



BEZEQ
(TASE: BEZQ)

2012 Annual Results
Investor Presentation

Forward-Looking Information and Statement

This presentation contains general data and information as well as forward looking statements about Bezeq The Israel Telecommunication 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

- 2012 Revenue: NIS 10.3 billion
- Most comprehensive range of offerings
 - 2.27 million fixed customer lines
 - 2.80 million cellular customer lines
 - 1.17 million broadband lines
 - 578,000 Pay-TV customers
- Highly dynamic market with one of the highest household broadband and mobile penetration rates
- NIS 3.07 billion in dividends paid to shareholders in 2012



The Bezeq Advantage



Strong market positions in all telecom sectors



Advanced nationwide infrastructure



Sector leading dividend policy



Strong, stable and experienced management team

BEZEQ GROUP

Wide diversification of advanced telecom services


bezeq **Fixed
Line**


telephone **Cellular**


Bezeq
International
ISP, ILD, ICT


yes Pay TV

walla
Internet Portal


bezeq on line
Call Center



Investments in Advanced Infrastructure

Fixed Line



- Most advanced communications network in Israel
- FTTC, all IP, infrastructure for consumer and business customers
- Over 98% of Israeli households covered

Telephone

HIGH SPEED GSM+

HSPA

- HSPA (High Access Packet Speed) cellular technology offering 3.75 G speed
- Essential to accessing higher value segments of the mobile market
- Strong platform for rising smartphone demand and advanced data services

Bezeq International



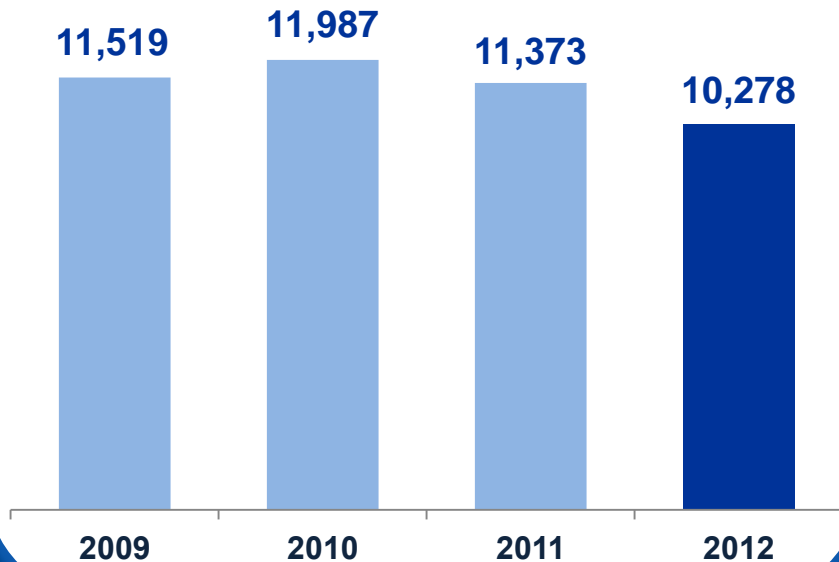
- New high-speed submarine cable system deployed between Israel and Europe
- Increasing bandwidth at affordable rates



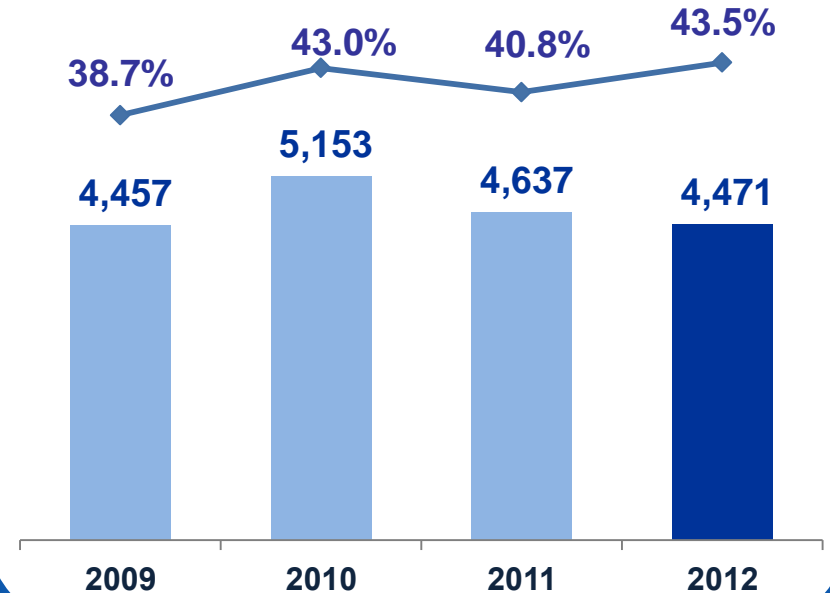
Bezeq Group Financial Overview

Bezeq Group – Revenue & EBITDA

Consolidated Revenue
NIS MM



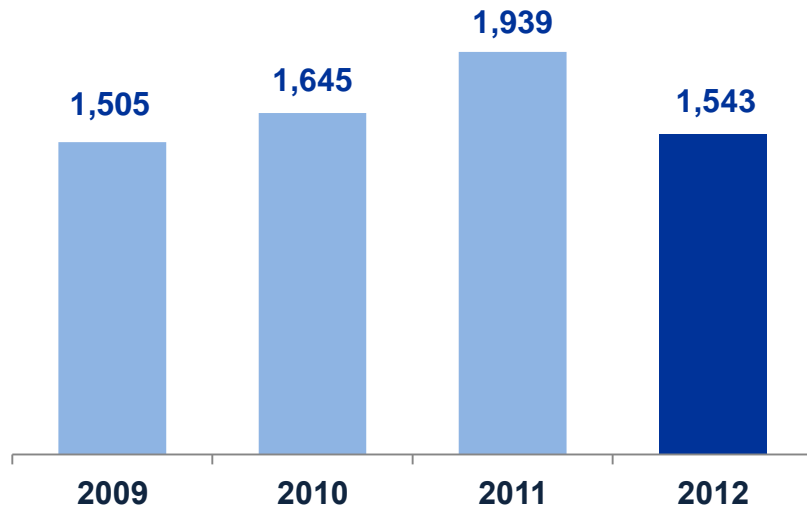
Consolidated EBITDA
NIS MM



- Consolidated revenue in 2012 decreased 9.6% mainly due to a reduction in Telephone revenues from cellular equipment and services
- EBITDA in 2012 decreased 3.6% primarily due to lower profitability at Telephone related to an increasingly competitive environment, partially offset by a decrease in a provision for employee retirement

