

"Bezeq" The Israel Telecommunication Corp., Ltd.

Event Transcript

Q4 & FY 2019 Financial Results

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Q4 & FY 2019 Financial Results

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Bezeq's 4th quarter and full year 2019 results conference call. All participants are at present in a listen-only mode. Following management's formal presentation instructions will be given for the question and answer session. For operator assistance during the conference, please press * 0. As a reminder this conference is being recorded and broadcasted over the web. At this time I would like to turn the call over to Mr. Naftali Sternlicht, Investor Relations Manager for Bezeq. Mr. Sternlicht please go ahead.

Naftali Sternlicht (IR Manager, Bezeq): Thank you, Operator. Welcome everyone and thank you for joining us on the call today. With us from Bezeq Group's senior management team we have: Mr. Shlomo Rodav, Bezeq's Chairman, Mr. Dudu Mizrahi, Bezeq's Fixed-Line's CEO, Mr. Ran Guron, CEO of Pelephone, Bezeq International and yes, and Mr. Yali Rothenberg, Bezeq Group's Chief Financial Officer.

Before we begin today's discussion, I will start with a brief Safe Harbor statement. Today's conference call and webcast contain partial information from the public reports of Bezeq under the Israeli Securities Law for which the Hebrew reports can be accessed at the Israeli Securities Authority's website. The call and webcast are not a substitute for a review of the detailed reports of Bezeq. Today's conference call and webcast also do not constitute an offer or invitation to purchase or subscribe for any securities, and nothing contained herein shall form the basis of, or be relied upon in connection with any contract or commitment whatsoever.

Before I introduce our speakers, please note that their comments will generally follow the slide presentation, which is available under the Slides tab on the webcast link and may also be downloaded from Bezeq's IR website. You can go through the presentation by clicking on the arrows on the left or right hand side.

Let me now turn the call to our Chairman, Mr. Shlomo Rodav, for prepared remarks on our group quarterly results, after which Yali will continue the presentation on group financial highlights, followed by Dudu discussing Bezeq fixed line results. Ran will pick up with results of our subsidiaries, and Yali will wrap up the presentation, after which management will be available to answer questions.

Shlomo Rodav (Chairman, Bezeq Group): Thanks, Naftali. Let's start on Slide 3 with our preparation for the Corona virus outbreak. We are in the midst of an incredibly challenging period for Israel and the world. More than ever, residents and businesses rely on infrastructure and telecommunications services. All companies in the Bezeq Group have always focused on providing high quality and reliable service, and at this difficult time our strengths in infrastructure and services and our commitment to customers are particularly prominent. We stand firmly alongside residents and businesses in this difficult time. As a result of the situation, there is an increase in demand for certain services and a decrease in other services. Approximately 50% of our call center employees are working from home and our technicians and infrastructure workers are providing full service. We are responding to many requests for remote work projects and are providing the maximum response to the sharp increase in calls to our service centers.

Moving to Slide 4 - Bezeq is the largest telecom group in Israel. Here you can see a high-level snapshot of our latest quarterly operating and financial results. We'll talk about these in more details as we go along.

Turning to Slide 5, over the next few months, as will be proved during the Corona crisis, we shall lead the telecommunications market, enabling the country to cope with the "social separation" and remote communications through the ownership and operation of quality and advanced infrastructures and, even at such demanding times, shall provide the best service while fully complying with regulatory restrictions; we are here to meet the technology, business and service oriented needs for all telecom requirements of our customers; we'll adopt ourselves to the possible down cycle in the economy emphasizing profitability in the medium term we'll also continue to strive for

financial stability and improvement in aggregate results with ongoing efficiency and controlled risk taking. Lastly, until the removal of structural separation is complete, the Group will continue to operate in two business units – Fixed Line and the Subsidiary companies. Now I'll turn the call to Yali to talk about our financial results.

Yali Rothenberg (CFO, Bezeq Group): Thanks Shlomo. Turning to Slide 7 – Let me start off by saying that the 2019 financial results were impacted by a few extraordinary items. Specifically, the write-off of the tax asset in respect of losses from yes, impairment loss in Pelephone assets, impairment loss in Bezeq International assets, and capital gains, mainly relating to the sale of the Sakia complex.

Turning to Slide 8 - Group-wide revenues in 2019 totaled 8.93 billion shekels compared to 9.32 billion shekels a year ago, a decrease of 4.2%. The decrease in revenues was primarily due to lower revenues in all key group business segments.

