



**Bezeq Group
Q1-2024
Investor
Presentation**

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Bezeq Group | Q1-2024 Summary



Strong execution in strategic growth drivers – 80% growth in fiber take-up, 6% increase in retail Internet ARPU and 30% growth in 5G subscriber plans



Core revenues ⁽¹⁾ grew 2.1% to NIS 2.0 billion, mainly due to higher core revenues in Bezeq Fixed-Line and despite the impact of the war on Telephone roaming revenues



36% increase in free cash flow to NIS 468 million



Upgrade in both domestic credit rating agencies to iIAA and Aa2.il, with Stable outlook, driven by improved group financial ratios



Thus far, the effect of the war on the Bezeq Group is not material

Bezeq Group is executing on its strategy while focusing on growth

All results are compared to Q1-2023 unless otherwise stated

⁽¹⁾ Total Group revenues excluding Bezeq Fixed-Line telephony revenues, Telephone interconnect fees and Bezeq International consumer revenues. Core revenues were approx. 90% of total Group revenues.



Bezeq Group | Q1-2024 Summary

Core Revenues ⁽²⁾

NIS **2.0** billion

↑ 2.1%

Adj. EBITDA ⁽¹⁾

NIS **917** million

Adjusted EBITDA margin of **40.7%**

↓ 2.0%

Adj. Net Profit ⁽¹⁾

NIS **299** million

↓ 6.9%

Free Cash Flow

NIS **468** million

↑ 35.7%

Decrease in Net Debt

NIS **582** million

↓ 11.0%

All results are compared to Q1-2023 unless otherwise stated

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

⁽²⁾ Total Group revenues excluding Bezeq Fixed-Line telephony revenues, Pelephone interconnect fees and Bezeq International consumer revenues



Bezeq Group | Q1-2024 Summary (Cont'd)



Fiber Net Adds

70k

(retail and wholesale)

Fiber Subscribers

664k⁽¹⁾

(retail and wholesale)

Retail Broadband ARPU

NIS **127**

↑ 5.8%

Homes Passed

2.25 million⁽¹⁾

↑ 8.8%



Cellular subscribers

2.61 million

↑ 1.0%

5G subscriber plans

1.1m⁽¹⁾
(43% of total subscribers)

11k

Net postpaid
subscriber adds⁽²⁾

Cellular ARPU⁽³⁾

NIS **43**

Unchanged

Cellular Service Revenues⁽³⁾

NIS **335** million

↑ 0.3%

yes.

Revenues

NIS **315** million

↓ 4.3%

TV subscribers

571k

↓ 1.6%

75% IP subscribers⁽¹⁾

TV ARPU

NIS **173**

↓ 6.5%

All results are compared to Q1-2023 unless otherwise stated

⁽¹⁾ As of reporting date

⁽²⁾ Compared to Q4-2023

⁽³⁾ Unless otherwise stated, Telephone revenues and ARPU in this presentation are excl. interconnect fees



Bezeq's Compass | Technological & Business Roadmap



Migration to fiber

2020

Launch of fiber project

Today

- 2.25m homes passed
- Accelerated retail fiber take-up
- 664k subscriber take-up (retail + wholesale)
- 30% take-up rate
- 25% increase in broadband ARPU⁽¹⁾

Mid-term

- Completion of fiber roll-out
- 40% take-up rate (retail + wholesale)
- Retail ARPU – above NIS 140



Transition to 5G

5G Tender Award

- Over 1.1m subscribers (43% of total subscribers)

- Approx. 80% 5G subscriber plans
- Cellular ARPU – NIS 45-50

yes.

Migration to IP

Satellite to IP migration

422k IP⁽²⁾ subscribers (75%)

- Completion of IP migration
- OpEx and CapEx savings
- TV ARPU – NIS 155-160

Technology upgrades and business focus enhance growth potential

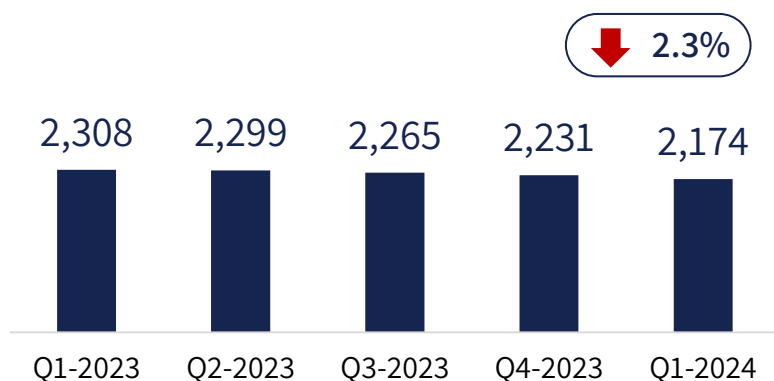
6 ⁽¹⁾ As compared to Q4-2020

⁽²⁾ IP subscribers - the number of yes subscribers viewing IP broadcasting through the yes+ and STINGTV services. This includes subscribers that use satellite services as well