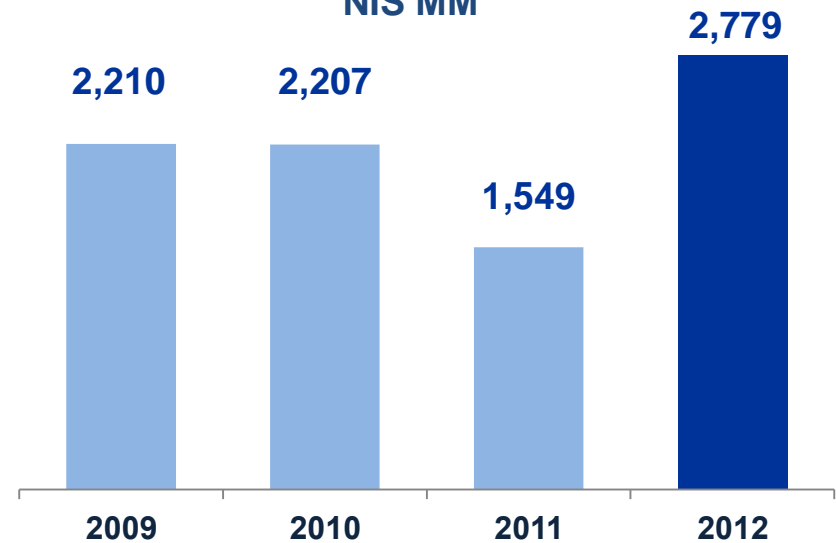
Bezeq Group – CapEx & Free Cash Flow

Consolidated CapEx
NIS MM



Note: Consolidated capital expenditures (CapEx) cited on accounting basis

Consolidated Free Cash Flow ⁽¹⁾ ⁽²⁾
NIS MM

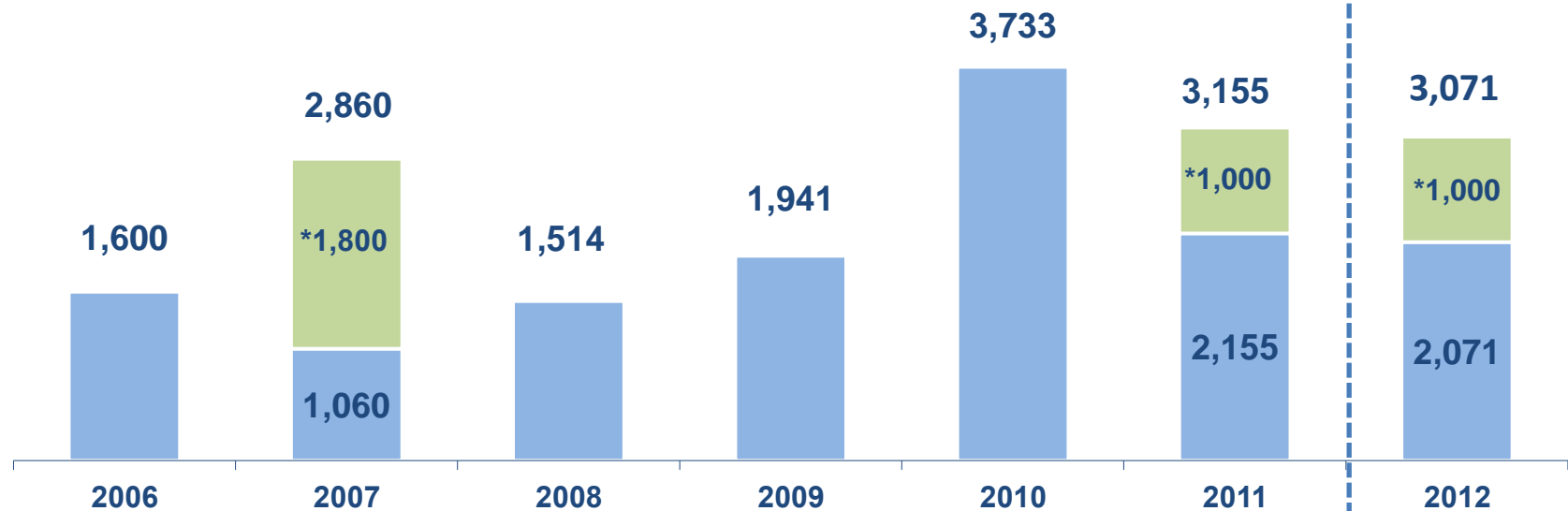


1. Free cash flow defined as Cash Flow from Operations– Net Capex
2. Excluding yes

- Capex in 2012 was positively influenced by the progress made in the NGN project and completion of Bezeq International's submarine cable deployment
- Free cash flow in 2012 increased 79.4% due to the rise in cash flow from operating activities as well as the completion of major infrastructure projects initiated in prior years

Sector Leading Dividend Policy

Bezeq Group Dividends by Year (NIS MM)

