



BEZEQ ***(TASE: BEZQ)***

Investor Presentation

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.

This presentation includes revenue and other figures that are based on external sources and various surveys and studies. Bezeq is not responsible for the content thereof. The information included in this presentation is based on information included in Bezeq’s public filings. However, some of the information may be presented in a different manner and/or breakdown and/or is differently edited. In any event of inconsistency between Bezeq’s public filings and the information contained in this presentation - the information included in the public filings shall prevail.

The information contained in this presentation or which will be provided orally during the presentation thereof, does not constitute or form part of any invitation or offer to sell, or any solicitation of any invitation or offer to purchase or subscribe for, any securities of Bezeq or any other entity, nor shall the information or any part of it or the fact of its distribution form the basis of, or be relied on in connection with or relating to any action, contract, commitment or to the securities of Bezeq. The presentation does not constitute a recommendation or opinion or substitute for the discretion of any investor.



Bezeq group in numbers 2017

Revenues of
NIS 9.8 billion

Strong financials

in terms of profitability, cash generation
and capital structure

70%
of net income dividend
distribution policy

587,000
Pay-TV customers
(Market share: 37%)

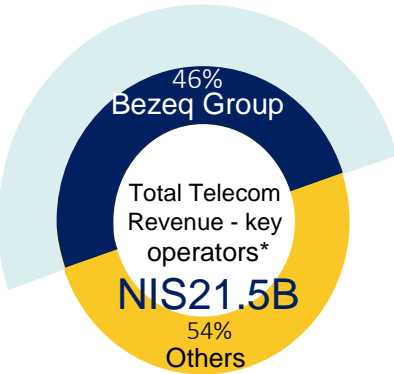
1.6 million
broadband lines
(Market share: 70%)

2.5 million
cellular subscribers
(Market share: 23.3%*)

1.9 million
fixed access lines

(Market share telephony private sector: 53%,
Business sector: 72%)

Diversified portfolio in all TMT sub-markets



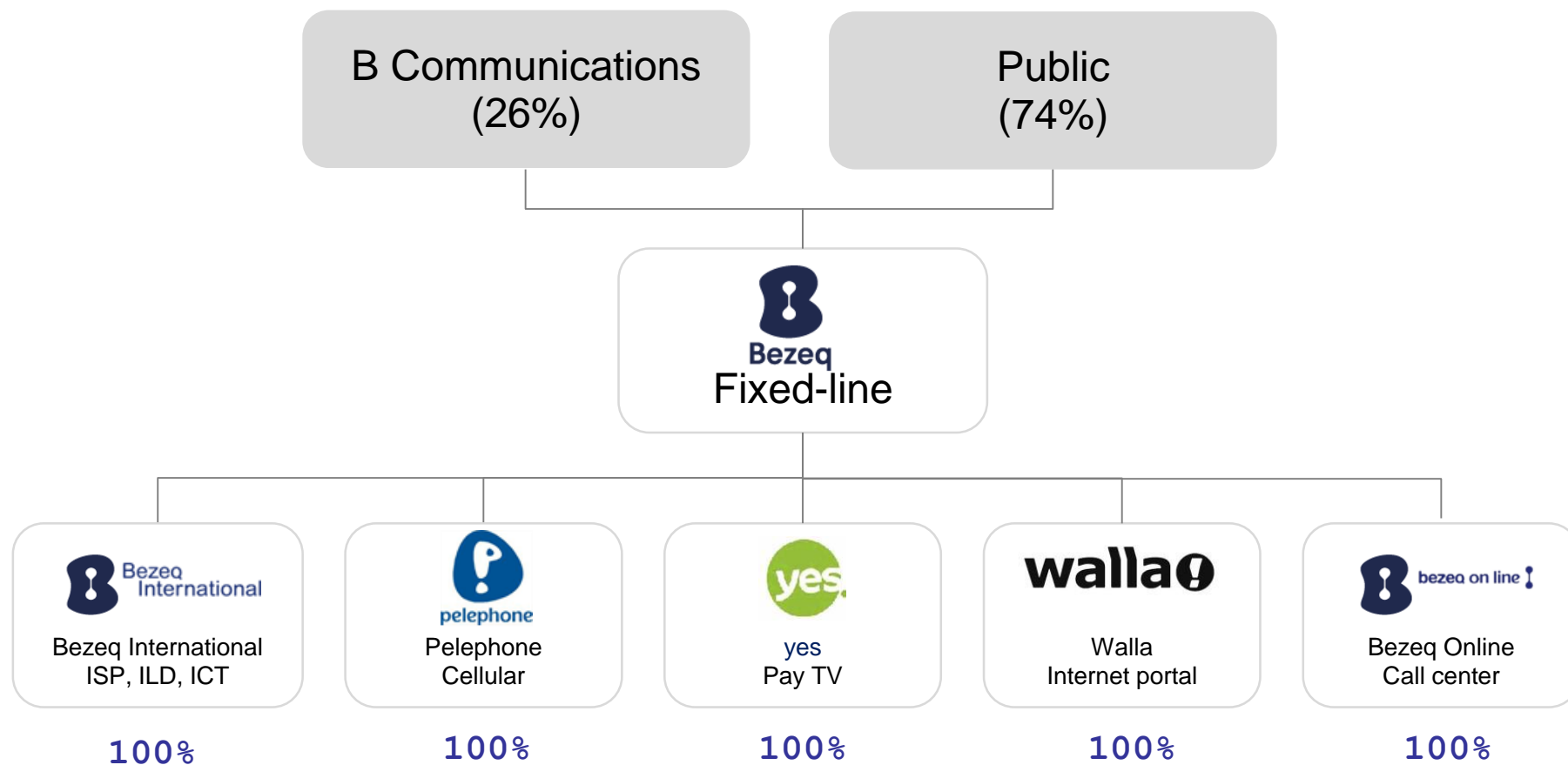
* Includes revenues from Bezeq, Cellcom, Partner and Hot