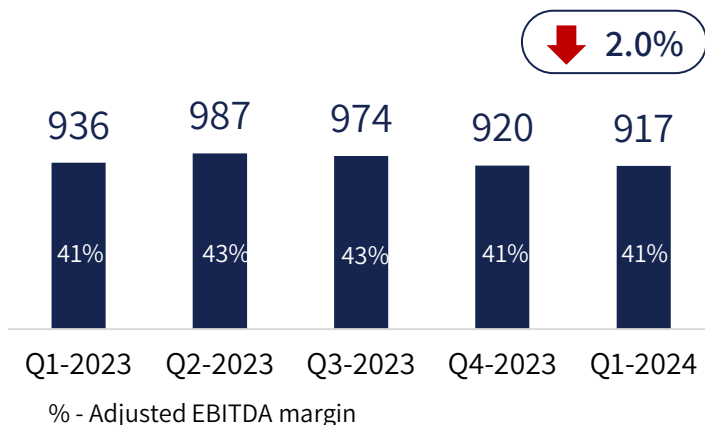


Bezeq Group | Q1-2024 Key Financial Highlights | NIS million

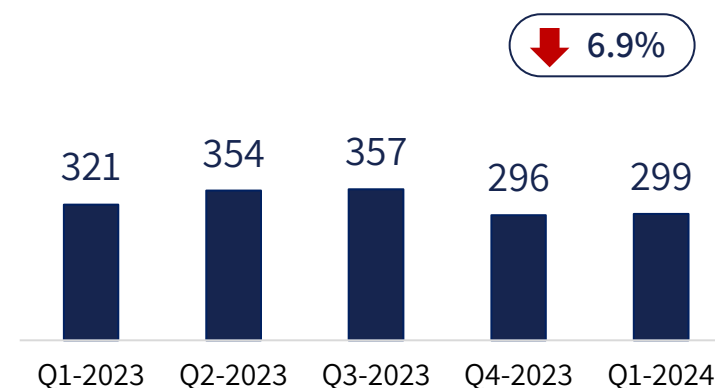
Revenues



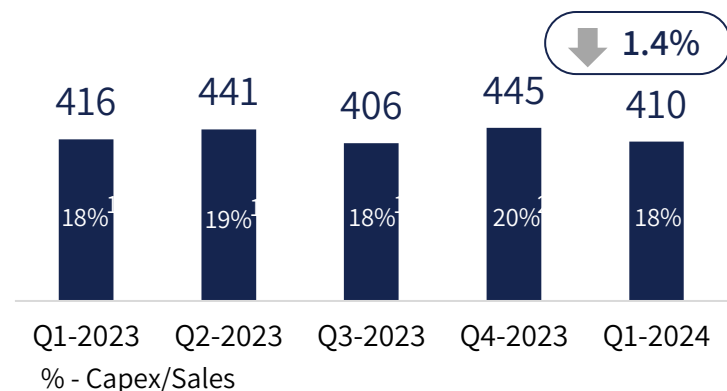
Adjusted EBITDA ⁽¹⁾



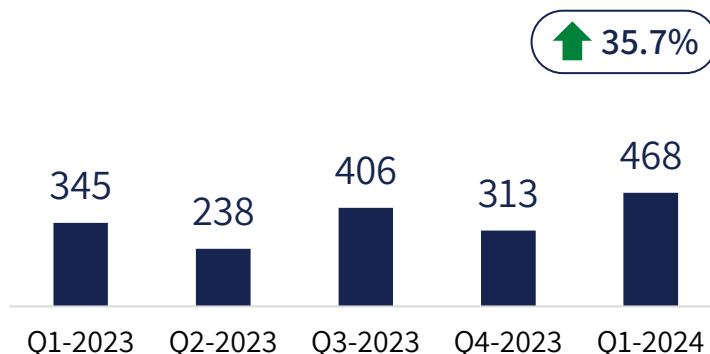
Adjusted Net Profit ⁽¹⁾



CapEx



Free Cash Flow

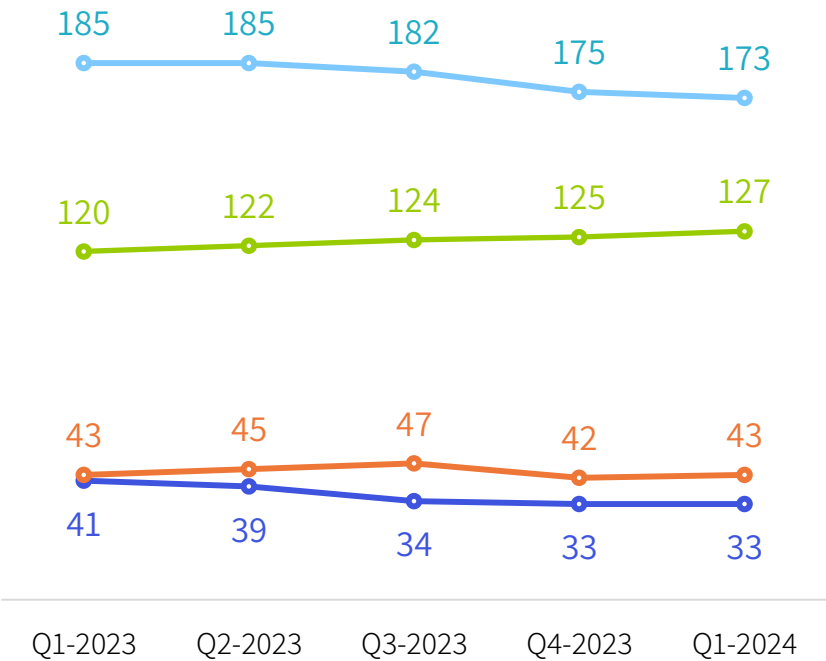


- Core revenues increased 2.1%⁽²⁾
- Revenues were mainly impacted by the second tranche of the MOC telephony reform in July 2023 and the decrease in Telephone interconnect tariffs in June 2023
- Free cash flow was positively impacted by timing differences in working capital



Bezeq Group | Key Operational Metrics

ARPU (NIS)

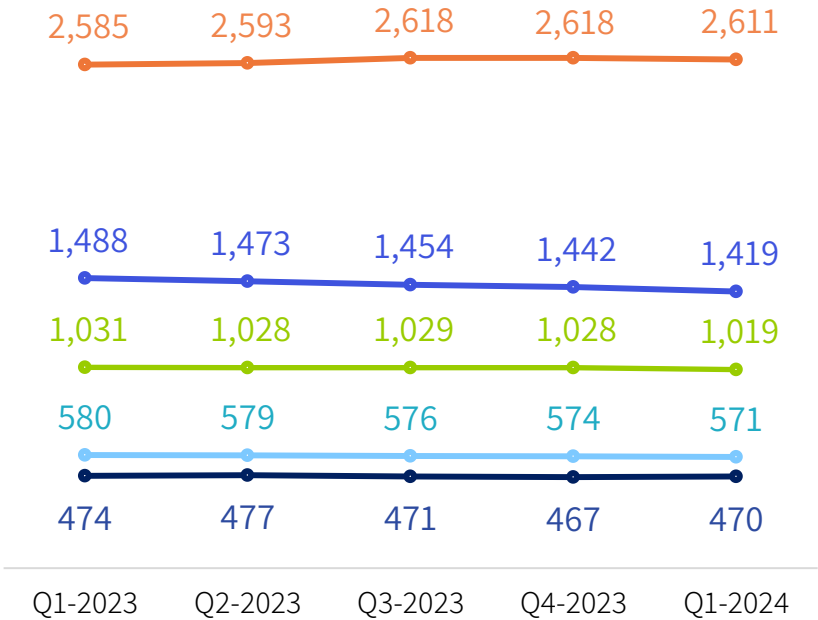


6% increase in retail Internet ARPU

Telephony ARPL decreased due to second tranche of MOC tariff reductions

TV ARPU decreased mainly due to war impact and change in subscriber mix

Subscribers (end of period, in thousands)



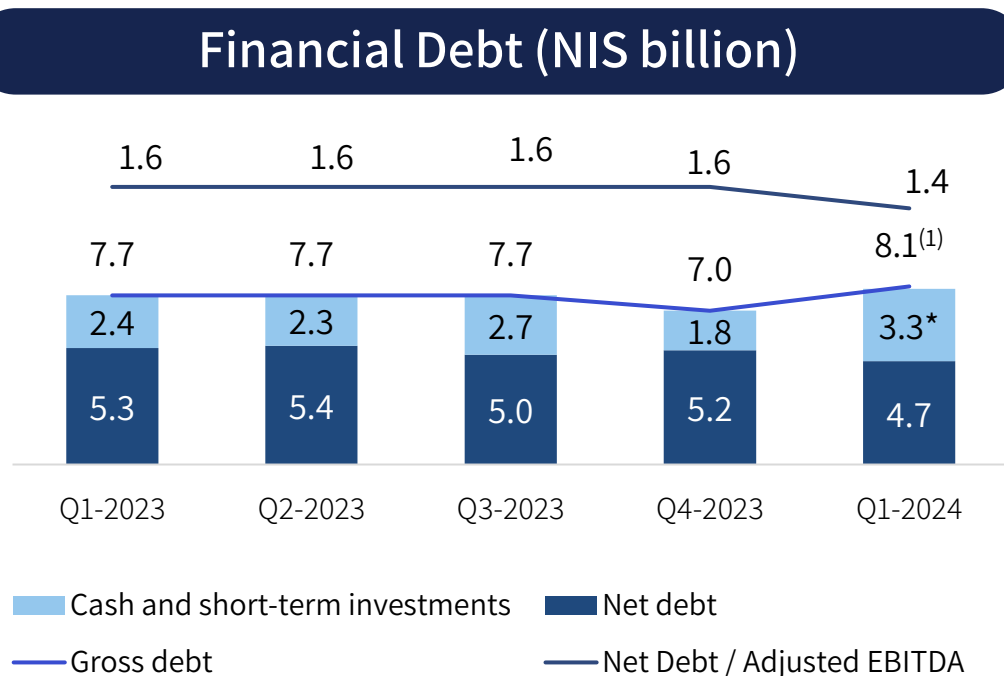
Y-o-Y increase in cellular subscribers

Moderate decrease in TV subscribers

Lower retail Internet subscribers due to decrease in copper subscribers



Bezeq Group | Financial Debt



The Group maintains its high credit rating, while upgrading within the AA group

Decrease in net debt

- Decrease of NIS 582 million, or 11% y-o-y
- Net debt of NIS 4.7 billion – lowest since 2010

Further improvement in Net debt/Adjusted EBITDA⁽¹⁾ ratio

- Decreased to 1.4x from 1.6x

Debt ratings

- S&P Global Maalot and Midroog upgraded Bezeq's credit ratings due to the continued improvement in the Group's financial ratios

Rating Agency	Rating	Outlook
S&P Global Maalot	ilAA	Stable
Midroog	Aa2.il	Stable



Bezeq Group | 2024 Guidance (Unchanged)



Results 2023A



2024 Outlook ⁽²⁾

Adjusted
EBITDA ⁽¹⁾

NIS **3.82** billion

NIS **3.8** billion

Adjusted
net profit ⁽¹⁾

NIS **1.33** billion

NIS **1.2** billion

CapEx

NIS **1.71** billion

NIS **1.8-1.9** billion ⁽³⁾

Fiber
Deployment

2.07 million households
(homes passed) as of today

2.5 million households
(homes passed)

Financial
stability

Maintain high credit rating within the AA group

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

⁽²⁾ The Company will report, as required, deviations of more/less than 10% of the financial amounts stated in the outlook

⁽³⁾ CapEx includes a one-time increase due to two projects – building a new data center for the group and upgrading core infrastructure networks



Bezeq Fixed-Line | Q1-2024 Summary



2.0% growth in Fixed-Line core revenues ⁽²⁾ to NIS 948 million, mainly due to higher revenues from broadband services and transmission and data communications



Adj. Net Profit rose 1.6% to NIS 258 million.
Free cash flow increased 57.5% to NIS 449 million



5.8% growth in retail Internet ARPU, reaching NIS 127



Continued fiber take-up with net adds of 70k: 40k retail and 30k wholesale



Fiber network homes passed reached 2.25m with 664k take-up (30%) ⁽¹⁾



Agreement to enter the electricity supply sector through joint venture with Powergen



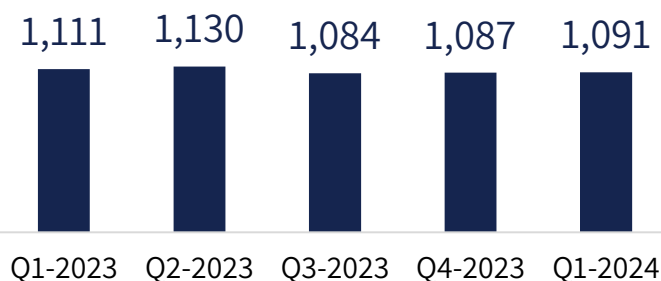
⁽¹⁾ Retail and wholesale, as of reporting date