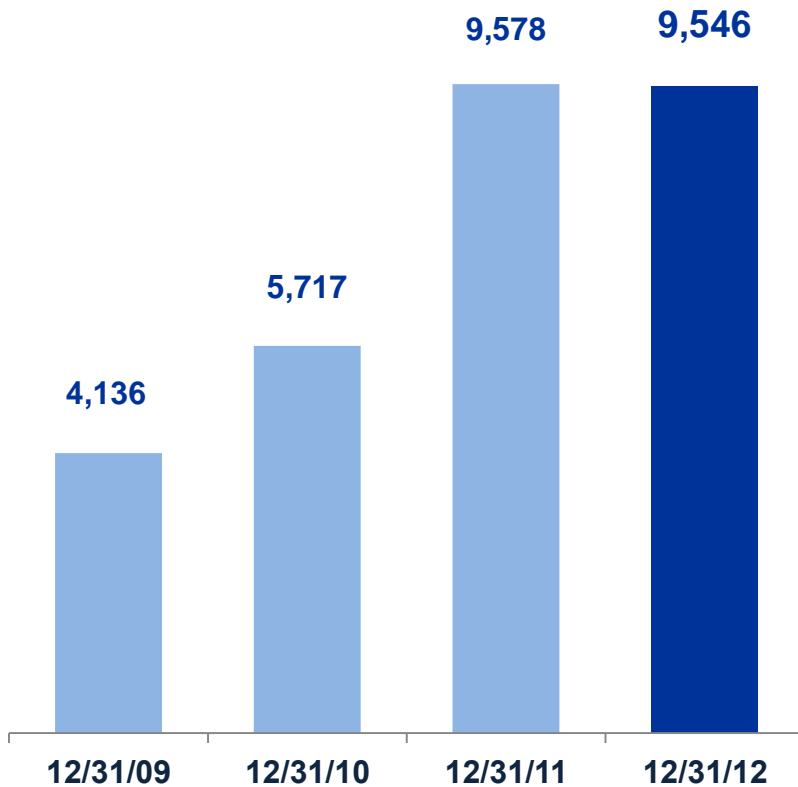


* Special dividend

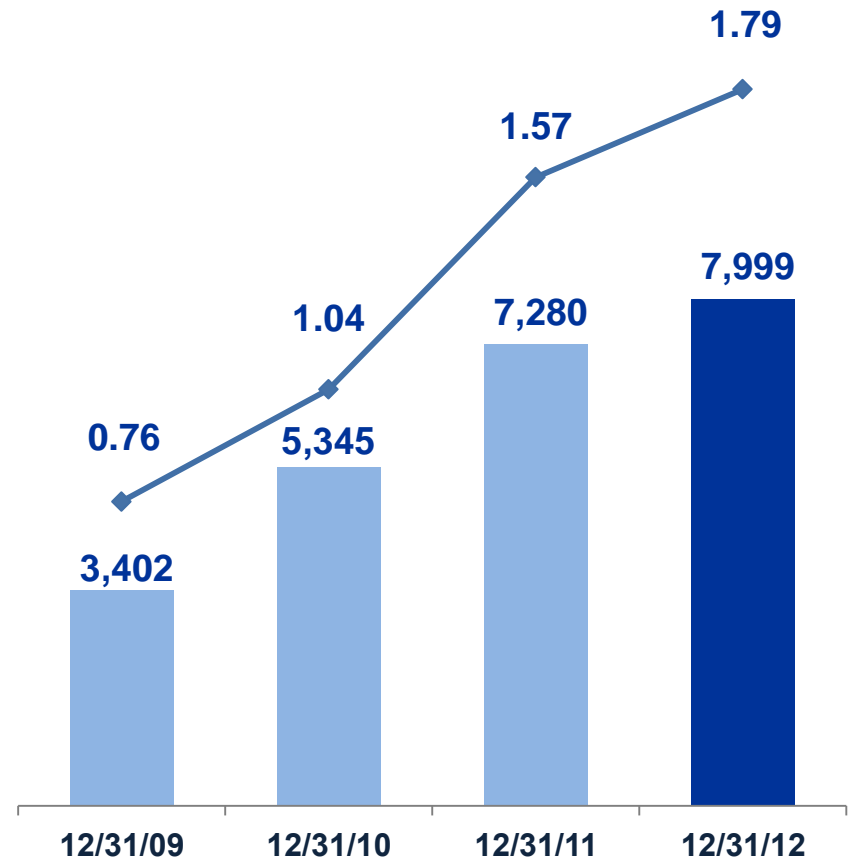
- **Regular Dividends:** 100% of net profit attributable to shareholders distributed as cash dividends on a semi-annual basis
- **Special Dividends:** Six semi-annual NIS 500 million payments running from 2011 to 2013, as part of the Company's capital reduction plan. The fourth payment was made together with the regular dividend on October 10, 2012

Bezeq Group – Debt

Group Gross Debt (NIS MM)



Net Debt (NIS MM) — Net Debt / EBITDA



Regulatory Opportunities & Challenges



- ⌘ **Cancellation of structural separation**
- ⌘ **Development of wholesale market**
- ⌘ **Cancellation of tariff supervision**



Bezeq Fixed Line

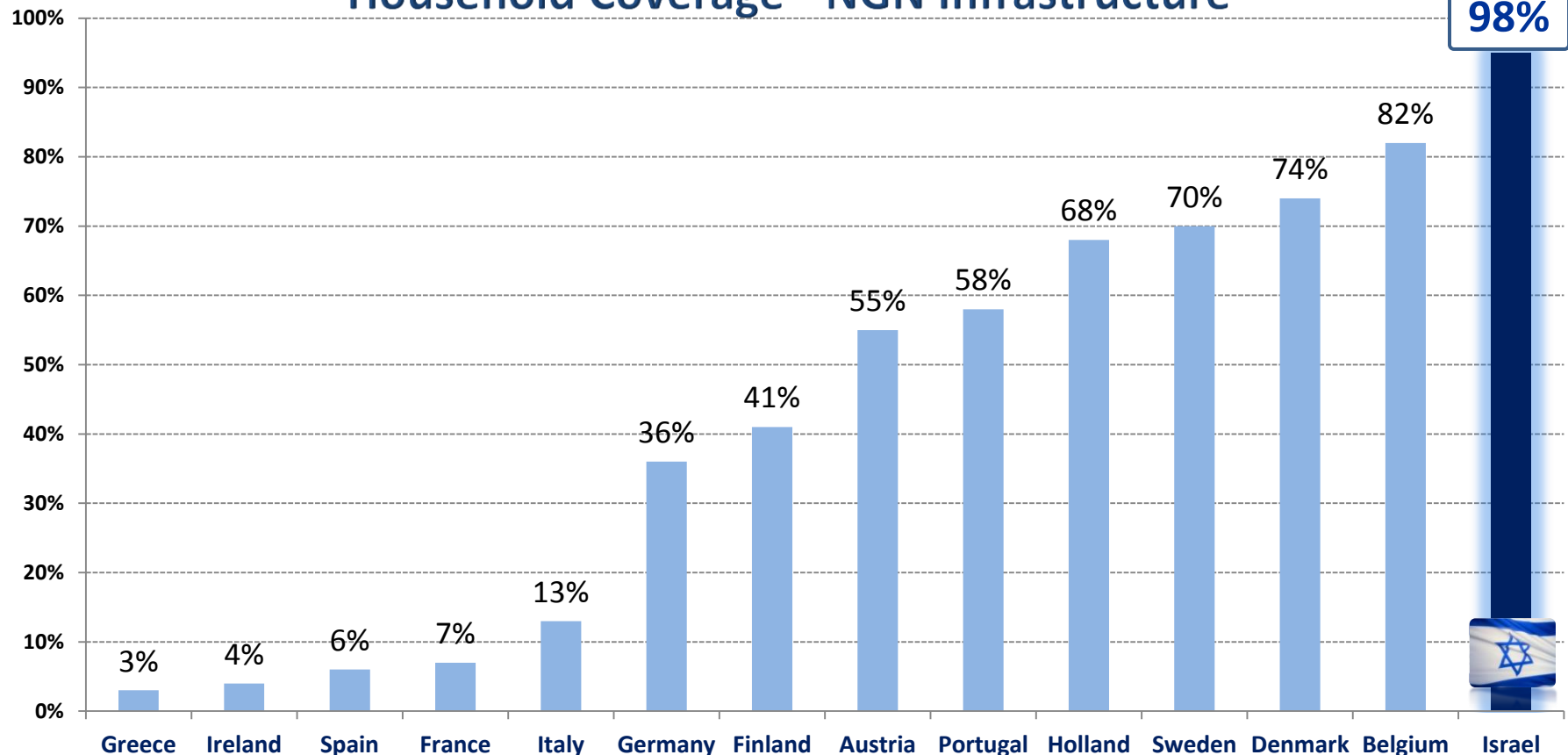


Bezeq is uniquely positioned as the dominant provider of the full range of telecom products and services in Israel

