



BEZEQ
(TASE: BEZQ)

Investor Presentation
November 2011

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

- LTM Revenue: NIS 11.8 billion
- Most comprehensive range of offerings
 - 2.34 million fixed customer lines
 - 2.93 million cellular customer lines
 - 1.10 million broadband lines
 - 585,000 Pay-TV customers
- Highly dynamic market with one of the highest household broadband and mobile penetration rates
- NIS 3.15 billion in dividends paid to shareholders in 2011 for a 11% yield



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



Fixed
Line



Cellular



Bezeq
International

ICT, ILD, ISP



Pay TV

walla

Internet Portal



Call Center

Investments in Advanced Infrastructure

Fixed Line



- Most advanced communications network in Israel
- FTTC, all IP, infrastructure for consumer and business customers
- On track to cover 85% of Israeli households by the end of 2011

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



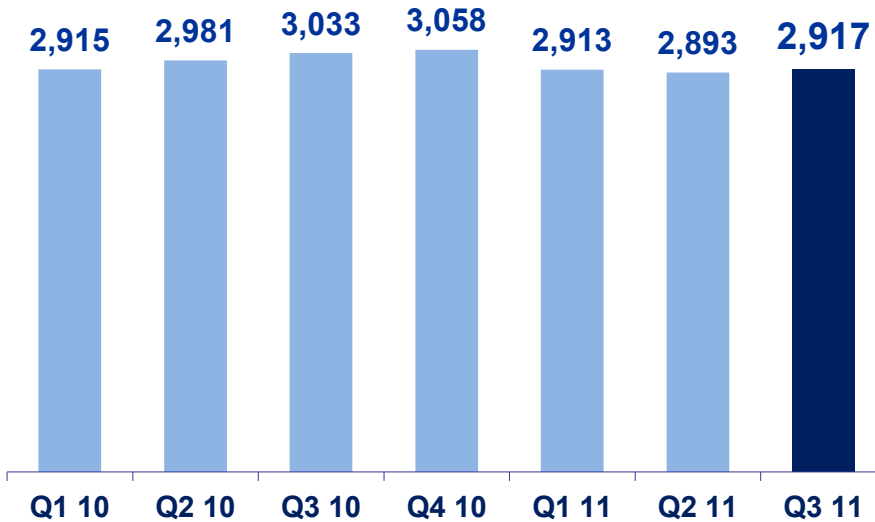
- New High-speed submarine cable system being deployed between Israel and Europe
- Increasing bandwidth at affordable rates



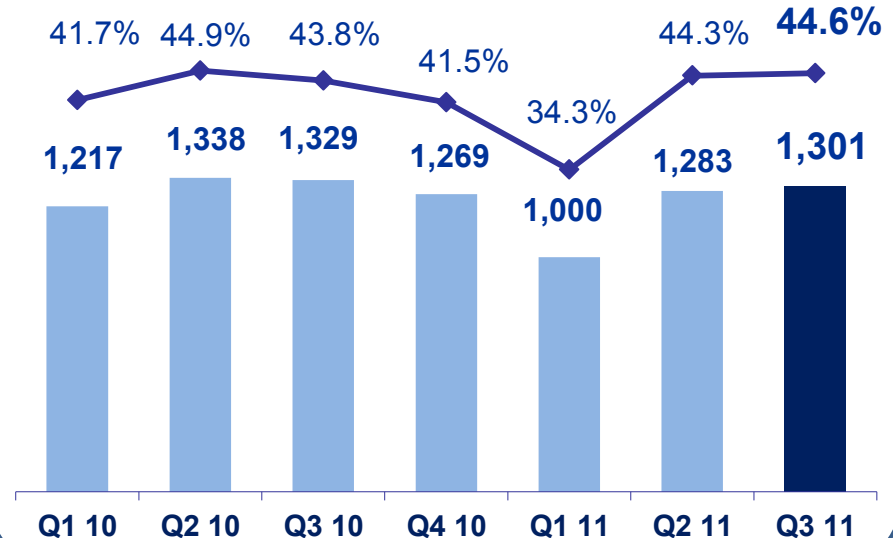
Bezeq Group Financial Overview

Strong Financial Results

Consolidated Revenue
NIS MM



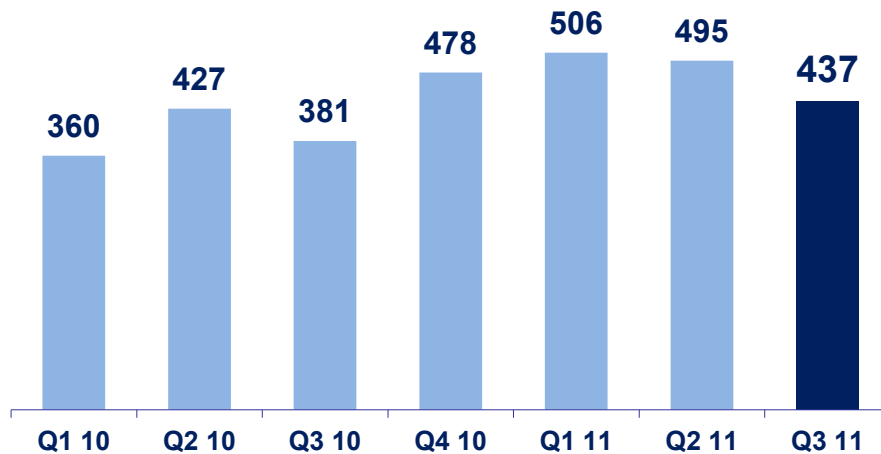
Consolidated EBITDA
NIS MM



- Consolidated revenues in 2011 were impacted by decrease in mobile termination rates in Bezeq Fixed-line and Telephone
- EBITDA in Q1 2011 was impacted by a NIS 281.5 million provision for early retirement

