



BEZEQ
(TASE: BEZQ)

Investor Presentation
Q3 2015 Results

Forward-Looking Information and Statement

This presentation contains general data and information as well as forward looking statements about Bezeq The Israel Telecommunications Corp., Ltd (“Bezeq”). Such statements, along with explanations and clarifications presented by Bezeq’s representatives, include expressions of management’s expectations about new and existing programs, opportunities, technology and market conditions. Although Bezeq believes its expectations are based on reasonable assumptions, these statements are subject to numerous risks and uncertainties. These statements should not be regarded as a representation that anticipated events will occur or that expected objectives will be achieved. In addition, the realization and/or otherwise of the forward looking information will be affected by factors that cannot be assessed in advance, and which are not within the control of Bezeq, including the risk factors that are characteristic of its operations, developments in the general environment, external factors, and the regulation that affects Bezeq’s operations.

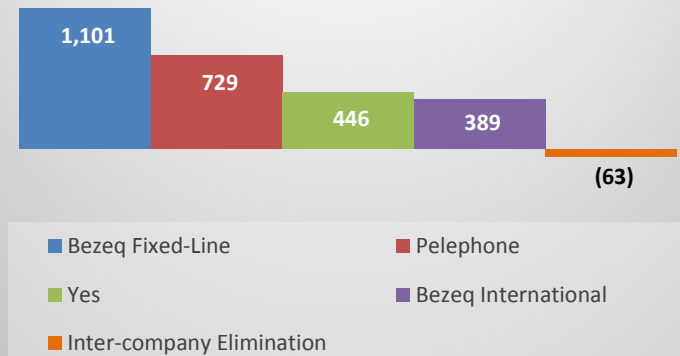
BEZEQ

The largest provider of telecommunications services in Israel

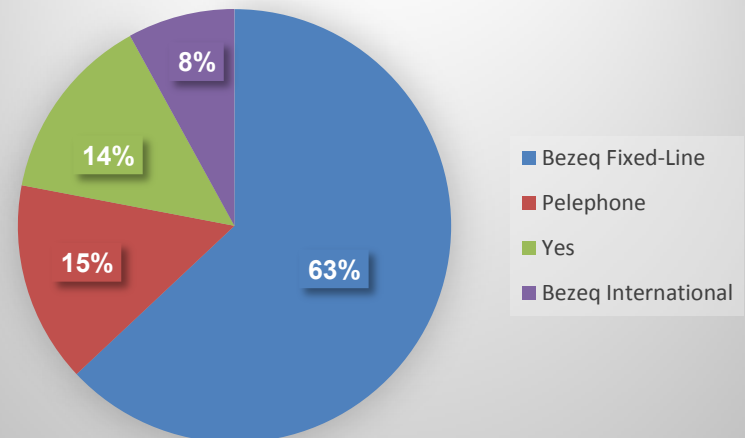
- LTM Revenue: NIS 9.64 billion
- Diversified portfolio in all TMT sub-markets
 - 2.19 million fixed customer lines
 - 2.57 million cellular customer lines
 - 1.45 million broadband lines
 - 639,000 Pay-TV customers
- Highly dynamic telecommunications market combining high penetration rates with considerable growth
- Strong financials in terms of profitability, cash generation and capital structure
- Cash dividends of NIS 1.78 billion paid to shareholders in 2015

Group Revenues - Q3 2015

(Total Revenues of NIS 2,602M)



Group EBITDA - Q3 2015



The Bezeq Advantage



Strong market positions in all telecom sectors

- Leading brand in the Israeli telecom market
- LTM data reflects strong gains in broadband and multichannel TV subscribers
- Rich portfolio of advanced and innovative services
- High quality customer service



Advanced nationwide infrastructure

- Lean operations supported by a newly built nationwide NGN converged network
- Long-term commitment to investing in state-of-the-art infrastructure and cutting-edge technologies



Strong and solid financials enabling sector leading profitability, cash generation and dividend policy

- Well balanced capital structure
- Deregulation policy offers future upside



Capable, stable and experienced management team

BEZEQ GROUP

Wide diversification of advanced telecom services



Fixed
Line



Cellular



ISP, ILD, ICT



Pay TV

walla!

Internet Portal



Call Center

Investments in Advanced Infrastructure

Fixed Line



- Nationwide coverage of FTTC, all IP converged infrastructure
- High quality backhauling network for ISP services
- FTTB rollout already covers over 1.3M households

Telephone

HIGH SPEED GSM+

HSPA

- HSPA (High Access Packet Speed) cellular technology. Initial 4G launch in 2014, expansion in 2015
- Essential to accessing higher value segments of the mobile market
- Strong platform for rising Smartphone demand and advanced data services

Bezeq International



- Direct ownership of modern and high-speed submarine cable system deployed between Israel and Europe
- Potential for ongoing capacity increases at low incremental cost

Regulatory Opportunities & Challenges

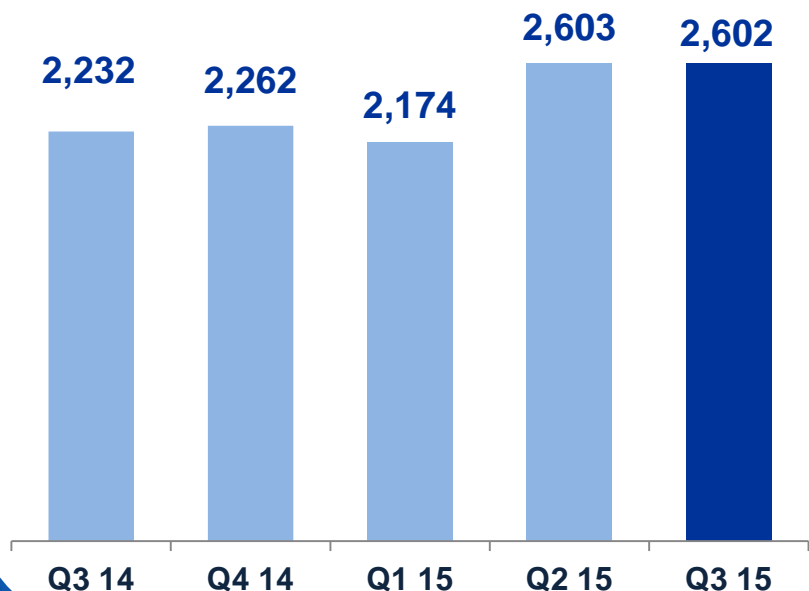
- **Removal of structural separation**
- **Introduction of wholesale market**
- **Increased flexibility in retail operations**