A Global Leader in NGN Deployment

With the NGN, Israel is one of the leading countries in the world in terms of telecom infrastructure and advanced services

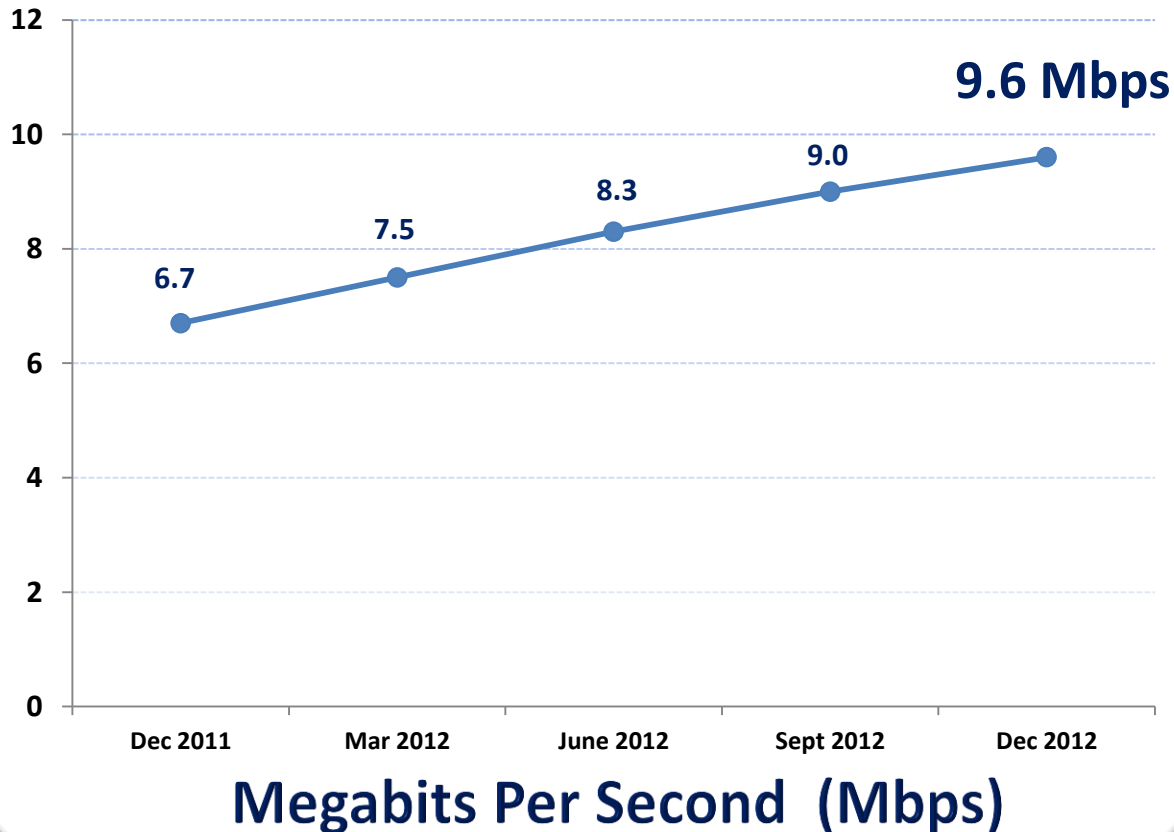
Household Coverage - NGN Infrastructure



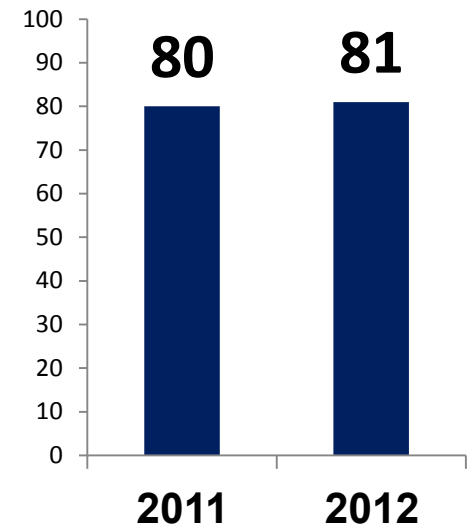
Note: Analysis as of December 2011. Bezeq data as of Dec 2012

NGN Increasing Average Broadband Speeds

43% year-over-year increase in average broadband speed per subscriber



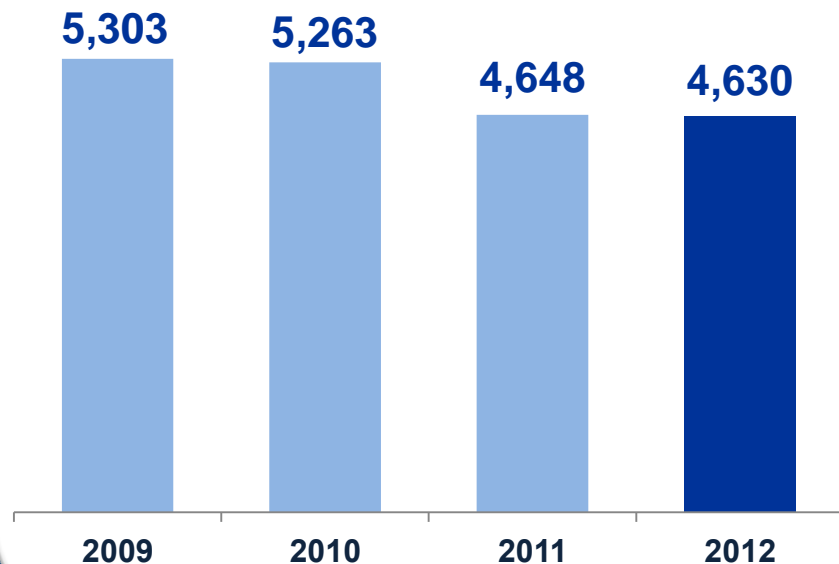
Broadband Internet ARPU (NIS)