On Slide 9 and 10 – Group-wide gross salary expenses decreased from 2.57 billion shekels in 2018 to 2.47 billion shekels in 2019, a decrease of 3.9%. The decrease was due to the reduction in salary expenses in all key group business segments.

On Slide 11 – Group-wide operating & general expenses decreased from 3.38 billion shekels in 2018 to 3.26 billion shekels in 2019, a decrease of 3.4%. The decrease in operating expenses was primarily due to streamlining in most expense items of the Group.

On Slide 12 – After adjusting for the impact of impairment losses as well as other operating income and expenses, group-wide adjusted EBITDA in 2019 totaled 3.73 billion shekels, compared to 3.95 billion shekels in 2018.

Turning to Slide 13 – After adjusting for the impact of impairment losses as well as other operating income and expenses, group-wide adjusted net profit was 950 million shekels compared to 983 million shekels in 2018.

Moving to Slide 14 – Gross capex in 2019 was 1.55 billion shekels, compared to 1.73 billion shekels in 2018. The decrease was due to somewhat lower capex in the key group business segments as well as a decrease in gross salaries in Bezeq Fixed Line which were capitalized. In addition, capex was impacted by a decrease in net payments relating to the sale of the "Sakia" complex that were capitalized.

On Slide 15, we have broken down subscribers and ARPU by different business segments. Let me just point out, retail ARPU in the fourth quarter of 2019 was 98 shekels, compared to 96 shekels in the fourth quarter of 2018.

Now Dudu will share with you updates on Fixed Line operations.

Dudu Mizrahi (CEO, Bezeq Fixed-Line): Thanks Yali. The outbreak of the coronavirus presents many difficulties and challenges for residents and businesses, while highlighting the importance of a high-quality, stable telecommunications infrastructure that ensures a high level of service. In the current crisis, we are seeing that the telecommunications infrastructure is essential for the country, businesses and residents as is water, electricity and food. The ability for businesses to operate remotely and continue to provide service is critical these days, as is the ability of citizens to work from home and allow their children to study remotely, while having to catch up on news and consume video content. Amid the highly uncertain situation, Bezeq provides certainty when it comes to the quality of our telecommunications infrastructure and services and our absolute commitment to customers. In recent days, we are seeing a significant increase of new customers connecting to Bezeq's broadband Internet, as well as growing demand for home-based business services. Despite the fierce competition in the telecommunications market, Bezeq remains the anchor for continuous, reliable and national telecommunications services for all Israeli residents and businesses.

I will now discuss the fixed line highlights for 2019. Turning to Slide 17 – Despite our competitors' deployment of fiber as well as lower market pricing, we have managed to reduce broadband retail customer churn.

In the next slide – We are focusing on the customer premises through a three part strategy which consists of our BE router as the base; home products that ensure broadband quality such as Bspot and Mesh; and value added services such as cyber protection, anti-virus and network support.

Turning to Slide 19 – As part of our initiatives to provide high quality internet services at home, we continue to improve broadband experience and customer retention through our BE router and Bspot/Be Mesh services. The number of customers with the BE router increased from 100,000 in the fourth quarter of 2018 to 321,000 in the fourth quarter of 2019. In other words, one third of our retail customers choose to connect with the BE router.

Moving on to Slide 20 – our retail ARPU continued to grow as a result of increased penetration in customer premises services as well as valued added services. This is the only telecommunication product in Israel that has consistently shown ARPU growth.

Turning to Slide 21, Excellent customer service and high customer satisfaction is our highest priority - you can see that customer satisfaction for technician services improved from 8.9 in 2016 to 9.5 in 2020.

Moving to Slide 22 - In addition to retail, we are leading the business sector through advanced telecommunication solutions supported by our high-quality infrastructure. The outbreak of the Corona virus presents many difficulties for businesses. The ability for businesses to operate remotely and continue to provide service is critical these days. At this time, reliable telecommunications services is highly important, and this is a core strength the Bezeq Group built over many years. We are prepared for emergency situations and the provision of continuous service to our business customers.

We provide business services in three main segments – business communication solutions - which include virtual exchanges, Bcam, remote backup, etc; Integrated

solutions - which include managed switches, call centers and data security. Lastly, we are simplifying service and sales through the digitalization of client interfaces. Our market share in business telephony grew from 73% in 2016 to 78% in 2019.

Turning to Slide 23 – As you can see, Bezeq is a leader in high quality service for the business market compared to our competitors that is today, critical for business continuity and social adaptation due to the Corona crisis.

