

"Bezeq" The Israel Telecommunication Corp., Ltd.**Event Transcript****Q3 2025 Financial Results**

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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 third quarter of 2025, 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.

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Q3 2025 Financial Results

Yohai Benita (Bezeq Group CFO): Welcome everyone and thank you for joining us on Bezeq's 2025 third quarter earnings call. I am Yohai Benita, CFO of the Bezeq Group. Joining us from the senior management team today, we have Mr. Tomer Raved, Bezeq's Chairman, Mr. Nir David, Bezeq's Fixed-Line CEO, and Mr. Ilan Sigal, CEO of Pelephone and yes. Before we start the call, I would like to direct your attention to the Safe Harbor statement on Slide 2 of our presentation, which also applies to any statement made during today's call. We would like to inform you that this event is being recorded. Following the presentation of our 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'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 Group Executive Chairman): Thank you Yohai. Let's start on Slide 3. We continued to record stable and healthy growth across all the Group's strategic business segments, consistently meeting and beating our forecasts. I am proud to announce that we have reached our 2.9 million homes passed target and have completed our network deployment across the vast majority of Israel. Accordingly, starting 2026, we expect to see a gradual decrease in CapEx. This is a historic milestone that will enable us to be fully prepared ahead of the AI revolution that will transform the economy, society, and the quality of life of every Israeli citizen. During this quarter, we continued to deliver significant growth in Core revenues, and double-digit growth in Adjusted EBITDA and Adjusted Net Profit, that were also positively impacted by yes' improved valuation. Excluding the yes valuation impact, Adj. EBITDA still grew by a healthy 4% this quarter. We continue to focus on new strategic initiatives in Bezeq Fixed-Line, Pelephone and yes which further strengthen the Group's core pillars. On the regulatory side, there was further progress in the process for the removal of structural separation with the MOC publication of a call for public comments. We are hopeful that the MoC will complete its process by year end as planned and that we can start merging yes into Bezeq Fixed-line and further enhance value to customers, operational efficiency and leverage our significant tax asset.

Moving to the next slide, our technological and business roadmap is on track to reach our mid-term KPI targets, including at least 40% fiber take-up and consistent ARPU growth across all verticals while leveraging our leading position in 5G and TV.

On slide 5, you can see a good snapshot of our financial highlights for this quarter, both in top line as well as in profitability metrics. Core revenues grew by almost 2% and now

represent 93% of our total revenue. After adjusting for the change in yes' valuation, Adjusted EBITDA grew 4%, in line with the Group's targets.

Turning to slide 6, let me point out that even in a year with a volatile geo-political situation, our core business continues to perform well with outstanding growth in every KPI this quarter. Total fiber subscribers as of today, reached 969 thousand. 5G subscriber plans reached 1.36 million and cellular ARPU grew over 4%. yes ARPU was up 1% year-over-year and reached 189 shekels.

We are pleased to see the improvement in the macroeconomic environment, the cease fire in the region, and the return of our hostages. These tailwinds, together with the Group's strong performance, are generating growing interest from investors in the Israeli, European, and U.S. capital markets. We will continue to work to create significant value for our customers, employees, and shareholders. I will now turn the call over to Yohai, who will elaborate further on the Group results.

Yohai Benita (Bezeq Group CFO): Thank you, Tomer. Moving to Slide 7 - We show a 1.7 % increase in core revenues due to higher core revenues across all key group segments. Adjusted EBITDA grew 13.8% and Adjusted Net Profit grew 56%, due to the increase in the valuation of yes. After excluding the impact of yes' updated valuation, Adjusted EBITDA increased 3.9% and Adjusted Net Profit was up 0.1%.

Turning to the next slide, we show the nine-month trends which were similar to Q3 in revenues and profitability. Free cash flow was impacted by Bezeq Fixed-Line tax assessments paid in the first quarter of 2025 and a tax refund received in the corresponding period.

Moving to the next slide, we show our operating expenses. Salary expenses decreased 8.9% due to the sale of Bezeq Online and its de-consolidation as of Q2-2025. We recorded decreases in operating expenses and depreciation expenses, mainly due to the change in yes' valuation. Other expenses were impacted by higher provisions for legal claims and employee retirement at Bezeq Fixed-Line.

The next slide shows our quarterly operational metrics. Broadband retail ARPU continued to grow year-over-year. In addition, we recorded increases in Telephone ARPU as well as in yes ARPU year-over-year, due to fiber growth. Compared to the previous quarter, cellular subscribers grew by 16 thousand and TV subscribers grew by 3 thousand, representing the second consecutive quarter of growth.

