



Bezeq Group Financial Results Q3 2018

20.11.2018

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Key Events - Q3 2018



Bezeq's board of directors is continuing to advance the implementation of a new comprehensive strategic plan for the Group.

The plan provides a solution for the challenges facing the Group and the future needs emerging in the telecommunications market environment, within the complex regulatory restrictions imposed on the Company.

The plan includes significant steps as part of the Company's aim to streamline and improve its operations.



Implementation of Bezeq Group Strategic Plan

Bezeq Fixed-Line

Reduction of Bezeq Fixed-Line workforce under existing labor agreements – decrease in salary expenses



Reduction in number of operational real estate sites and sales of significant assets



Entry into new areas of activity based on the Company's competitive advantages from a service, infrastructure and technology perspective



Fiber Optics

Bezeq is the only company in Israel that is willing and capable of deploying fiber optics **across the entire country** at an accelerated pace



Installing a nationwide fiber network and connecting customers

| Technologically complex

| Involves investment of billions of shekels

| Precondition for a future efficient nationwide deployment of 5G



We are conducting an orderly process for the establishment of fiber optic based ultra high speed Internet infrastructure, while in ongoing discussions with the regulator



Streamlining of Subsidiaries

Our intention is to create value, while maintaining the business structure of each of the companies



There is an unavoidable need for streamlining on the level of each company separately in view of the intense competition in the market and the need for significant investments in infrastructure



At the board of directors' decision, discussions have been launched with the labor unions regarding the streamlining processes and organizational changes

