interest income from Bezeq.

The next slide shows the Q1 key operating metrics. We saw a continued increase in postpaid subscribers including 5G subscriber plans and decline in prepaid subscribers due to the impact of the war. ARPU rose 1 shekel compared to the previous quarter despite the impact of the war on roaming revenues.

Turning to yes on the next slide, Revenues decreased 4.3% to 315 million shekels mainly due to the non-billing of customers in the line of conflict as well as a change in the subscriber mix, moving from premium to discount. yes is the largest IP operator in Israel with 422 thousand customers today. We continue to grow in fiber subscribers and reached 50 thousand as of today. In addition, we have approximately 150 thousand subscribers with international streaming services through agreements with yes.

The Q1 financial highlights slide shows a 4.3% decline in revenues and lower Adjusted EBITDA and Adjusted Net Profit which were impacted by the revenue decline. Lastly, Free Cash Flow was affected by timing differences in working capital.

On the next slide, we show yes' Q1 key operational metrics. yes saw continued growth in IP-based TV subscribers, up 18.4%. As of today, 75% of yes subscribers were watching TV through IP. We also saw continued growth in fiber subscribers, up 230% sequentially.

With that, let me now turn the call back to Tobi.

Tobi Fischbein: Thanks, Ilan. Moving on to Bezeq International, we saw a general trend of increased ICT activity, offsetting most of the decrease in consumer ISP revenues. Our focus continues to be on growth in the ICT market with emphasis on cyber, integration, public cloud and data centers.

On the next slide, we see that revenues decreased 7.4%, mostly due to lower consumer ISP revenues due to the MOC regulatory reform for unified internet service. Free Cash Flow was positively impacted by the payments from the employee retirement in the corresponding quarter.

Turning to the last slide, I want to reiterate that we had a strong quarter, and we remain focused on executing our strategy with our key growth drivers – robust fiber take-up in Bezeq and yes, and consistent growth in 5G subscriber plans in Pelephone. Our core revenues grew to 2 billion shekels in the quarter driven by the stronger Fixed-Line revenues.

Finally, I would also like to mention that we will be hosting our first-ever Capital Markets Day on July 1st in Israel. We invite the investment community in Israel and abroad to participate. I look forward to seeing you there.

With that, I will open the Q&A session. If you would like to ask a question, please raise your hand virtually. 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. I will now pause to poll for questions. Please also note there will be a webcast call in Hebrew shortly after this call.

Tobi Fischbein: With that, I will open the Q&A session. If you would like to ask a question, please raise your hand virtually. As you hear your name, please be sure to unmute your mic, 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. I will now pause to poll for questions. First question from David Kaplan. Hi, David.

David Kaplan (Psagot): Hi. I am from Psagot, an equity analyst here. I'll start out with a question on the 5G infrastructure, and your investments you're making in 5G for now. Are you also moving over, some of your competitors talked about, to a new core network? And if you are, what kind of 5G investments are you making in 2024? Or are those also going to spill over into 2025? That's the first one for now.

Ilan Sigal: Hi, David. Thank you for the question. First, a month ago, we announced that we are going to launch our 5G standalone core network in the next few weeks. We also showed our capabilities in the new 5G core. Regarding the CapEx, as in previous years, CapEx will stay stable, and we will continue the rollout of 4G and 5G next year.

David Kaplan (Psagot): Sorry. You said you're also going to be investing in 4G over the next couple of years?

Ilan Sigal: The 4G is for the new frequencies that we need to deploy, like 700. That will help customers in 4G and 5G also. We're deploying 700 for 4G and 5G, and the 3,500 frequency for 5G.

David Kaplan (Psagot): Okay, thanks. And then, a quick question on the fixed line. Where are you now with your rollout of that fiber network – first of all, when is that project going to be finished? I think originally it was supposed to be completed in the middle of next year, the middle of 2025. And secondly, at what point of time will we see the copper network end of life?

Tomer Raved: I'll take that because I mentioned that in the beginning, David, and thanks for your question. We are currently deployed to over 2.2 million households. We will continue to deploy, and actually at a slightly faster pace, the roll out of fiber across the country. We're going to finish the fiber project, according to our schedule, some time next year, even slightly sooner than expected. The fiber CapEx, as previously mentioned, will continue to stay elevated this year, and slightly lower next year, but still completing the coverage. This year, we expect to surpass our target that we gave to the street of 2.5 million households of fiber. Regarding the retirement of the copper network, you all saw some formal chatter from the regulator around copper retirement, which has a variety of elements. It is something that will happen over the course of the next few years, both the element of deploying new copper, but also retirement of the network. It is important to note that it is a multiyear project, which we did not yet account for in our projections. But it is a process that started. It will have both positive OpEx implications and CapEx savings in the coming years. Again, we did not account for that.