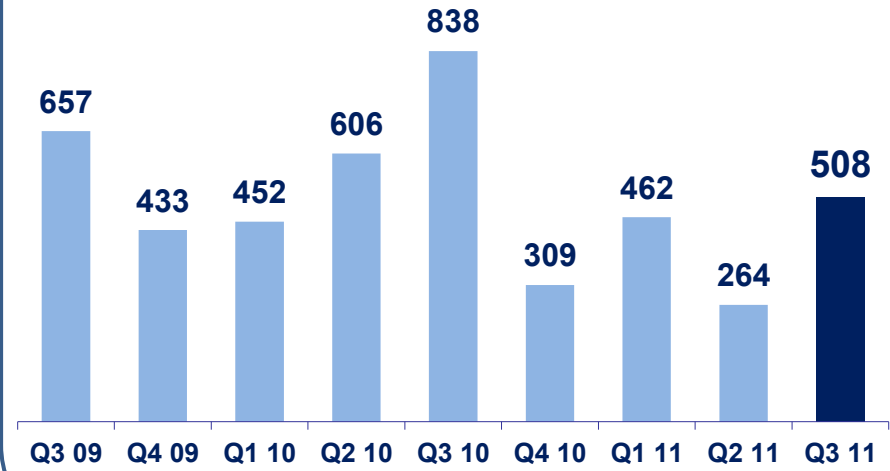
Strong Financial Results

Consolidated CapEx
NIS MM



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

Consolidated Free Cash Flow ^{(1) (2)}
NIS MM

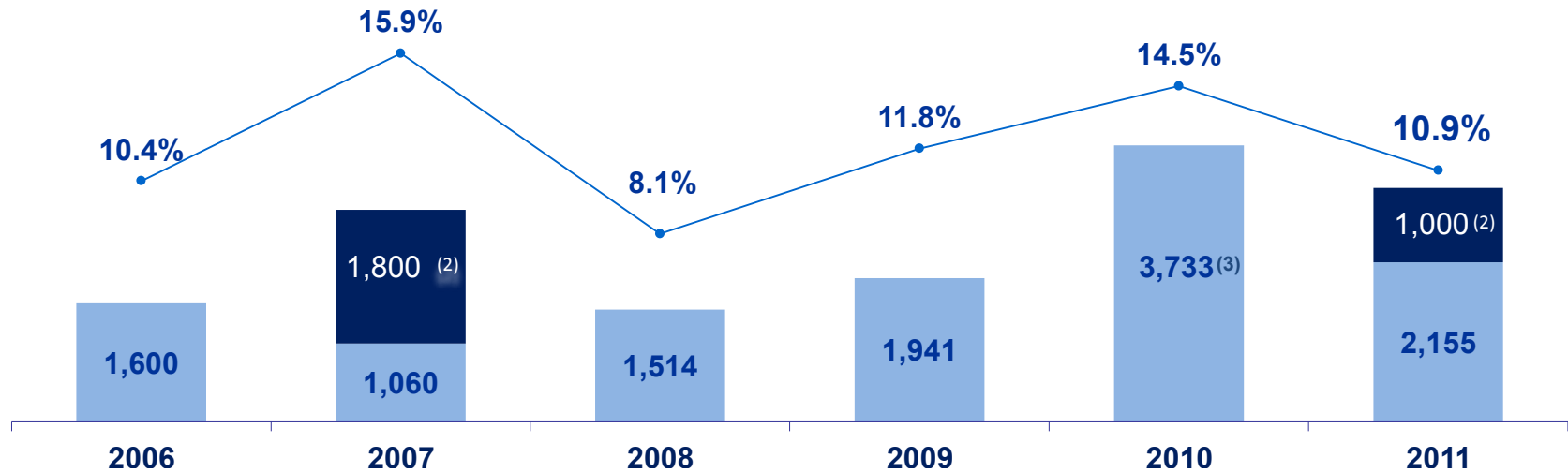


1. Free cash flow defined as Cash Flow from Operations– Net Capex
2. Excluding yes

- Bezeq Fixed-Line progresses with NGN deployment, generating operational benefits
- Pelephone's HSPA network drives increase in data revenues
- Bezeq International investment in submarine cable proceeding on target
- Increased sales and financing of handsets by Pelephone to customers (primarily smartphones in 2011) impacted cash flows

Sector Leading Dividend Policy

Bezeq Group % Dividend Yield by Year (NIS MM)



1. Dividend yield calculated as regular and special dividends paid during the fiscal year, divided by the market capitalization as of December 31 of the previous year

2. Capital reduction

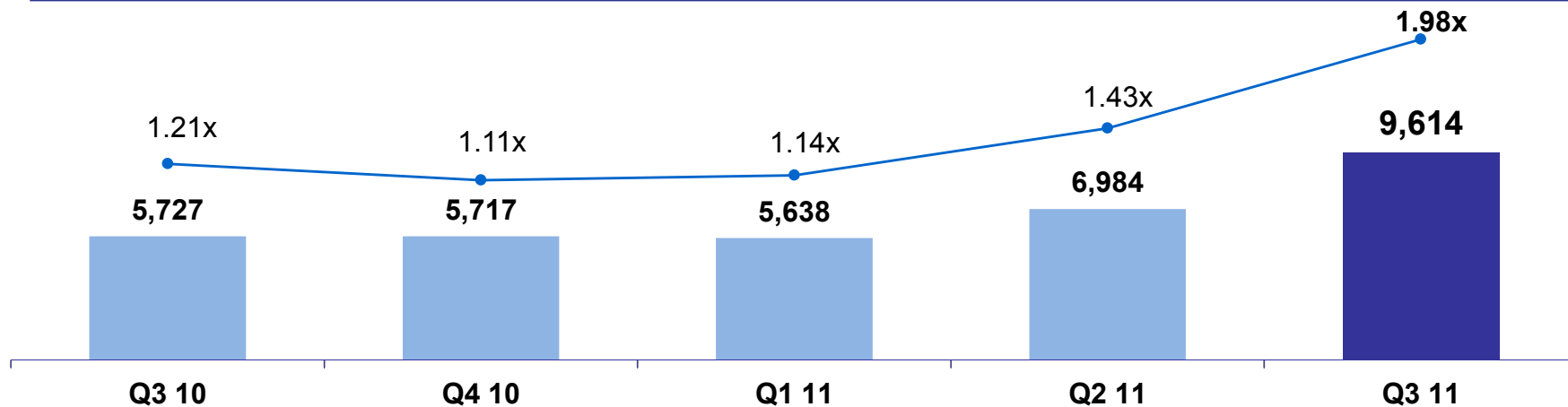
3. Includes one-time gain from yes' deconsolidation of NIS 1.5bn.