* Cellular Market share data as of 9/2017

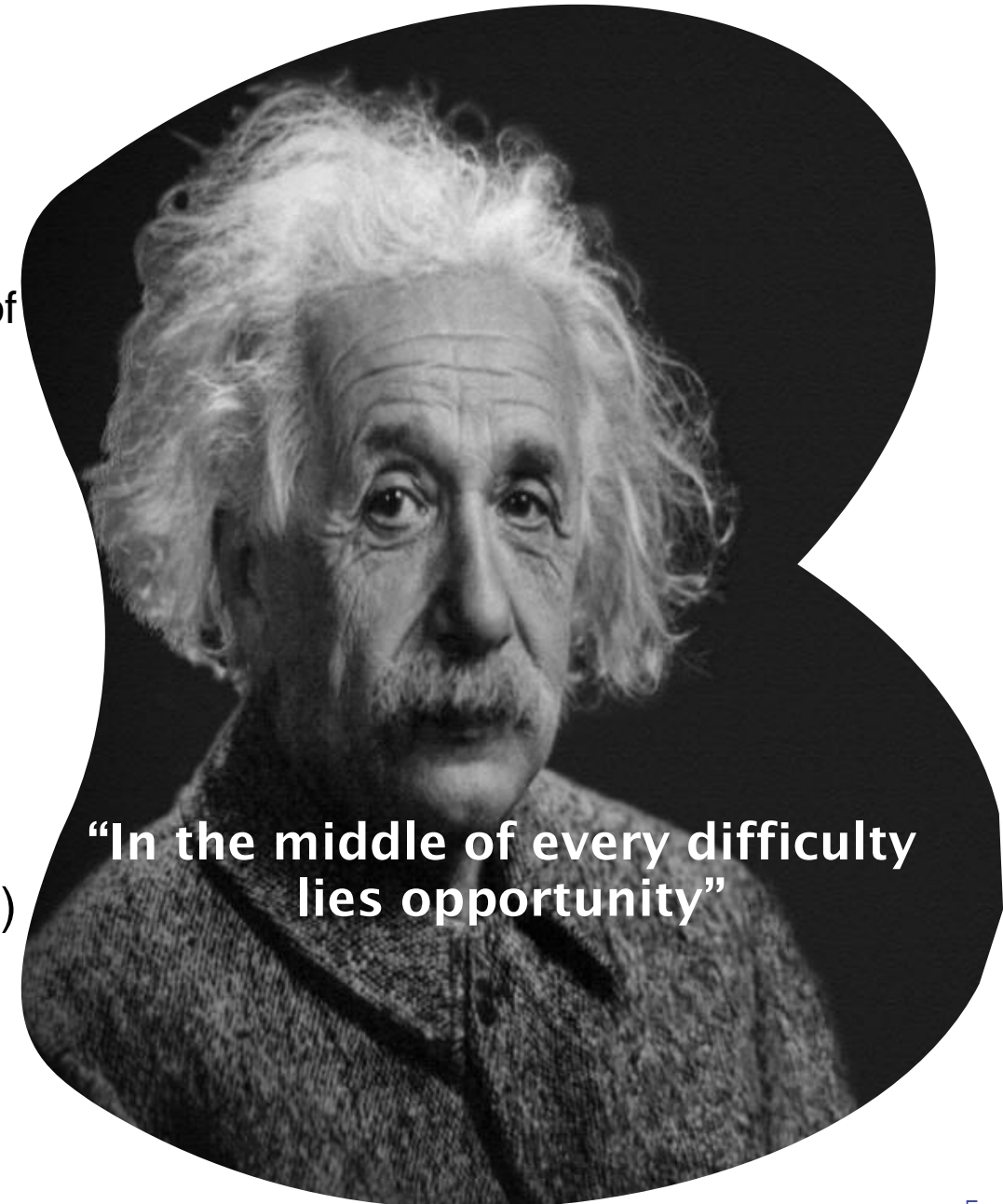
Bezeq Group

Wide diversification of advanced telecom services



Opportunities & Challenges - Q1 2018

- Improved Corporate Governance
 - New Board with mix of experience, independence and integrity to effectively govern the Company in the interest of all shareholders
- Improved capital structure with net debt decreasing by NIS 450m in Q1 2018
- Strategic review of Group operations including:
 - Synergies between Company subs
 - Sale of none-core assets (Bezeq Online, Walla! News)
 - Independence of wholesale unit
 - Establishment of innovation unit



“In the middle of every difficulty lies opportunity”



Ultimate Goal: Cancellation of Structural Separation

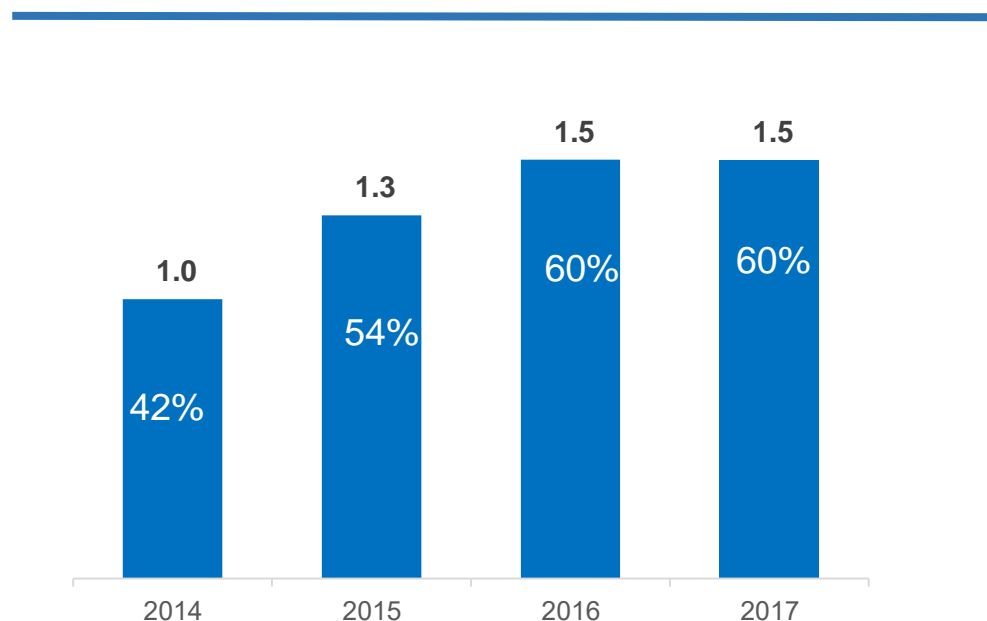


Bezeq Fixed-Line

State-of-the-art fixed-line infrastructure

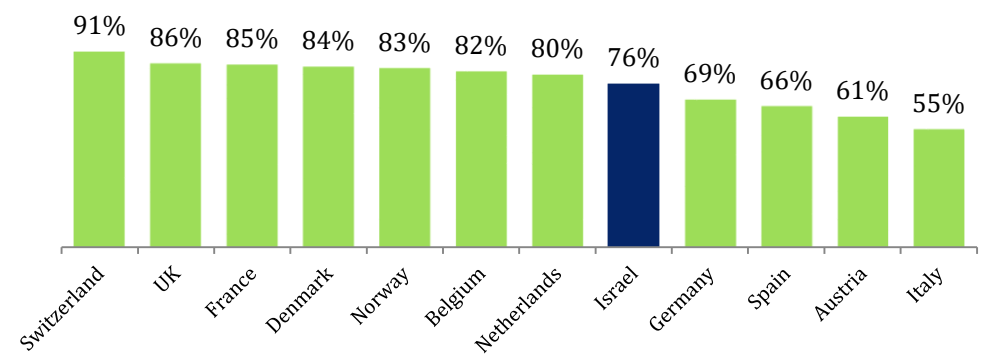
- Fully owned, newly built and ducted network provides Bezeq with a competitive edge
- NGN FTTC network that supports high bandwidth speeds (up to 100 mbps) deployed on a nation-wide basis
- Launched in 2013, Fiber (FTTH/B) covers approximately 1.5 million or 60% of households and businesses in Israel