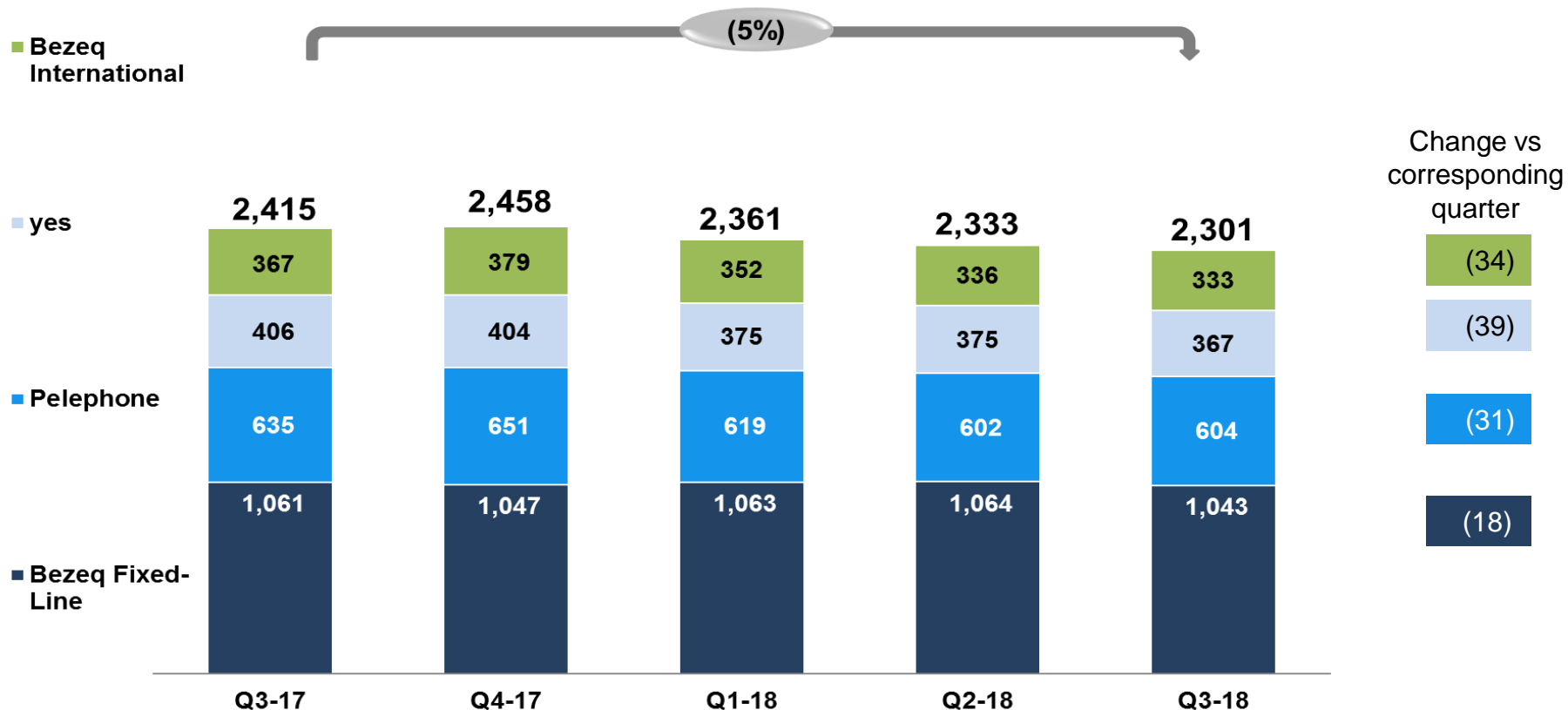


As part of the streamlining processes, the subsidiary companies are acting to share their management resources



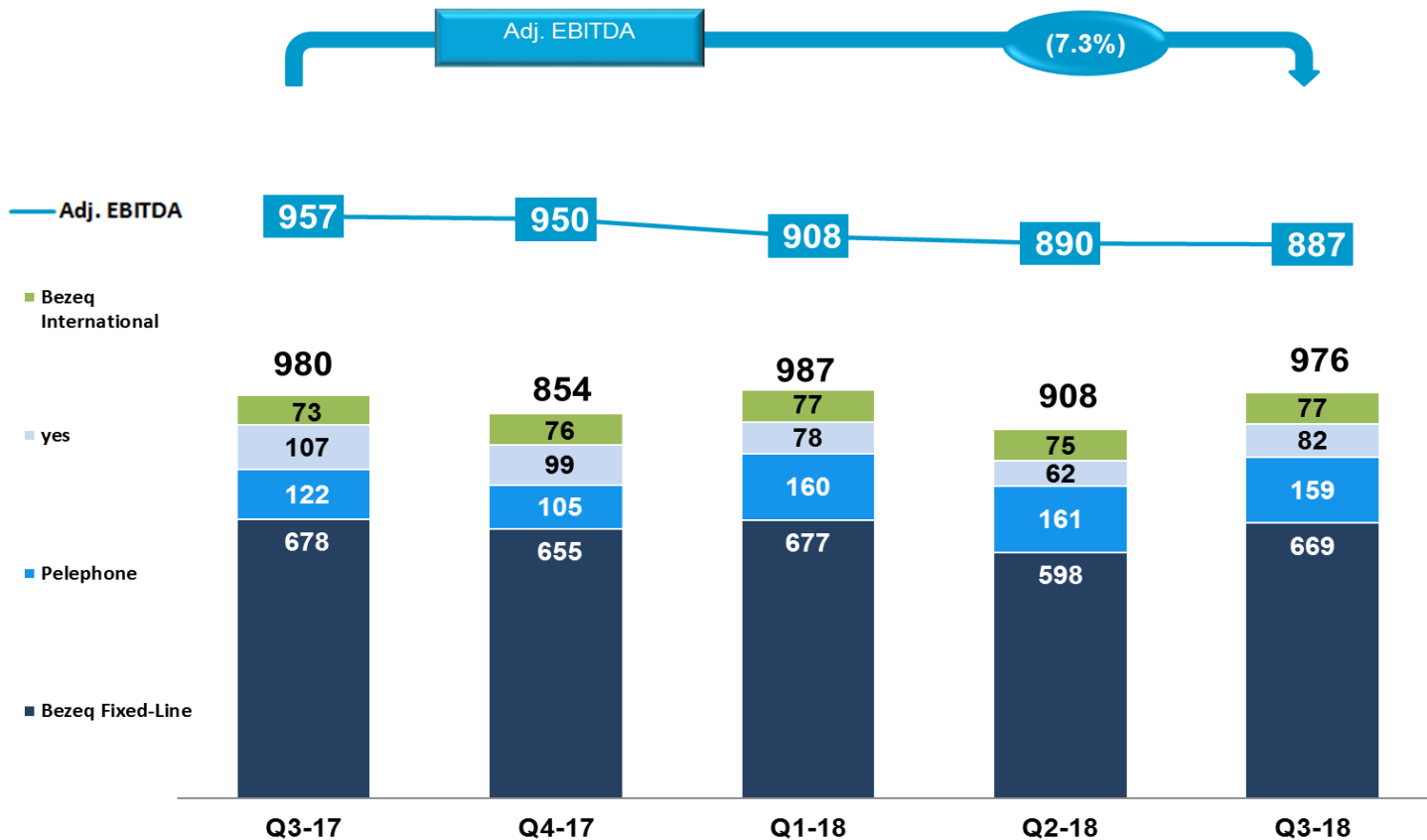


Bezeq Group Revenues (NIS millions)