- **Attractive shareholder remuneration**
- **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 to run from 2011 to 2013, as part of the Company's capital reduction plan. As of November 2011, two special dividend payments have been distributed

Group Financial Profile

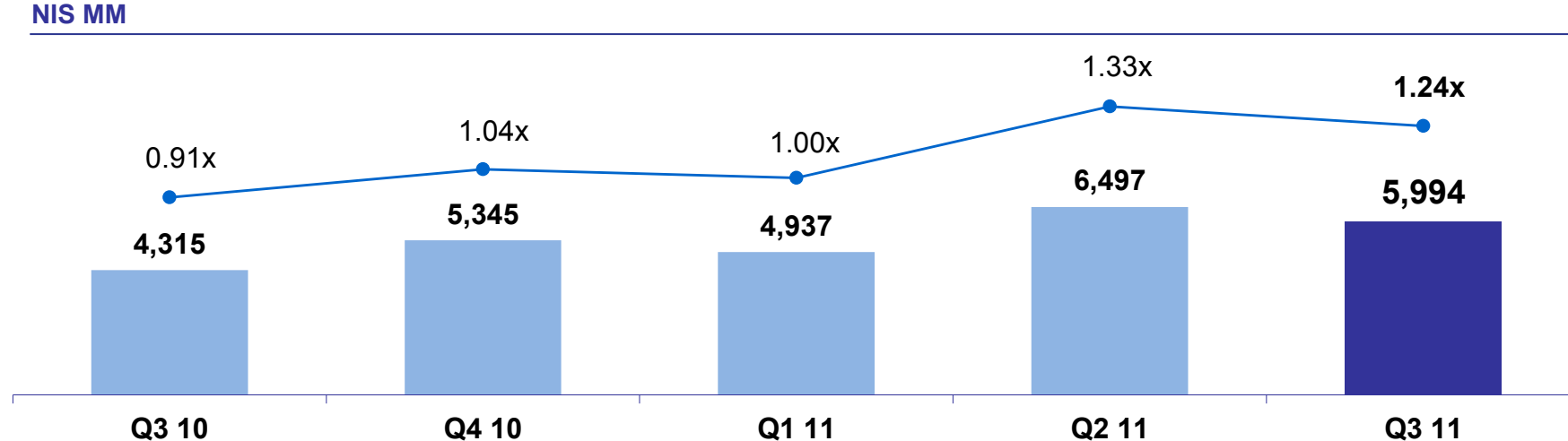
Group Gross Debt
NIS MM

— Gross Debt / EBITDA*



Group Net Debt
NIS MM

— Net Debt / EBITDA*



* EBITDA in this calculation refers to the trailing twelve months

Telecom Regulatory Environment



Bezeq's vision is to operate as an integrated telecommunications group

Hayek Committee issued recommendations on October 4, 2011:

- Cancellation of structural separation
 - Development of a wholesale market
-
- Cellular MTRs cut 70% as of January 2011
 - 5 MVNO agreements signed – 3 with Pelephone
 - National roaming agreement with existing operator (4th MNO)
 - New cellular competitor (5th MNO) to begin operations in 2012
 - Exit fee reductions for all telecom sectors



Bezeq Fixed Line



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

Bezeq Fixed Line Is The Most Dominant Player In Its Areas Of Activity









Telephony






Internet



Data

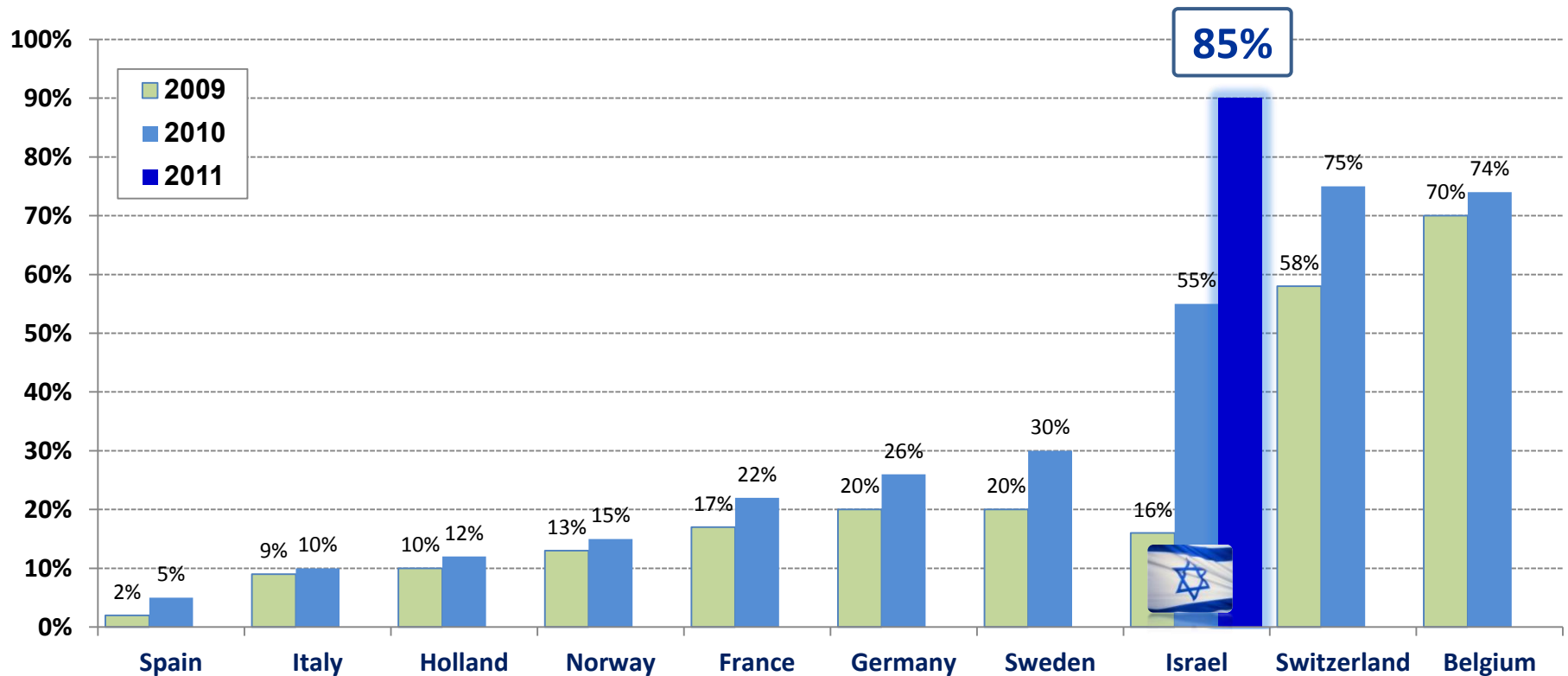
Company	Subscribers (in thousands)	Market Share – Lines
	2,341	66%
	631	18%
 	333	9%
  and others	240	7%

Company	Subscribers (in thousands)	Market Share – Lines
	1,100	59%
	764	41%

Company	Market Share – Revenues
	77%
 and others	23%

A Global Leader in NGN Deployment

Household Accessibility to NGN Infrastructure (2009-2011)



With the NGN, Israel is one of the leading countries in the world in terms of Telecom Infrastructure and Advanced Services