Moving to Slide 24 – Our business services include rapid growth in integrated solutions in several areas – remote office services, equipment, system management, voice solutions and data security.

On Slide 25 – we show our nationwide distribution of data centers with 2 large sites and 10 boutique data centers.

Turning to Slide 26 - as we have previously reported, Bezeq Fixed Line entered the terminal equipment market this year and in the first stage through the sale of smartphones and televisions. We are showing significant growth in this area – especially in ecommerce that has shown rapid growth in 2019.

On the next Slide, we continued to sell real estate in 2019 – mainly from the sale of the Sakia complex. In addition, we plan to move Bezeq's corporate headquarter to Holon at the end of 2020.

Moving to Slide 28 – employee streamlining has been a big initiative for Bezeq Fixed Line. During the course of 2019, 267 employees left the company as a result of our streamlining plan. In the fourth quarter of 2019, the company recorded a net provision of 130 million shekels for the retirement of 140 permanent employees and 60 employees with flexible status. As a result, in 2019, gross salary expenses decreased by 30 million shekels.

Turning to the Slide 29 – we achieved progress in lowering operating expenses during the year. Total operating expenses went down by 5.2% to 565 million shekels, while after adjusting for terminal equipment and materials total operating expenses went down by 11.2% year over year.

Now I'll turn the call to Ran to talk about Bezeq's subsidiaries.

Ran Guron (CEO, Pelephone, Bezeq International, yes): Thanks, Dudu. Regarding the coronavirus crisis, the subsidiaries began their full organizational, technological and inventory preparations since the beginning of February when the crisis erupted around the world and before it began to reach Israel. The companies are prepared to provide continuous service and sales and have been working for a few days whereby 30% of headquarters staff and 50% of service center employees are working from home while the technical staff are working normally.

From a business point of view, during this crisis period, we are witnessing an increase in demand for the services we provide, including mobile communications, continuous and high-quality Internet, high-quality content and advanced remote access solutions for business customers.

On the other hand, we are experiencing a decline in roaming revenue. Regarding terminal equipment - the inventories are functioning normally but there is some decrease in handset sales since some of the sales points were closed.

Now I will talk about operational highlights of the three subsidiaries, which cover Slides 31 through Slide 38.

yes is Israel's favorite content brand because we have high quality original shows such as Fauda as well as international content and provide a great viewing experience to our customers. Our launch of yes+ marks the start of our transition from satellite-based broadcasting to Internet-based broadcasting, which is a significant change in the Company's history. In addition, our collaboration with Apple includes a unique pricing

model that offers the customer Apple TV 4K in a rental model without the need to purchase the device. Our migration from satellite to IP broadcasting is going well. Over the next few years, yes will gradually replace set top boxes until full transition to IP service. The fixed cost for satellite infrastructure will also be replaced by the use of the Group's infrastructures. As a result, we have started to see a decrease in subscriber churn in recent months mainly due to improved STING service and the launch of yes+.

Bezeq International is a leading ISP in Israel with advanced IP services and high-quality infrastructures. We provide a wide range of business solutions from ICT and cyber to data centers and project management. We have a global network of 12 facilities in Israel and abroad and we are launching our fifth data center.

Pelephone's subscriber base has grown for four consecutive years. We have an advanced cellular network in Israel with wide retail distribution and we are a leading operator in the business sector. We are also continuing to innovate in key technology areas such as IoT, big data, cyber, cloud and ESIM. Meanwhile, the subscriber growth at Pelephone in the number of postpaid subscribers reached 1.91 million users in the fourth quarter of 2019. The growth in the number of subscribers helped offset the decrease in prices and resulted in a significant slowdown in the reduction of revenues.

Moving along to Slide 40 – now let me talk about synergies and streamlining of the subsidiaries. The starting point of all of this was the end of 2018, when three leading telecommunications companies in their fields were dealing with a market crisis and decline in revenues and profitability.

Turn to the next slide, 2019 laid the foundations for organizational and commercial infrastructures for the implementation of synergies between the three companies. The goal of the synergies was to promote a variety of packages and solutions to customers, improve profitability, reduce costs by introducing shared services, increase the benefit to the customer as well as to create a synergy of operative, technological and downstream capabilities.

On the next slide, you can see the key organizational processes that we implemented in 2019. For example, we appointed one unified management team for the three companies that streamlined the decision-making process alongside savings of tens of millions of shekels a year. We signed agreements with three companies that allow for the realization of synergies and streamlining and will reduce the workforce by a total of over 1,000 employees in the next two years.