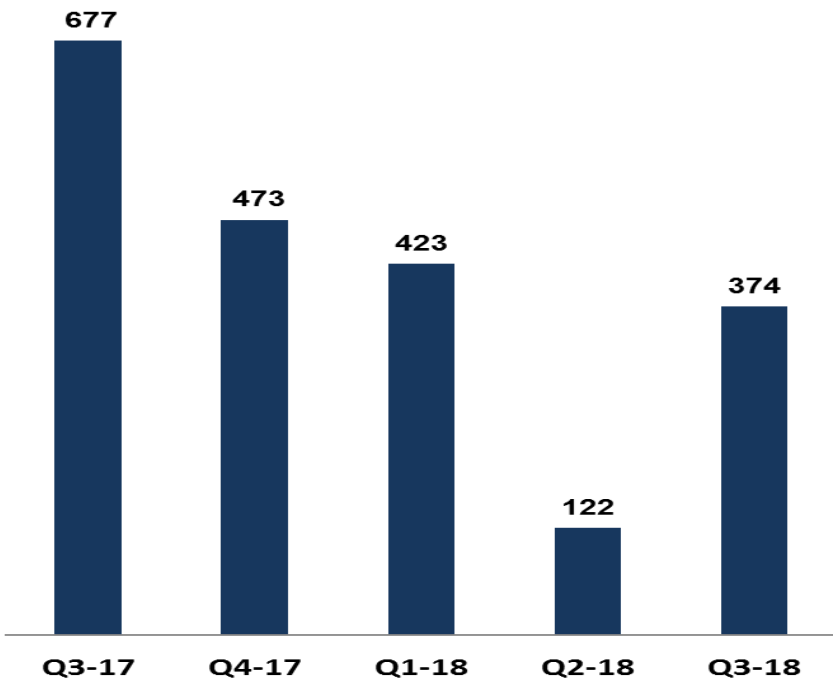
Bezeq Group EBITDA (NIS millions)



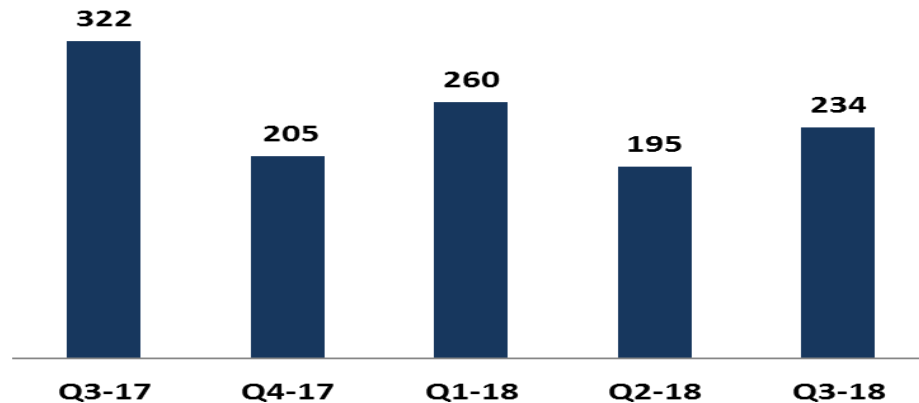


Bezeq Group Net Profit and Free Cash Flow (NIS millions)

