

"Bezeq" The Israel Telecommunication Corp., Ltd.**Event Transcript****Q1 2026 Financial Results & Strategy Update**

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DISCLAIMER

This document includes a transcript of the conference call held on the above date regarding the Company's financial results for the first quarter 2026, 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 2026 Financial Results

Yohai Benita, Bezeq Group CFO: Welcome everyone and thank you for joining us on Bezeq's first quarter earnings call. I am Yohai Benita, CFO of the Bezeq Group. Joining me today are Mr. Tomer Raved, Bezeq's Executive Chairman, Mr. Nir David, CEO of Bezeq Fixed-Line, and Mr. Ilan Sigal, CEO of Pelephone and yes. Before we begin, please review the Safe Harbor statement on Slide 2 of our presentation, which applies to any statement made during today's call. Following our prepared remarks, we will open the call for Q&A. 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's financial highlights, followed by Nir, who will discuss Bezeq Fixed Line results, and Ilan who will cover the results from Pelephone and yes. I will conclude the presentation with Bezeq International results.

Tomer Raved, Bezeq Executive Chairman: Thank you, Yohai. I am glad to see all of you joining us today. Our excellent results are further evidence of Bezeq's Group strength. The new strategy and the ambitious targets we have set for ourselves are clearly reflected in our operational and financial performance. We have already recorded free cash flow growth of 74% in the first quarter, along with continued growth in Comparables EBITDA and Net Profit. We have reached a significant milestone with the deployment of fiber infrastructure to 3 million households, a figure that establishes Bezeq as Israel's digital backbone. Together with our investment in national infrastructure, we are advancing with determination, on several new subsea cable projects to Europe. These initiatives of mission-critical infrastructure for the global economy will position Israel as a regional and global digital hub and generate a strategic growth engine for the coming years. To ensure the continued benefits to the Israeli consumer, it is time to remove the structural separation and complete the required regulatory reforms. Following the formal steps taken by MOC in the past few months, we are awaiting a decision on this matter soon. These steps will enable us to operate as a single, more efficient and innovative group, benefiting both our customers and our shareholders.

Let's now move to Slide 3 where we show Q1 highlights. Core revenues grew 2.6% to over 2 billion shekels. Comp EBITDA grew 1.2% and Comp Net Profit grew 4.2%, driven by higher revenues. As mentioned, free cash flow grew 74% mostly due to a tax refund received in the current quarter, changes in working capital and improved core activities. Fiber subscribers were up 19% and our take-up reached 35% with 3mm homes-passed. 5G continues to drive cellular market performance and subscriber plans were up 12% YoY. ARPU increased across broadband and TV. We signed an MOU to establish and operate an international cable system to create a telecommunication corridor between East and West via Israel. We hope to have more on this exciting opportunity later in the year.

Turning to Slide 4, we see the technology and business roadmap on track to deliver our 2029 KPIs, from increased fiber deployment and take-up, expansion of 5G, and growth in the TV + fiber bundle. We are building for durable growth, superior customer experience, and operating efficiency.

On Slide 5, we summarize our key Q1 financial achievements, including a 2.6% reduction in net debt. On slide 6 we highlight our key KPIs in each of the businesses. Broadband retail ARPU continued to grow year-over-year. We recorded an increase in yes ARPU, due to fiber growth and revenues from the Partner transaction. Pelephone grew 5G subscriber plans to 1.45 million, and 5G MAX subscribers grew to 184 thousand today. We expect to reach 300 thousand 5G MAX subscribers by year end. I will now hand it back to Yohai, who will review our financials in more detail.

Yohai Benita, Bezeq Group CFO: Thank you, Tomer. Turning to Slide 7 for the Group's Q1 highlights. All key metrics, including core revenues, Comp EBITDA, Comp Net Profit and Free Cash Flow showed strong growth this quarter. Although Fixed-line's CapEx was down by 8.2%, Group CapEx was up slightly due to timing differences in yes.

Moving to the next slide, we show our operating expenses. Salary expenses decreased 3.8% due to the sale of Bezeq Online and its de-consolidation as of Q2 2025. Operating expenses were down mainly due to lower interconnection expenses. Other expenses were impacted by provisions for employee retirement in Bezeq Fixed-Line and Pelephone.