Fiber (FTTH/B) Homes Passed
(Million, % of households)



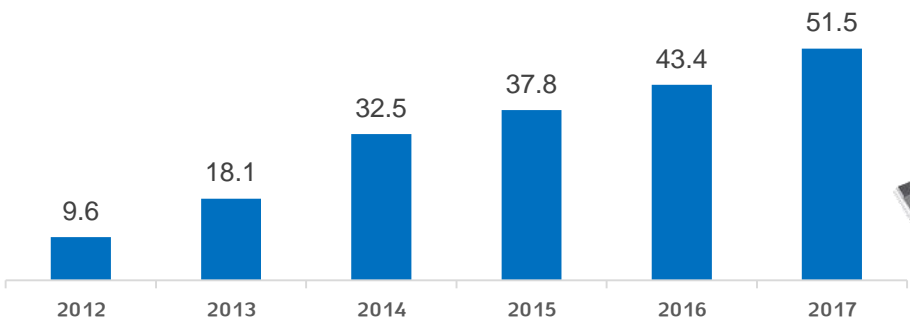
Broadband Market – Growing broadband market and increasing market share together with steady ARPU

Broadband penetration – still room to grow

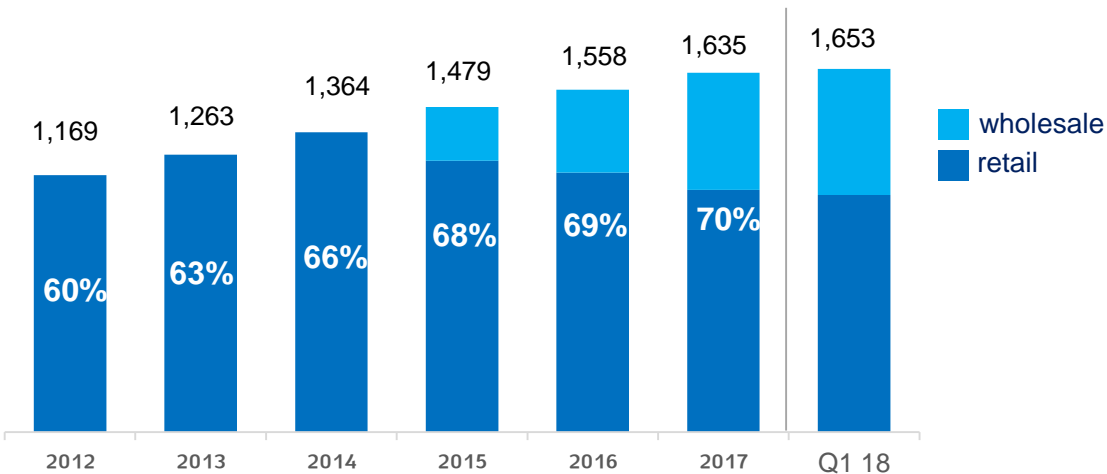


Source: Analysys Mason;; Bezeq - Company estimates

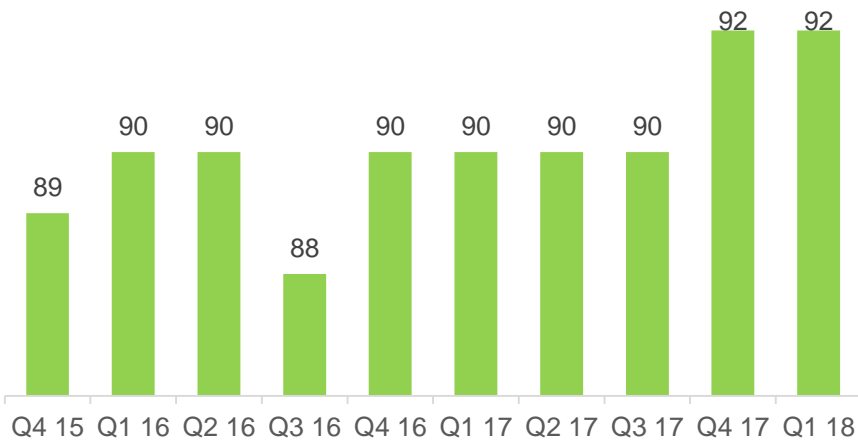
Average broadband speed per subscriber (Mbps)



Bezeq broadband - steady increase in subscribers (in thousands, % market share infrastructure)