Free Cash Flow



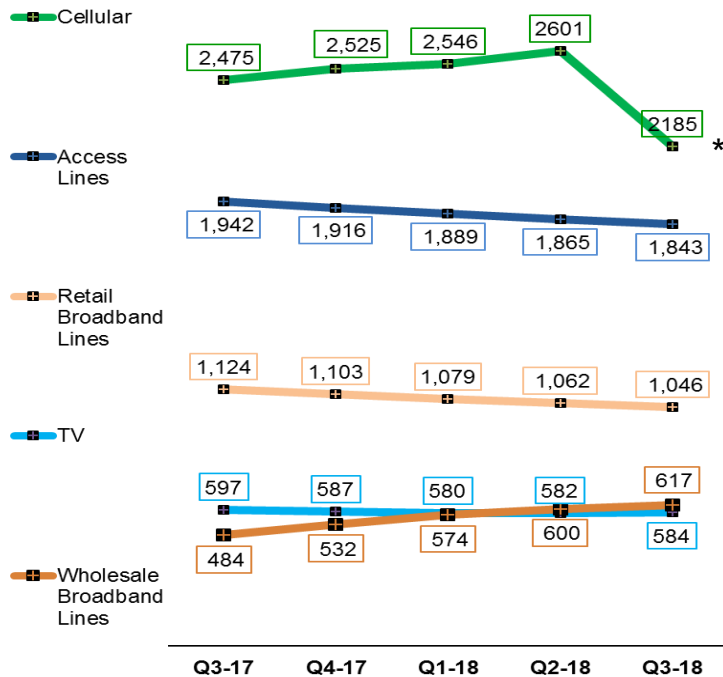
Net Profit



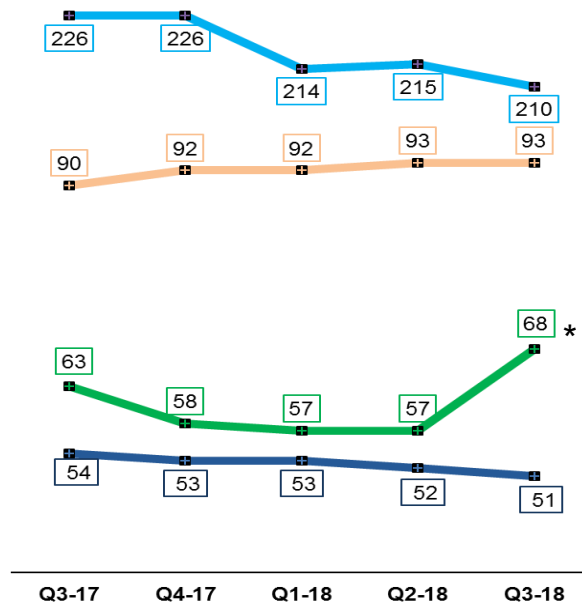


Bezeq Group Subscribers & ARPU

Subscribers (end of quarter, in thousands)