On Slide 9 we show our quarterly operational metrics. We recorded growth in Pelephone subscribers and wholesale broadband subscribers, along with higher retail broadband ARPU and yes ARPU. Bezeq Group retail broadband subscribers increased by 1% although fixed-line retail broadband subscribers decreased in Q1.

Slide 10 highlights our balanced capital structure. Net debt decreased by 122 million shekels to 4.6 billion shekels, with a net debt to Comp EBITDA ratio of 1.4 times. This month, the Israeli rating agencies reiterated our strong AA and Aa2 ratings with a stable outlook.

Turning to shareholder remuneration on Slide 11. Tomorrow we will pay a cash dividend of 549 million shekels, representing 80% of the net profit in the second half of 2025. In addition, we began our share buyback plan of 150 million shekels to be completed in 2026. As of today, we completed approximately 50% of the total plan.

On Slides 12 through 14, we show our 2026 Outlook and 2029 targets which are unchanged. We will continue to focus on maintaining our AA level rating and strive to increase shareholder remuneration. I will now hand the call to Nir for Fixed-Line results.

Nir David, Bezeq CEO: Thank you, Yohai. We opened 2026 with strong results, reflecting continued and consistent growth across all core metrics. Turning to Slide 15, Fixed-Line core revenues increased 2.5% to approximately 1 billion shekels, driven by higher revenues from transmission and data communications, broadband and cloud & digital services. Fiber deployment continued as we reached 3 million homes passed with a take-up rate of 35%.

On the following slide, we show Q1 financial highlights. Comp EBITDA and Comp Net Profit each rose 1.5%, driven by higher core revenues, partially offset by lower telephony revenues. CapEx was down by 8.2%, and free cash flow grew significantly to 404 million shekels, an increase of 84%, mainly due to a tax refund received in the current quarter, lower CapEx and changes in working capital.

Turning to the next slide, we show continued fiber deployment, reaching approximately 3 million homes passed, with over 1 million active subscribers on our fiber network today. They represent 67% of total broadband subscribers and a take-up rate of 35%. Retail broadband ARPU continued to grow and rose 3.7% year-over-year to 139 shekels.

Moving to Slide 18, we show the take-up trend. Retail fiber take-up reached 645 thousand and wholesale fiber take-up reached 395 thousand today.

Turning to the next slide, broadband revenues were up 8%, driven by growth in ARPU and wholesale revenues. Transmission and data revenues grew 3.6% to 313 million shekels due to higher revenues from metro transmission services, and Cloud & Digital revenues grew 1.6% driven by higher revenues from virtual exchanges and cloud services. With that, I'll now turn the call over to Ilan to discuss Pelephone and yes.

Ilan Sigal, CEO of Pelephone and yes: Thank you, Nir. Turning to Slide 20, I'll start with Pelephone's performance in the first quarter. As shown, revenues, Comp EBITDA and Comp Net Profit were impacted by a decline in roaming revenues as a result of the war with Iran. When adjusting for this impact, revenues from services would have increased by approximately 2%, reflecting the underlying strength of the business.

We delivered strong subscriber momentum this quarter. Postpaid subscribers increased by 34 thousand, marking our strongest quarterly growth since Q2 2018. 5G postpaid subscribers grew by 50 thousand, reaching approximately 1.45 million, or

61% of postpaid subscribers. In parallel, 5G MAX subscriber plans continued to expand, reaching 184 thousand today, reflecting customers' increasing demand for premium connectivity. We are now targeting 300 thousand 5G MAX subscribers by year end. We saw improvement in free cash flow, totaling NIS 15 million, compared to negative free cash flow of NIS 5 million in the first quarter of last year, supported by working capital improvements and disciplined cost management. As expected, given the war-related roaming impact, ARPU declined modestly year-over-year to 44 shekels, a decrease of 2.2%, or approximately 1 shekel. Excluding roaming, ARPU trends remain stable. We also continue to drive operational efficiency. During the quarter, we reached an agreement to retire 150 employees over the next three years, further streamlining the organization while maintaining service quality.