Over 100 main exchange sites to be evacuated and sold



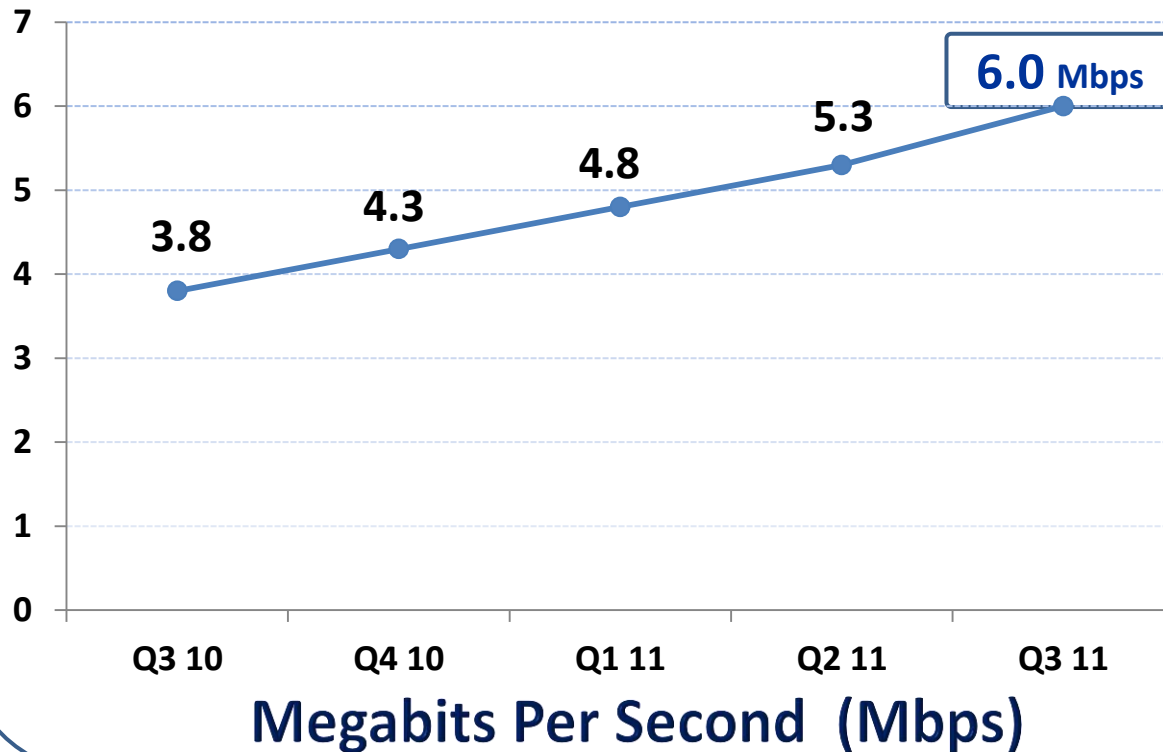
More than 7,000 MSAGs will be placed across the country



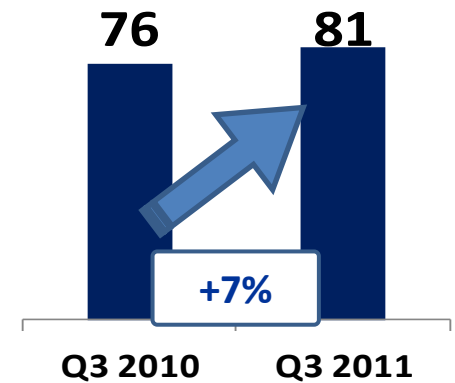
**As Fiber optics replace copper and legacy switching stations turned off, surplus real estate and copper are sold
= NIS 167 million 9M 2011 benefit**

NGN Increasing Average Broadband Speeds

58% year-over-year increase in average broadband speed per subscriber



Broadband Internet ARPU (NIS)



NGN Customers Offered a New World of Advanced Telecom Services



Bphone



**Home
Switch**



METRO
(for business
customers)



Wireless Router

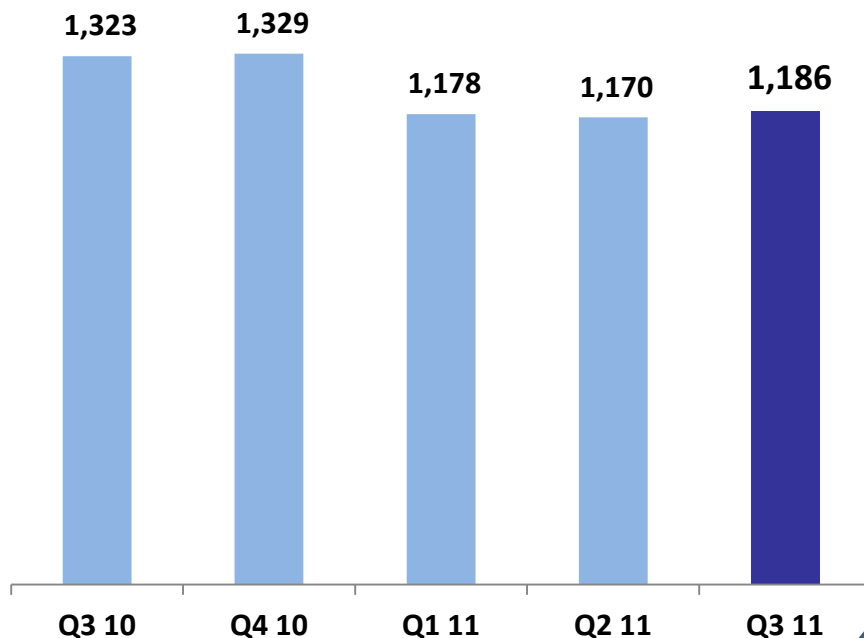


NetDisk
(data storage)

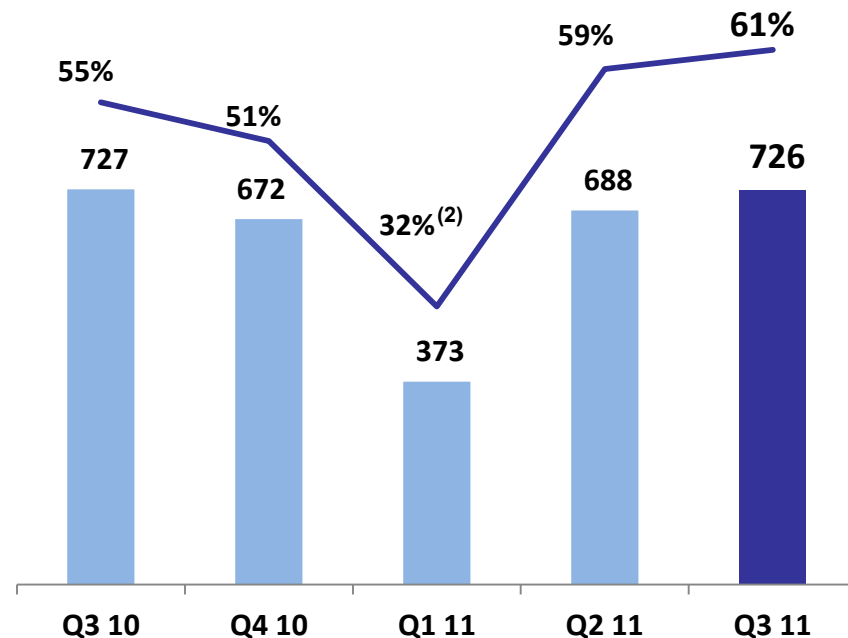
and more...