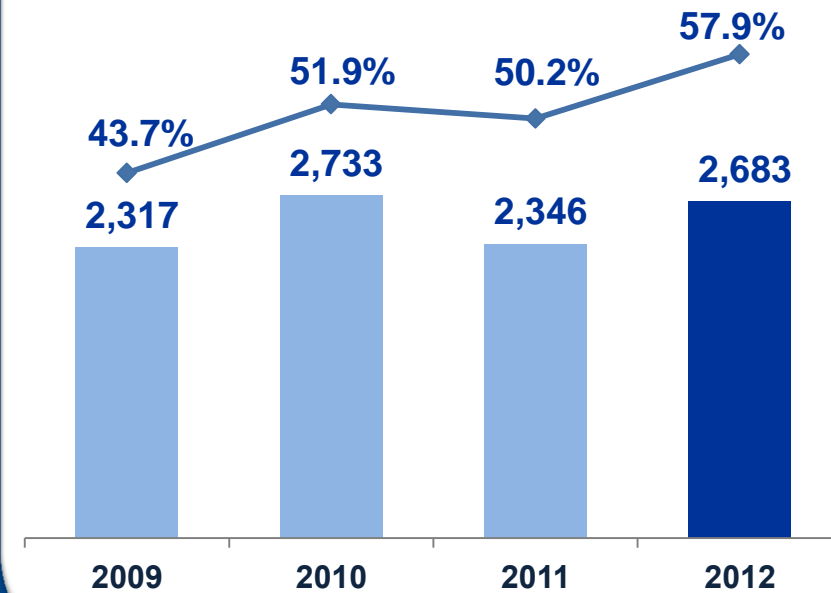
NGN
Next Generation Network

Fixed Line – Revenue & EBITDA

Fixed Line Revenue
NIS MM



Fixed Line EBITDA
NIS MM



- Revenue in 2012 declined just 0.4%. After adjusting for interconnect fees to cellular operators, revenue increased slightly during the year
- EBITDA in 2012 increased 14.4% to NIS 2.68 billion primarily due to an increase in profitability from operations as well as a reduction in a provision for employee retirement



Telephone

Cellular



- 2.80 million cellular customers
- 3.75 G speed HSPA technology
- Strong platform for advanced data services
- Highly competitive market



Network Speed Leadership



pelephone

FASTEST iPHONE NETWORK WORLDWIDE

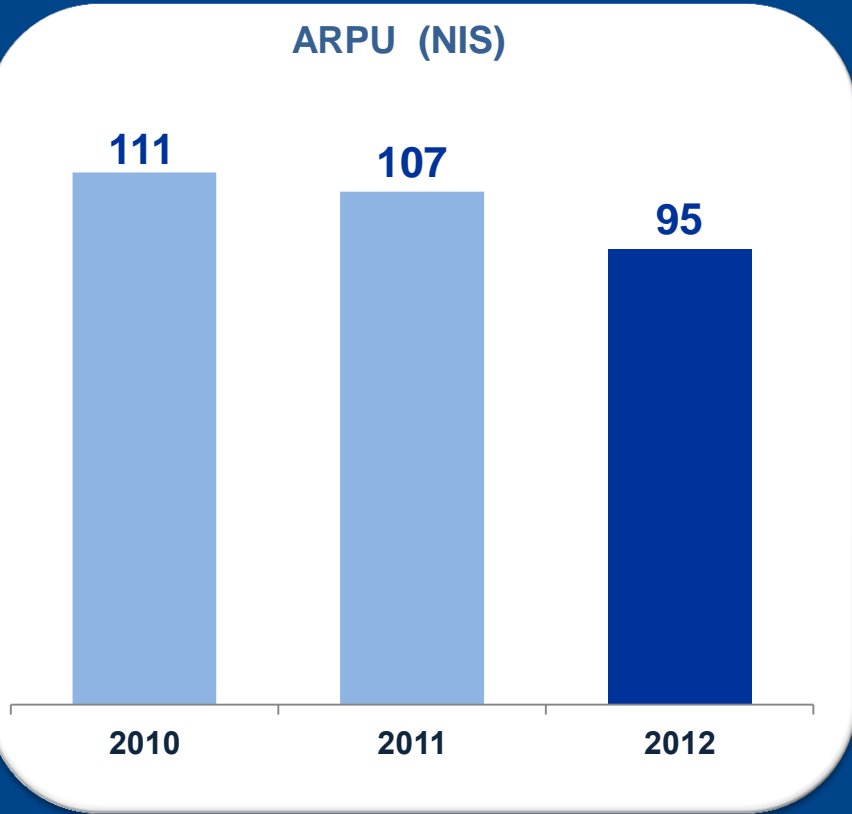


- Pelephone's HSPA was honored with the accolade of offering the highest average iPhone speed among 104 wireless carriers worldwide.

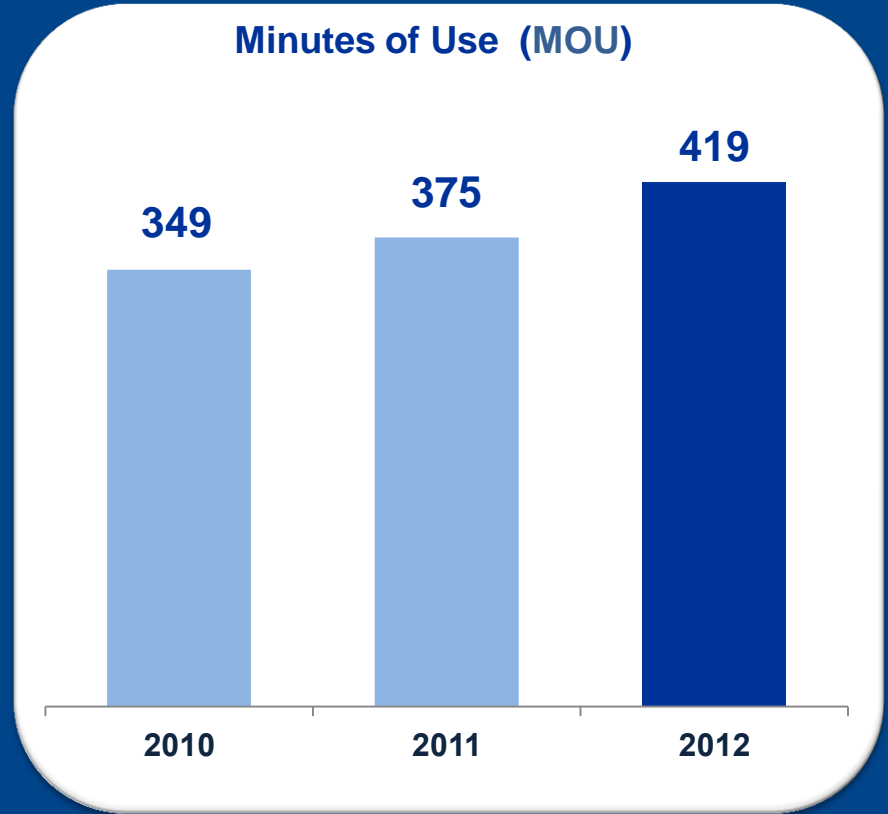
- Ookla Net Metrics

Telephone KPIs

ARPU (NIS)