David Kaplan (Psagot): Okay, great. I've got a couple more questions, but I'll get back in line.

Tobi Fischbein: Thank you, David. Next question from Tavy Rosner. Hi, Tavy.

Tavy Rosner (Barclays): Hi, guys. Thanks for taking my questions. Hope you are well. First question is on telephony. I'm wondering, what was the impact of the war on revenues? I think you mentioned in the press release that households that were displaced are not being charged. I'm just wondering, to get a sense of what kind of proportion of revenue that accounts for? And, I think, more generally speaking, down the road, I think once with the decrease in pricing, where do you see telephony revenues kind of stabilizing? What kind of run rate we should be looking at?

Tobi Fischbein: I'll take that, Tavy. We did not specify the amount of the impact of not billing our customers, both from Bezeq and yes, in the South of the country near Gaza, and in the North of the country, people that have had to leave their homes. It's not material. It's not necessarily related to telephony, some of it is also related to Internet revenues. There is an impact which is, let's say, single digit, in millions of shekels in the quarter, for Bezeq and for yes. Of course, for yes, it's a bit more representative, but still, not meaningful. But that's one of the explanations for the decline in the ARPU of yes. As for the second question, we have not given specific guidance on where the telephony revenues are going. But it's going to be reasonable to expect for these to continue coming down. I would say that we still have one more quarter, Q2, where it's a challenging comparison versus Q2 of last year, because it was before the second tranche of the tariff reduction. But after that, we will have apples to apples comparisons going forward and there are no further tranches on telephony. So we will see some continued erosion until a certain point where we'll probably be keeping some customers

and revenues, because people still need fixed line telephony, and will continue needing it for the long term. But, again, it's not an area where we are investing any specific efforts.

Tavy Rosner (Barclays): Thanks, Tobi. Second one, we saw last week the Ministry of Communications mentioned potentially examining the removal of structural separation. That's part of their agenda for 2024. And, I'm just wondering, to get your thoughts. Obviously, everyone here has been through all different cycles of discussions throughout the past decade. So, I'm wondering if you see any potential here, or it's just noise, and something that the MoC feels they have to mention, but practically speaking, it's unlikely to happen. Any color would be helpful.

Tomer Raved: I'll take that. We also provided an update in Chapter A of our report, which will be published in English very soon. Some history - for more than five or six years now, the MoC has not discussed or mentioned anything around removal of structural separation. You all know our position, and we reiterated why we think the time and the terms were set to remove this unnecessary structural separation, specifically between Bezeq and yes. We have been having discussions with various regulators, including the Ministry of Communications, for quite some time. And as you noted, this is the first time that a formal notice around that was issued by the MoC. They specifically said that it's part of their work plan for 2024, to evaluate the need for structural separation. Specifically, to your question, Tavy, we cannot put a timeline or estimate the chances of when and if it going to happen. But we are putting in effort and informal dialogue with the regulators, and also as published, with the support of both companies' labor unions and management, to try and progress with the project. So I think the only new element and the update we provided also in writing and here on the call, is the fact that the MoC did issue a note that includes the fact that it will be evaluated this year.

Tavy Rosner (Barclays): Great, thank you. I'll get back to the queue.

Tobi Fischbein: Thank you, Tavy. Next question from Liran Lublin, from IBI. Hi, Liran.

Liran Lublin (IBI): Hi, guys. How are you? My question is more of a high level question. The company's been showing remarkable stability and growth in its core business. And when I look at the stock performance, there's obviously a risk premium building up. And we're aware of what's been happening here in Israel. But, do you see any other major risks down the road that we should be aware of? Or, how do you look at it?