⁽²⁾ Total Fixed-Line revenues excluding telephony revenues

Bezeq Fixed-Line | Q1-2024 Key Financial Highlights | NIS million

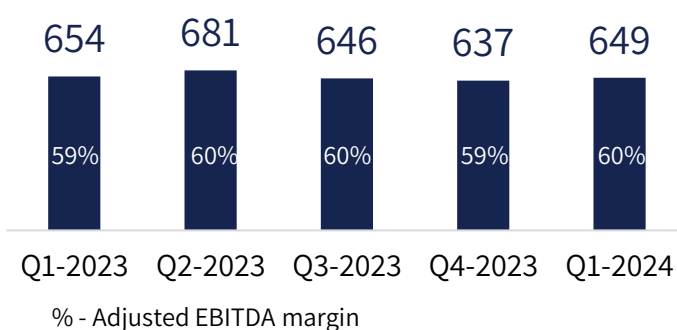
Revenues

↓ 1.8%



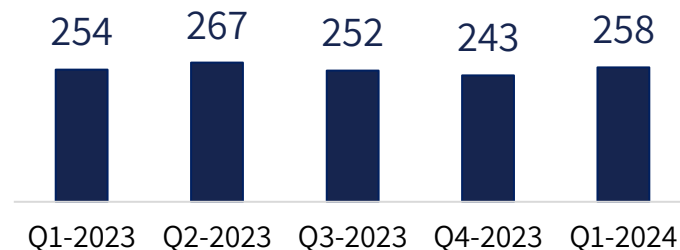
Adjusted EBITDA ⁽¹⁾

↓ 0.8%



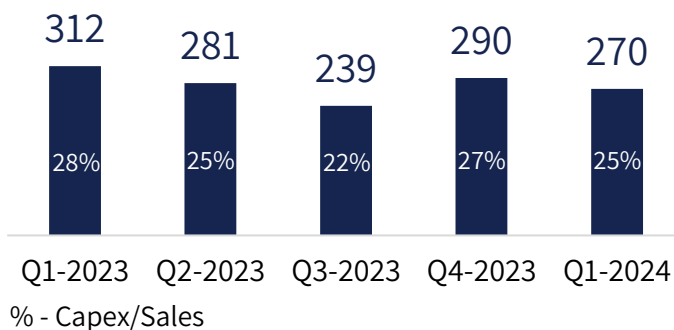
Adjusted Net Profit ⁽¹⁾

↑ 1.6%



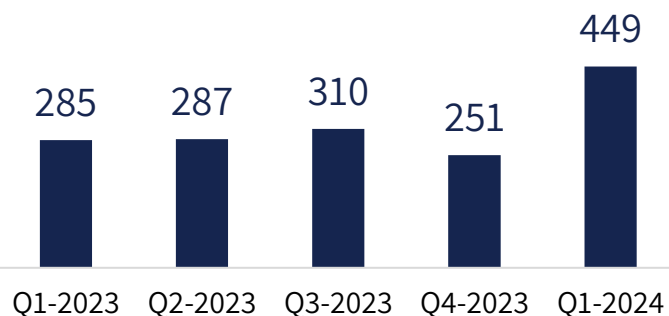
CapEx

↓ 13.5%



Free Cash Flow

↑ 57.5%



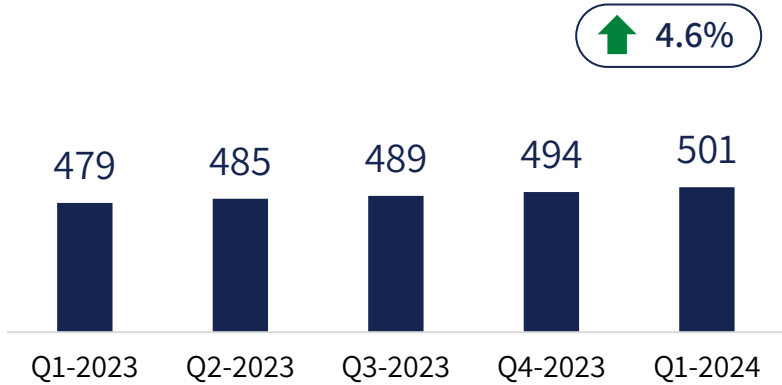
- Revenues were impacted by the second tranche of the MOC telephony tariff reduction in July 2023, partially offset by higher revenues from Internet services and transmission and data communications
- Increase in adjusted net profit mainly due to lower financing expenses
- Increase in free cash flow primarily due to timing differences in working capital

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

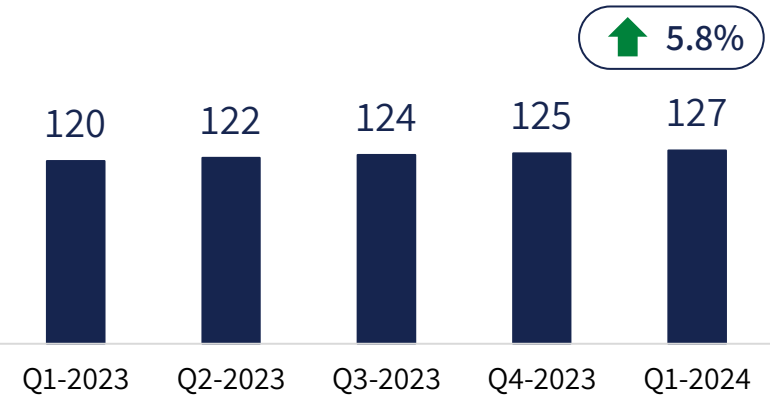


Bezeq Fixed-Line | Q1-2024 Broadband Internet

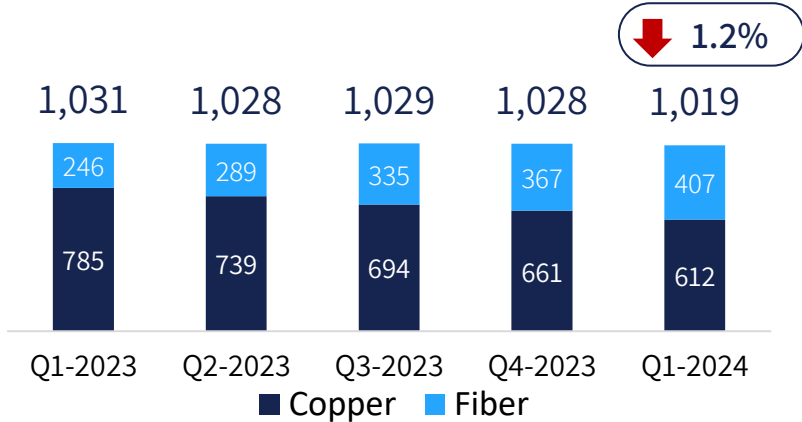
Broadband Revenues (NIS m)



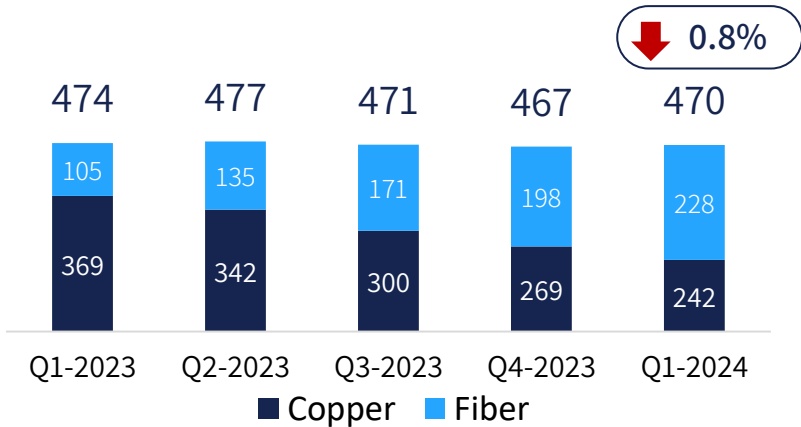
Retail ARPU (NIS)



Retail Broadband Lines (Thousands)



Wholesale Broadband Lines (Thousands)

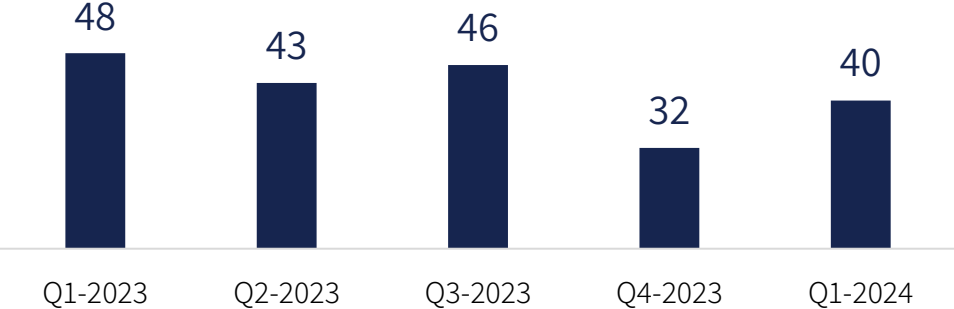


- Significant increase in fiber take-up
- Growth in revenues from broadband services
- Continued growth in broadband retail ARPU, positively impacted by fiber net adds
- Decrease in broadband retail lines mainly due to churn in copper lines