Turning to Slide 21, you can see the detailed financial performance this quarter, which reflects these dynamics - pressure from roaming revenues offset by strong subscriber growth and improved free cash flow.

On Slide 22, we highlight continued growth in 5G adoption. With 61% of postpaid customers now on 5G plans, we remain well positioned to capture future data and service revenue upside.

On Slide 23, we show revenues from services and ARPU. Both were down slightly in Q1 due to the impact of the war with Iran.

Moving to yes. On Slide 24, yes delivered a strong quarter, with revenues growing 7.5% to 343 million shekels, the highest quarterly level since Q1-2019. ARPU reached a record 202 shekel, driven by continued growth in the TV plus fiber bundle and revenues from the Partner transaction.

Slide 25 highlights our key financial metrics in Q1. Comp EBITDA grew 14% and we transitioned to Comp net profit after many quarters of net losses.

Moving to Slide 26. Fiber subscribers increased to 137 thousand today, while migration to IP continues, with 89% of yes customers now on IP platforms. With that, I'll hand the call back to Yohai for Bezeq International's results.

Yohai Benita, Bezeq Group CFO: Thank you, Ilan. Finally, turning to Bezeq International on Slide 27. Bezeq International delivered a solid performance in the first quarter, with business customer revenues increasing 10% year-over-year to 263 million shekels, driven primarily by higher equipment sales and continued growth in cloud activities. Comp EBITDA grew 18%, and Comp Net Profit totaled NIS 8 million, compared to a net loss of NIS 2 million in the corresponding quarter last year. This improvement was driven by higher revenues, alongside disciplined cost management.

Bezeq International is well positioned, as demand for cloud, data, and enterprise connectivity solutions continues to grow.

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. Ok, we have a question from Ondrej from UBS. Hi, Ondrej. I think maybe you are on mute. Ok. So next question. Hi, Ilanit. Ilanit Sherf.

Ilanit Sherf (Apex): Hey, guys. How are you?

Yohai Benita: Good. Good.

Ilanit Sherf (Apex): Great. I have a few questions, if I may. The first one is about the Internet ARPU. It seems that there is some slowdown in the growth of the retail Internet ARPU. And I saw in this quarter, this is the first quarter that I saw that there is a reduction of the BE routers. So my question is, should we expect that the slowdown will continue, or do you still see room for further ARPU improvement as customers continue migrating from copper to fiber? That is the first question. And I have another one about the employees. If we look at the last five years, you can see that between 2020 to 2025, there was a 32 million shekel reduction in employee expenses. But in the same period, the number of employees was reduced by 15 percent. And I want to understand two things. First, how do you explain the lower reduction in the expenses? And the other one is what we should expect going forward in this area.

Tomer Raved: OK, I'll start and the team will chime in. First on the ARPU questions, we see healthy growth in ARPU where we reached 139 shekels. We were hoping to reach 140 next year. We're going to reach it ahead of time and currently targeting 150. That's not as a result of increased prices. It's a result of the mix that you mentioned of transitioning from copper to fiber. This will continue for the next two or three years as the take-up continues to rise and the speeds also increase. So that's also a trigger for growth in ARPU. There's some seasonality around router sales, but there's nothing changing really on that trend as it relates to routers. On the employee side, on one hand, we reduced headcount by roughly 10 percent during the years you mentioned. But there is also the 3 percent increase in employee salaries in the group every year. So the salary expenses did go up by almost 200 million shekels over the period, slightly less than that. But what you're going to see going forward, given the number of employees and that's already set within Bezeq, Pelephone and Bezeq International, more than 1,500 employees combined, 14 percent of the group headcount is actually retiring over the next three years. You're going to see not a reduction in salary expenses

but flat. So this is going to be the first time in the group in the past two decades, we're going to see a few years of flattish salary expenses. And we communicated pretty detailed presentations around that in the previous quarter. But that's the explanation of what you've seen in the past four years and also in the next four years. I hope that answers the question.

Yohai Benita: I just want to add one more thing that this quarter we had some one-time expenses related to the collective agreement that we had both in Bezeq and in Pelephone. So that's why you see a slightly higher increase in salary expenses. But if you exclude that, salary expenses more or less would have been stable.