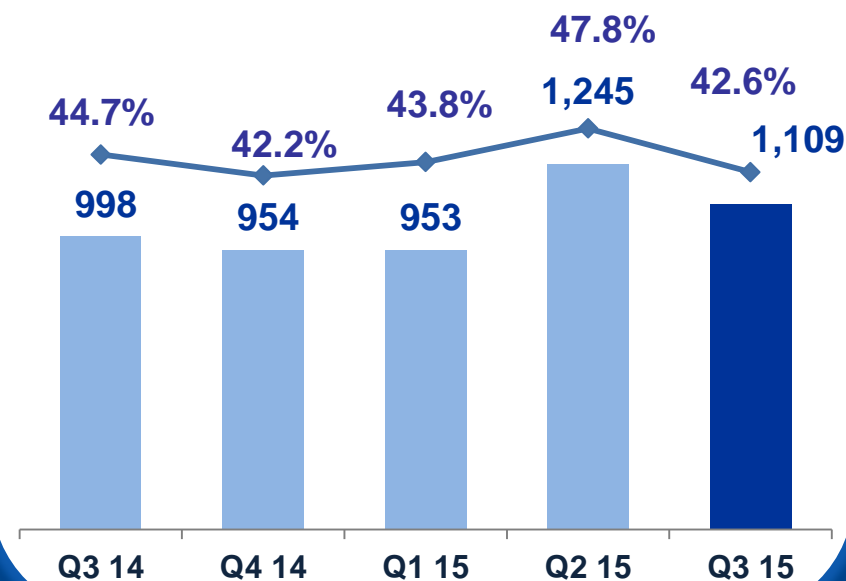
Bezeq Group Financial Overview

Bezeq Group – Revenue & EBITDA

Consolidated Revenue
NIS MM



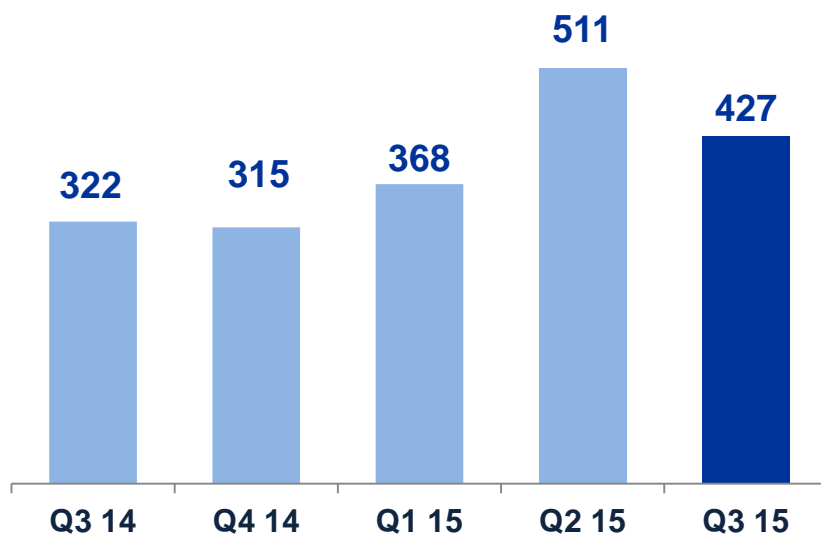
Consolidated EBITDA
NIS MM



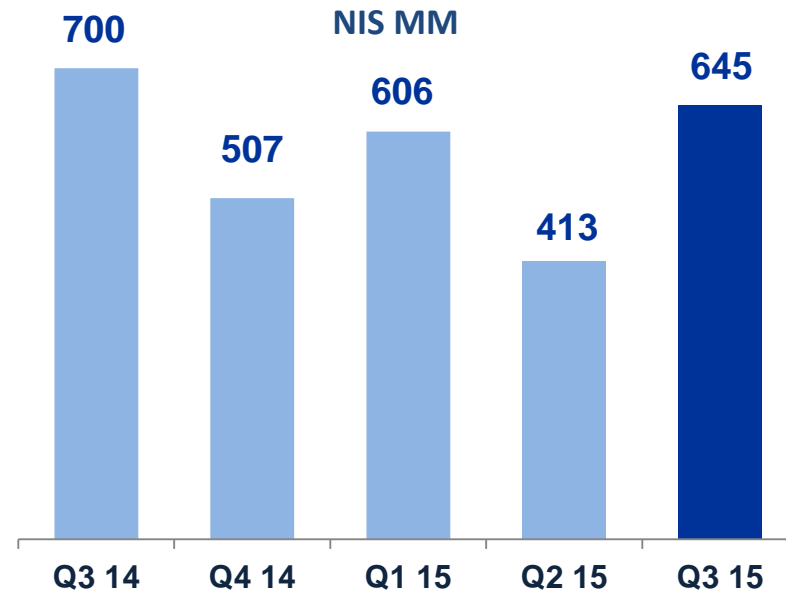
- Consolidated 3Q 2015 revenue increased 16.6% y-o-y primarily impacted by the consolidation of yes revenues in the third quarter of 2015 in the amount of NIS 446 million and an increase in the revenues of Bezeq Fixed-Line and Bezeq International.
- 3Q EBITDA increased 11.1% y-o-y, due to higher consolidated revenues and continued efforts on streamlining operations.

Bezeq Group – CapEx & Free Cash Flow

Consolidated CapEx
NIS MM



Consolidated Free Cash Flow⁽¹⁾
NIS MM



1. Free cash flow defined as Cash Flow from Operations – Net CapEx

- The Group's higher level of investments in 3Q 2015 was primarily due to the consolidation of yes investments in the third quarter of 2015 in the amount of NIS 75 million as well as an increase in investments at Bezeq Fixed-Line.
- Free cash flow in 3Q 15 decreased 7.9% y-o-y primarily due to the increase in investments.

