



Main pillars of Bezeq Group strategy

August 2018

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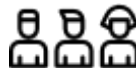
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The Bezeq Group has a leading position

based on solid, competitive assets and clear comparative advantages



Ownership of
nationwide
infrastructure



Broad
customer
base



Leading position in
every sector of
telecommunications in
Israel



Highly valued **brand** in
telecommunications



Professional, skilled,
committed and
experienced **human**
capital



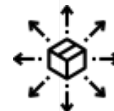
High quality
of **service**



Rich and diverse
content offering







Profitability and financial stability



Extensive nationwide
distribution channel

Stands out in a broad range of parameters as compared with the other companies in the TA 35 Index



Dividend yield	EBITDA LTM	12 month dividend	Quarterly cash flow	
Isramco	Teva	Delek Drilling		1
Delek Drilling	Perrigo	Leumi	Bazan	2
Israel Corporation	ICL		Discount	3
Delek Group		Poalim	Perrigo	4
	Israel Corporation	Isramco	ICL	5
Paz Oil	Delek Group	ICL	Teva	6
Amot	Bazan	Delek Group	Mizrahi Tefahot	7
Harel Investments	Azrieli Group	Teva	Nice	8
FIBI	Gazit Globe	Azrieli Group	Isramco	9
Bazan	Elbit Systems	Mizrahi Tefahot	Supersol	10

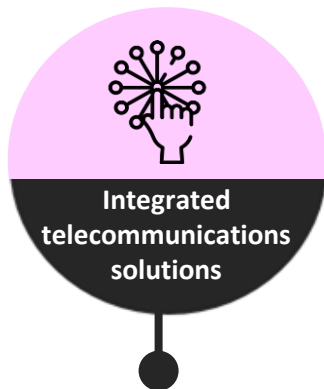
Bezeq Group Vision



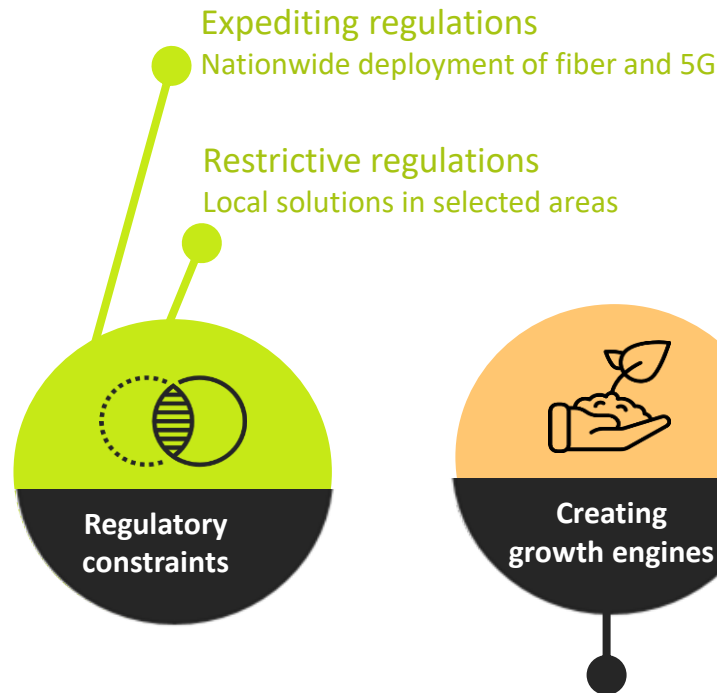
The Bezeq Group will **LEAD** the telecommunications market in Israel, will provide **ALL** the telecommunications services and solutions of the **PRIVATE** and **BUSINESS** markets, and will continuously seek to improve its **FINANCIAL PERFORMANCE** and **RESULTS**

Our challenges and how we are addressing them

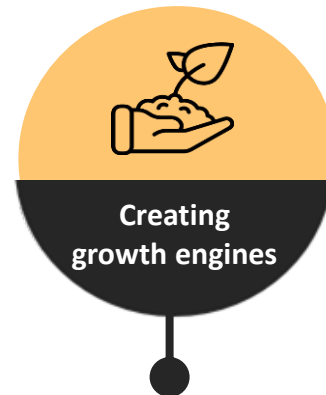
1. Changes in technology, user habits and business models
2. Regulation
3. Competition