Ilanit Sherf (Apex): Okay, thank you. One more question, please. Do you have any updates about the cancellation of the structural separation?

Tomer Raved: Yes, so we saw the announcement from the MOC around the RFI in the past few months and we are currently having weekly meetings with the teams at the MOC and hoping they make a decision and announcement in the next few weeks. We are currently in very active work stream with them. So let's wait for their announcements.

Ilanit Sherf (Apex): Okay, thank you, Tomer. Thank you very much to all of you.

Yohai Benita: Thank you, Ilanit. We will try Ondrej again. So, Ondrej, hi.

Ondrej Cabejsek (UBS): Hello, can you hear me now?

Yohai Benita: Yeah, we can hear you. Hi, Ondrej.

Ondrej Cabejsek (UBS): Okay, good. Thank you. Hello, thank you for the presentation. I have two questions, please. You spoke about the impact of the war on mobile roaming revenues as one of the areas where maybe there was a bit of underperformance and I wanted to understand whether this is the only area in the business where the situation has had an impact on the business and whether given the maybe less restrictive past couple of weeks are leading to a rebound in the revenues already in the second quarter whether you kind of see therefore or not a risk from the situation. So potentially your guidance for the full year, of course, that's question number one. And question number two, if I may, you mentioned in your presentation the potential from subsea cables in the Mediterranean and I wanted to understand whether there is a chance to revisit this kind of similar cable opportunity across the Middle East as was discussed in the past and also whether there is any update on the data center and other opportunities which were also discussed with big tech in Israel. Thank you.

Tomer Raved: So first, I want to be clear because it's an important question. The group financials were not impacted by the war. There's positive and negative. And you're right, there was a roaming impact on one hand, which is slightly negative. Without that, Pelephone was overperforming. But net, given the other positive impact on Bezeq fixed line and other companies in the group, the net impact of the war, it's nothing, Ok? It doesn't change our guidance for the rest of the year. Hopefully, the war doesn't continue or resume. There is obviously going to be impact on the roaming also in Q2, given the gradual resumption of flights. But we're not expecting any impact on the group results and our guidance for the year. That's on the roaming question. On subsea cable, good question. When we talk about connecting Europe to Israel to the Mediterranean, the core strategy is connecting Europe to Asia. We already have the terrestrial part in place, Bezeq fixed line has a very robust fiber network to allow for multiple cables to go from the Mediterranean to the Jordanian border and from there to Saudi, UAE and India. We already have active lines connecting the continents, basically Europe to UAE through these lines. But currently, it's on a relatively small scale. We are significantly bolstering the investment in that sector. And the ROI is going to be very significant and pretty fast. So the strategy is not connecting just to the Mediterranean, it's bypassing the Red Sea through Israel to Asia and the Gulf countries. I hope that answers the question.

Yohai Benita: Thank you, Ondrej. The next question is from Sabina. Hi, Sabina

Sabina Podval (Leader): Hi, good afternoon. I have a question regarding the competitive dynamics in the fixed line segment. I recently saw an advertisement from your competitors with quite aggressive pricing. And I was wondering how does it impact your operations, both in the fixed line and the TV segment? And I also want to just try to understand, I think that yes had a very impressive quarter, despite the aggressive competition in the segment, with the addition of 14,000 fiber customers. And I was wondering, where are they coming from? Are they coming from the fixed line segment or are they coming from the competitors? And also, if you can tell us whether the yes and partner deal is impacting the results for the first quarter already? Do we see the impact? Thank you.

Tomer Raved: One word on the competition in general, because we're not going to comment on pricing. And you know the sector extremely well. Both the fixed line and TV market in Israel are extremely competitive, one of the most competitive segments in the world. However, we have seen in the past year a rational market. I'm not commenting on advertising, but the trends continue to be the same across fixed line with the migration from copper to fiber and the continued increase in ARPU. And the bottom line to your question, it does not impact our results or our strategy across the group, across the different verticals and subsectors. I'll let Ilan discuss the yes question.