Turning to Slide 43, let me share some key business processes we undertook in 2019. We launched our very first triple play package including leading Internet services from Bezeq International together with high quality TV from yes. This package enables us to enhance the value proposition for both existing and new customers and to offer a full range of telecommunications products under one roof. In addition, we signed an contract to transfer Pelephone's corporate headquarters to Petach Tikvah and signed agreement for a unified CRM system.

Moving on to Slide 44 – sharing and maximizing customer interface resources is a key aspect of the realization of synergies. We built a one stop shop for the companies' distribution channels and cross-sold TV services to Internet customers and vice versa. In addition, we achieved synergy in sales and services for the benefit of customers and the three companies on various issues.

The decrease in salary expenses for our main subsidiary companies is a direct reflection of our streamlining efforts. As you can see on Slide 45, such expenses decreased 12% from 2017 to 843 million shekels in 2019. Meanwhile, operating expenses decreased by 5% to 5.0 billion shekels over the same period.

I would now like to turn over the call back to Yali who will provide you with some highlights on our debt management.

Yali Rothenberg (CFO, Bezeq Group): Thanks Ran. We are focused on lowering our debt over time. We believe our responsible and prudent management of various financial aspects of the Company will provide financial flexibility and ensure its long-

term financial strength. Going forward, we will seek to maintain prudent debt coverage ratios and remain in an AA credit rating range, continue to adapt the company's debt structure to its needs, and operate with high cash balances. The health and strength of our balance sheet and the steps we've taken significantly contribute to our resiliency versus phenomena such as the Corona virus.

Turning to Slide 49 – let me review some of the actions we took in 2019 with regard to debt management. We raised 1.87 billion shekels and made early repayments of debt to financial institutions and banks of 1.83 billion shekels. In addition, in September, we completed the repurchase of our Series 7 Debentures in the amount of 444 million shekels par value as part of a tender offer; and in December, we completed a private exchange between two Debentures. All this led to an increase in the average duration of our debt from 3.5 in 2018 to 4.4 in 2019.

On Slide 50 –we are working to further decrease our debt level. Both our gross debt and net debt decreased from 2017 to 2019. And on the next slide, you will find a breakdown of our financial debt by counterparties and by type of instruments.

Lastly, on Slide 52 - Given the outbreak of the Corona virus and the resulting uncertainty in the global and local economy, at this stage, we are unable to publish an accurate outlook for the Group's results for 2020.

We consider it important to continue to provide guidance, and will therefore continue to closely monitor developments in the coming months, and will consider, depending on the situation, the possibility of publishing a forecast for 2020, together with the publication of the results for the first quarter of 2020, if feasible.

Let me remind you that we will be holding a virtual analyst conference in Hebrew for the local market after this call.

This concludes our prepared remarks. Operator, let's begin the Q&A session.

Question & Answer Session:

Operator: Thank you. Ladies and Gentlemen, at this time we will begin the question and answer session. If you have a question, please press *1. If you wish to cancel your request, please press *2. If you are using speaker equipment kindly lift the handset before pressing the numbers. Your questions will be polled in the order they are received. Please stand by while we poll for your questions.

The first question is from Tavy Rosner of Barclay's. Tavy, please go ahead.

Tavy Rosner (Barclays): Hi, good afternoon. Thanks for taking my questions. First, I wanted to go back to the last point that Yali made with regards to you guys not providing guidance on – given the Corona concerns. So I'm just looking at the big picture. You did mention that you are seeing increased demands for fixed line telephony, for internet. I'm just wondering, given how recurring revenues are – and the visibility you are seeing across the different segments, are you being too conservative? And, I guess, the follow up to that question would be, what are the risks to the business that could be related to Corona? I cannot picture people, you know, decreasing their yes subscriptions, and so on. So I guess a lot of it is really recurring. So, what's not recurring, and how bad can it get, in your view?

Shlomo Rodav (Chairman, Bezeq Group): It's Shlomo. The question is, or the problem is, that the Corona puts us in a situation that we have never been here before. And to assume now that we can forecast what the situation is going to be, even in the short term, when our results are highly affected by government decision, is not prudent, in our opinion. What we can tell you is what is our assessment at present. At present we see positive factors and we see negative factors. However, some of them, especially the positive factor, may be influenced by possible one-time events. For example, if many industry – many of our business customers are looking to increase their infrastructure at present, so this may be one time, it may be long term, we don't know yet. So what we have told you is that we are going to review the situation, study, analyze it, and hopefully, we'll be able to give you a guidance for 2020 together with the results of the first quarter, which is expected in about 60 days. We believe to give you guidance now without full understanding of the potential implication, which are not

only in our hand, is not prudent.