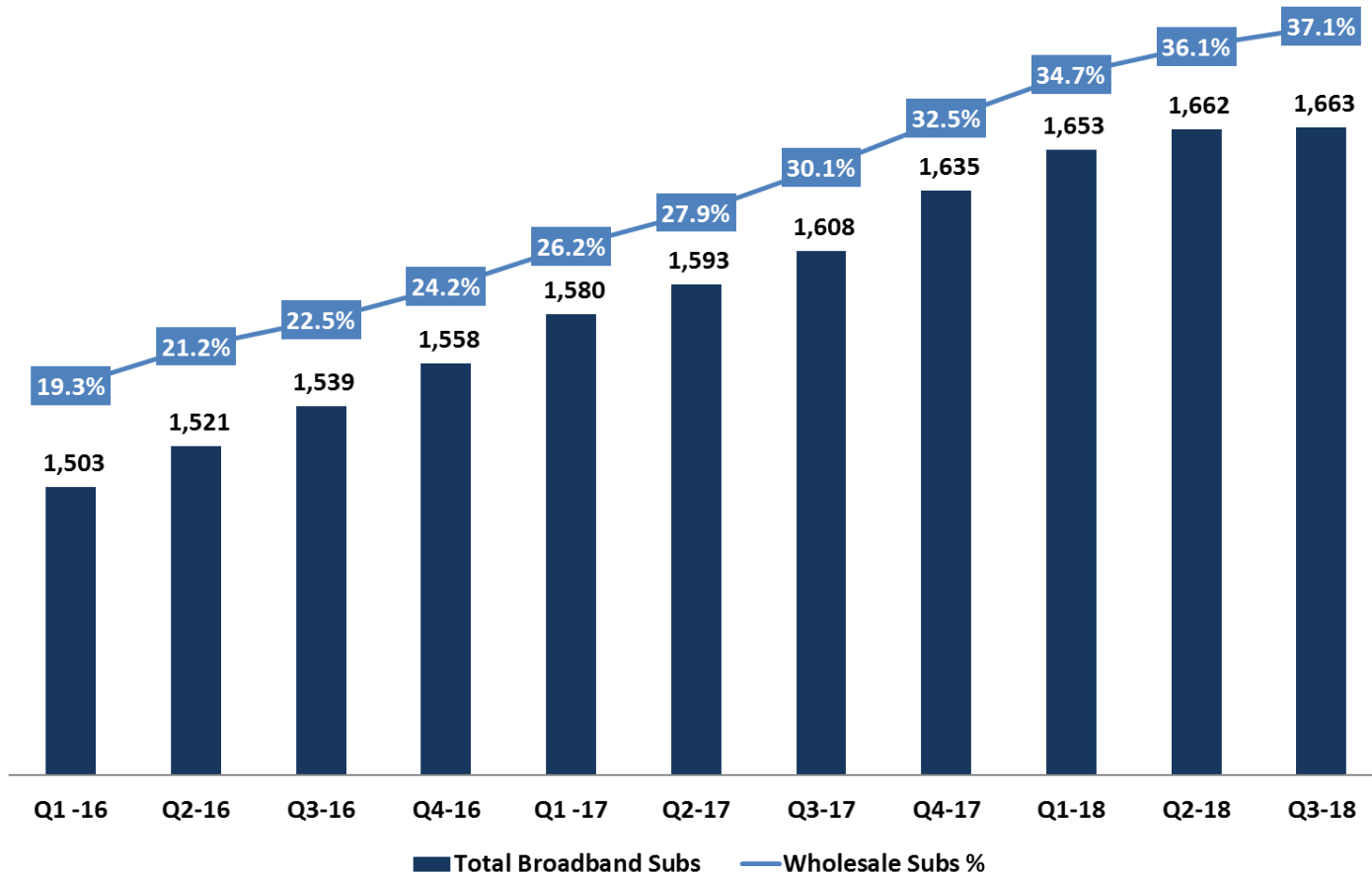
ARPU (NIS per month)



*At the beginning of Q3 2018, due to a change in the definition of a subscriber, 426,000 prepaid and 2,000 IOT subscribers were removed from the list of Telephone subscribers. This led to an increase of NIS 11 in ARPU.