Ilan Sigal: Yes. Hi Sabina. You asked where they're coming from. So we have 565,000 customers and yes is a very popular TV brand. And most of the of the customers are interested in the TV and fiber bundle. We are offering it as a premium brand: yes+ and fiber. I'm glad that our customers are reaching out and taking our packages and they love it. The best TV with the best internet. So the market wants to have our packages. Secondly, you asked about Partner. We started this partnership around October. And of course, in the first quarter we continued with the collaboration with Partner. The results are good in that.

Tomer Raved: And by the way, the result of the triple bundle that yes offers can be seen in the retail subs of the group which are growing every quarter for more than a year now. Every quarter, you see consistent growth in retail broadband subs in the group, thanks to the bundling offering of yes.

Sabina Podval (Leader): OK, thank you. And maybe another one regarding Bezeq International, although it's a smaller operation among the group, but I was also positively surprised during the quarter with the performance of the business segment revenue. And I was wondering if it's the beginning of a trend or it's just a one-time for the quarter.

Tomer Raved: It's not one time. Bezeq International has successfully been going through a transformation. It's relatively small in the group but in the past two or three years the new management has been focusing on the world of cloud and the infrastructure they have in place. This is not one-off. You will see the transition continue with the focus on growth and cloud and the data center business. So definitely something to look out for, relatively on a small scale, but in the right direction.

Sabina Podval (Leader): Thank you very much.

Yohai Benita: Thank you, Sabina. A follow up question from Ondrej.

Ondrej Cabejsek (UBS): Ok, good. Sorry. Issue with unmuting. I wanted to follow up. Thank you so much for the previous answers. I wanted to understand where the upside from the from the situation is manifesting in the group. Is it really the business? If you can maybe talk about the overall impact. So, yeah, where are the positives? And then following up on the the second answer to the subsea cable question, should we think about it in a way where once you roll out the kind of Mediterranean subsea cable and unlock the kind of whole chain of those links, that's when it kind of clicks into place and you're able to become the kind of intermediary for the Europe to Asia traffic, that kind of the missing piece to like a larger revenue stream? Or how does that work? Exactly.

Tomer Raved: So I first touched on the subsea cable because it kind of relates to a general upside question, but on the subsea cable part, we so far indicated one number, but it gives you a sense. We're going to invest 250 million shekels for 50% of the first cable we put in and we intend to put two additional cables in place. You can make two to three times your money just on pre-sales of these cables. That's before maintenance fees and others. So the IRR on these cables in a two, three year period is very significant. So that's one answer. The current cables we have connecting Israel to Europe are on a relatively small scale. It's one or two fiber pairs. We're talking about laying down multiple dozens of fiber pairs, which is 10 to 20 to 30 times the current capacity Israel has. Because it's not about connecting Israel, it's connecting Asia and Europe. So the financial upside from that is significant. Generally speaking, the free cash flow of the group is going to grow by double digits on an annual basis, which allows a lot of flexibility and upside to your point. And coming mostly from the successful execution of the ARPU's, both on the mobile and TV side on one hand, and the significant upside you see from the subscriber base in fiber. We see people adopting higher speeds, which will further boost even north of the 150 ARPU we're currently targeting. So overall, it's pretty clear picture with double-digit growth in free cash flow and in the bottom line. And I think people understand that we have a lot of flexibility also to explore potential M&A and consolidation within the realm of this current market.

Ondrej Cabejsek (UBS): Maybe on that one, on the final point, is there an update on the Hot Mobile situation?

Tomer Raved: On the mobile side, we don't have an update. There's another party currently under exclusivity for the past three months. If they drop, we will definitely go back to the playing field. But I think we are generally happy to see the market starting consolidation pretty consistent with what you are very familiar with in Europe. We are starting to see the small trend in Israel on that front in mobile and also in fixed line. So we hope to see the rationalization we already started seeing in the past two or three years happening also in the mobile sector. And we will definitely look to play a part in that consolidation.

Ondrej Cabejsek (UBS): Thank you.

Yohai Benita: Okay, thank you, Ondrej. If there are no further questions in English, we will open the call for questions in Hebrew. מי שרוצה לשאול שאלה, מוזמן להרים את היד באופן. Okay. So thank you, everyone, 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 in the second quarter of 2026 earnings call. Thank you.