Slide 11 highlights our balanced capital structure with net debt at 4.6 billion shekels and a coverage ratio of 1.3 times. The decrease in coverage ratio was due to the increase in Adjusted EBITDA as a result of the change in yes' valuation. We remain committed to maintaining our high credit rating.

Moving to the next slide, our 2025 outlook remains unchanged, and we are forecasting Adjusted EBITDA of 3.85 billion shekels, Adjusted Net Profit of 1.45 billion shekels and CaPEX of 1.75 million shekels.

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, Yohai. We continued to deliver strong results in the third quarter, reflecting the successful implementation of our multi-year strategy focused on core activities and on accelerating investments in advanced infrastructure nationwide.

Turning to Slide 13, Fixed-Line core revenues increased 2.2% to 991 million shekels, driven by higher revenues from transmission and data communications, broadband and cloud & digital services. Broadband fiber customers reached 969 thousand today and ARPU rose 3.8% year-over-year to 136 shekels. We recently expanded our IRU agreement with Gilat Telecom. Together with the Partner agreement, this represents another significant milestone in our growth strategy, enabling us to better leverage the potential of our fiber network and to expand our customer base nationwide.

On the following slide, we show Q3 financial highlights. Adjusted EBITDA rose 0.5% due to higher core revenues, partially offset by lower telephony revenues. Adjusted Net Profit was down 10.5% to 214 million shekels, mainly due to higher depreciation and financing expenses. Free cash flow was down 3.1%, mainly due to timing differences in working capital.

Turning to the next slide, we show continued fiber deployment reaching our target of 2.9 million homes passed, with over 969 thousand active subscribers in our fiber network today, representing 65% of total broadband subscribers and resulting in a take-up rate of 34%.

Moving to the slide 16, we show the take-up trend. Retail fiber take-up reached 616 thousand and wholesale fiber take-up reached 353 thousand today. Fiber subscribers represent 62% of total retail subscribers.

Turning to the next slide, broadband revenues were up 1.6%, driven by growth in ARPU and fiber subscribers. Transmission and data revenues grew 4.7% to 310 million shekels, and Cloud & Digital revenues grew 5.7% 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 Pelephone & yes): Thank you, Nir. Moving to slides 18 and 19, Pelephone delivered strong quarterly financial results together with sustained growth

across key performance indicators. Service revenues grew 4.4% reaching 381 million shekels, for the highest service revenues in a decade. Adjusted EBITDA grew 5.8% to 202 million shekels for the highest Adjusted EBITDA in two years. Revenue and profitability growth were driven by continued growth in postpaid subscribers, including 5G subscriber plans, as well as higher roaming revenues. 5G postpaid subscriber plans grew by 33 thousand, reaching 1.36 million subscribers today. 5GMAX subscribers reached 115 thousand today.

Moving to the next slide, we show 5G postpaid subscriber plans reaching 1.36 million subscribers as of today, representing 59% of postpaid subscribers, and Q3 service revenues showing consistent growth over the last few years.

The next slide shows Q3 key operational metrics. We posted the highest ARPU in 6 years reaching 48 shekels, up 4.3% of 2 shekels, year-over-year.

Turning to yes on slide 22. yes has demonstrated consistent increases in revenues and subscribers, along with significant growth in all profitability metrics, which have been driven by comprehensive efficiency and renewal initiatives and the completion of strategic transactions and measures we undertook. Revenues increased 1.3% to 321 million shekels due to higher revenues from the TV + fiber bundle. Proforma Adjusted EBITDA rose 69% to 59 million shekels, driven by an improvement in operations, including growth in subscribers and revenues and a reduction in expenses, resulting from the completion of transactions and strategic initiatives. Total TV subscribers increased by 3,000 this quarter, representing the highest quarterly increase in total subscribers since Q4-2022. We posted quarterly growth with 12 thousand net fiber subscriber adds reaching 111 thousand as of today.

Moving to the next slide, Proforma Adjusted Net Loss improved by 97% due to higher revenues and streamlining of expenses.

On the next slide, I would like to highlight that this is the second consecutive quarter with a sequential increase in total TV subscribers. ARPU rose 2 shekels year-over-year growth, due to higher revenues from fiber plans. We showed continued growth in IP subscribers reaching 488 thousand today, representing 86% of total subscribers. With that, let me now turn the call back to Yohai.