Bezeq Group – 2015 Guidance

Net profit attributable to shareholders: Approximately NIS 1.7 billion

EBITDA: Approximately NIS 4.2 billion

Free cash flow: Approximately NIS 2.0 billion

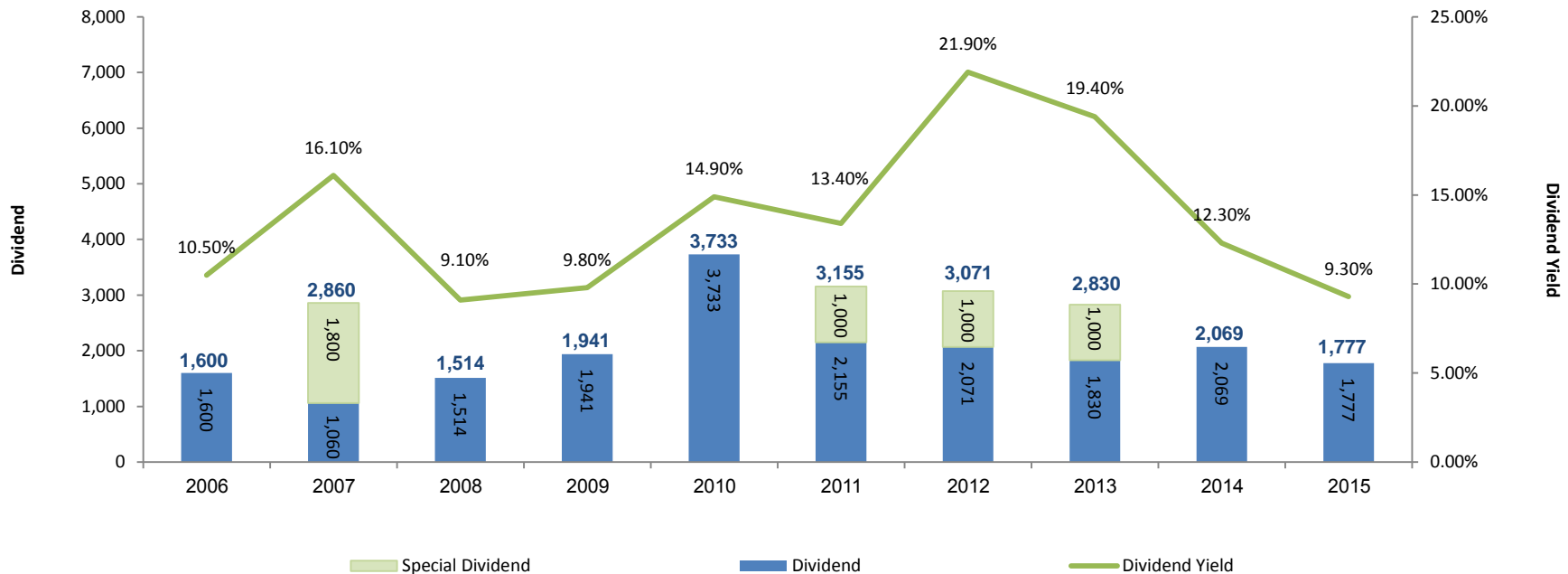
The outlook includes the execution of a transaction for the acquisition of all of the holdings in yes as well as the signing of an amendment to the collective labor agreement.

The Company's forecasts detailed above are forward-looking information, as defined in the Securities Law, and are based on assessments, assumptions and expectations of the Company. The forecasts do not include the effects of a provision for the early retirement of employees.

The forecasts are based, among other factors, on the Group's assessments concerning the competition in the communications market and the regulation of the industry, as well as the economic situation in Israel, and consequently, the Group's ability to implement its plans for 2015. Actual results may differ from those assessments, taking into account changes in the above mentioned factors and in the business conditions as well as in the impact of regulatory decisions, technological changes, developments in the communications market, and realization of risk factors detailed in the Group's periodic report for the year 2014.

Sector Leading Dividend Policy

Bezeq Group Dividends by Year (NIS MM)



Dividend Policy: 100% of net profit attributable to shareholders distributed as cash dividends on a semi-annual basis:

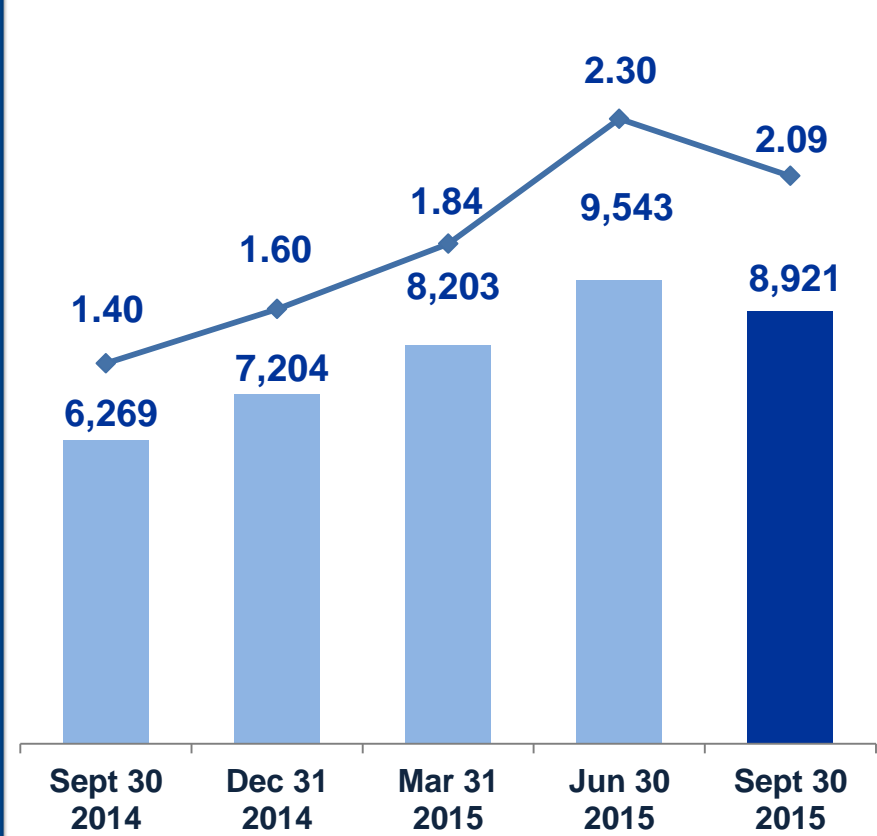
- Dividend Yield is based on average market cap during the period.