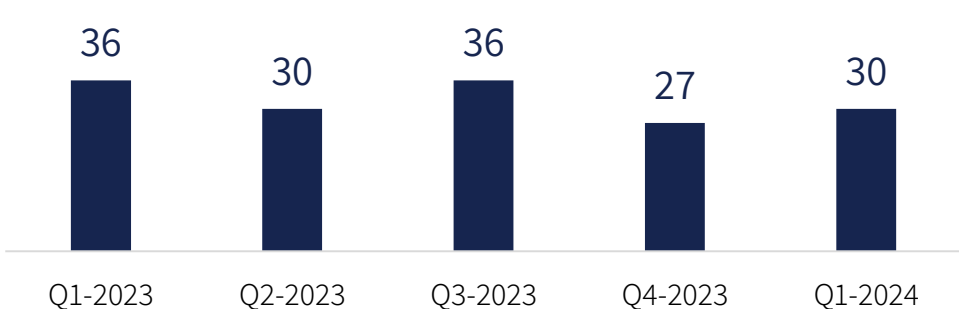


Bezeq Fixed-Line | Fiber Take-Up – Retail and Wholesale

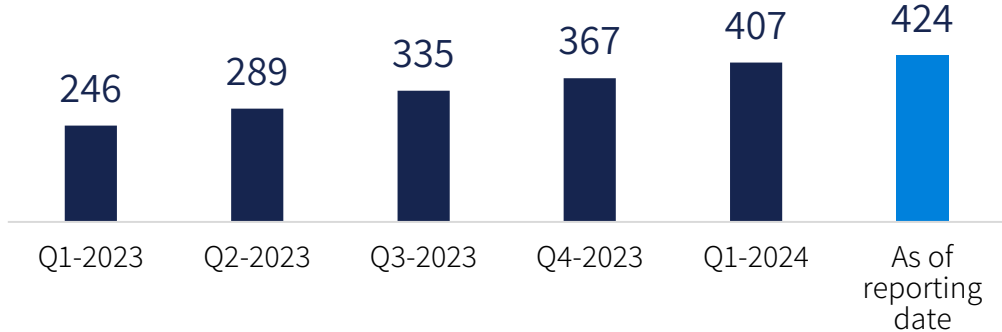
Retail Fiber – Net Adds (Thousands)



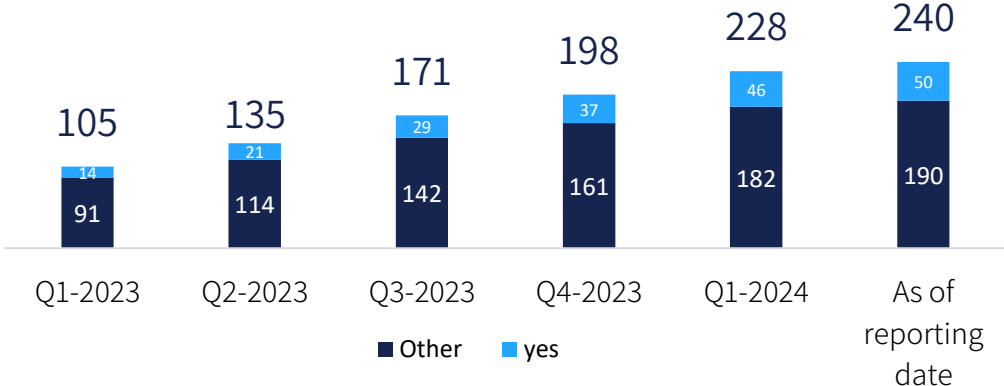
Wholesale Fiber – Net Adds (Thousands)



Total Retail Fiber Take-Up (Thousands)



Total Wholesale Fiber Take-Up (Thousands)



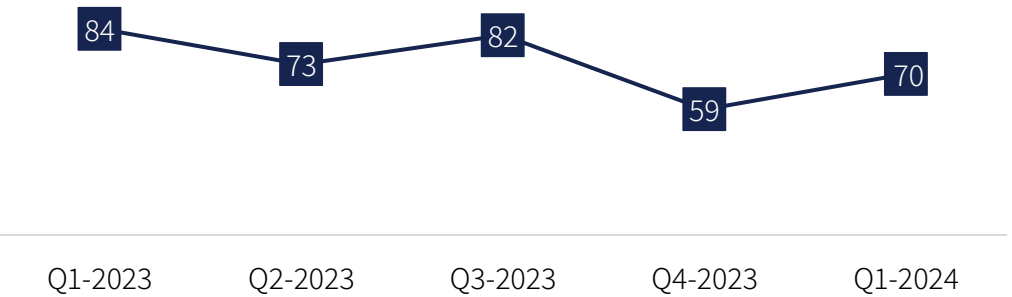
Fiber subscribers represent 40% of total retail subscribers

117% y-o-y increase in wholesale take-up

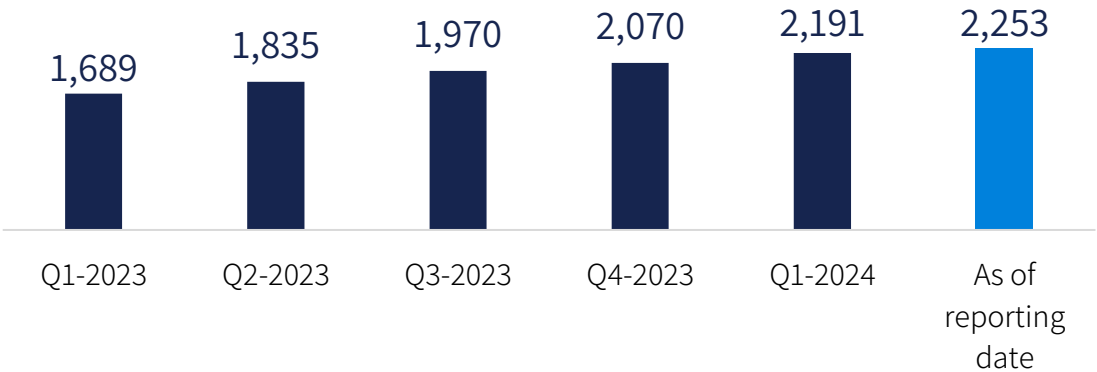


Bezeq Fixed-Line | Continued Fiber Deployment and Take-Up Focus

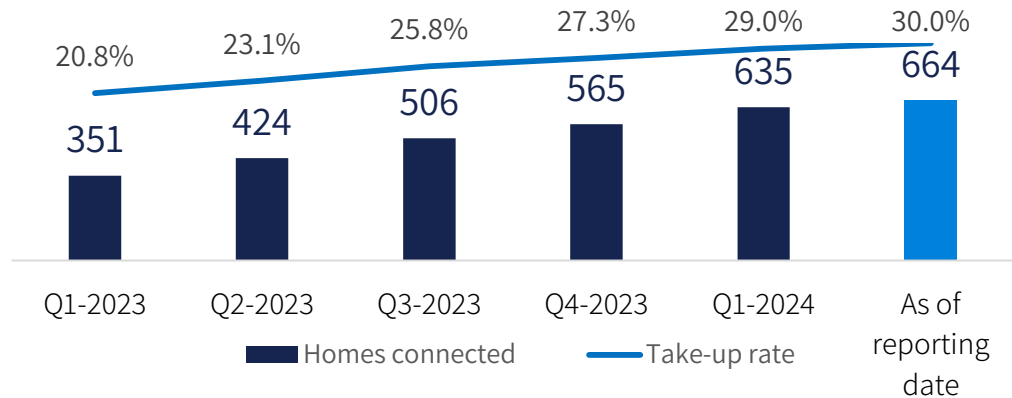
Total Fiber Net Adds (thousands, Retail and Wholesale)



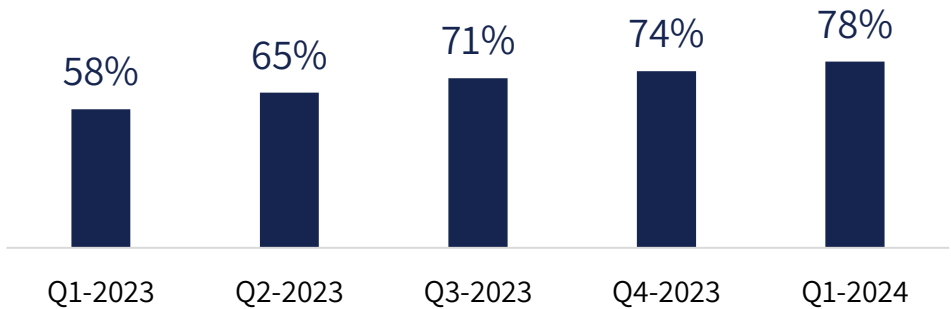
Homes Passed (thousands)



Total Fiber Take-Up (thousands, Retail and Wholesale)



Customers with Unified Broadband Service (% of total retail customers)



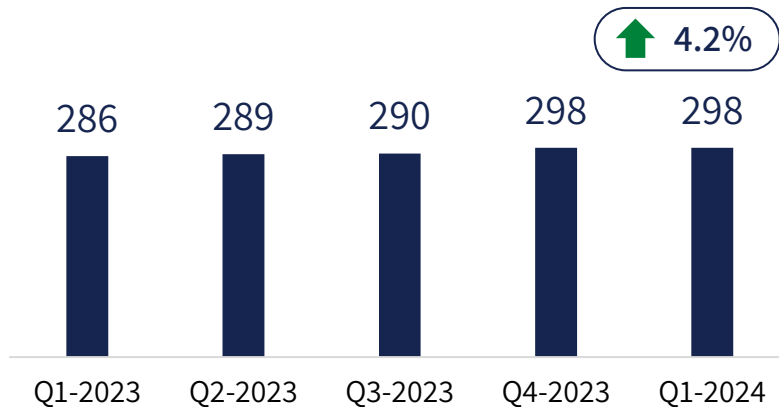
More than 650k active subscribers on Bezeq's fiber network