Yohai Benita (Bezeq Group CFO): Thanks, Ilan. Moving on to Bezeq International on Slide 25. ICT business revenues grew 8.7% to 281 million shekels, mainly due to higher revenues from the sale of business equipment as well as cloud activities. As a result, profitability metrics grew with Adjusted EBITDA up 2.6% and Adjusted Net Profit up 14.3% to 16 million shekels. We are continuing with our streamlining plan, including the implementation of the employee retirement agreement for the years 2025 through 2027.

Finally, I would also like to mention that we will be attending the Morgan Stanley European Technology, Media & Telecom Conference this week in Barcelona. In

addition, we will be attending the UBS Global Media and Communications Conference on December 9th in New York. For those attending, we look forward to meeting 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. Okay, first question from Chris from Barclays.

Chris Reimer (Barclays): Yeah, thank you. I wanted to ask about the guidance, the near-term 2% growth in Adjusted EBITDA. How should we be looking at that in terms of the strong impact from the revaluation of yes?

Tomer Raved: Yes, so as I mentioned this quarter, Adjusted EBITDA grew 14%. If you exclude the yes impact, we're talking about 4% growth. We are targeting to be around the 2% Adjusted EBITDA CAGR in our midterm targets. But given the successful growth in our core revenues and ongoing efforts driven by Bezeq, yes, and Pelephone, we're obviously trying to overachieve these numbers. You saw this year, we upgraded our guidance twice. And we are very confident of being at this number, maybe slightly above. But we are going to continue and push for at least 2% or more growth in Adjusted EBITDA CAGR. And I would also share that this coming March, we will share our revised midterm guidance as a result of our very successful business initiatives across the group.

Chris Reimer (Barclays): Yeah, thanks. That's good color. And also just touching on yes, you announced the extension of the use of the satellite. I'm just wondering how does that correspond to a positive impact on the segment?

Yohai Benita: Okay, so as you mentioned, we did announce that we will keep some of the satellite business, but it will be very small compared to what we have today, and it will have a lower cost structure. So, the significant savings beginning in the first quarter of 2026 that we previously communicated to the market are still part of our forecasts. So, there is not much change from our view in this aspect.

Chris Reimer (Barclays): Okay. Thanks. That's for me. I'll jump back to the queue.

Yohai Benita: Thank you. Next question is from Siyi from Citi. Please. Hi, Siyi.

Siyi He (Citi): Hi. Hello. Thank you for taking my questions. I have two, please. The first one is really a follow up on the topic of yes. We see that the yes ARPU has stabilized this quarter. Just wondering how do you think the yes ARPU could develop, given that the fiber take-up continues to grow up. Should we expect the yes ARPU will trough from now on? And the second question, just if you could give us some updates on the Hot Mobile offer. I think you said that you just raised the offer by NIS 100 million. Just wondering if you can give us some update on how that's been progressing. And your thoughts on the pricing. Thank you.

Tomer Raved: Yeah, I'll touch quickly. Hi, Siyi. Thanks for joining. The TV market is extremely competitive. yes has a very unique and premium offering. And while the TV standalone ARPU continues to go down as expected, slightly lower than expected, but still a very competitive market. With fiber, the company ARPU, and we know it's significant, has stabilized and is growing gradually, as you can see. So with the growing take-up on fiber from yes, you would expect the offsetting, the decline in TV standalone offerings to basically stay stable and slightly grow as a result of the fiber offering and additional offerings that yes has opened, like advertising and others that you'll hear about soon.

Ilan Sigal: I'll add only one thing that yes, for the second consecutive quarter, grew TV subscribers. 3,000 this quarter and last quarter 1,000. In a competitive market, we are able to grow our subscriber base, which is also impacting ARPU.

Tomer Raved: On the question of Hot Mobile, we submitted an original offer for 2 billion shekels. We submitted a revised indication of 2.1 billion shekels. We have been in touch with Altice and their representative as part of the process for the past two months. We did update the street today on the revised offer, and we will update the street on any other development there. We are focusing only on the mobile unit. We believe the value to the Israeli cellular market will be very significant, especially to the networks if this consolidation happens.

Yohai Benita: Okay. Thank you, Siyi. Next question is from Christina Michael from UBS. Hi, Christina.

Christina Michael (UBS): Thanks for taking my question. Following up from the previous question, how do you see the competitive dynamic in general in the market? And if there are any other specific actions you are taking in response to the competitive dynamics and increased competition in the market?

Yohai Benita: Which market are you referring to?

Christina Michael (UBS): The mobile market.