Tomer Raved: I like high level questions, so that I can take it. Thanks, Liran. First, we don't comment on stock price, but on the one hand, we do feel the macro trend and the impact of the geopolitical arena on the Israel economy. On the other hand, the business

is very resilient, and most of these, as mentioned before, do not impact the results nor the interest in the conversations that we've been having with you guys and with the global community. To be honest, we're actually getting more demand for these type of interactions, face to face, globally, with investors. But the macro, definitely impacts the Israeli stock market directly, and as a result, also the Bezeq stock. Again, less comment on price and trends. In terms of risks, we mitigated, as you noted and you can see, a lot of the significant risk that was around the company, by adopting and changing the structure and the strategy over the past few years, across all the different lines of businesses. So, there are always risks, but there isn't one specific major risk I can color, given the resiliency and strength of the business, and given the trajectory both on the declining CapEx that you know, and the end of the fiber project and end of the satellite project. And very, very healthy balance sheet, that really prepares us almost for every rainy day. That allows us to invest, and really provides a lot of operational financial leverage, and continues to increase ARPU, transition to 5G that also leads to stability in 5G, and the transition to IPTV, which eventually will lead us to retire from the satellite. So most of the trends and risks were identified, they're always black swans in this world. But everything we've proved to the market over the past five years, or even more than that, that the business can face most of them, and from some of them, we actually benefit. So we don't see any specific risk that could materially impact the business. But we are very transparent regarding the war impact, even though it is not material, it definitely has a slight impact on the results.

Liran Lublin (IBI): Thanks. And one more question, it's for Ilan. I was wondering if you can give some color on the impact of the announcement of the MoC about the sports events that are no longer obligated to be given to customers for free? Does that have any impact on yes?

Ilan Sigal: Not now. First of all, it will take time. We need to see, because it's still just an announcement. But it's a good thing, it's a good trend, because customers that don't want sports at all, can have a package without sports, and it will be a different price than packages with sports. So, when it will be separated, first of all, the sports events probably will be on the public channels. And second, it will help customers decide what kind of package they want – with sports, or without sports. And in that case, for yes, we will know, and everybody will understand, what's the price of the sports packages.

Liran Lublin (IBI): Okay. Thank you.

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

Sabina Levi (Leader): Hi, guys. First of all, congratulations on a good quarter, considering all the impacts that you are dealing with. Specifically, I wanted to ask regarding Pelephone results. I think Pelephone was the only company that actually

showed an increase in ARPU, quarter over quarter. And I was wondering, where is it coming from, is it a trend, or is it something specific for the quarter?

Ilan Sigal: Hi, Sabina, thank you for the question. First of all, it's a lot of hard work that we did in previous years and quarters, and it's mainly coming from subscriber growth and the transition of customers from 4G packages to 5G packages. Also, we see a slight increase in roaming. People are starting to travel more than they travelled in the fourth quarter of 2023. So with those three things, the ARPU in Q1 was better than Q4.

Sabina Levi (Leader): Okay, thank you. And another question is regarding the fixed line. Can you please give us some color regarding the retail ARPU? It went up from 125 to 127 shekels this quarter. But on the other hand, we saw a more significant decrease in Bezeq International revenue, so I suppose we have higher transition of ISP clients to Bezeq? And also, I saw a bit weaker growth in BE routers. So, can you just give us some color of the breakdown of the ARPU growth, how much was coming from ISP, how much came from fiber customers? What are the dynamics there? And then, a question also here, and that will be my last one. Tomer mentioned that you might accelerate, or reach the goal of 2.5 million households even earlier than you previously projected. So, I wanted to ask regarding the potential developments of the fund that incentivizes the deployment of the fiber networks in the rural areas. Are you deploying there also, and maybe we can see similar cancellation of the payment that we saw last year for the universal fund?

Tobi Fischbein: Thank you, Sabina. I'll take the first question. We've seen decent growth in ARPU as we have seen before. If you remember, we guided this metric to go over 140 shekels, after having guided in the past to go over 130. And we are not far from there. The main driver for that is the upgrade of subscribers to fiber, plus the acquisition of new fiber subscribers, which were non-Bezeq subscribers. So, economically, that brings us an important contribution, which is more significant than some slide that we may have on the corporate side. So that's on the ARPU side. As for the shift from Bezeq International ISP subscribers over to Bezeq or elsewhere. That has slowed down, naturally. I remind you that we started in April of 2022. It has been two years already. So a lot of subscribers have already moved away from Bezeq International. Revenues have declined there. But at the same time, we got some of those revenues at Bezeq fixed line. Plus, we were able to reduce costs significantly at Bezeq International, since the consumer segment there is not a strategic area for us to focus on. I think that overall for the Group, it's really a good move. I wouldn't expect a lot of acceleration there going forward. As for your question on the BE routers and additional WiFi enhancers, I would say that we are very satisfied with the level of penetration that we have with the customer equipment. We even see that with fiber, the amount of customers having at least one piece of our equipment, is even greater,

and that provides more stickiness and less churn. I'll let my colleagues comment on the universal fund.