Bezeq Group – Debt*

Group Gross Debt (NIS MM)



Net Debt (NIS MM) — Net Debt / EBITDA



* Includes consolidation of yes as of March 31, 2015



Fixed Line

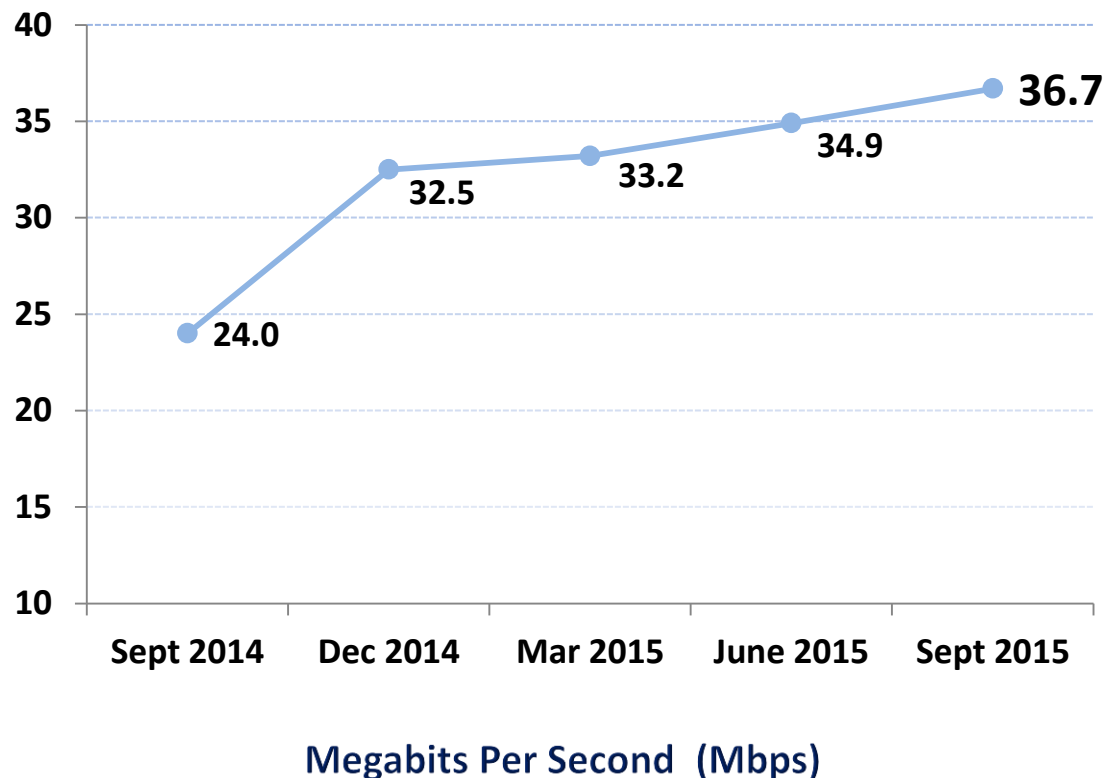
Bezeq Fixed-Line

Bezeq is uniquely positioned as the leading provider of the full range of high quality telecom products and services in Israel

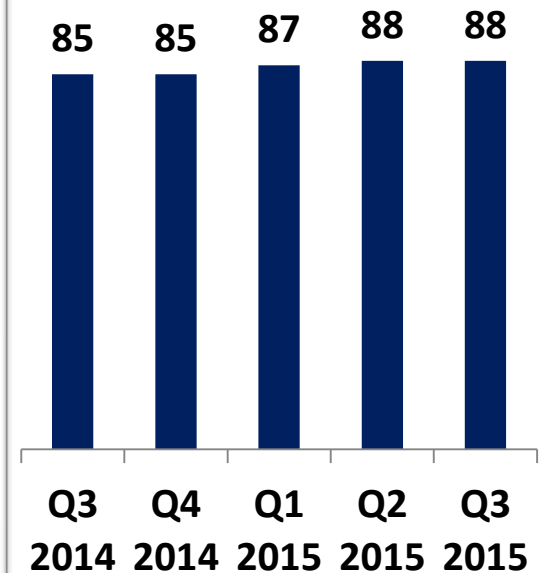
- ✓ **Leading broadband provider in Israel with approximately 66% market share, growing by six percentage points in the last two years**
- ✓ **More than 100k broadband customers added in last 12 months, representing an 8% increase y-o-y**
- ✓ **Broadband ARPU growth fueled by continuous bandwidth upgrades**
- ✓ **Leading provider of corporate solutions in Israel**
- ✓ **Significant and stable business market share supported by differentiated offering**
- ✓ **Stabilizing trend in number of fixed access lines and ARPL**

NGN enables ongoing increases in bandwidth and ARPU growth

53% year-over-year increase in average broadband speed per subscriber



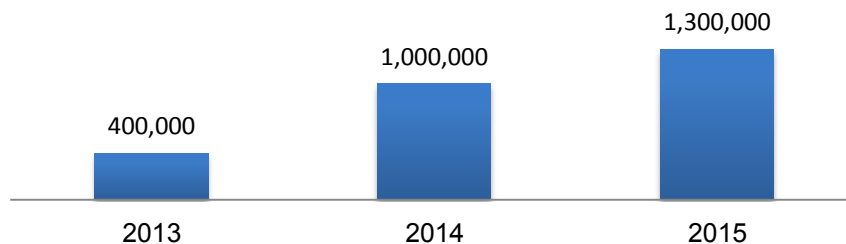
Broadband Internet ARPU (NIS)