Tavy Rosner (Barclays): Okay, I understand. Moving on to fiber, I mean, lots of the talks have been about Corona, throughout the market. I guess, looking beyond that, can you tell us where we stand on the regulatory process? Last quarter on your earnings call you mentioned the different hearings that were about to take place discussing the different issues. Did these hearings take place, given the current Corona restrictions? And, I guess, where – how much is left before a potential minister will be able to sign on the latest regulatory framework?

Dudu Mizrahi (CEO, Bezeq Fixed-Line): Hi, Tavy. This is Dudu. Currently, things are entirely in the hands of the MoC. The hearing processes – there were several hearings, have already been answered, and are waiting for the final decision of the ministry, or the minister himself. We asked them a few times to take decisions as quickly as they can. We have even done so this week. We are still calling them to decide as quickly as possible. And currently, we are waiting for the final decision. It's entirely in their hands, currently.

Tavy Rosner (Barclays): Do you get a sense that the framework is ready, and just waiting for signup? Or are you not entirely sure that this means decisions with regards to all the moving parts?

Dudu Mizrahi (CEO, Bezeq Fixed-Line): Well, we don't have any clear knowledge. But as far as I can tell, I think, the policies are more or less decided upon and just waiting for the final approval.

Tavy Rosner (Barclays): Great, thank you. I appreciate the color.

Operator: Next question is from Roni Biron of ION Asset Management. Roni, please go ahead.

Roni Biron (ION): Hi, guys. Well, my first question was just answered. I was just

wondering if, given the current circumstances, obviously it highlights a greater need for a more robust telecom infrastructure in Israel. Do you get the sense that anyone on the regulatory side is paying attention to this, and in a way that may expedite the process? Anything on that front? Is it still reasonable to expect a policy in place this year?

Dudu Mizrahi (CEO, Bezeq Fixed-Line): Hi, Roni. As I said, it's entirely in their hands. We met them a few times, we've met the minister himself this week. We've called him, and we are still calling them, to take decisions as quickly as possible. If they will take decisions quickly— we can then launch the project this year and it will affect the life in Israel during this year. So we do hope that that will be the case. We don't have any more information to give, other than that.

Roni Biron (ION): Okay. And maybe, a question on the mobile side. There have been more tangible consolidation efforts recently. Do you see that as more of a threat to Bezeq? Or maybe an opportunity to repair the mobile market, and the overall telecom fundamentals?

Ran Guron (CEO, Pelephone, Bezeq International, yes): Well, the merger that is possible to happen is between Cellcom and Golan, which are operating on the same network nowadays. So it may be approved, we don't know yet. We don't have an opinion on that. It can affect the market one way or another. So we're just – well, we're holding, waiting to see how that's going to go.

Roni Biron (ION): And I understand there was a – a regulatory decision – a minister decision to freeze all package pricing, and number portability, and provide some leeways for the mobile companies. Should that be a – is that something that is going to contribute significantly to Pelephone during this situation?

Ran Guron (CEO, Pelephone, Bezeq International, yes): Well, this is a short term decision now for 14 days, so we'll have to see. I don't see a significant contribution. This can go one way or the other. But if this crisis continues, and this decision

continues for the medium term, we might see some effect. We will have to see.

Roni Biron (ION): Okay, thank you.

Shlomo Rodav (Chairman, Bezeq Group): Roni, it's Shlomo. With your permission, just few more words on the ministry. The problem here is that the government is mainly dealing with trying to provide solutions in the short term. Instead of taking a much longer term view and understanding that the actions that are being taken now may lead the market into some sort of recession, depends on the period and the depth of it – and instead of thinking about how to already plan for the market to go out of the recession, all of them are dealing only with short term aspects. We strongly urge the government, and basically everybody, to take now a long term view in order to take steps already now in order to ensure that the market will go out of the recession in a successful manner, and fast. Otherwise, all of the citizens of Israel will suffer significantly. And the problem is that at present, although it's for only a short period, the ministry has decided to hold all of their decisions on long term projects. It's both the tender for 5G and also the fiber project, and we believe it's a grave mistake.