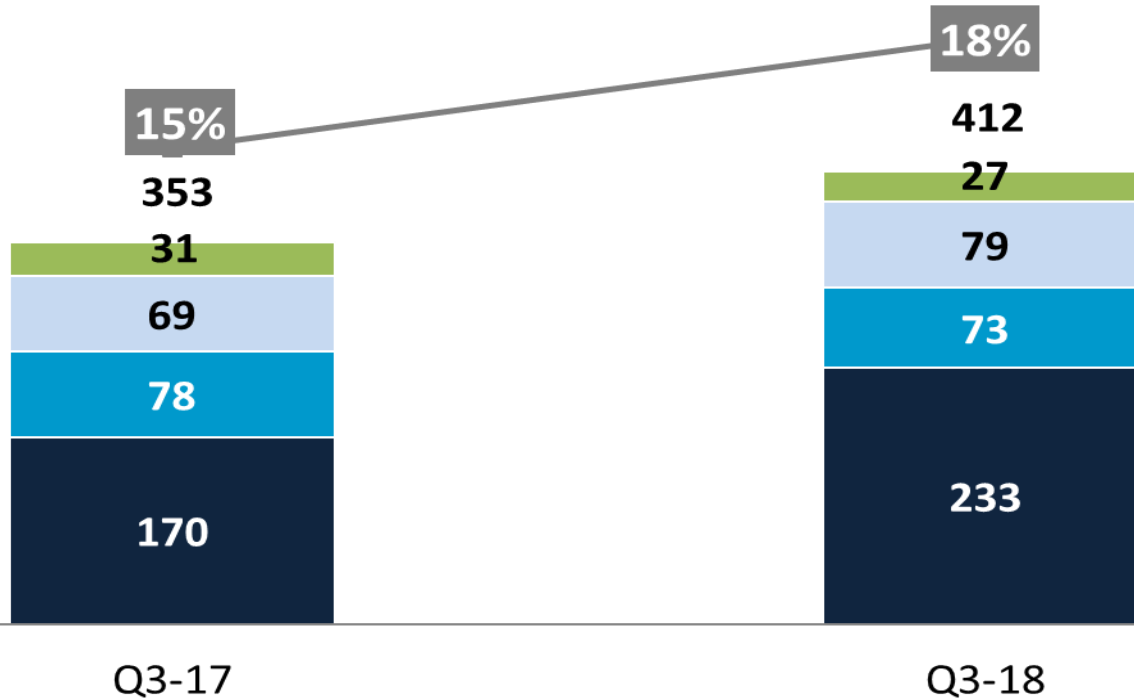


Bezeq Fixed-Line – Broadband Internet Trends

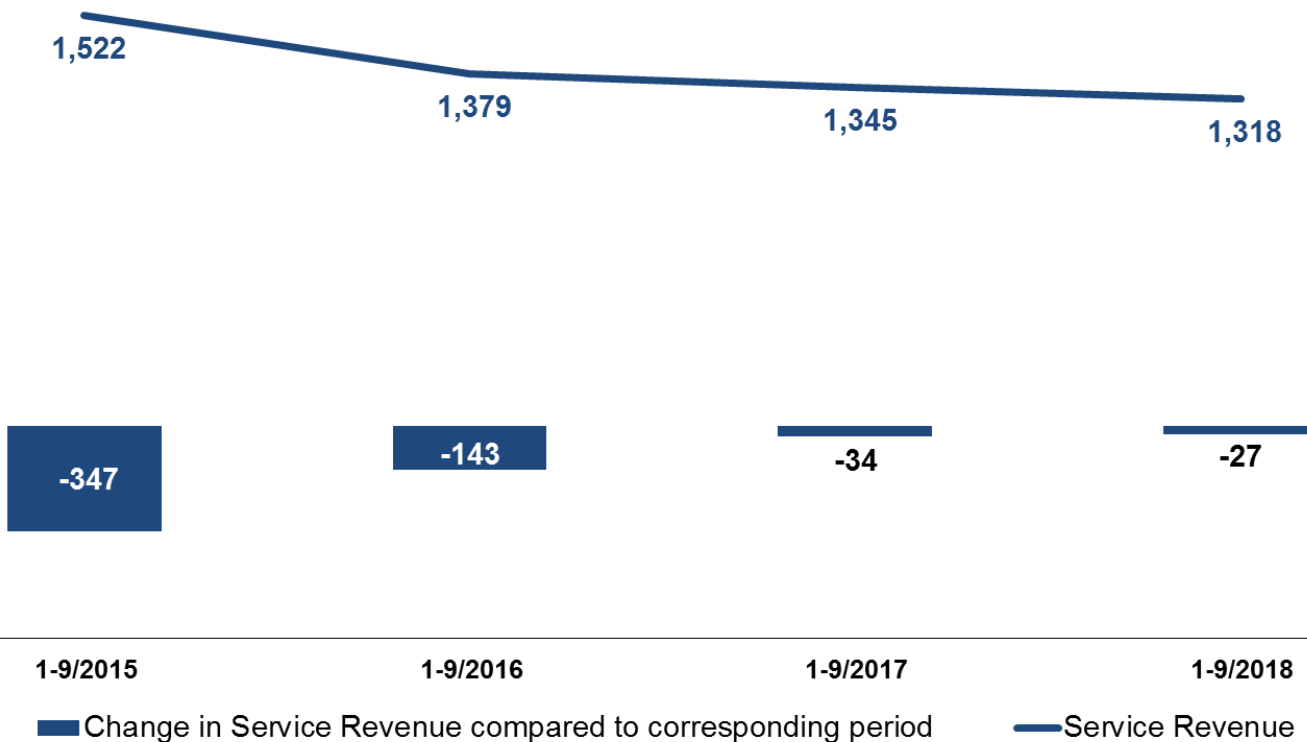




Bezeq Group CAPEX (NIS millions)