Fiber-to-the-Building Rollout



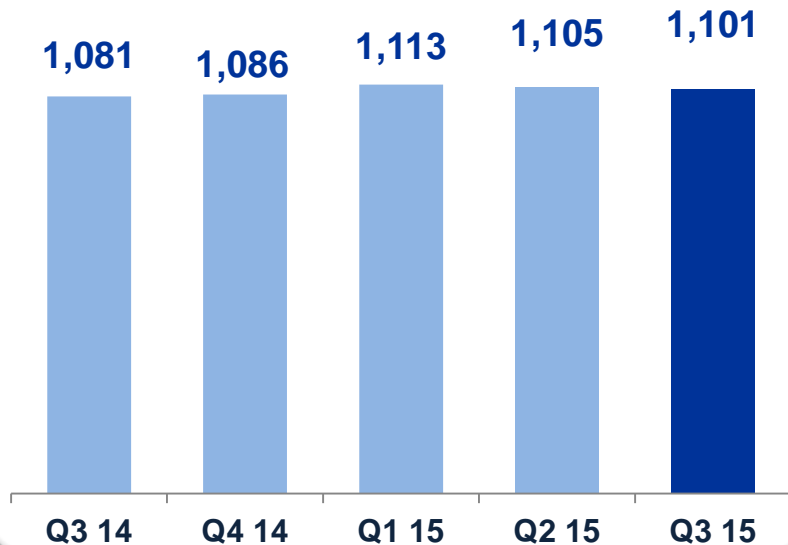
FTTB Homes Passed



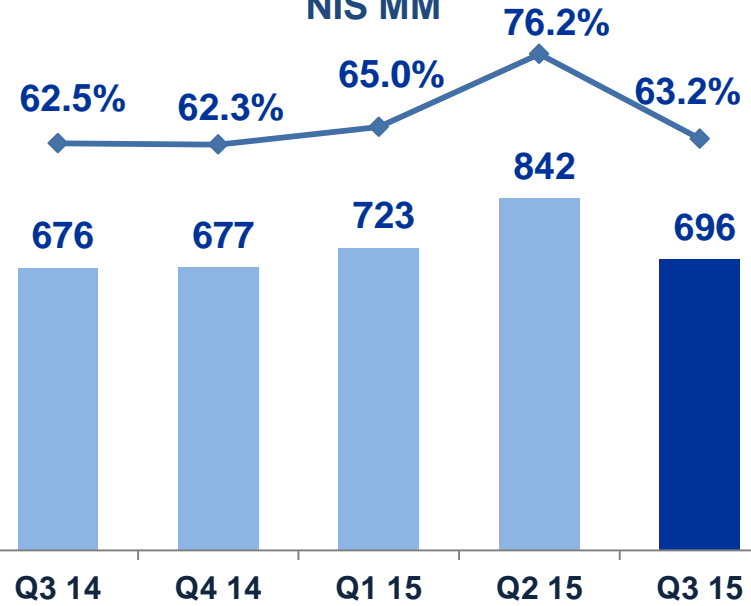
Bezeq Fixed Line has reached an additional 300k homes in 2015 representing a total of 1.3m homes passed or approximately 60% of the Israeli population

Bezeq Fixed-Line – Revenue & EBITDA

Bezeq Fixed-Line Revenue
NIS MM



Bezeq Fixed-Line EBITDA
NIS MM



- Revenues increased 1.9% for 3Q 15 compared to the same quarter a year ago primarily due to higher revenues from broadband Internet services as well as transmission and data communication services, together with a moderated reduction in telephony revenues.
- EBITDA increased 3.0% in the third quarter versus 2Q14 primarily due to higher revenues and a decrease in operating expenses.



Pelephone

Cellular

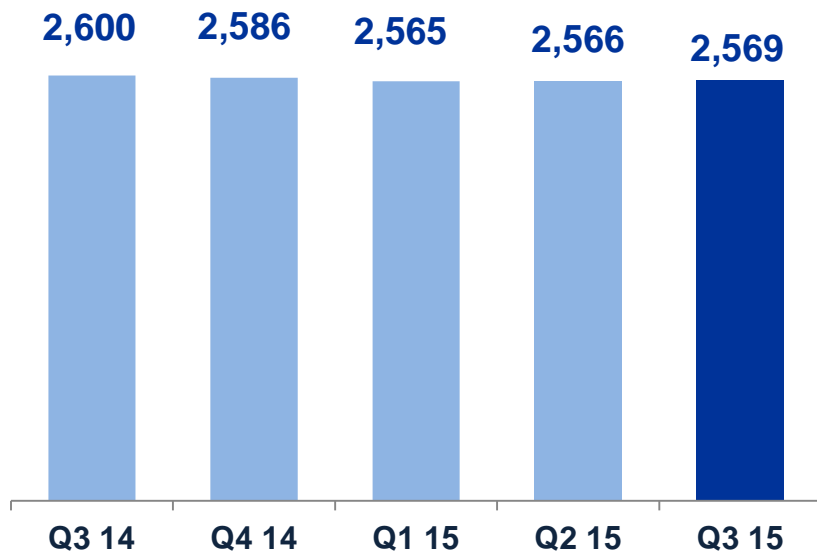


- 2.57 million cellular customers
- Nationwide HSPA network
- Wide deployment of 4G (LTE) network in 2015
- Strong platform for advanced data services
- Highly competitive market