Fixed Line – Financial Results

Fixed Line Revenue
NIS MM



Fixed Line EBITDA
NIS MM



- Stable revenues after exclusion of MTR fees in 2011⁽¹⁾
- EBITDA of NIS 726 million, stable YoY, for an EBITDA margin of 61%

(1) Since there is a corresponding reduction in expenses, there was no effect on EBITDA

(2) EBITDA in Q1 2011 was impacted by a NIS 285 million provision for early retirement



telephone

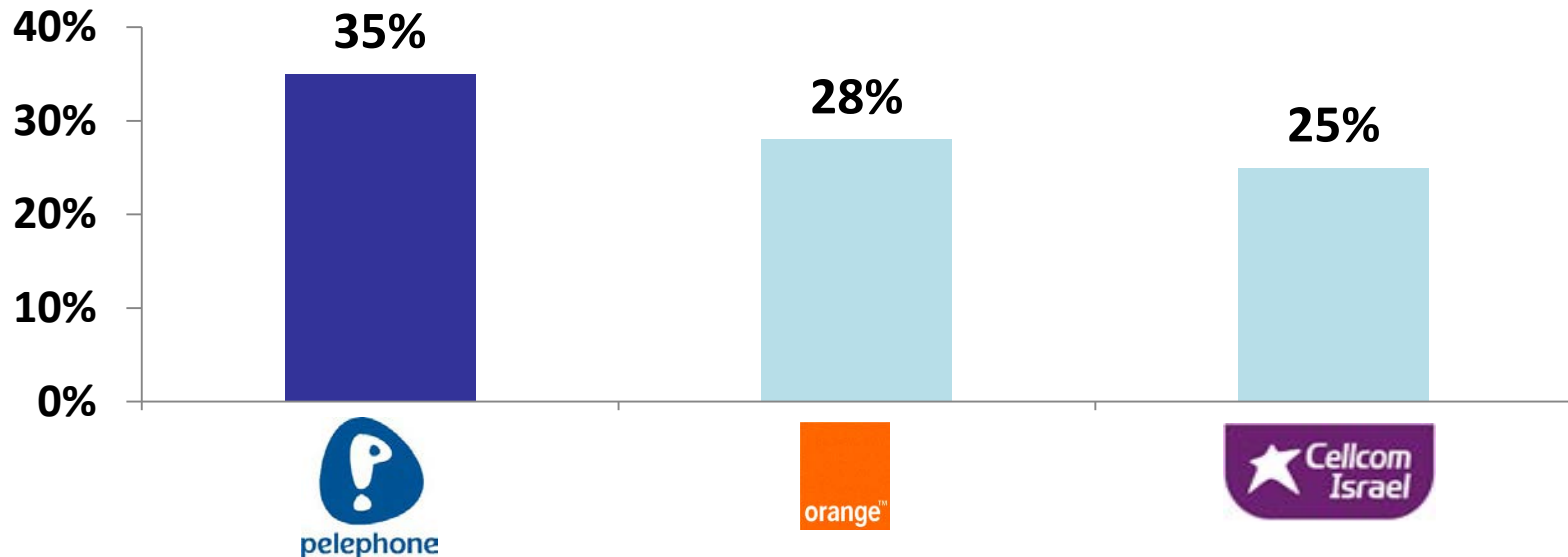
Cellular



- 2.93 million cellular customers
- 3.75 G speed HSPA technology
- Strong platform for rising smartphone demand and advanced data services

Data Services & Network Speed Leadership

Data Revenues as a % of Total Cellular Revenues (2Q 2011)



FASTEST iPHONE NETWORK WORLDWIDE

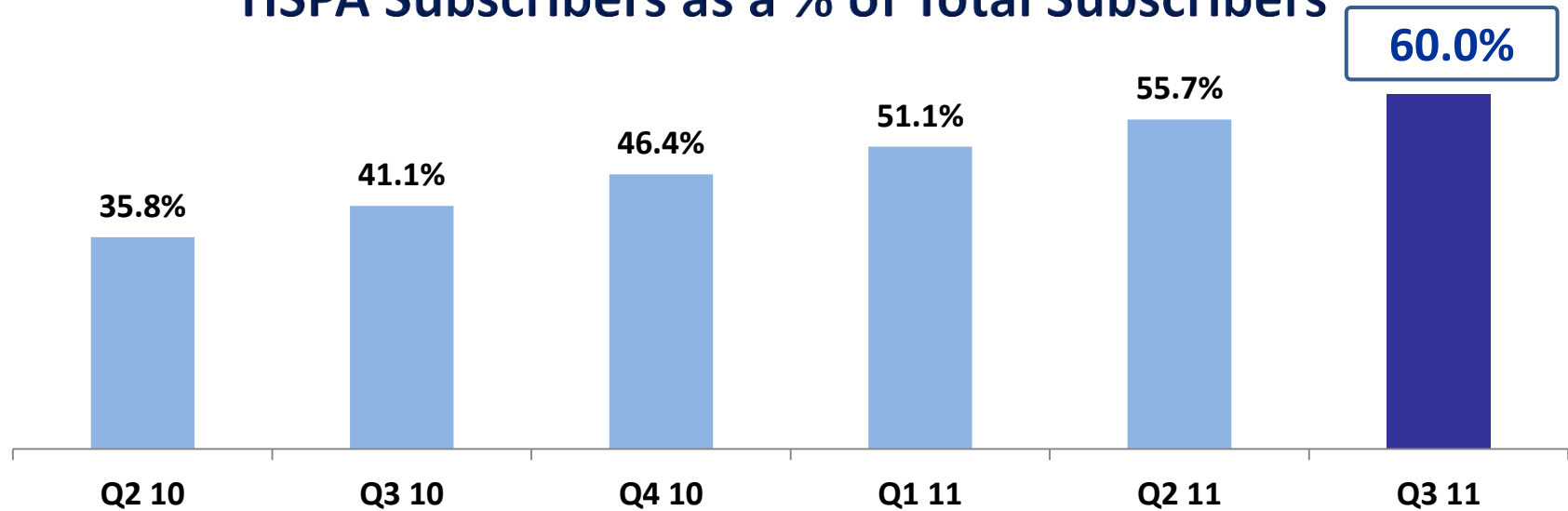


- Pelephone's HSPA was honored with the accolade of offering the highest average iPhone speed among 104 wireless carriers worldwide.