Tomer Raved: To your question about the fund and rollout. We decided, not just hope, to accelerate fiber rollout. We will pass over 2.5 million households this year and we continue to focus our CapEx efforts there. As mentioned before, the fiber rollout altogether will end sometime next year. With take-up currently at 30%, guiding to 40% or more in the mid-term. On the universal fund, which obviously has implications to the entire market, similar to last year, this is a process that the regulator is doing to evaluate what type of rural areas still remain. Bezeq always tries to help that effort in good faith and to take on more specific areas, if relevant. It's small areas. But similar to last year, some time in Q3, we hope to understand whether there will be universal fund withdrawal or not, by the regulator, which obviously has a positive impact on EBIDTA, and on the market altogether.

Tobi Fischbein: I would just add, Sabina, that from a reporting perspective, we are still making a provision every quarter in all the Group companies for the fund as we did in Q1 of last year. Then, if there is a change, we will, of course, reverse the provision, as we did last year.

Tobi Fischbein: Thank you. Next question from Ondrej from UBS. Hi, Ondrej. Good to see you.

Ondrej Cabejsek (UBS): Hi, everyone. Ondrej here from UBS. Thank you for the presentation and for taking the time to answer my questions. I have two. One, makes a quick building up on Sabina's question. So – because you spoke about the ARPUs and the retail market and the retail broadband specifically. I'm just wondering, because I think it's obvious that in terms of the wholesale ARPUs and broadband, that growth is coming from the retail. So if you can comment on what you expect in this market this year and how you see wholesale ARPU in broadband developing over the mid-term. What considerations are there going into that. And, then, second question, which is a bit more higher level. Again, if you can maybe comment a bit on, just the fiber build of your competitors. How you expect that to evolve going forward? Because obviously, there is probably a certain point where overbuilding is going to slow down a bit. There might be some new wholesale deals, etc.. And then, also specifically, just in terms of the fiber upgrades of your cable competitor. How do you expect those to progress? With just a general high level question on the structure of the infrastructure market, in terms of fiber, in Israel. Thank you.

Tobi Fischbein: Thank you, Ondrej, for the question. I'll take the first one. On ARPU. We don't give specific guidance for the year on ARPU. I said before, in my answer to Sabina, that we have a mid-term ambition of seeing this metric go over 140 shekels,

and we are on track. It doesn't mean that every quarter necessarily this will grow in the same manner. But, the driver for this to grow is there. We have moved 40% of our retail subscriber base over to fiber already. It means that we still have a long way to go. It's a great accomplishment, but we still have a long way to go, great potential. And we've seen that through this process, we've grown ARPU significantly. It was, three years ago, at around 100 shekels, now it's at 127. So, again, without specifying what will happen in the next two or three quarters, we expect this figure to continue increasing. As for the wholesale ARPU, although we don't disclose this metric, it's something that you can actually calculate – but I want to remind everyone that we have an IRU deal with Partner, which becomes more and more representative of the revenues on the fiber side of wholesale. We still have other wholesale customers that are on fiber, and we still have some of them on copper, which are gradually transitioning their subscriber base over to fiber - in many cases to us, and in some cases to other networks. I think that with that, we can touch on the second question, which deals with the overbuild question.

Tomer Raved: One comment on wholesale from the regulatory perspective. What we have seen formally published by the regulator, which is actually very consistent, Ondrej, with what you see in Europe, and was also published in Q1 by the European commissioners. Its focus on wholesale rates regulation is being reduced, especially in Israel, where there is a fair and competitive market on wholesale rates. Instead, it is focusing on the passive rates, which we voluntarily reduced and announced in Q1. Currently there is no change to the wholesale pricing. Obviously, it's continuing to be evaluated, but with less focus over time. On the market specifically, I think it is clear how the market is evolving from an infrastructure and overbuilder perspective. I'm quoting some of the competitors' remarks. But we've seen a lower pace of rollout by Partner, who nearly completed their rollout of fiber. And it became a very efficient two-infrastructure player market, with Bezeq leading the way, and we are going to cover the vast majority of the country, except for these rural areas, that as mentioned before are going to be covered by the universal fund. And then, the other infrastructure player, which is also almost a nationwide infrastructure, is IBC, who commented that they are planning to surpass the 2 million household mark in the coming year. So, we basically have a two-infrastructure player market. We don't expect, and we don't see other overbuilders. To your point, we see an efficient wholesale market which really came to testimony with the IRU deal with Partner, and also the IRU deals that other competitors, the likes of HOT, as you mentioned, and Cellcom, on IBC, the other infrastructure player, reminding you that both HOT and Cellcom are large shareholders of the other infrastructure, IBC.