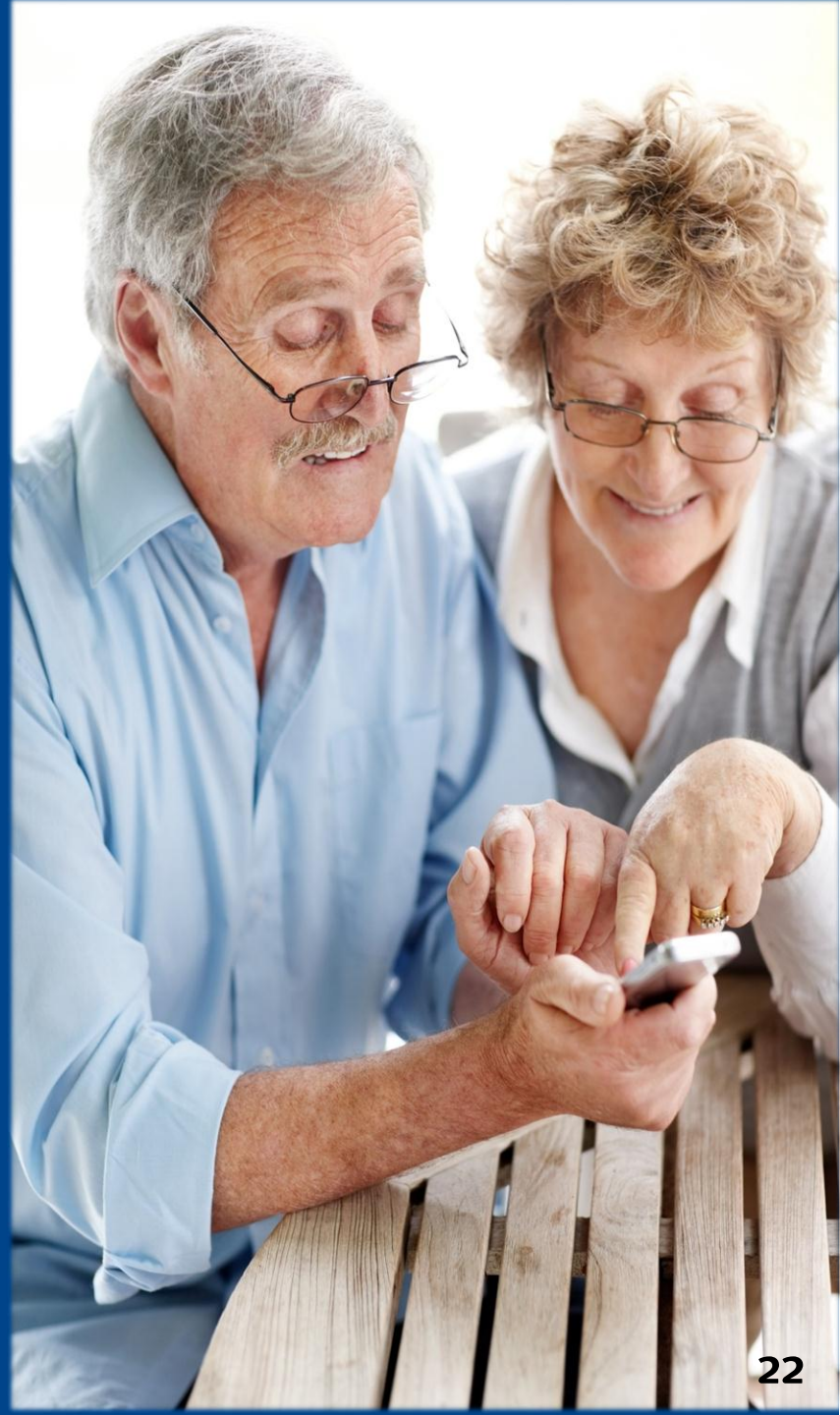
Minutes of Use (MOU)



- ARPU decreased in 2012 due to a reduction in tariffs as a result of increased competition
- MOU increased in 2012 driven by transition to unlimited call packages

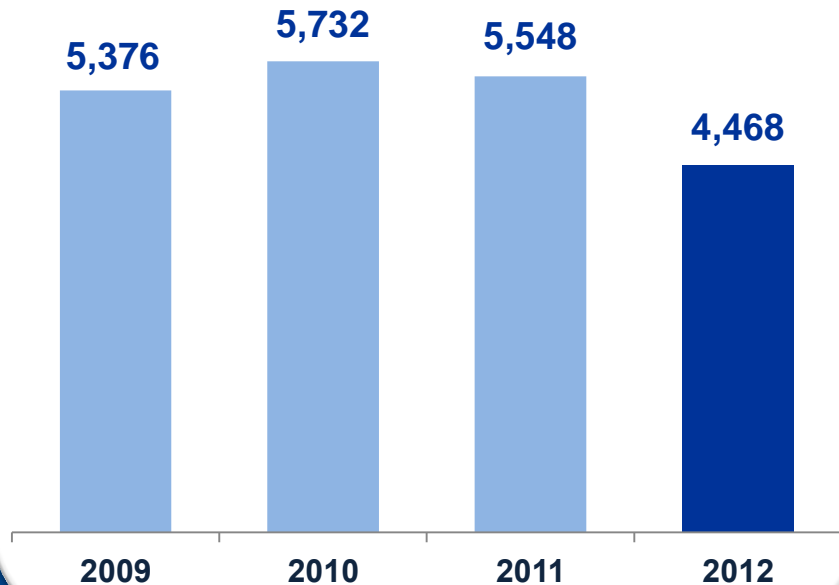
Cellular Competitive Environment

- Navigating new regulatory environment
- New cellular operators
 - Two MNO operators launched services in May 2012 with aggressive pricing plans
 - Three MVNO operators