- Ookla Net Metrics

Telephone Subscribers

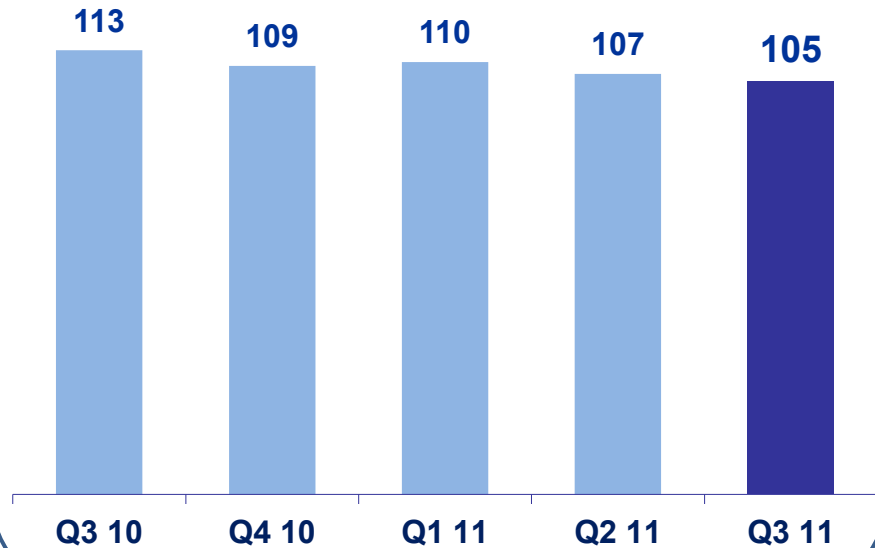
HSPA Subscribers as a % of Total Subscribers



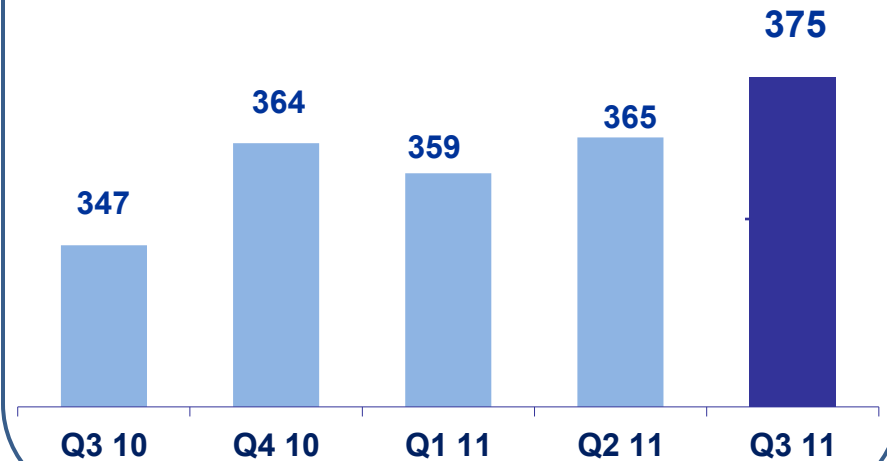
- HSPA customer migration from CDMA infrastructure 60.0% complete
- HSPA delivering higher value customers and smartphone data usage

Telephone KPIs

ARPU (NIS)*



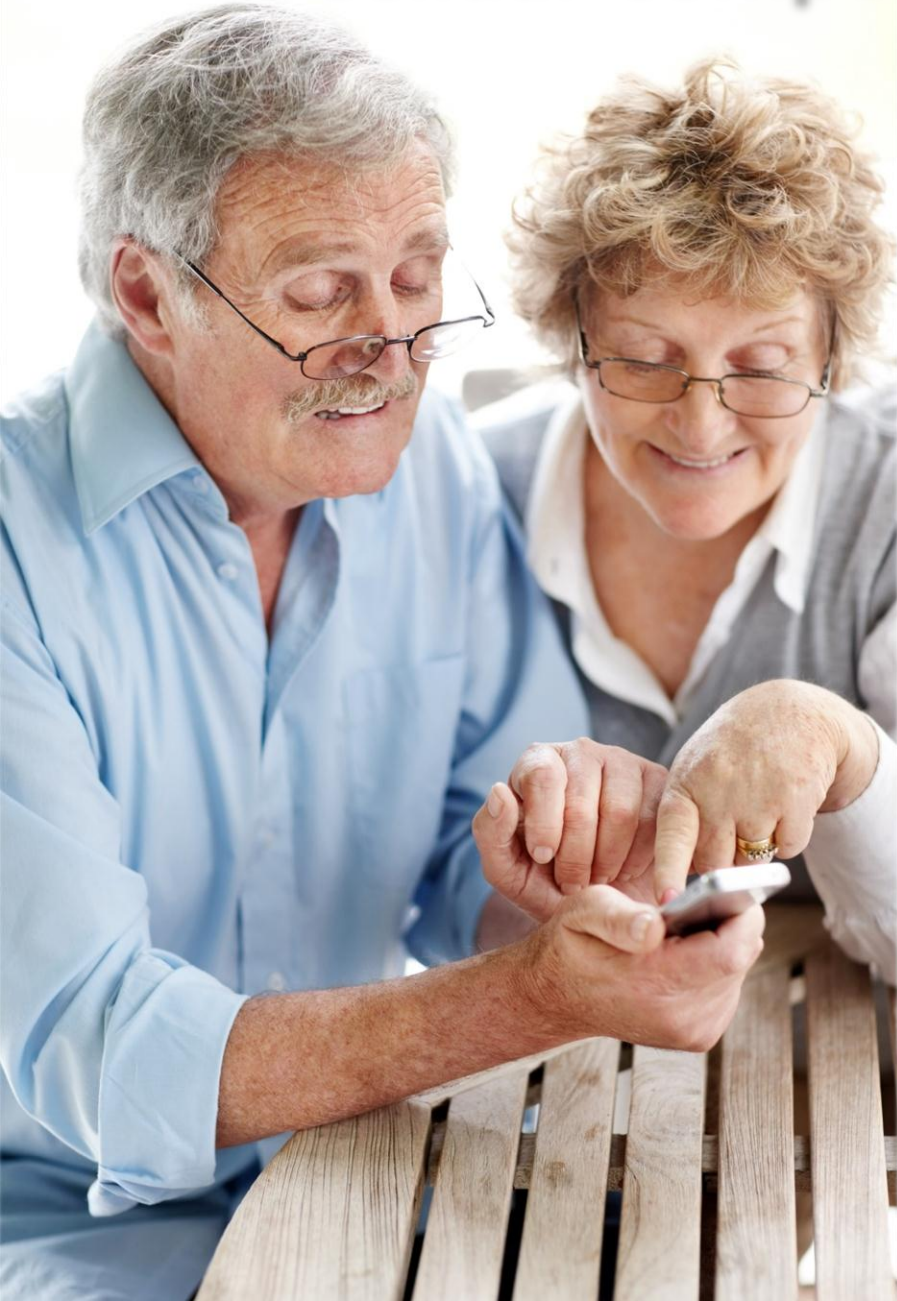
Minutes of Use (MOU)