1. Advanced technologies
2. New business models
3. Constant streamlining
4. Improvement in financial performance



- Expediting regulations
- Nationwide deployment of fiber and 5G
- Restrictive regulations
- Local solutions in selected areas



1. Data Analytics
2. Cloud-based and digital services
3. IoT applications
4. Smart homes, smart cities

**Actions we are
currently taking**



Greater utilization of synergies between subsidiaries



Application has been submitted to transfer the activities and licenses of yes, Pelephone and Bezeq International to a **single limited partnership**



Maximizing synergies and reduction of overheads will lead to **savings in operating costs** in the long-term



Response to the customers' preference for a **comprehensive telecommunications solution**



Option for **realization of tax asset**, subject to the necessary approvals

Streamlining at Bezeq Fixed Line for the coming two years



Early retirement at Bezeq Fixed Line under the terms of existing labor agreement - reduction in salary costs



Relocating corporate headquarters from Azrieli Center- savings in operating costs



Reducing number of operational real estate sites and sales of redundant assets – savings in operating costs and improved cash flow



Fiber optics



Bezeq is the only company in Israel that is willing and capable of deploying fiber optics **across the entire country** at an accelerated pace



Laying a nationwide fiber network and connecting customers

- | Technologically complex
- | Involves investments of billions of shekels
- | Precondition for a future efficient nationwide deployment of 5G



The current policy of the Ministry of Communications represents a preference for limited deployment of fiber in **“selected” areas only**



Leadership in mobile market



Telephone is focused in the **mobile market**, leveraging **broad and extensive** points of presence and **distribution channels** under **multiple brands**, efficient and high quality **customer service** alongside investment in **advanced technologies**

Entry to **IoT and 5G** as growth engines



Aligning marketing offering and content distribution platform in the multi-channel television sector



Comprehensive repricing strategy and market segmentation to **stabilize subscriber base** and strengthen **fairness** perception with customers

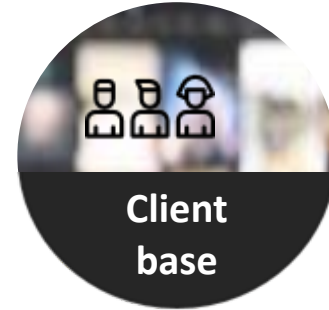
*Q2 results reflect the outcome of this strategy as the subscriber base was stable with slight growth

In Medium-term:

Integration of IP-based broadcast distribution platform and CPE, operating on the “Open Garden” model

*Enhancing the **viewing experience**

*Will facilitate streamlining and **cost reduction**



Client
base

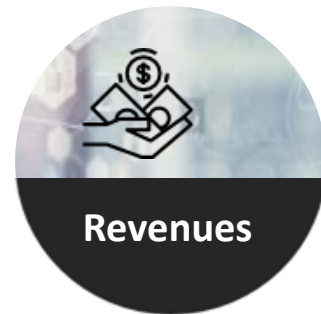


Technology

Growth engines in the field of Data Analytics

Potential for growth engine

- | Leveraging existing knowledge in the Group
- | Knowledge of customer characteristics and needs
- | Ownership of knowledge and data bases



Merge Group BDA activities under a **single organizational unit**

* Subject to limitations of structural separation and the Protection of Privacy Law



Sale of non-core activities

The Board of Directors is evaluating possibilities for the **sale of holdings** in Bezeq Online and Walla!



- | Data rooms have been opened
- | Services of an investment bank have been retained
- | Teasers have been released to the market
- | A structured process of approaching the market for receiving offers has been launched



Organizational changes

Nomination of a Board in which most of the elected **members are new**

Revisiting risk management procedures
and establishing productive dialogue with
the regulator

New executives:
Changes in Bezeq and subsidiaries top
management team





Thank you