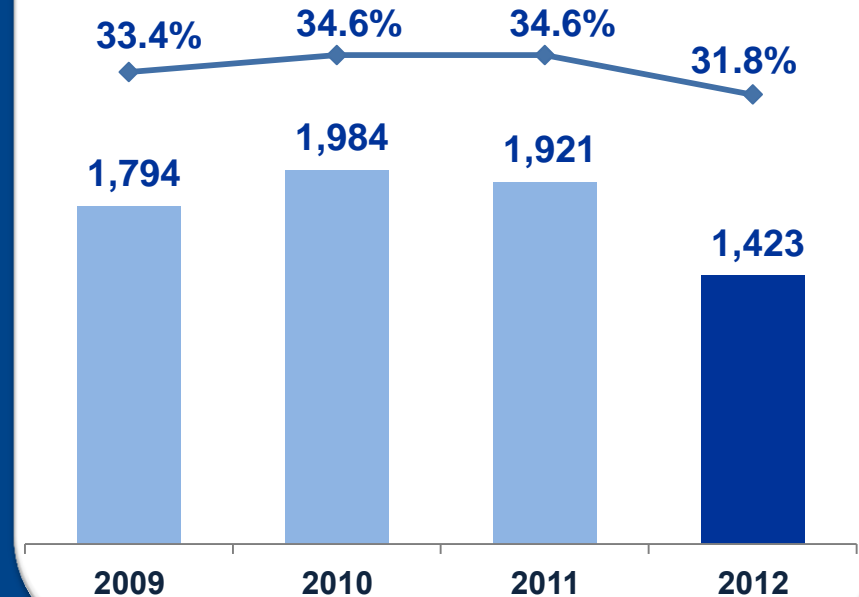


Telephone – Revenue & EBITDA

Telephone Revenue
NIS MM



Telephone EBITDA
NIS MM



- The decline in revenue and EBITDA were driven by an increased competitive environment resulting in a decrease in handsets sold and tariff erosion



Bezeq
International

ISP / ILD / ICT

Bezeq International

Israel's Leading Internet & International Telecom Provider

ISP



- Leading broadband Internet service in Israel
- Approximately 38% Internet market share
- Cutting edge infrastructure
- Customized service plans
- Advanced IP services

ILD



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

ICT

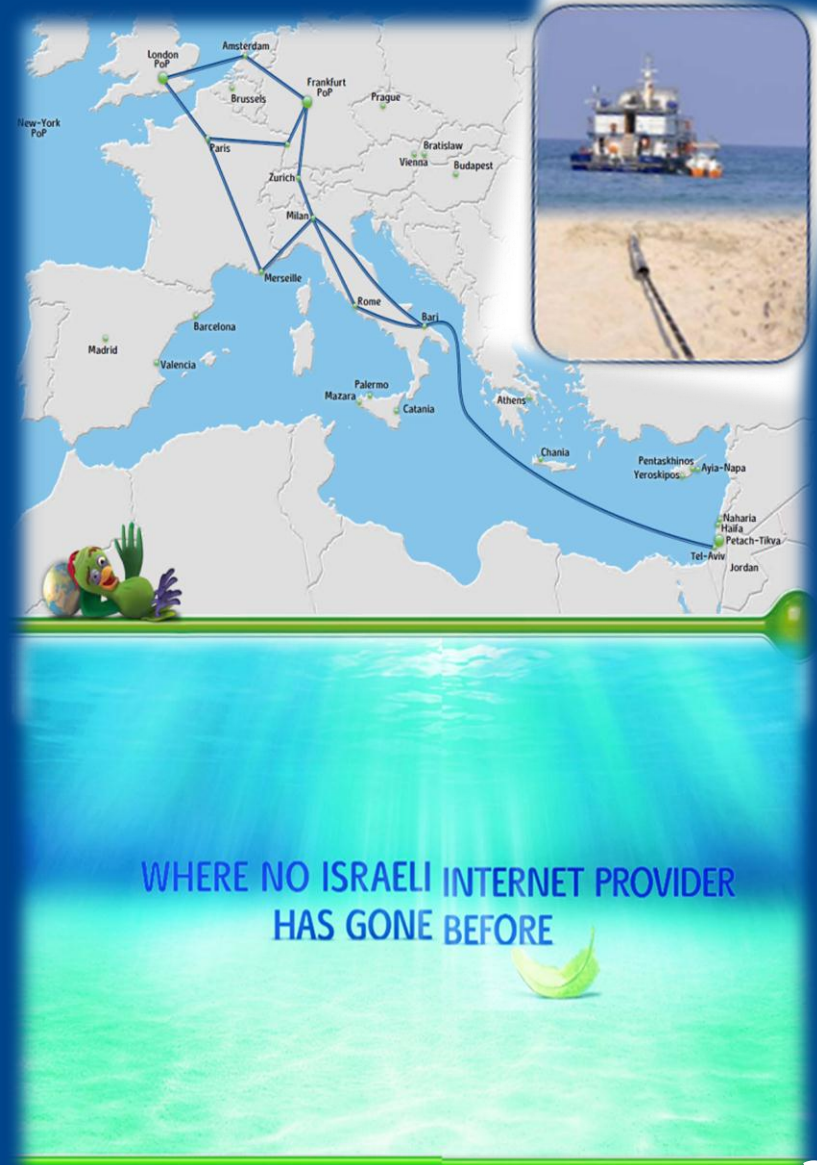


- Business class Internet, data, voice, hosting & integration services
- Israel's largest data center
- IT and Cloud Computing Services, Data Communication & Information Security Solutions

Bezeq International's Submarine Cable

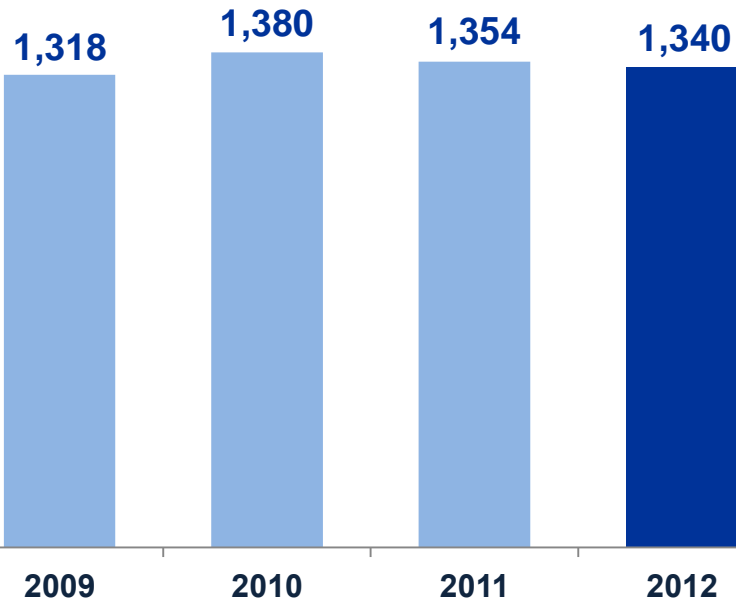
Bezeq International's new submarine cable provides a platform to:

- Better serve its customers via increase capacity and Internet speeds
- Increase revenue streams through additional capacity and services
- Reduce capital expenditures deriving from leasing capacity

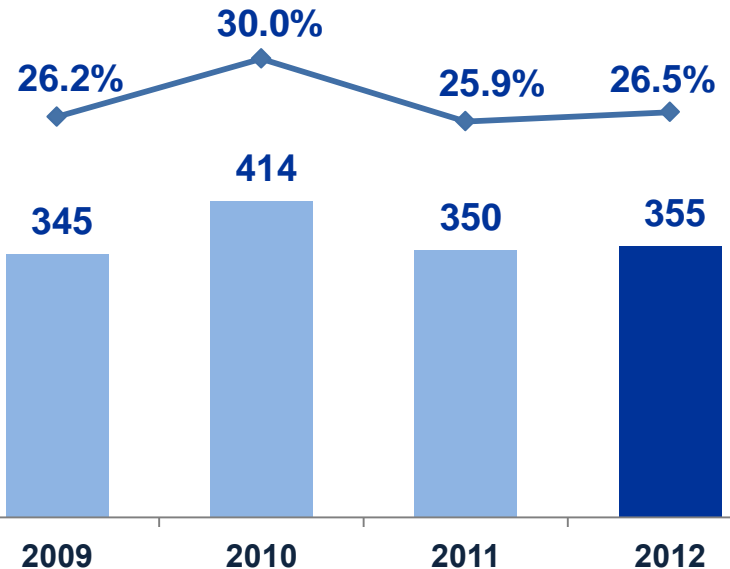


Bezeq International – Revenue & EBITDA

Bezeq International Revenue
NIS MM



Bezeq International EBITDA
NIS MM



- Revenue in 2012 decreased 1.0% to NIS 1.34 billion due to a reduction in revenues from international calls partially offset by revenues from Internet and data services
- EBITDA in 2012 reached a record NIS 355 million, an increase of 1.5% for an EBITDA margin of 26.5%.



Satellite Television



A leader in designing the leisure & entertainment experience in Israeli home media

*Israel's sole satellite provider and first
television provider to offer digital
broadcasts and interactive services*

- *Nationwide satellite availability*
- *578,000 subscribers*
- *39% market share*
- *142 channels of content*
 - *Including 39 Yes branded channels*

Yes – Advanced Services

yes.Max TOTAL
Max + HD + VOD

yes.VOD

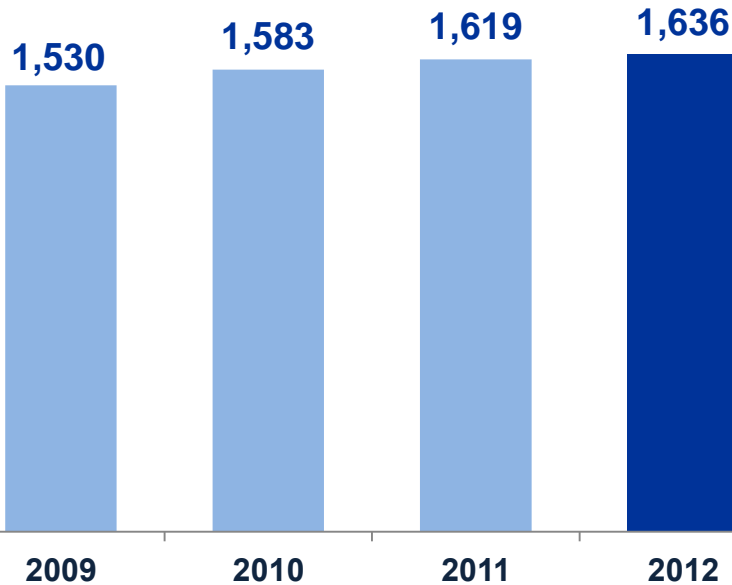


Ultimate Viewing Experience

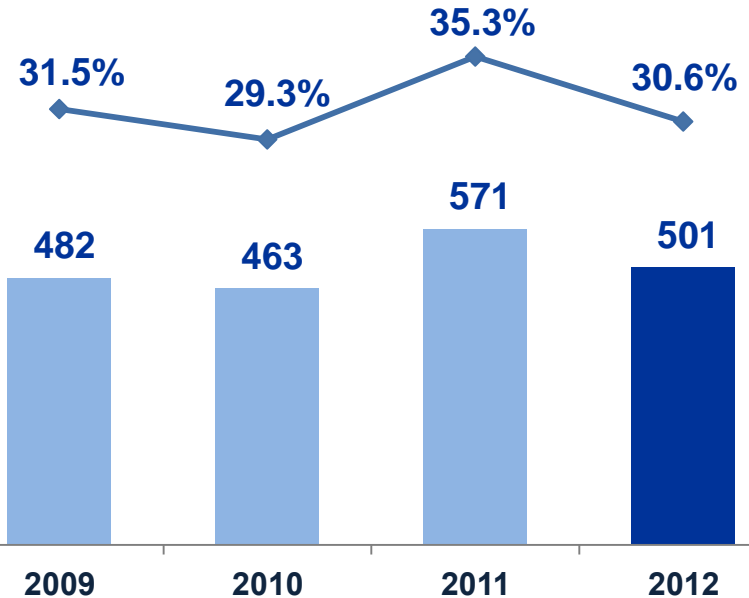
- Leading Content
- High Definition Channels
- Video on Demand (VOD) & Pay Per View (PPV)
- Advanced Programming Services
- Home Network Solutions
- iPhone Mobile Application Integration

Yes – Revenue & EBITDA

Yes Revenue
NIS MM



Yes EBITDA
NIS MM



- Revenue in 2012 totaled NIS 1.64 billion, an increase of 1.1% due to growth in sales and usage of advanced services
- EBITDA in 2012 amounted to NIS 501 million, down 12.3% primarily due to a reduction in the provision for AKUM recorded in 2011

Market Changes Create New Opportunities for the Bezeq Group



Cancellation of Structural Separation

Demand for Smartphones and Data Services

Increased Demand for High Speed Internet

Demand for Content and Advanced Services (HD, VOD)



Thank You

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