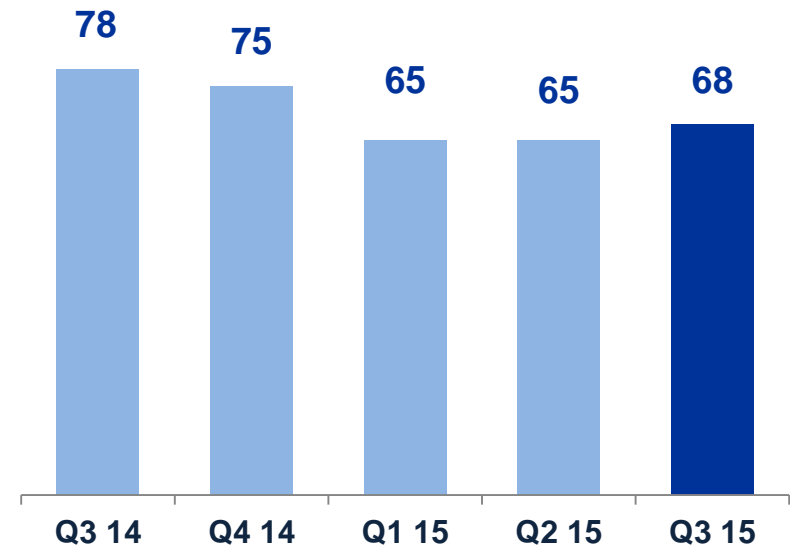


Telephone KPIs

Subscribers (in 000's)

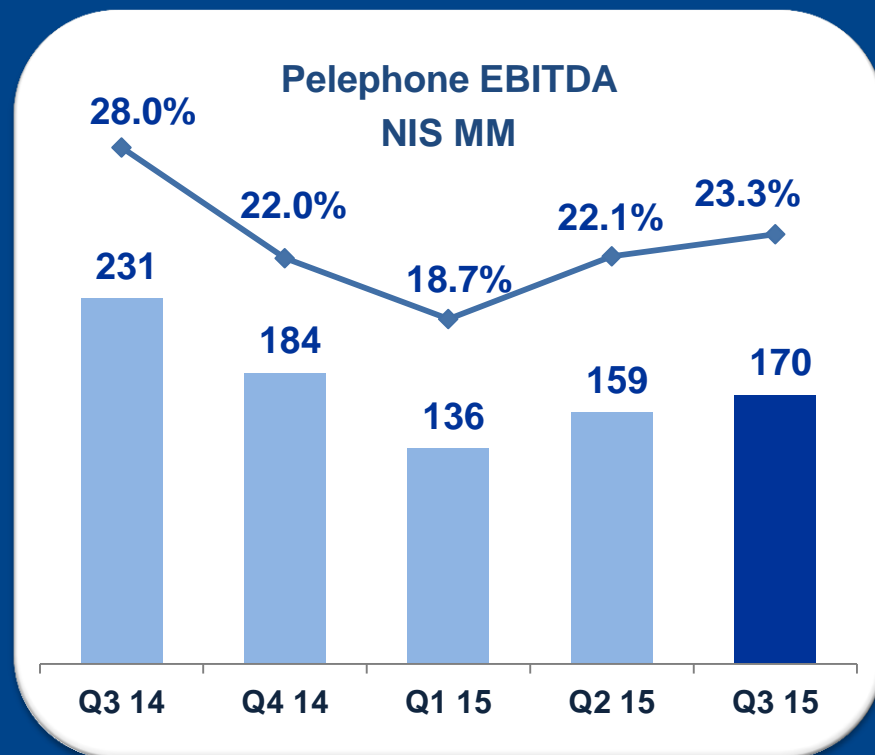
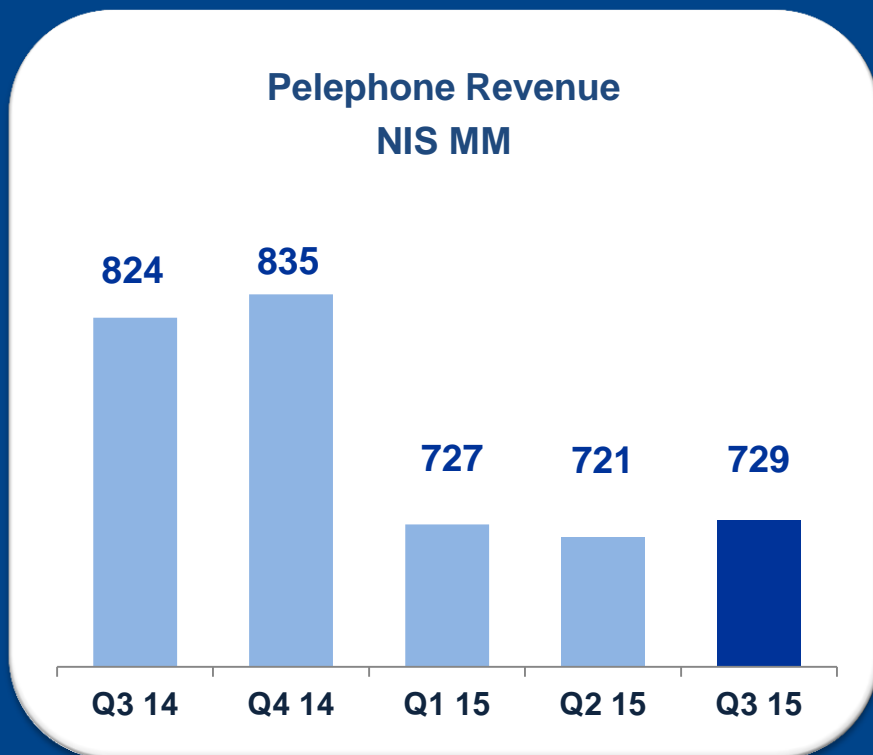


ARPU (NIS)



- Cellular subscribers as of September 30, 2015 were stable sequentially primarily due to customer retention measures as well as the launch of new prepaid plans.
- ARPU in 3Q 15 increased sequentially due to higher roaming revenues and tax refund received. The decrease compared to 3Q14 was primarily due to the termination of the hosting agreement with Hot Mobile.

Pelephone – Revenue & EBITDA



- Revenue and EBITDA declined 11.5% and 26.4% respectively y-o-y driven by lower revenues from cellular services primarily due to the termination of the hosting agreement with Hot Mobile as well as increased competition in the cellular market.
- After adjusting for the revenues from the hosting agreement with Hot Mobile, EBITDA decreased 5.0% compared to 3Q14.