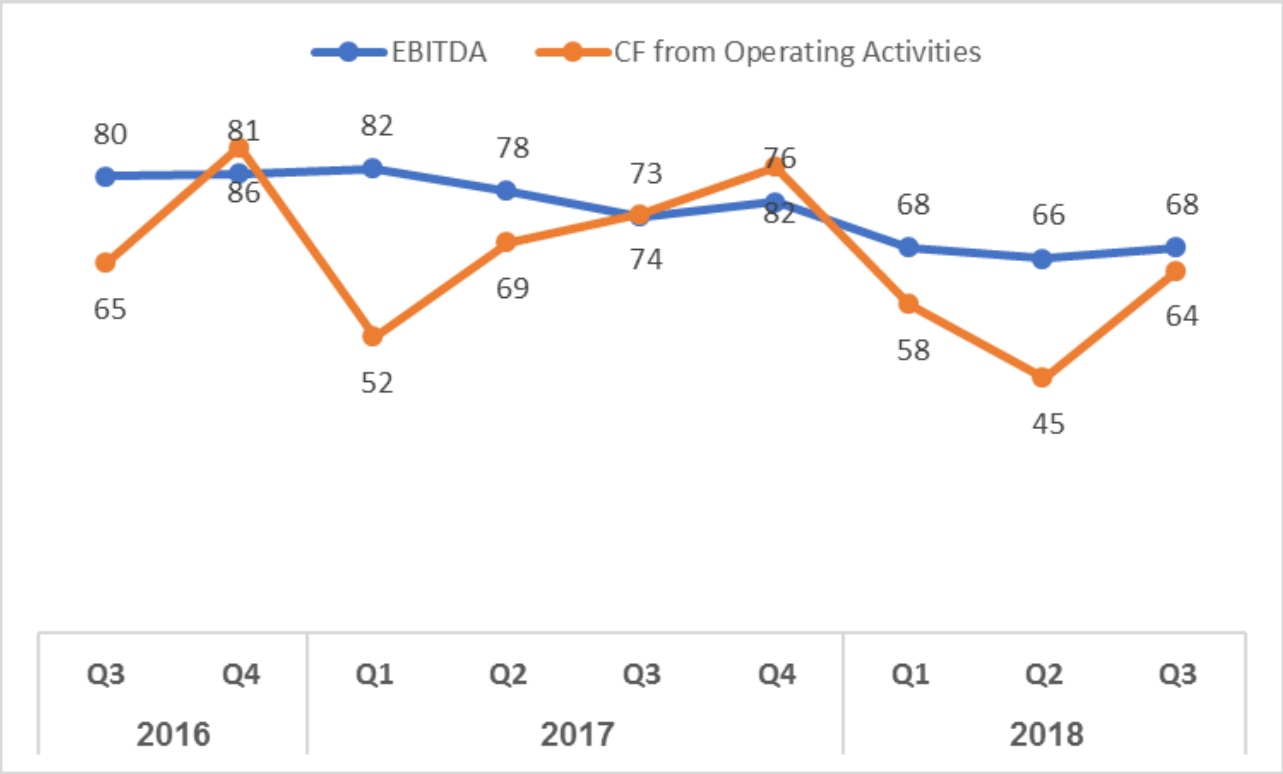


Telephone Service Revenue and Change versus Corresponding Period (NIS millions)