Roni Biron (ION): Is it a temporary suspension? For how long is it?

Shlomo Rodav (Chairman, Bezeq Group): I suggest you ask the minister.

Roni Biron (ION): Okay.

Shlomo Rodav (Chairman, Bezeq Group): At present, they say it's short term. But you know how it is. In Israel, every short term is long term.

Ran Guron (CEO, Pelephone, Bezeq International, yes): It's Ran. If I may say, the 5G tender was postponed for one month. I mean, the process should continue at the end of April. But we don't know yet how much it will take. It looks like a few months at least.

Roni Biron (ION): Thank you very much.

Operator: Next question is from Ondrej Cabejsek of UBS. Ondrej, please go ahead.

Ondrej Cabejsek (UBS): Hi, hello. I'm sorry if I'm repeating questions, my call dropped for a couple of minutes. I was interested, relating to the situation that you're speaking of, for example, in your distribution. You have – you've always said that you have a strength in distribution because of – of the quantity of outlets that you have, or since your competition. I was curious now, with the current shutdown of many of these – if the company is taking any steps in, for example, moving – or changing your digital channels. That's the first question. Second question, if, I know you don't provide guidance, but if, at this stage, do you have any items that you can, sort of, highlight, as one-offs for next year? You were mentioning, you again, expect, for example, real estate sales. If you could tell us more about the planned efficiency programs at this stage. And any color would be appreciated. Thank you.

Shlomo Rodav (Chairman, Bezeq Group): I'll deal with the second question first. As we have spoken before, there are different directions of the short term effect. As an example, reduction in revenues from roaming. This is something that is very clear. It's both outgoing and incoming, it's very simple, in significant percentages, there is going to be a decrease in the revenue. On the business side, we see a surge in the opposite direction, because of requirements from customers, business customers, to increase the bandwidth of the services, the type of services, et cetera. In laptops, for example, we had huge surge in sales. However, in other sectors, mainly in the Soho and businesses that are related to tourism, restaurants, et cetera, there is a strong reduction. So, again, we need to see how things are settling, and we believe that in a couple of weeks, we'll have better visibility in the situation. So there are both positive and negative aspects.

Ondrej Cabejsek (UBS): And, if I can follow up on this, please. Do you have a number in mind, in terms of, for example, digitization of the Soho and SME segments in Israel? Once things calm down, do you expect companies to significantly start investing into

being prepared for something similar ever happening again? And then, a second question– a follow up on this. If you could give us a number in terms of the roaming that you had, for example, this year, that you might expect some impact on 2020? Thank you.

Ran Guron (CEO, Pelephone, Bezeq International, yes): Regarding the roaming, we can expect damage of a few tens of millions of shekels. It depends on how long this crisis lasts. But we expect that going out of this crisis, people will go abroad, businesses, and residential as well. So we'll have some compensation from a boom effect of travelling out of this country once the lockdown is released. So, we'll have to see about that. This is not major damage, and we have to see how this will evolve. Regarding Soho, I cannot give any figures. We'll have to see how long the crisis lasts, to see how much this segment is affected by the loss of business that they suffer.

Ondrej Cabejsek (UBS): Thank you. And then, if you could just, please, clarify on the first question that I had, on the potential digitization of your distribution channels, which now are no longer, I guess – competitive advantage, especially in mobile.

Ran Guron (CEO, Pelephone, Bezeq International, yes): We have strong distribution, so we are now switching to digital and call centers, starting CPEs. We would still be strong, because open market here is decreasing. Shops, street level shops, and shopping mall shops are closing down. People still want to upgrade because they use the phone very much now because they stay home, and because of the situation. So we'll see some compensation. It will not be the same, but it will not be as much damage as the roaming. But let me just say that these two areas are not a big share of our total revenue in the subsidiaries, or in the whole Bezeq group. So it's only a few percent of the total revenue, of the group and the companies.

Ondrej Cabejsek (UBS): Thank you very much.

Operator: There are no further questions at this time. I would like to remind participants that a replay is scheduled to begin in a period of 3 hours on the company's

website at <https://ir.bezeq.co.il/>. Mr. Rothenberg, would you like to make your concluding statement?

Yali Rothenberg (CFO, Bezeq Group): 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. Management looks forward to speaking to you on the first quarter 2020 earnings call. Thank you.

Operator: This concludes Bezeq's 4th Quarter and full year 2019 results conference call. Thank you for your participation. You may go ahead and disconnect.

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