ISP / ILD / ICT

Bezeq International

Israel's leading ISP & ICT telecom provider with a differentiated product and services offering

ISP



- Leading broadband Internet service in Israel
- Over 42% Internet market share
- Cutting-edge infrastructure
- Customized service plans
- Advanced IP services

ILD



- International telephony
- Top-tier international agreements
- Leading customer service

ICT



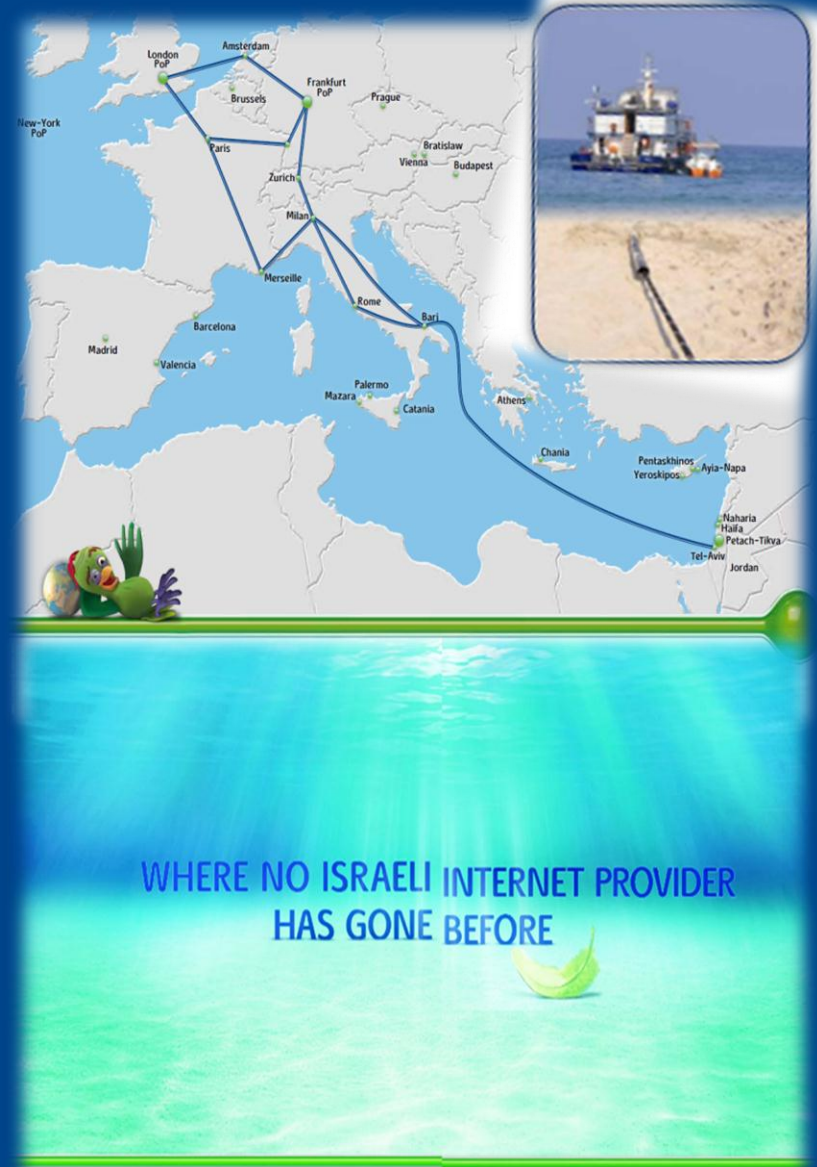
- Business class Internet, data, voice, hosting & integration services
- Israel's largest data center
- IT and Cloud Computing Services, Data Communication & Information Security Solutions

Bezeq International's Submarine Cable

The only ISP in Israel with direct ownership of a submarine cable connecting Israel to Europe

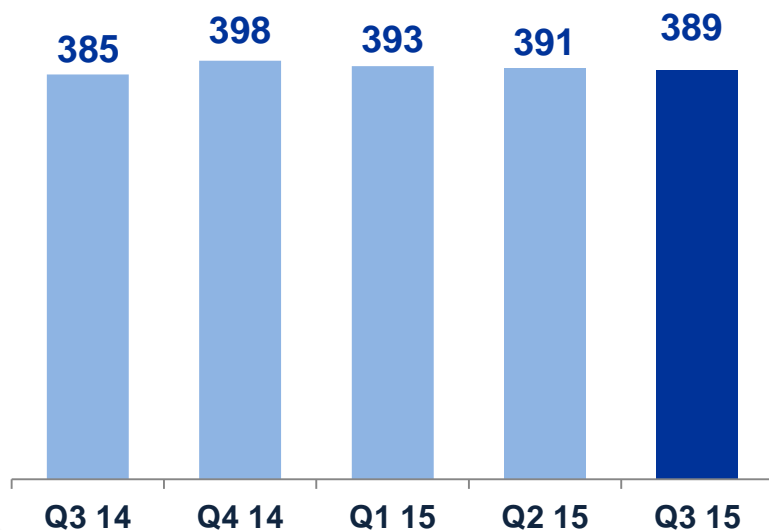
Bezeq International's submarine cable provides a platform to:

- Better serve its customers via unlimited international bandwidth
- Key differentiator versus competitors
- Eliminates the need to lease capacity from third party submarine cable owners