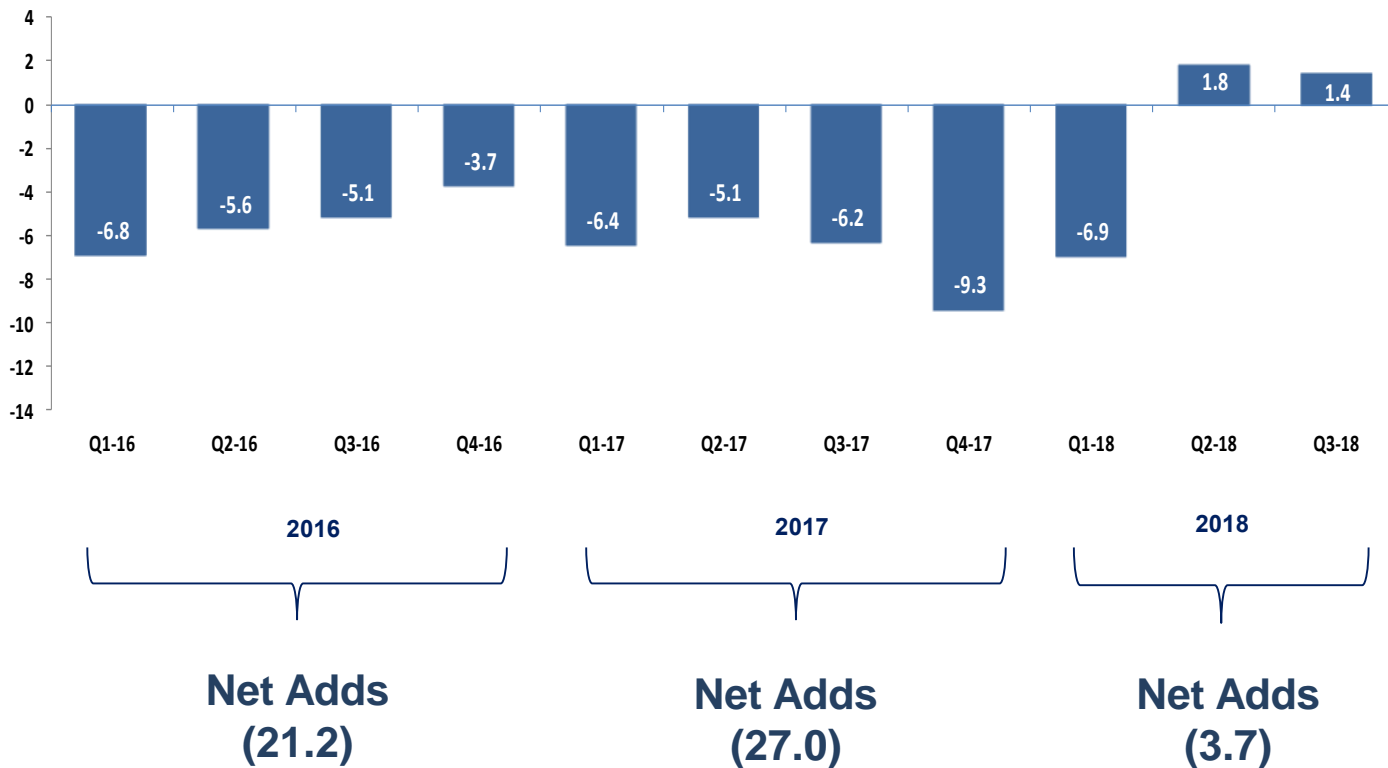
Bezeq International – EBITDA and Cash Flow (NIS millions)*



*Cash flow and EBITDA are adjusted for effect of IFRS 16



yes – Net Adds 2016-2018 (In thousands)





Bezeq Group – 2018 Guidance

Unchanged as at the date of publication of the Q3 2018 reports

Net profit : **Approximately NIS 1.0 billion**

EBITDA: **Approximately NIS 3.9 billion**

Free cash flow*: **Approximately NIS 1.5 billion**

The projected data includes the effect of early implementation of IFRS 16 as from January 1, 2018 of NIS 400 million on EBITDA and a negligible amount on the net profit. The forecasts do not include effects from realization of the Company's rights in the "Sakia" property, which depend on the fulfillment of various conditions regarding the sale of the property. The actual results may differ from these assessments, depending on the date of recording the capital gain in respect of the sale of the asset, the final amount of the capital gain, which depends on the amounts of fees and levies that will apply to the Company in respect of the sale of the asset and on the date of receipt of the payments for the sale of the property.

The Company's forecasts in this section are forward-looking information, as defined in the Securities Law. The forecasts are based on the Company's estimates, assumptions and expectations, including that the forecasts do not include the effects of the provision for early retirement of employees and/or the signing of collective labor agreements in the Group and cancellation of the Group's structural separation, including the effects of the merger within the Group and everything involved. The Group's forecasts are based, *inter alia*, on its estimates regarding the structure of competition in the telecommunications market and regulation in this sector, the economic situation and accordingly, the Group's ability to implement its plans in 2018. Actual results might differ from these estimates taking note of changes which may occur in the foregoing, in business conditions, and the effects of regulatory decisions, technology changes, developments in the structure of the telecommunications market, and so forth, or if one or more of the risk factors listed in the Periodic Report of 2017.

Thank you