* ARPU in 2010 was adjusted for reduction in mobile termination rates

- ARPU decreased in 2011 due to intensified competition resulting in a lower average monthly bill
- MOU increase in 2011 driven by transition to multi-minute and SMS packages

Cellular Competitive Environment

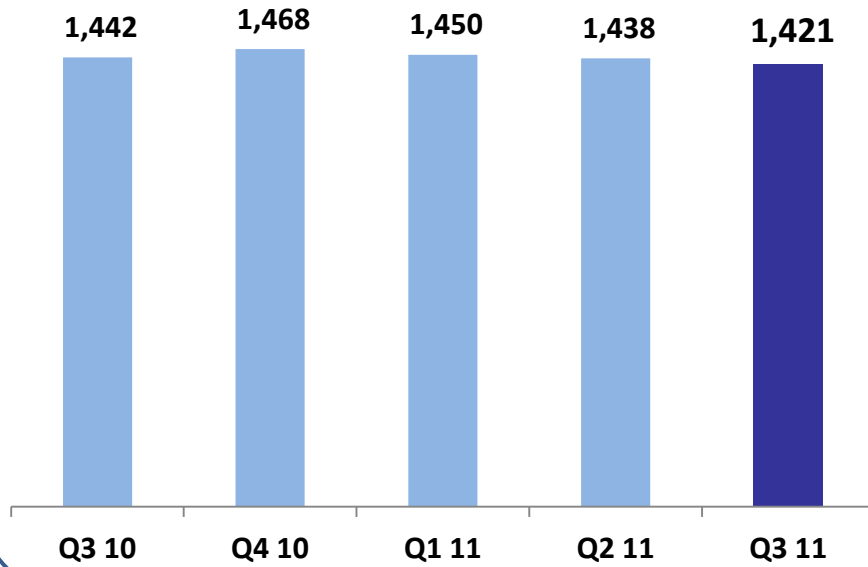


- Navigating new regulatory environment
- Increased competition – since February 2011
- New cellular operators
 - MVNOs expected Q4 2011 and in 2012
 - New cellular operator 2012

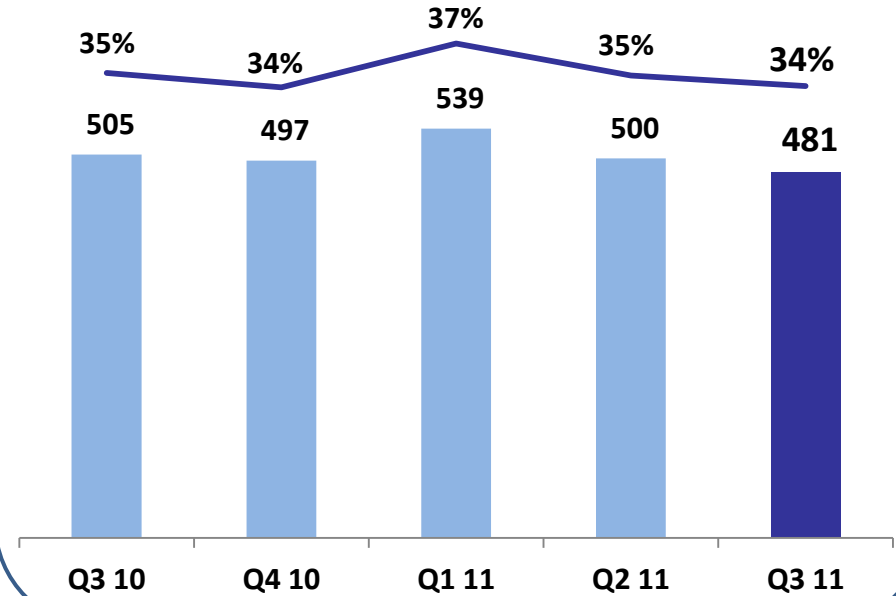


Pelephone – Financial Results

Pelephone Revenue
NIS MM



Pelephone EBITDA
NIS MM



- Total revenues decreased 1.5% YoY to NIS 1.42 billion mainly due to reduction in mobile termination rates
- Service revenues decreased 21.1% YoY while Equipment revenues increased 79.2% YoY
- EBITDA decreased 4.8% YoY to NIS 481million, for a 34% EBITDA margin



ICT / ISP / ILD

Bezeq International

Israel's Leading Internet & International Telecom Provider

ICT



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

ISP



- Leading broadband Internet service in Israel
- Approximately 36% Internet market share
- Cutting edge infrastructure
- Customized service plans
- Advanced IP services

ILD



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

Bezeq International's Submarine Cable

WHERE NO ISRAELI INTERNET PROVIDER
HAS GONE BEFORE



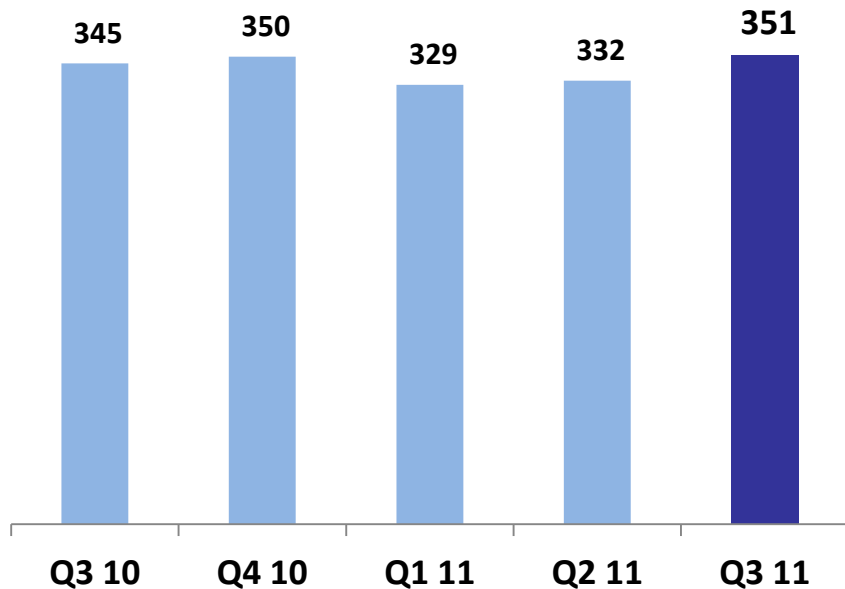
Bezeq International's new submarine cable will provide a platform to:

- Better serve its customers via increase capacity and Internet speeds
- Reduce capital expenditures deriving from leasing capacity

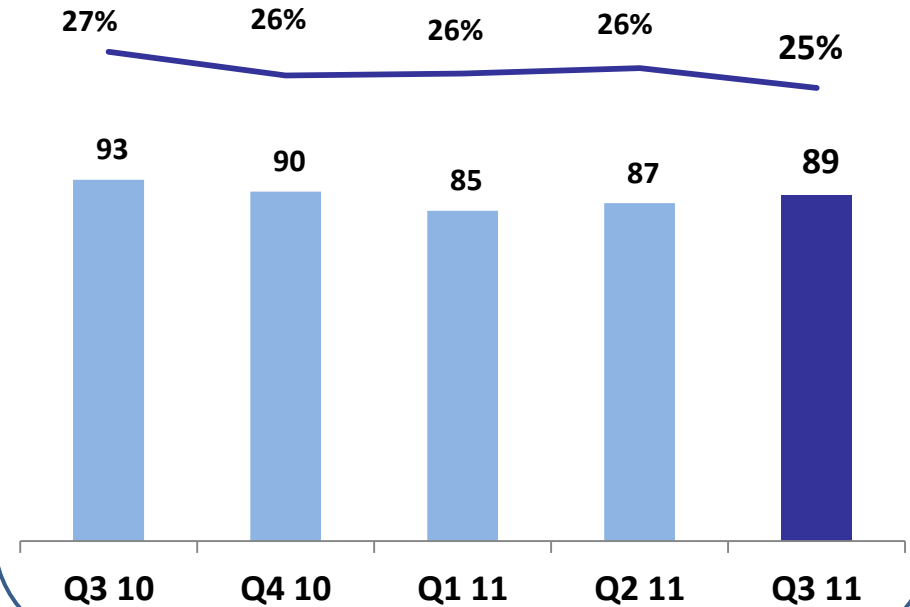
Deployment expected to be completed by Q1 2012

Bezeq International – Financial Results

Bezeq International Revenue
NIS MM



Bezeq International EBITDA
NIS MM



- Revenues increased 1.6% to NIS 351 million driven by increases in ISP and ICT revenues
- EBITDA reached NIS 89 million, down 4.0% YoY, for an EBITDA margin of 25% due to a one-time profit of NIS 5 million recorded in Q3 2010 for the sale of Walla! to Bezeq



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
- 585,000 subscribers
- 40% market share
- 142 channels of content
 - including 39 Yes branded channels

Yes – Advanced Services

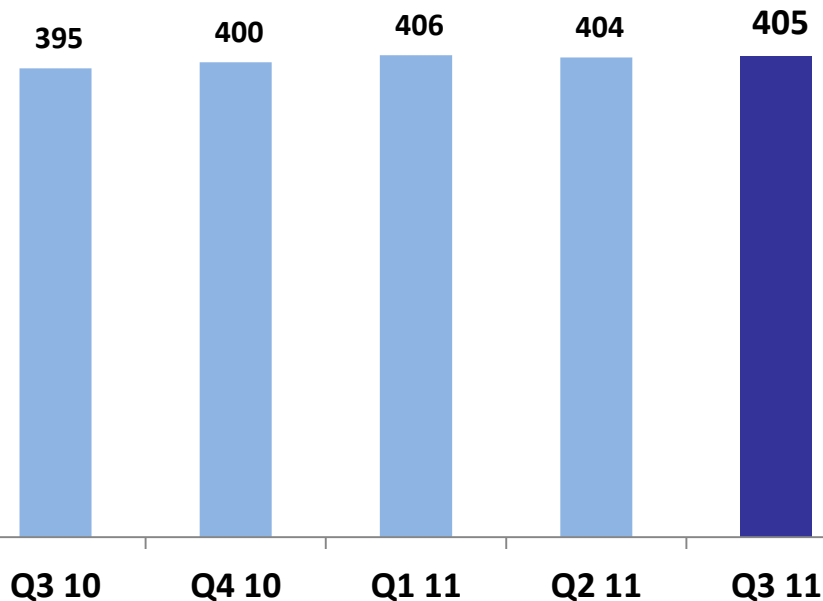


Ultimate Viewing Experience

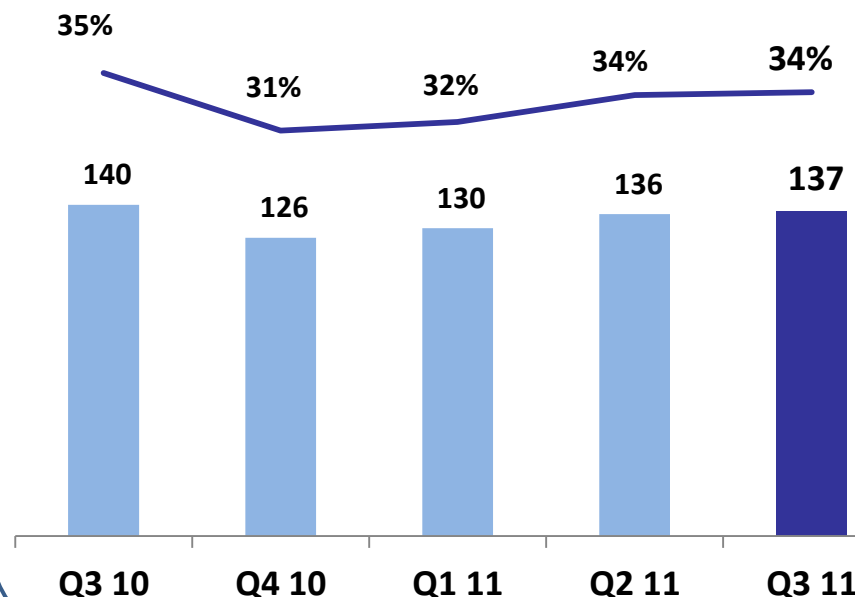
- Leading Content
- High Definition Channels
- Video on Demand (VOD) & Pay Per View (PPV)
- Advanced Programming Services
- Home Network Solutions
- iPhone Mobile Application Integration

Yes – Financial Results

Yes Revenue
NIS MM



Yes EBITDA
NIS MM



- Revenues reached NIS 405 million, up 2.6% YoY, driven mainly by growth of advanced pay-TV services
- EBITDA reached NIS 137 million, down 1.5% YoY, for an EBITDA margin of 34% vs. 35% in Q3 2010



Thank You

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