Tomer Raved: Yeah, I'll touch on that and Ilan please further elaborate. The Israeli market in cellular is very competitive, with very low ARPU compared to the world. Given the reforms that happened 10 years ago, ARPUs stand in the 45 to 50 shekels range across the street. Or in euros, 12 to 13 euros, much lower than Europe. So we've seen a recovery in ARPUs over the past two or three years, thanks to the 5G offering. We expect this to continue and see this trend happening. There are four MNOs and 20 MVNOs, very competitive market. We believe consolidation supports better network development. Most markets are two or three-player markets. This is a 24-player market. So we are glad to see the market recovering, but Israel is still behind on cellular speed, number 70-ish in the world, while it's number seven on fixed-line broadband. So we believe this type of transaction will support the country network and evolution into 5G and 6G.

Ilan Sigal: Just to add, the 5G network is still taking baby steps. 33% of the antennas nationwide are 5G, and we believe that the nation needs to be 100% very fast. And also, the market is very competitive, as Tomer said, 23-24 players, with a lot of MVNOs, and the pricing is very low. So that's the market, and we believe it will be still very competitive in the next few years.

Yohai Benita: Okay, thank you. So if there are no further questions at this time. Just a minute, we do have another question. Hi, Sabina.

Sabina Levy (Leader): First of all, congratulations on the quarter. You've mentioned previously the long-term guidance, and I just was wondering whether it takes into consideration the potential developments in the regulatory landscape. As you've mentioned, the Ministry of Communications may decide regarding the structural separation, so I was wondering if it's in the numbers. And also, maybe you can provide us some additional color regarding the potential impact of AI implementation, considering the cost base and potential savings and the streamlining measures in the company. Thank you.

Tomer Raved: Yeah, touching quickly on AI, and I promise you'll hear a lot more both from Nir and Ilan very soon on AI initiatives. But we play de facto three roles based on the infrastructure for AI, so everything that's going on with higher bandwidth speed, data center connectivity, locally and globally what we are part of, given we are the incumbent. We adopted a lot of AI tools. We are ahead of the world, both in Pelephone and yes, and especially in Bezeq Fixed-Line. And we see cost savings and better customer service as a result. And you will also see a lot of AI solutions in the customer premises. We're already offering cyber solutions, device management solutions and more to come. That's on AI. You'll hear a lot more about this from us in the coming weeks. Regarding the regulatory front, we've seen a lot of activity on the regulatory

front. Earlier this year, they talked about the wholesale and the removal of structural separation happening later this year. They've been very active in the past two months with hearings and RFI across both. And they set a target date to decide on structural separation, structure and removal by end of this year. We are in active conversations with them. And I think the rest of the street is as well. And we expect them to decide by year end.

Sabina Levy (Leader): What about the numbers? I asked if it's reflected, maybe risk adjusted in their long-term guidance or aspirations.

Tomer Raved: Oh, Sorry. Yeah. Sabina, we did not consider any of the regulatory impacts on the long term, especially not structural separation. It's not in our guidance.

Sabina Levy (Leader): So, can we assume that if there will be developments on this front in the next coming months, you will provide us more color in the annual report?

Tomer Raved: Yes, we will provide more color when we have better visibility. And as you know, the three main impacts, of course, there's significant value to the customers in the service and on the price. So, while putting revenue aside, there is a 1.2 billion check and tax asset that will be used over a course of eight to 10 years, very significant free cash flow impact, as well as potential cost savings as a result of the Bezeq and yes merger. But we will provide specific numbers, hopefully during the annual statements.

Sabina Levy (Leader): Thank you very much.

Yohai Benita: Thank you. Next question is from Omri Lapidot from Yalin Lapidot.

Omri Lapidot (Yalin Lapidot): Hi. I want to add to the previous question regarding the company's forecasts and whether the forecasts include the yes re-evaluation. If I look at the EBITDA margin for the medium term, in my view, it seems like you didn't take it into account. It seems like the yes re-evaluation added 400 million shekels in the yearly Adjusted EBITDA. How can we think about it?

Tomer Raved: I'll respond and feel free to add. We did not consider any impact from yes in our initial guidance when we issued it in March. As a result of company's better performance and the yes re-evaluation in Q2, we revised guidance and then did it again because there were two impacts on the yes re-evaluation. So, both were considered in the revised guidance or in the second revised guidance. And that's one of the primary reasons for the revised guidance. So, it's already in there, but we are not considering any future re-evaluation of yes into the guidance. I hope that makes sense.

Omri Lapidot (Yalin Lapidot): Thanks.

Yohai Benita: 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 full year 2025 earnings call. Thank you.