Tobi Fischbein: We have a follow up from David Kaplan. David?

David Kaplan (Psagot): Hi. Yeah, just a couple more questions, I'll try and make them quick. Also following up on Ondrej and Sabina's questions about ARPU on the mobile side. Could you talk a little bit about the resiliency that we're seeing there that Sabina talked about in mobile ARPU. How much of that is coming from upgrades of customers to 5G? Obviously, it seems to have mitigated almost entirely the loss of roaming revenues. Is that the right way to think about it?

Ilan Sigal: Yes, David. We grew by approximately 60 thousand 5G customers this quarter. We transferred customers from 4G to 5G plans and also grew by 11 thousand postpaid customers reaching a total of 2.61 million customers. So the trends are 5G, the transfer from 4G to 5G, and the growth in Pelephone overall. And also, as I mentioned, the first quarter is better on roaming services than the last quarter of 2023. So those combined together to grow ARPU in Q1.

David Kaplan (Psagot): Right. And given the realities, I imagine Q2 is going to look a lot more like Q4 did, as opposed to Q1. We had a little bit of a lull there, so travel came back. But Q2 is probably going to look pretty weak again. That aside, a question on the subscriber numbers on the fixed line side. We saw retail subscribers at Bezeq reduced by about 9 thousand, but you also mentioned in your report, that yes had increased by almost 9 thousand subs. Now, I assume it's not exactly one for one there, and I am also guessing, though, that legacy copper customers of Bezeq are kind of low hanging fruit for all of the players in the market. So, how tough is the competition for those customers, to move them over to fiber? What is Bezeq doing in order to mitigate losing those legacy customers to some of the other players? And where do you see that going in terms of benefits that might need to be offered in order to get people to stay with Bezeq?

Tobi Fischbein: Thank you for the question. I'll start – the fact that we've been extremely focused on fiber and on growing our fiber numbers has enabled us to now become number one in the market. I think everyone now sees this in the quarter and we plan to continue. From an economic standpoint, the acquisition of new customers, which are the significant share of the customers on our fiber network – again, not the majority obviously, but more than we expected, brings us much more value than those legacy copper customers that are not churning for any reason, over to fiber. Having said that, Nir mentioned this several times, we also plan to focus on maintaining our retail market share. In addition to that, as an infrastructure company, we benefit from the fact that we can work with our competitors, and even when they take some of these customers from our legacy copper network, we still benefit in some cases from revenues through the wholesale market. The same happens also on the fiber wholesale market.

David Kaplan (Psagot): Okay. And then just one last question. This one on financials, on working capital. It was quite strong this quarter, I assume some of that had to do with timing. How does that play out over the rest of the year, and how is that going to impact free cash flow, for the rest of this year?

Tobi Fischbein: You are right, most of it is timing differences. We received a refund from the tax authorities in March, while last year we received it in April. That was about a 70 to 80 million shekel difference. The increase in free cash flow was even higher than that, which reflects very strong performance across the Group despite the war. But again, I wouldn't just multiply the quarterly free cash flow figure by four. We are very satisfied with our ability to manage our finances in the way that even the credit rating agencies have appreciated it and upgraded us after five years. That's not a minor thing.

David Kaplan(Psagot): Great. Thanks very much.

Tobi Fischbein: Thank you. Okay, we still have more time for one more question. Liran? Hi, Liran.

Liran Lublin (IBI): I'll make it quick. Just, another question on fiber rollout. You mentioned that you probably will be ahead of your plans and roll out the fiber network faster than you projected. How should we think about CapEx? Should we think of CapEx shifting from 2025 to 2024? I know you haven't changed your estimates for the year, but looking forward, rolling out fiber costs money.

Tobi Fischbein: Thank you for the question. We are, as you said, advancing our rollout plans, and we are being very efficient in deployment. So we are able to bring forward part of the end of the deployment phase of 2025 into 2024. It's not a significant or a material increase in the homes that we plan to reach. But, as Tomer said before, we will surpass the 2.5 million figure. In terms of the CapEx increase, again, it's not going to be material, a couple of dozens of millions of shekels. Yes, we will save that money in 2025, plus, now we will be able to create more opportunities for our customers to shift over to fiber, and even to grow our market share in those areas where we plan to accelerate the deployment. We will be able to start a bit earlier with some of our cost rationalization plans that we have in mind, as we get to the end of this very big project.

Liran Lublin (IBI): Okay. Thank you.

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 at our capital markets day on July 1st. Thank you.

[END OF TRANSCRIPT]