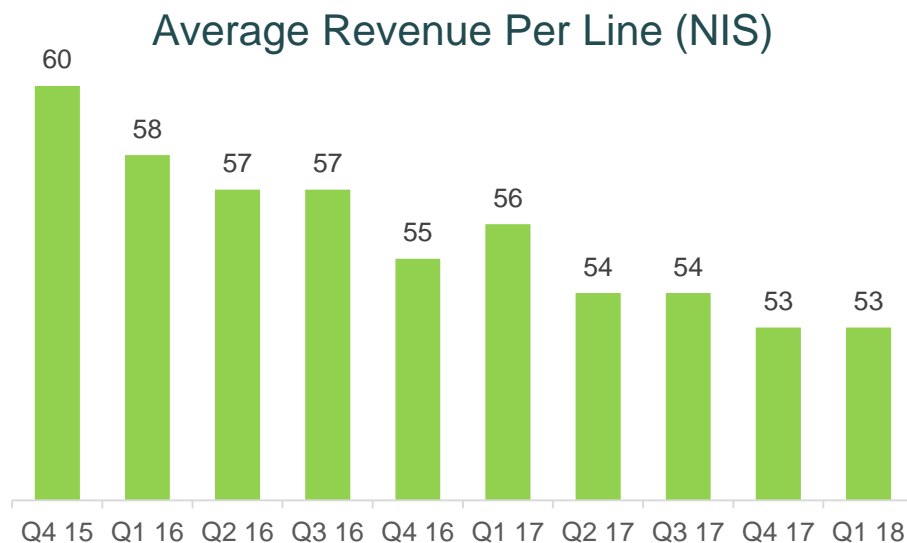


Broadband Internet ARPU (in NIS) - Retail

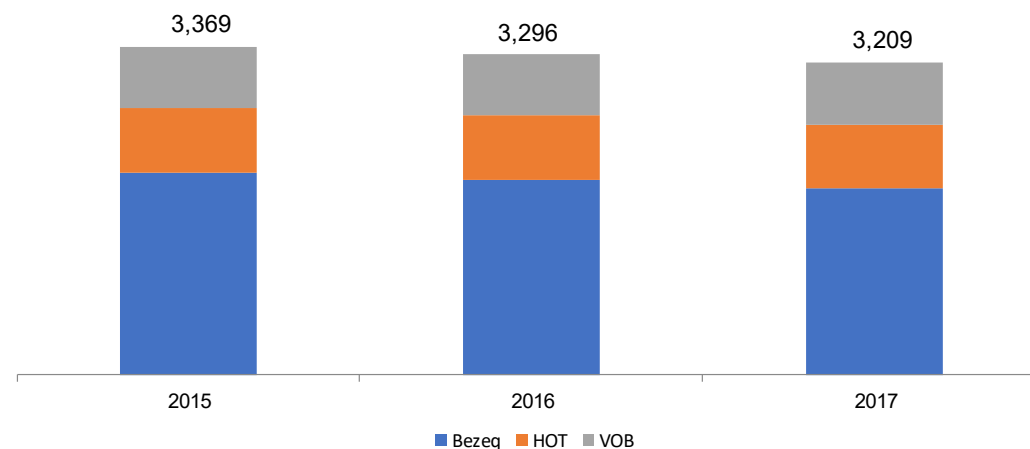


Fixed Line Telephony

Moderate line erosion and nearly stable ARPL driven by demographics and geographic region



Total voice market remains stable



Source: Company estimates



Bezeq's business activities are one of the company's engine growths

- Present in all businesses – almost every business has at least one Bezeq product
- Growth in sales of advanced DATA networks – METRO, SDH, IPVPN
- Growth in revenues from advanced telephony: HIPT, Centrex
- IOT solutions: Smart Business, Smart Cities/Smart Places
- Innovative ICT services : Virtual servers, cloud services, cyber

Cloud Computing



Online business directory



Cyber



Smart city



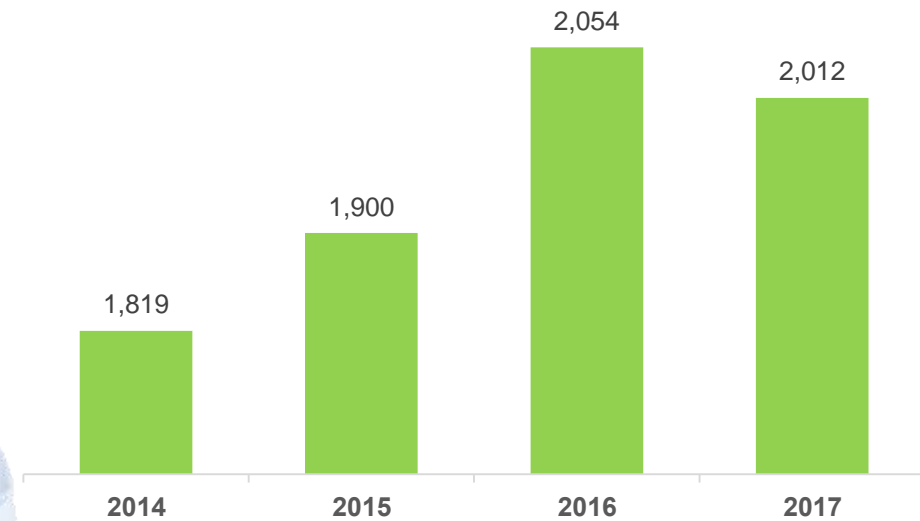
Smart business



Virtual Servers



Revenues from Business Customers
NIS Millions



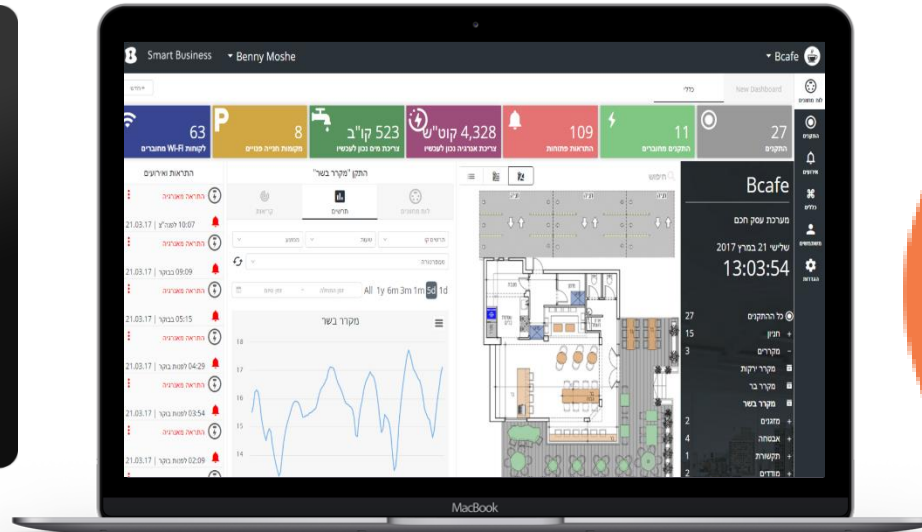
Bezeq's future growth drivers

During the last year, Bezeq introduced Israel to the digital revolution with a wide smart offering, and invited its customers across all segments to join the digital revolution

Smart City



Smart Business



Smart Home





פלאפון



Pelephone

Pelephone – Ultra Fast and most innovative mobile network in Israel



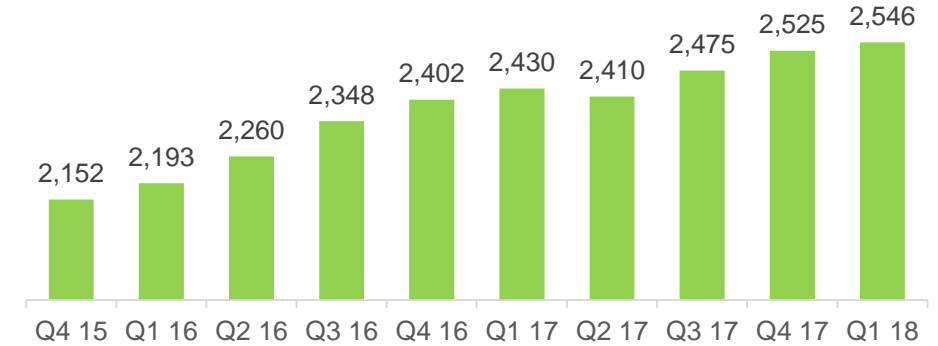
- Exclusive, wholly owned network enables full flexibility and control over future technology roadmap
- First to begin deployment of unique technologies for spectrum optimization (Beam forming, MIMO 4x4) - up to 50% improvement in speeds where deployed
- MOC approval to begin deployment of LTE Advanced high speed 4.5G network