Over 2.2m homes passed

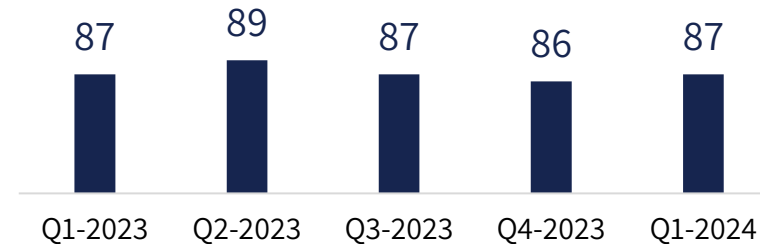


Bezeq Fixed-Line | Data, Telephony, Cloud & Digital Revenues | NIS million

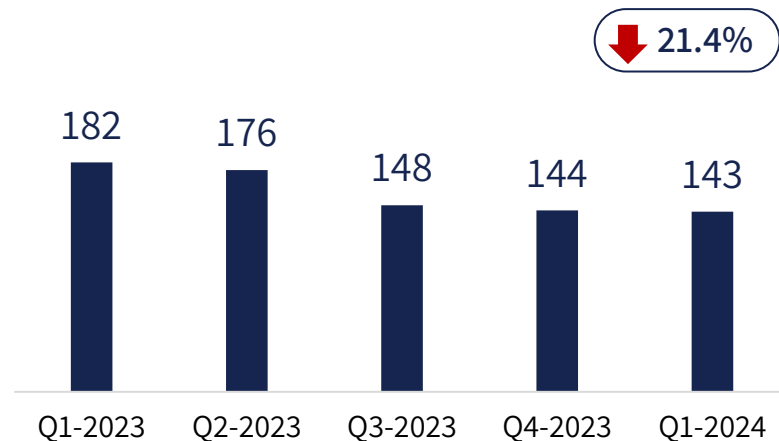
Transmission & Data



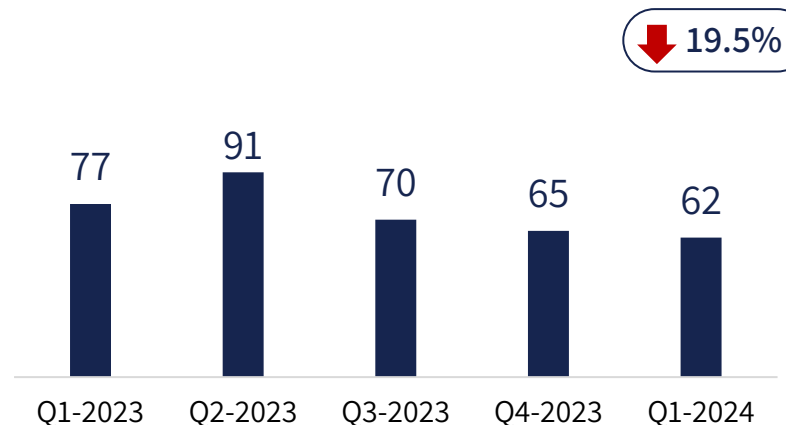
Cloud & Digital



Telephony



Other

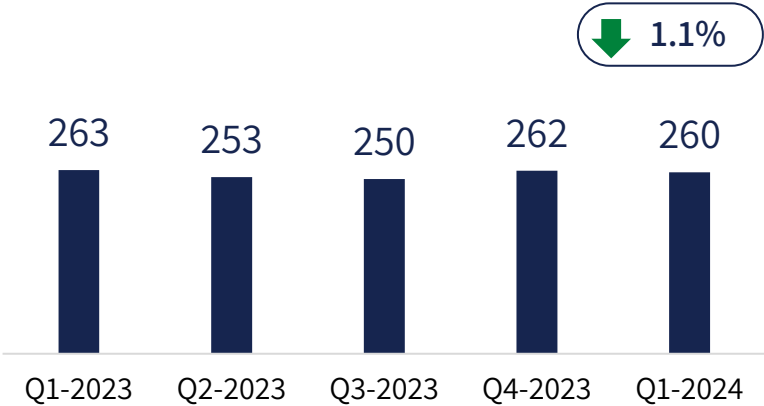


- Continued growth in revenues from transmission and data communications, partially offset by a decrease in traffic revenues from ISP companies
- Telephony revenues, which were 13% of total Fixed-Line revenues in Q1-24, were impacted by the second tranche of the MOC telephony reform in July 2023
- Other revenues were impacted by timing differences in infrastructure projects

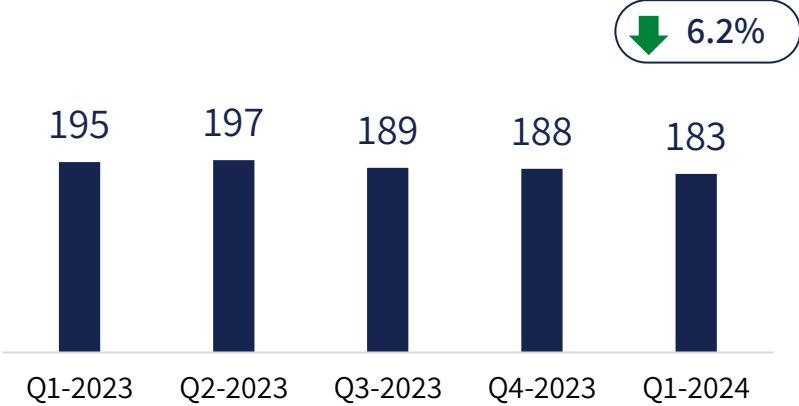


Bezeq Fixed-Line | Operating Expenses | NIS million

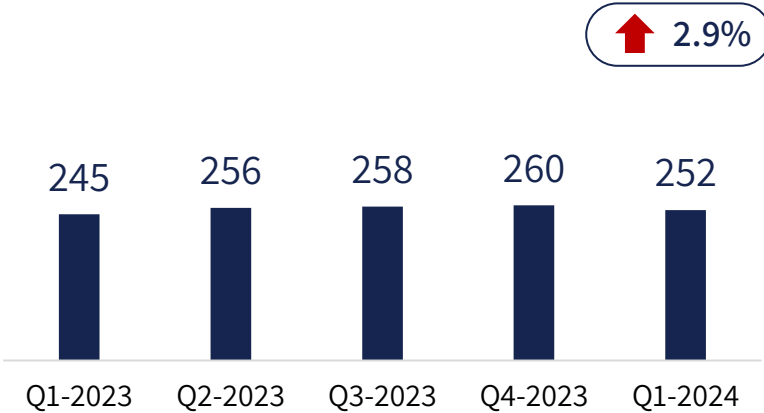
Salaries



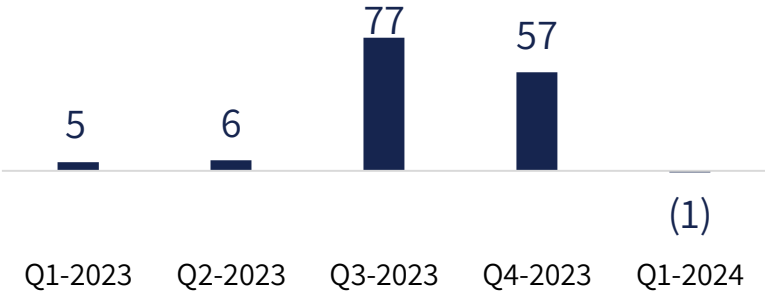
Operating Expenses



Depreciation & Amortization



Other Expenses



- Lower salary expenses due to reimbursement received from National Insurance for employees in military reserve duty as well as a one-time grant in the corresponding quarter for tenured employees following the public sector wage agreement
- Operating expenses were impacted by lower materials and sub-contractor expenses as well as a decrease in interconnect fees, partially offset by higher advertising expenses



Pelephone | Q1-2024 Summary



Stable service revenues driven by higher 5G subscriber plans and postpaid subscribers, despite the war impact on roaming revenues



Adjusted EBITDA rose 1.6% to NIS 185 million



5G subscriber plans grew by 58k reaching 1.1 million (43% of total subscribers) ⁽¹⁾, alongside growth of 11k in postpaid subscribers



Third consecutive quarter of increase in equipment revenues, reaching NIS 167 million