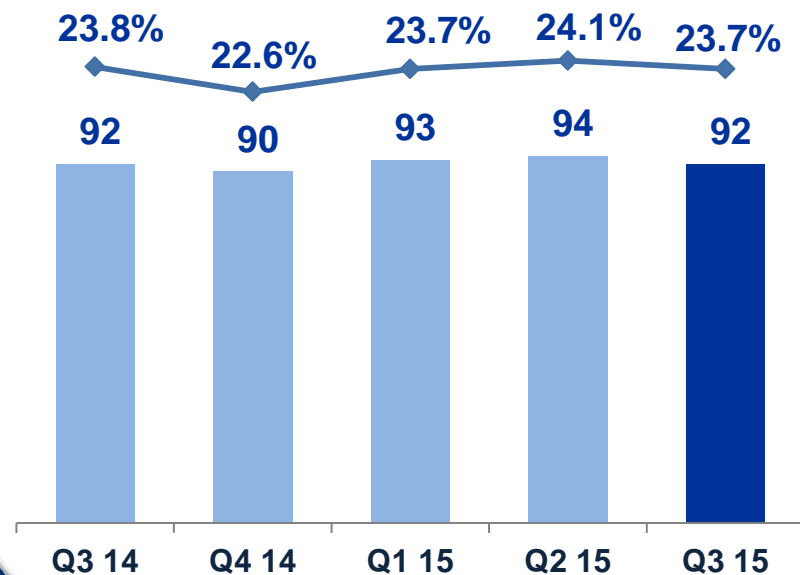


Bezeq International – Revenue & EBITDA

Bezeq International Revenue
NIS MM



Bezeq International EBITDA
NIS MM



- Revenue in 3Q 15 increased 1.1% y-o-y to 389 million due to the continued increase in revenues from Internet services delivered across the submarine cable infrastructure as well as from the Company's activities in international data communications together with the high level of revenues from business communications (ICT) and cloud services.
- EBITDA in 3Q 15 was in-line y-o-y at NIS 92 million, for an EBITDA margin of 23.7%.



**Multi-Channel
DTH Provider**



Leading brand for content, innovative applications and customer service

- *Fully digital with nationwide deployment*
- *Over 42% market share*
- *Growing customer base with stable ARPU, supported by increased revenues from VOD and other advanced services*
- *Rich content offering with extensive agreements with first-tier content producers*
- *Over 160 channels including 39 Yes branded channels*



- Enables access to recordings from another set-top box

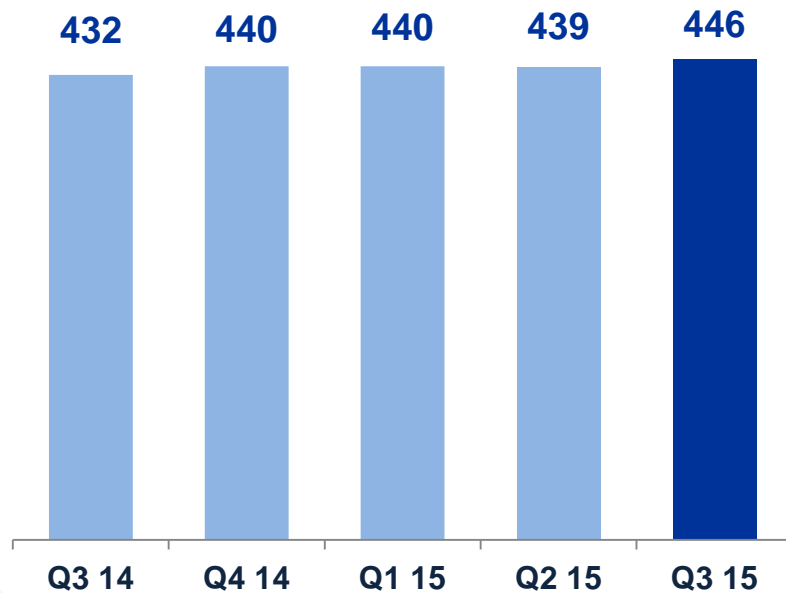


- iOS & Android App, streams 50 channels and VOD on the go

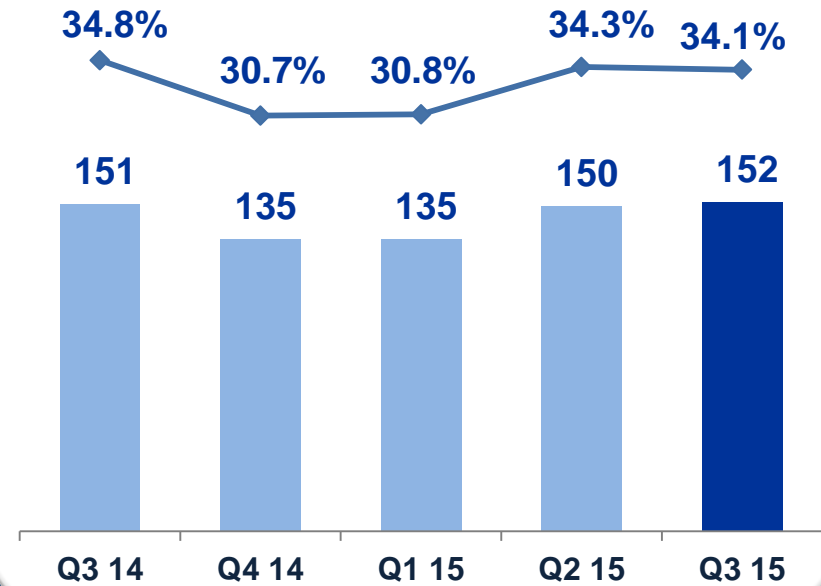
- ✓ Innovative applications based on state-of-the-art technology
- ✓ Average of three set-top boxes per household with significant proportion of HD

Yes – Revenue & EBITDA

Yes Revenue
NIS MM



Yes EBITDA
NIS MM



- Revenues in 3Q 15 increased 3.1% y-o-y to NIS 446 million, due to growth in the number of subscribers.
- EBITDA in 3Q 15 increased 0.9% y-o-y to NIS 152 million. EBITDA margin was 34.1% for the third quarter.

Market Changes Create New Opportunities for the Bezeq Group



**Removal of
Structural Separation**

**Demand for
Smartphones,
Tablets
and Data Services**

**Increased Demand
for High Speed
Internet**

**Demand for Content
and Advanced
Services (HD, VOD)**

Confidently Facing the Future

Ongoing investment in advanced infrastructure and technological leadership - LTE, Fiber, submarine cable and advanced multichannel TV technologies

Expanding our innovative product offering to increase revenues, stickiness and expand Company's footprint - TV Everywhere, advanced STB, Cloud, Smart Home, M-Payments, M2M, etc.

Continued emphasis on the Company's brands as "premium" by means of brand differentiation in each market - leading content in television, fast quality internet with value-added services, fast and advanced cellular network

Continued investment in high quality customer service - shift towards self service, automation and proaction

Maintaining quality personnel and strong management

Increasing synergy levels between companies within the group to maximize revenues, increase efficiency and reduce expenditures



Thank You

For more information please visit
www.bezeq.co.il