Segmented marketing strategy and best in class sales distribution

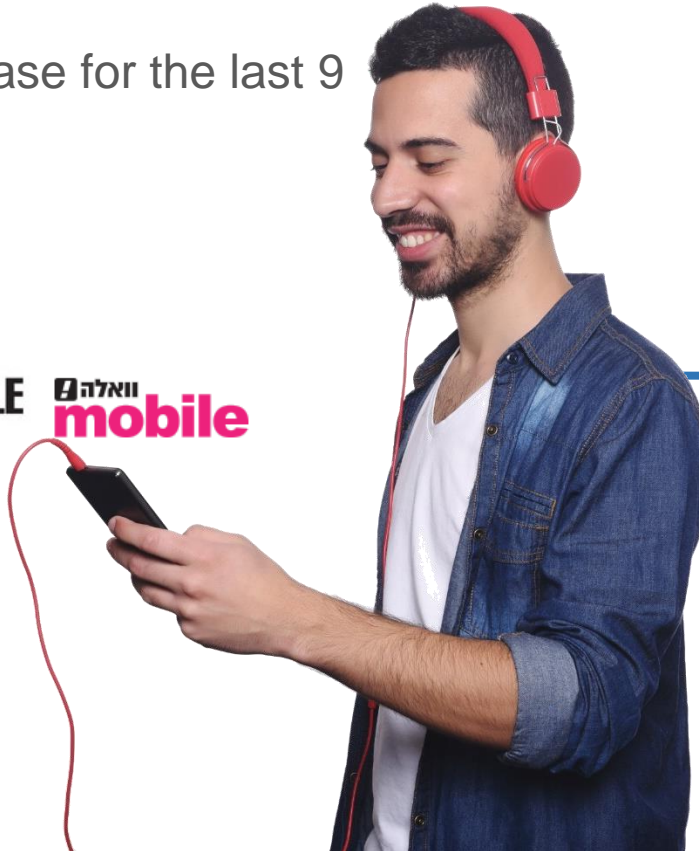
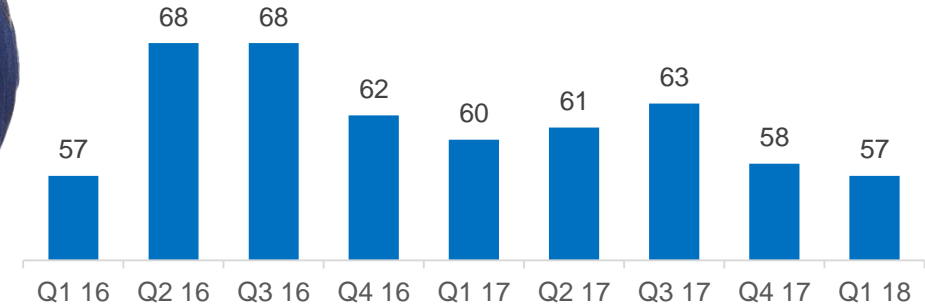
- Multi brand strategy to support subscribers growth and manage cannibalization
- Most extensive points-of- presence in Israel – mainly in retail chains – from 50 in 2016 to 230 in 2017
- Constantly growing customer base for the last 9 quarters

Telephone subscriber change



* Q1 15 – Q1 16 adjusted for 499k sub write-off in Q2 2016

Telephone ARPU (NIS)

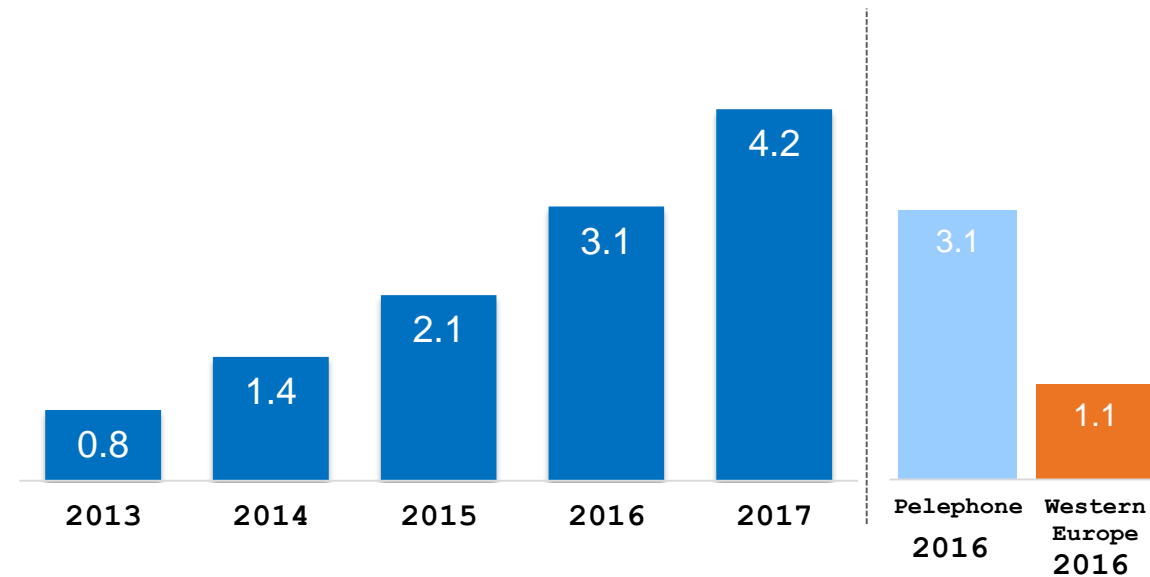


Pelephone - Future Upside

- Growing customer base increases the upside opportunity once market competitive dynamics stabilize
- Data monetization:
 - Rapidly increasing mobile broadband bandwidth consumption creates an opportunity to monetize this service in the future
 - New digital services (Big data, connected cars)



Pelephone customer mobile broadband consumption (Average GB per subscriber)