ARPU was NIS 43, an increase of NIS 1 Q-o-Q and in-line year-over-year

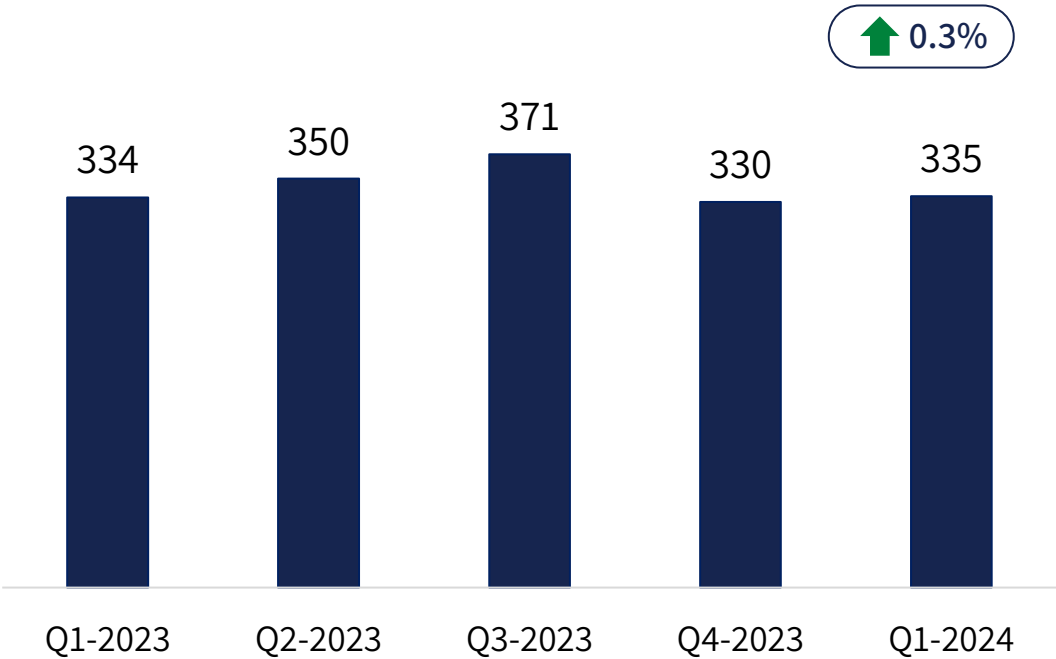


Stable revenues from services and ARPU despite impact of war on roaming services

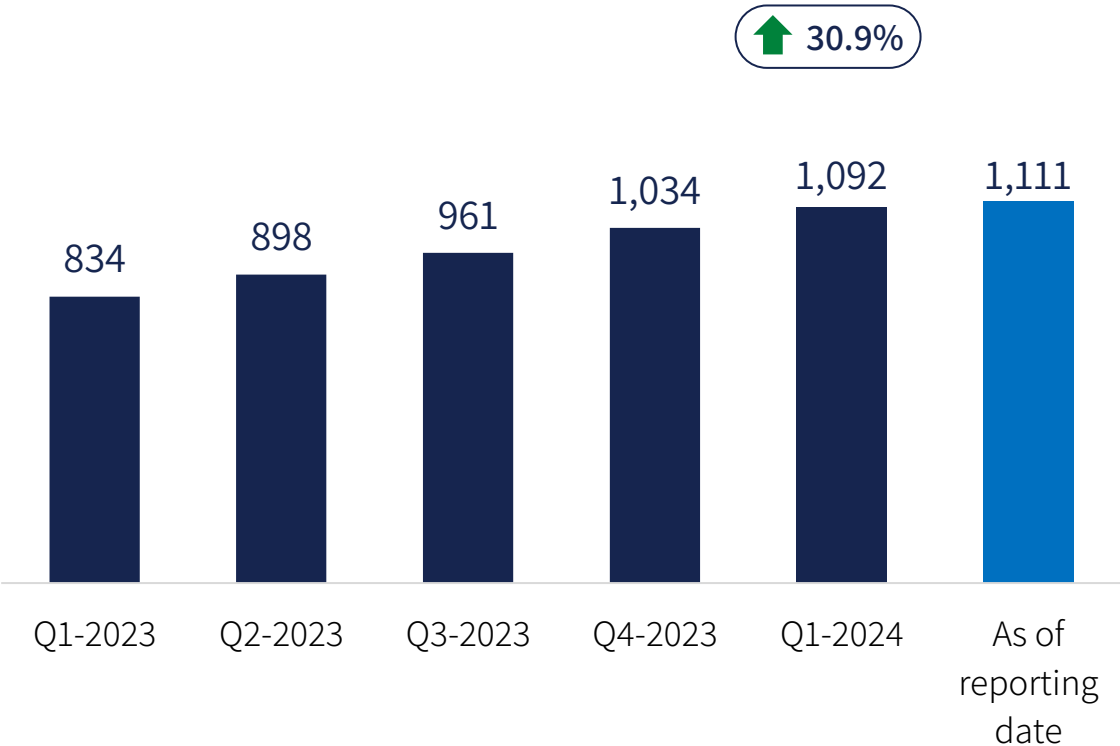


Pelephone | Service Revenues and 5G Subscriber Plans

Revenues from Services (NIS Million)



Subscribers on 5G Plans (Thousands)



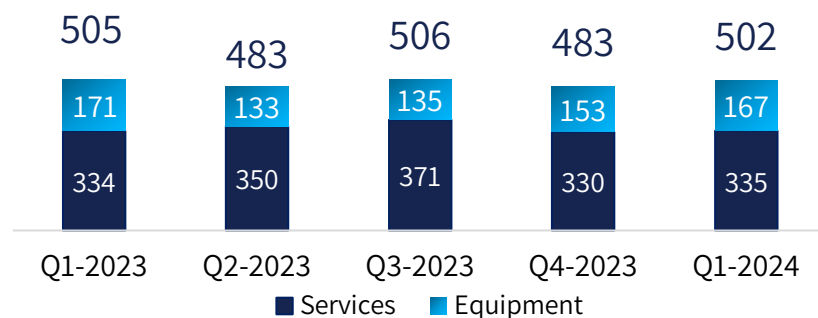
Subscribers on 5G plans represent 43% of total subscribers and 50% of postpaid subscribers