Source: Western Europe 2016 - CISCO

Pelephone is best positioned for future growth in relation to competitors





yes

yes - 3 Key elements of marketing strategy

Surveys consistently show yes provides the "best customer experience" in Israel

Best Customer Service



Great Viewing Experience



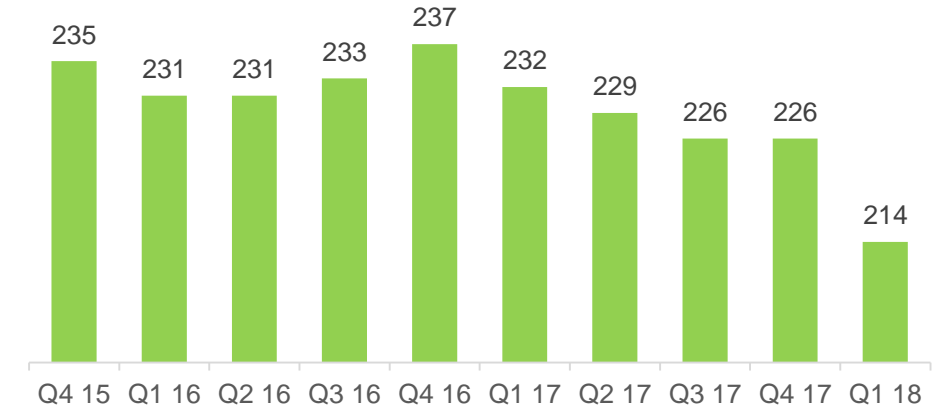
Best Content



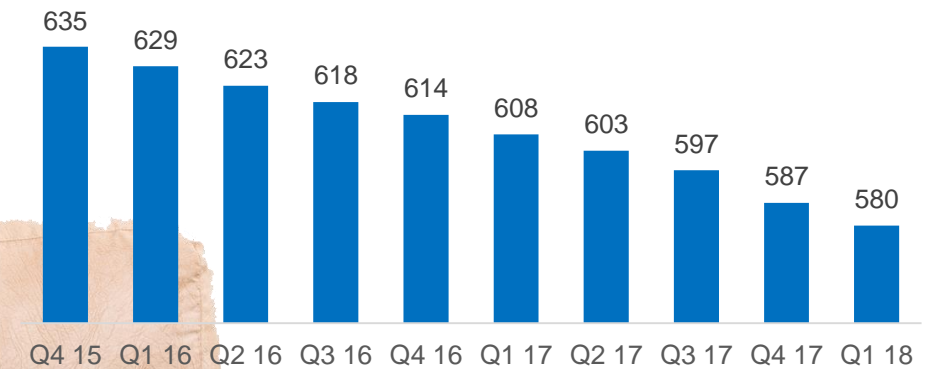
yes – Best in class

- Rich and highly valued local and international programming
- Innovative technologies (4K content, multi-room access to main PVR, TV everywhere, etc...)
- Best customer service in the pay TV market
- Attractive new price plans launched in Jan 2018 to increase customer retention

ARPU (NIS)



Subscribers (in 000's)



STINGTV

STING TV Launch OTT Service for new market segment



Innovative & High Quality Service based on 3 Key Principles

- 35 Channels
- 500 Series & seasons
- 1,000 Movies

**Uncompromising
Content**

- 100% Digital
- Self-service tech support/Chat
- Plug & Play

Fully Digital

- Diversified packages at customer choice from NIS 29
- Online viewing or with unique streamer

Free to Choose



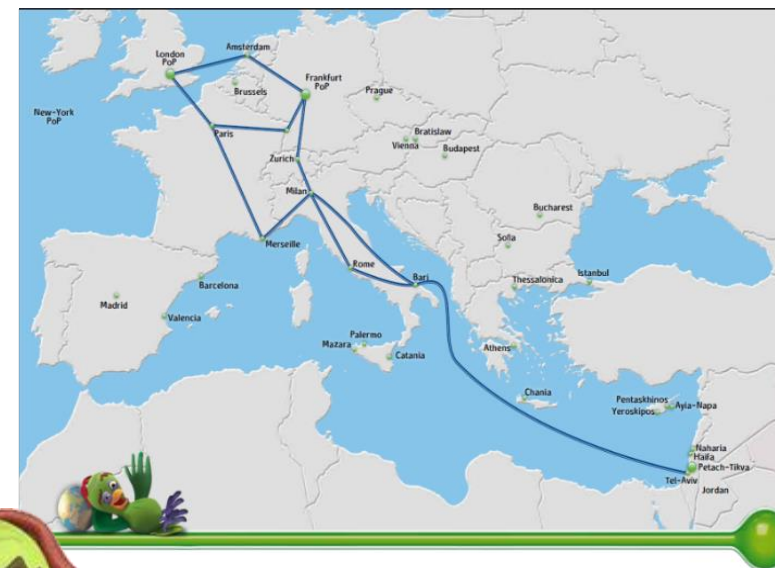


Bezeq International

Bezeq International – best in class technologies

- The only telecom player in Israel with direct ownership of a submarine cable connecting Israel to Europe
- Bezeq International's submarine cable as competitive edge:
 - Better serve its customers via virtually unlimited international bandwidth
 - Key differentiator versus competitors
 - Eliminates the need to lease capacity from third party submarine cable owners
- Ownership over largest data center network as a platform for growing cloud based services and applications

Global Network



Bezeq International as a market leader in the ISP and ICT lines of business

ISP



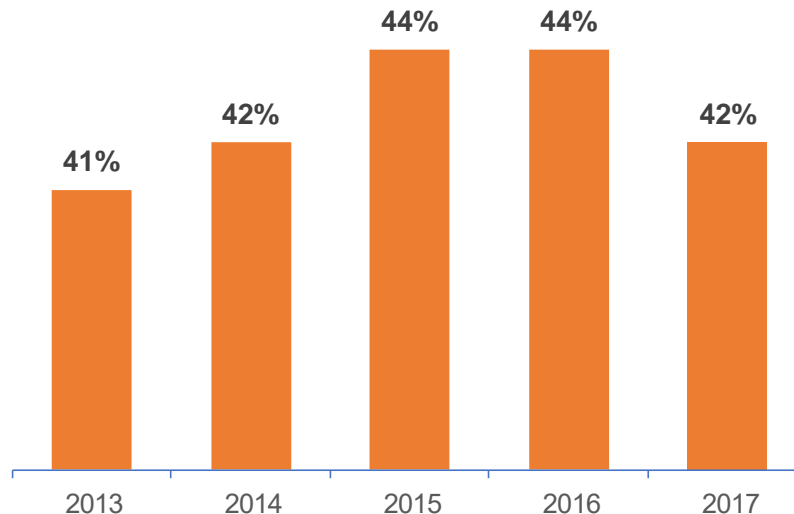
- Leading broadband Internet service provider among dozens of players in Israel
- 42% Internet market share
- Cutting-edge infrastructure
- Customized service plans
- Advanced IP services

ICT

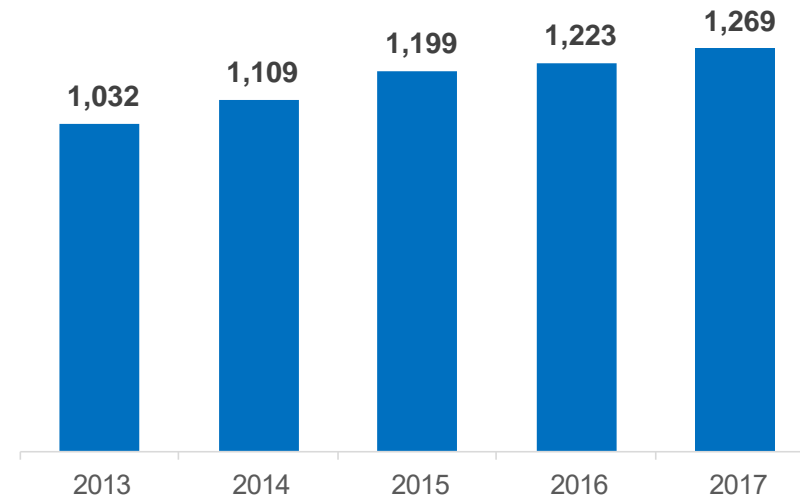


- Business class Internet, data, voice, hosting & integration services
- Israel's largest data center
- IT and Cloud Computing Services, Data Communication & Information Security Solutions

Bezeq International Broadband Market Share



Bezeq International Revenues from Internet, Data, PBX and ICT (NIS m)

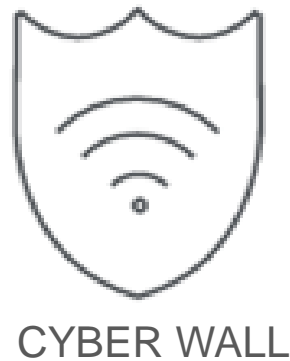


The future



Future growth engines

- Bezeq poised to benefit from Israeli "Start Up Nation" technologies
- Future growth engines will add to Bezeq's valuation
- Product offerings include cyber services, cloud services, big data solutions, IOT starter kit, Walla – digital advertising platform, etc...



Bhome



smart business



smart city

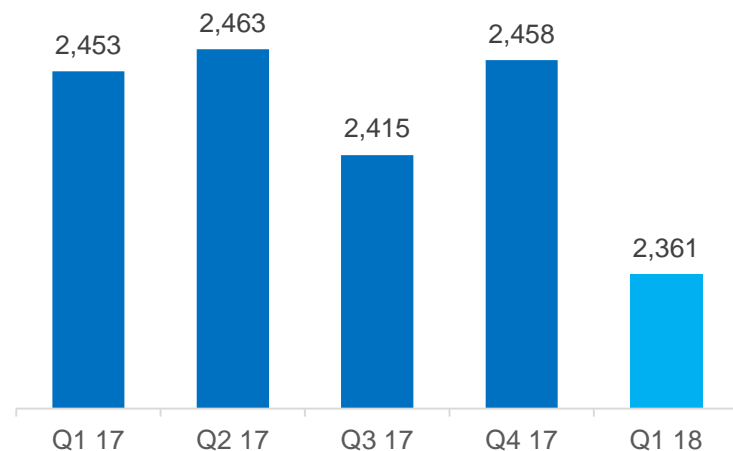
A blue rectangular graphic with a network of white dots and lines in the background. The words "Big Data" are written in white text in the center.

Big Data

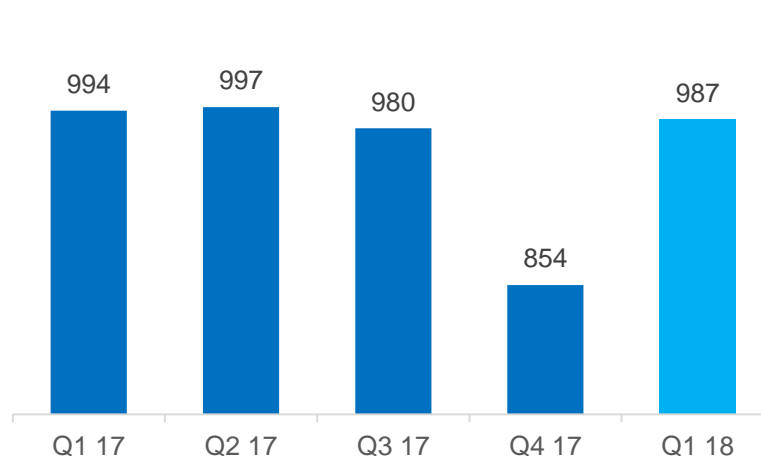


Bezeq Group – Financials

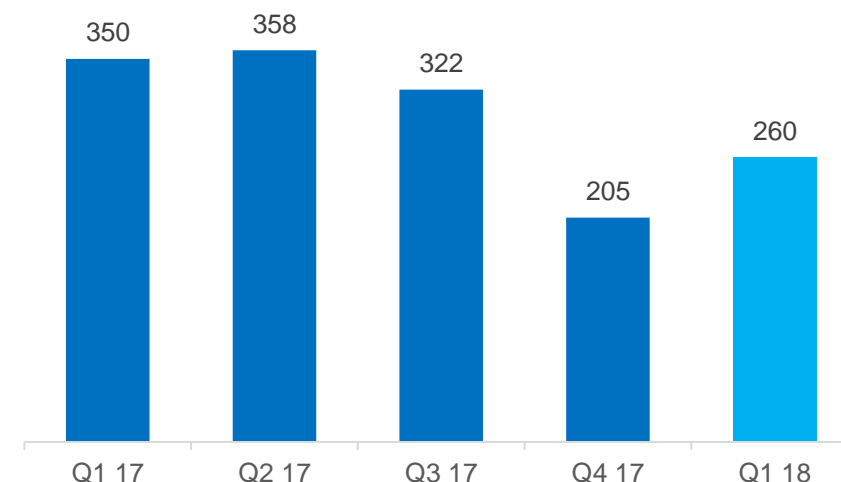
Consolidated Revenue (NIS Millions)



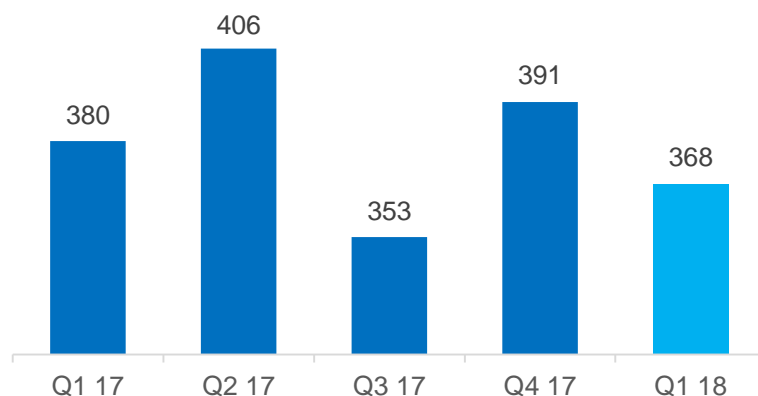
Consolidated EBITDA (NIS Millions)