Pelephone | Q1-2024 Key Financial Highlights | NIS million

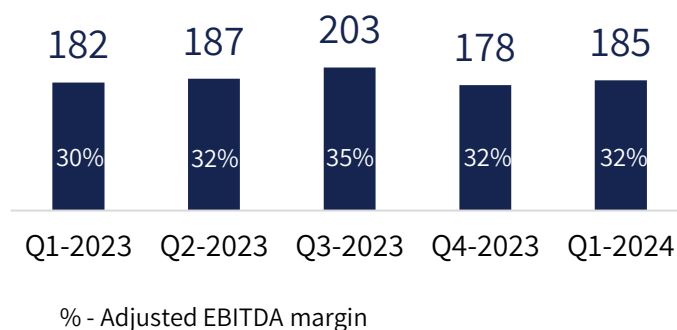
Revenues

↓ 0.6%



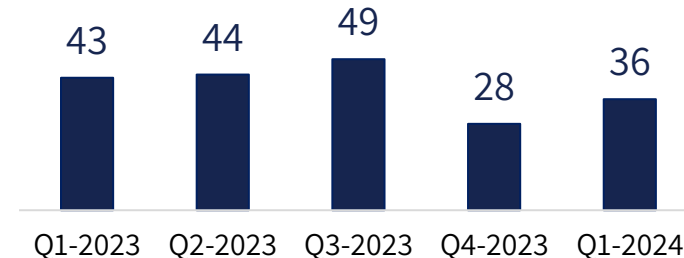
Adjusted EBITDA ⁽¹⁾

↑ 1.6%



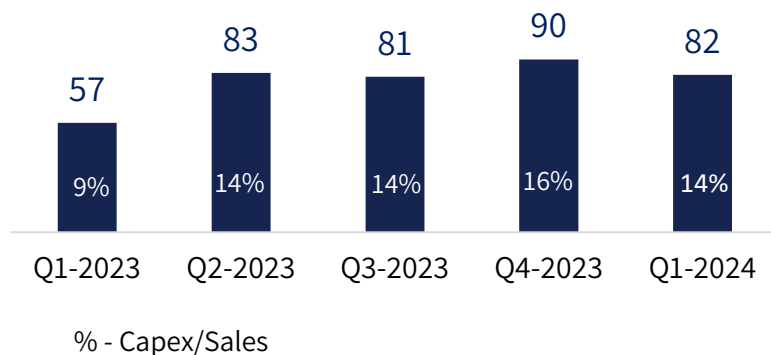
Adjusted Net Profit ⁽¹⁾

↓ 16.3%

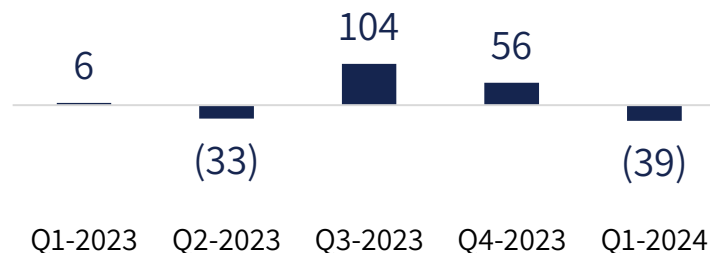


CapEx

↑ 43.9%



Free Cash Flow



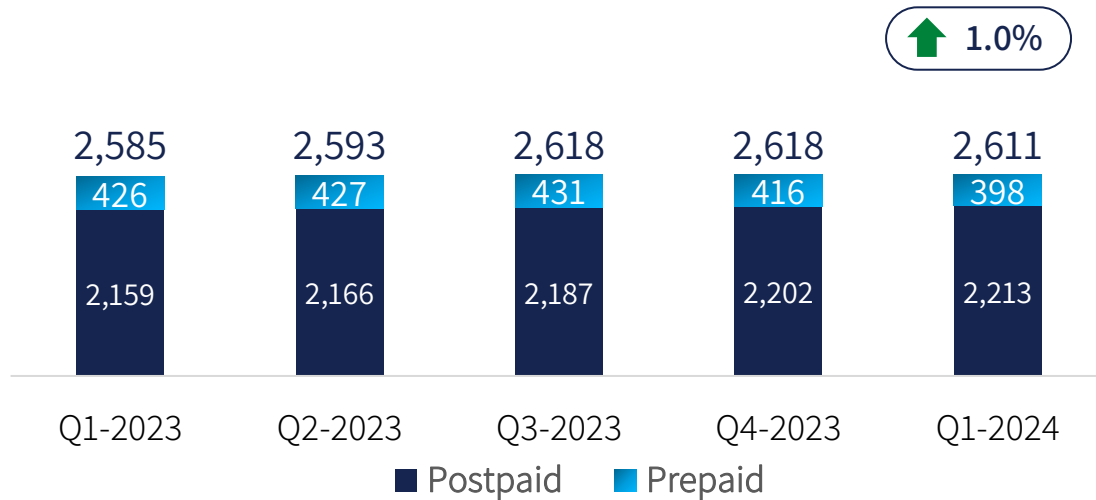
- Stable service revenues driven by growth in 5G subscriber plans and postpaid subscribers, despite war impact on roaming services
- Third consecutive quarter of increases in equipment revenues
- Decrease in adjusted net profit due to a decrease in roaming revenues and lower interest income
- Free cash flow was impacted by timing differences in CapEx and working capital

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



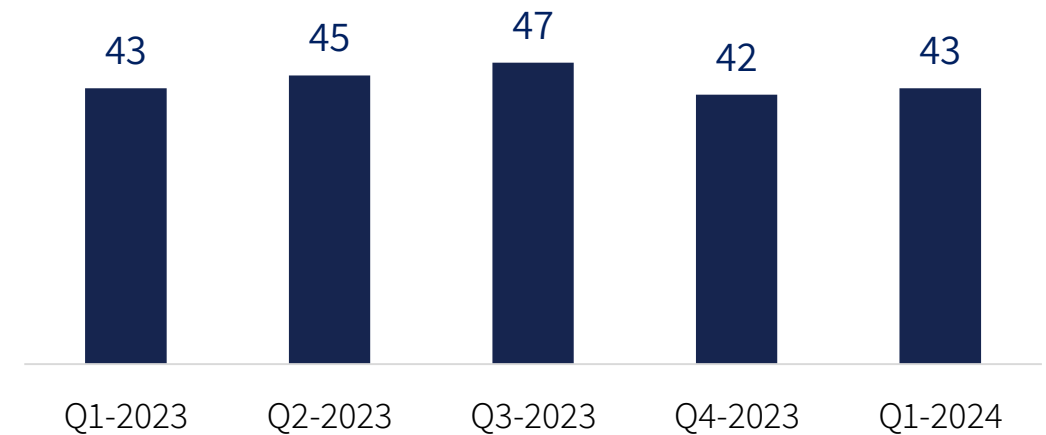
Pelephone | Q1-2024 Key Operational Metrics

Subscribers (Thousands)



- Continued increase in postpaid subscribers, including 5G subscriber plans
- Prepaid subscribers in Q1-24 were impacted by the war

ARPU (NIS)



- ARPU rose NIS 1 sequentially and was in-line year-over-year, despite impact of war on roaming revenues



yes | Q1-2024 Summary



Revenues totaled NIS 315 million, down 4.3% impacted by the non-billing of customers in the line of conflict due to the war as well as a change in the mix of customers from premium to discount, partially offset by higher revenues from the TV + fiber bundle



yes is the largest Israeli IP operator with 422k customers watching TV through IP broadcasting ⁽¹⁾ (75% of total subscribers), an increase of 20k in Q1-24



Continued growth in fiber subscribers reaching 50k ⁽¹⁾, 12% of total IP subscribers



Approx. 150k subscribers with international streaming services, through agreements with yes



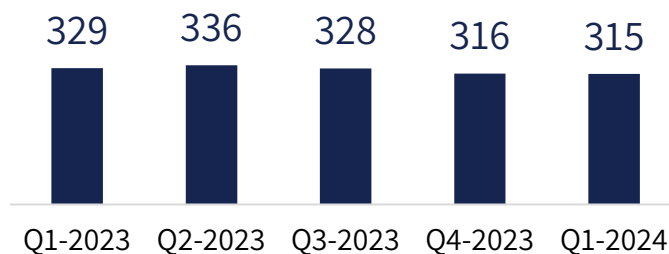
Free cash flow reached NIS 38 million



yes | Q1-2024 Key Financial Highlights | NIS Million

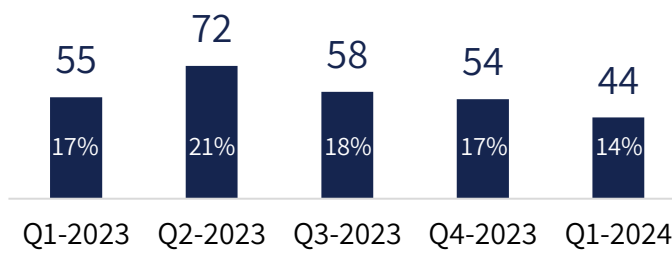
Revenues

↓ 4.3%



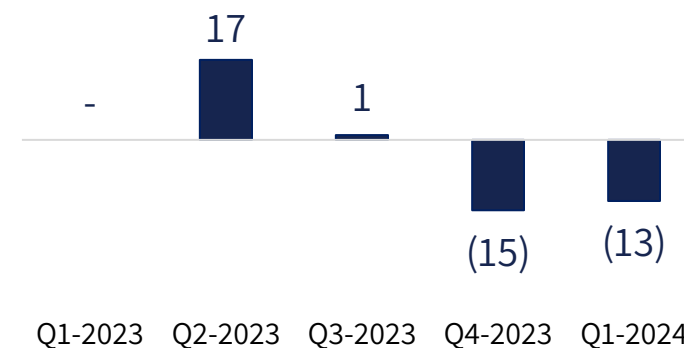
Adjusted EBITDA⁽¹⁾

↓ 20.0%



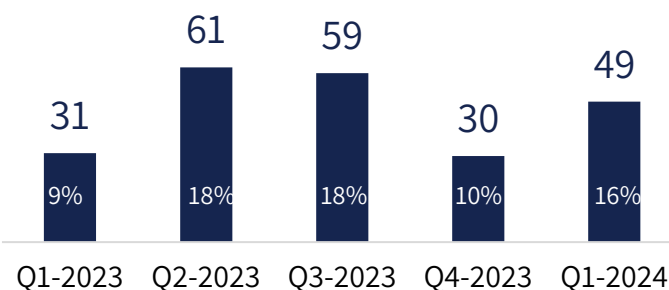
% - Adjusted EBITDA margin

Adjusted Net Profit⁽¹⁾



CapEx

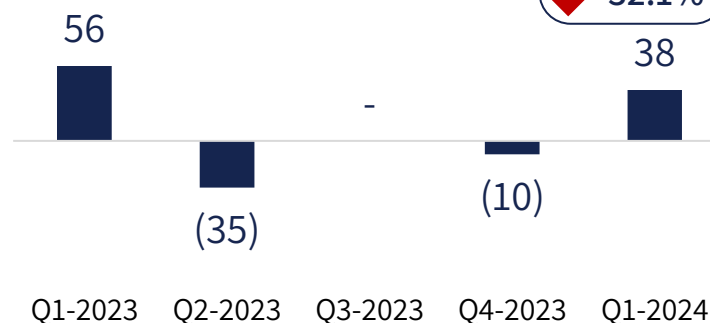
↑ 58.1%



% - Capex/Sales

Free Cash Flow

↓ 32.1%

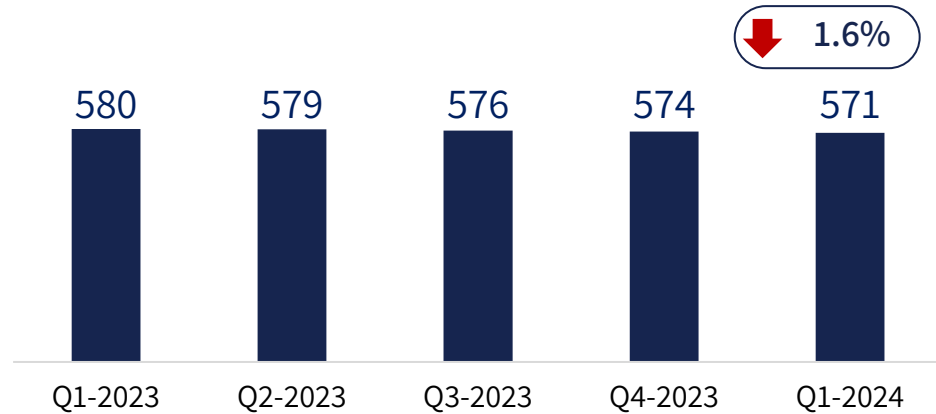


- Revenues were impacted by the non-billing of customers in the line of conflict due to the war as well as a change in the mix of customers from premium to discount, partially offset by higher revenues from the TV + fiber bundle
- Adjusted EBITDA and Adjusted Net Profit were impacted by the decrease in revenues
- Free cash flow was impacted by timing differences in working capital