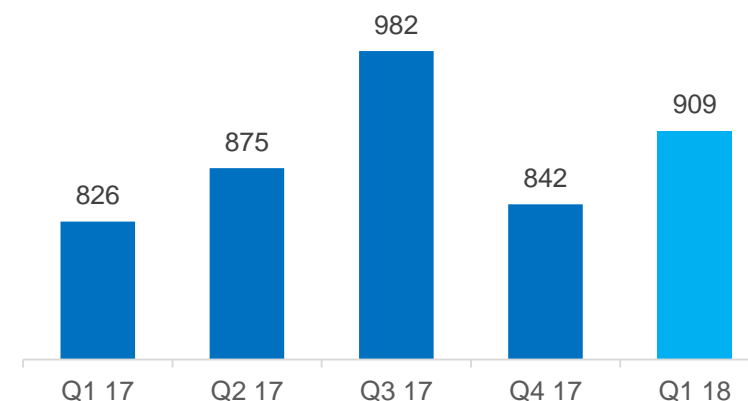
Consolidated Net Profit (NIS Millions)



Consolidated CapEx (NIS Millions)



Operating Cash Flow (NIS Millions)



Bezeq Group – 2018 Guidance

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.

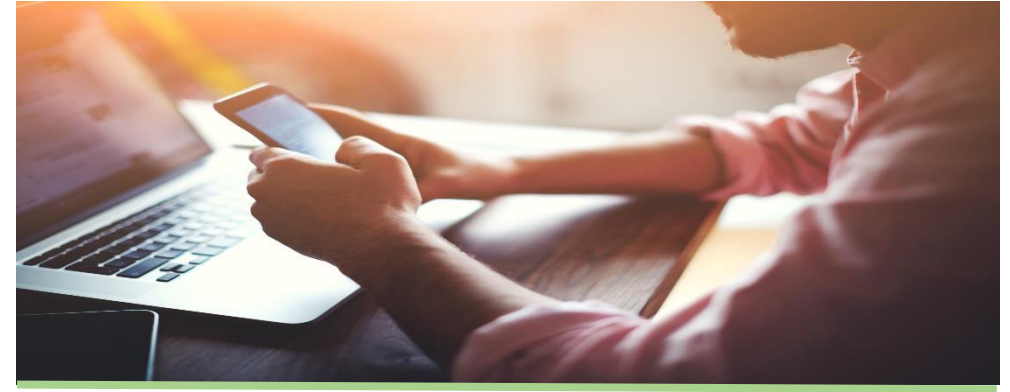
The Company's forecasts in this section are forward-looking information, as defined in the Securities Law. The forecasts are based on the Company's estimates, assumptions and expectations, including that the forecasts do not include the effects of the provision for early retirement of employees and/or 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.

*Cash flow from operating activities less net payments for investments and leases.

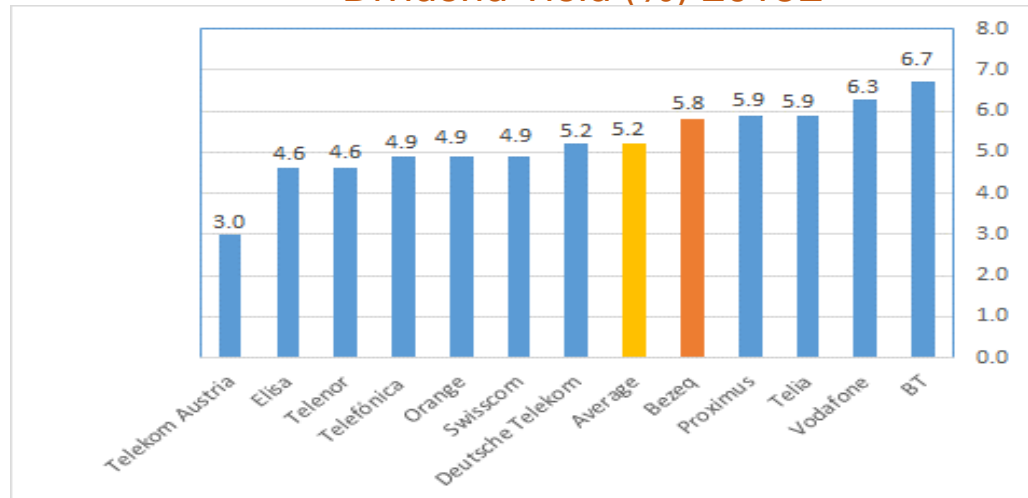


Attractive Dividend Policy

- Board of Directors approved dividend policy – 70% of net income on a semi-annual basis
- Since 2006, Bezeq has distributed two special dividends

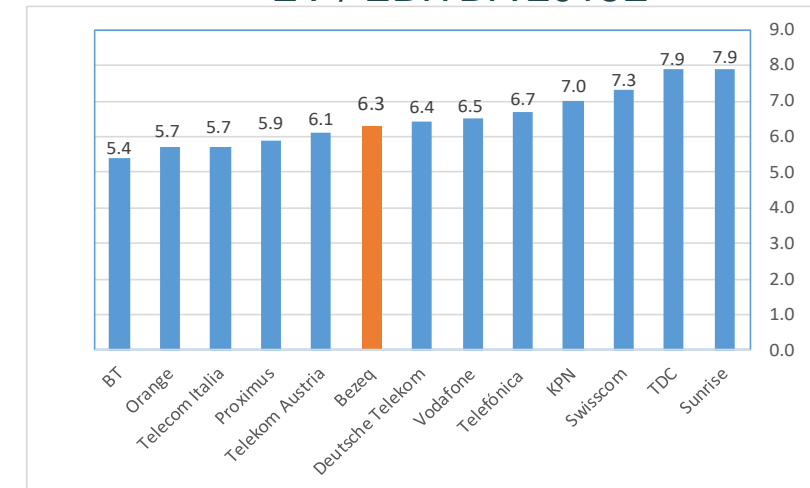


Dividend Yield (%) 2018E



Source: Barclays; Bezeq: based on share price of NIS 4.2

EV / EBITDA 2018E



Source: Citi; Bezeq: based on share price of NIS 4.2



Bezeq – Key Take Aways



- Strong country economic growth
- State of the art infrastructure and high quality of service
- Regulatory limitations regarding structural separation
- Attractive dividend yield
- New digital innovative growth engines

**Bezeq is well positioned for future growth
in the Israeli Telecom market**



Thank You

For more information please visit
<http://ir.bezeq.co.il>