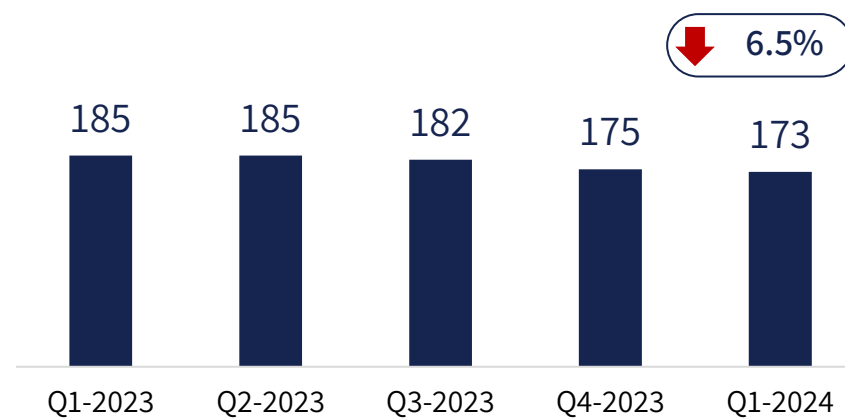


yes | Q1-2024 Key Operational Metrics

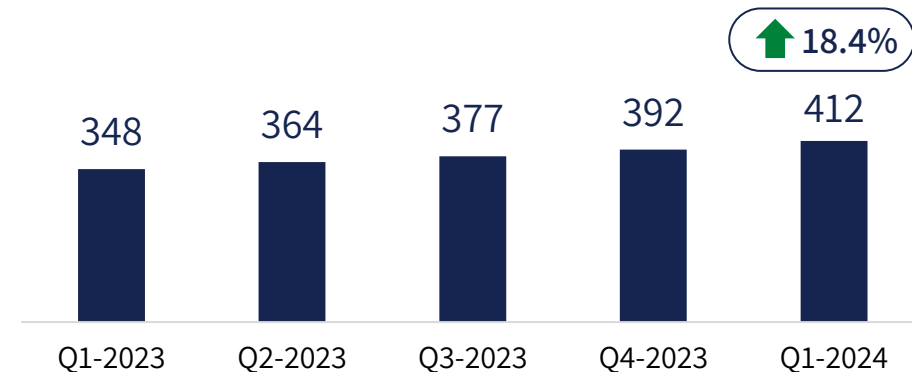
Subscribers (Thousands)



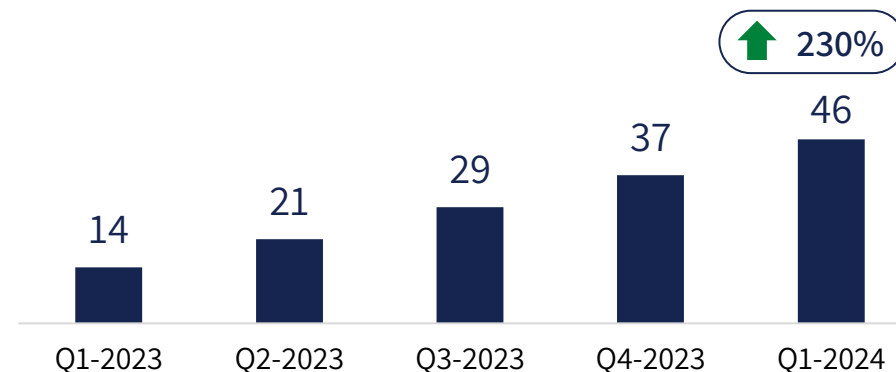
ARPU (NIS)



IP Subscribers ⁽¹⁾ (Thousands)



Fiber Subscribers (Thousands)



- Continued growth in IP subscribers to 75% of yes subscribers ⁽²⁾
- Rapid growth in fiber subscribers
- ARPU was impacted by the continued transition of premium subscribers to discount plans and the impact of the war (non-billing of subscribers in line of conflict)
- Moderate decrease in subscribers due to increased competition



Bezeq International | Q1-2024 Summary



Increase in ICT activity offset most of the decrease in consumer ISP revenues



Focus on growth in ICT market with emphasis on cyber, integration, public cloud and data centers



Cost savings due to reduction in consumer ISP activity



Free cash flow rose to NIS 23 million, compared to negative free cash flow of NIS 1 million in the corresponding quarter

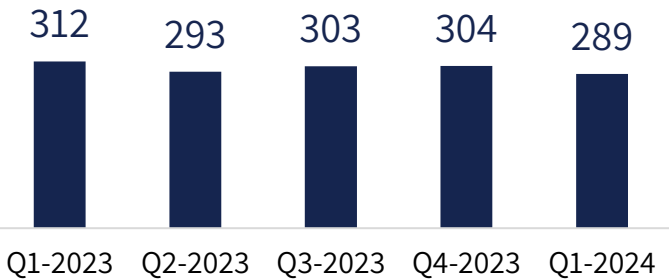


Bezeq International | Q1-2024 Key Financial Highlights |

NIS Million

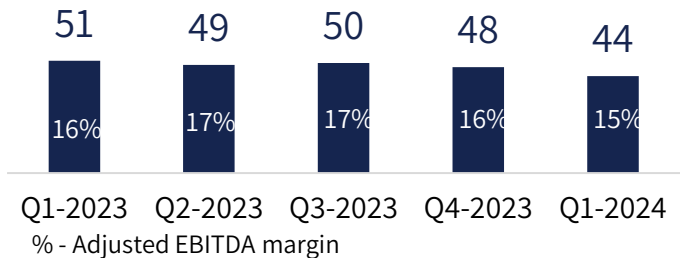
Revenues

↓ 7.4%



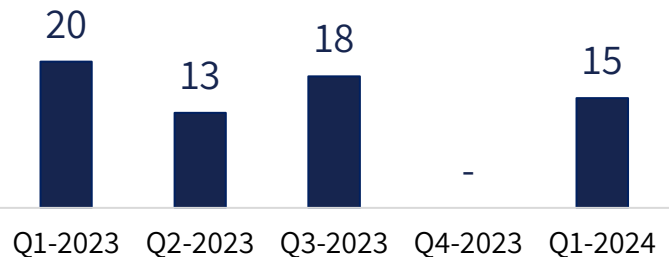
Adjusted EBITDA ⁽¹⁾

↓ 13.7%



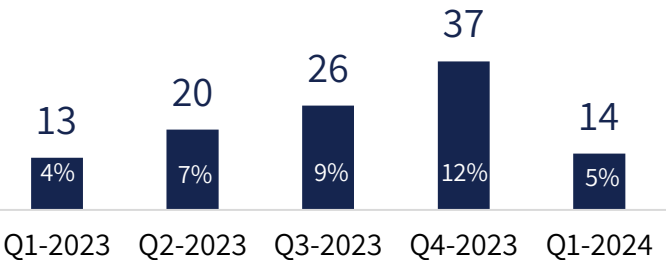
Adjusted Net Profit ⁽¹⁾

↓ 25.0%

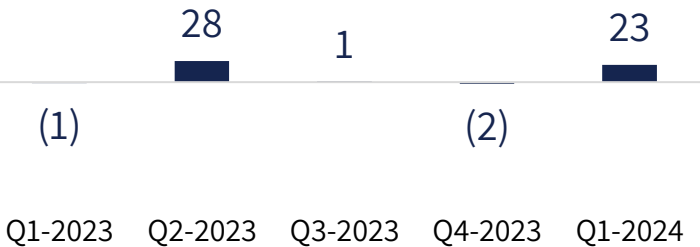


CapEx

↑ 7.7%



Free Cash Flow



- Revenues were impacted by lower consumer ISP revenues due to the MOC unified Internet regulatory reform, mainly offset by an increase in ICT revenues
- Free cash flow was positively impacted by payments for employee retirement in the corresponding quarter

% - Capex/Sales

⁽¹⁾ Pro-forma; After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation



Bezeq Group | Q1-2024 Summary



Strong execution in strategic growth drivers – 80% growth in fiber take-up, 6% increase in retail Internet ARPU and 30% growth in 5G subscriber plans



Core revenues ⁽¹⁾ grew 2.1% to NIS 2.0 billion, mainly due to higher core revenues in Bezeq Fixed-Line and despite the impact of the war on Pelephone roaming revenues



36% increase in free cash flow to NIS 468 million



Upgrade in both domestic credit rating agencies to iLAA and Aa2.il, with Stable outlook, driven by improved group financial ratios



Thus far, the effect of the war on the Bezeq Group is not material

Bezeq Group is executing on its strategy while focusing on growth



⁽¹⁾ Total Group revenues excluding Bezeq Fixed-Line telephony revenues, Pelephone interconnect fees and Bezeq International consumer revenues. Core revenues were approx. 90% of total Group revenues.





Thank You!

For more information please visit us
ir.bezeq.co.il