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To : **Sample**

Date : 10.09.2016

Reg. name: BEZEQ THE ISRAEL TELECOMMUNICATION CORP. LTD.

Buyer code No.-Applicant : XXXXXXXXX

Buyer code No. - Replier : XXXXXXXXX

Amount of credit : 1,000,000 1,115,764 4,204,200

Currency : € \$ ILS

Type of inquiry : Normal.

Credit rating:	ABB
Credit limit :	As requested.
Terms of payment :	NM.

Firm address : 132 Menahem Begin Road., Tel Aviv 6701101, IL.

Telephone: + 972 3 6262000

Fax: + 972 3 6262009

Email: linoryo@bezeq.com

Web Site: <http://www.bezeq.com>

Registration data

Firm number : 520031931

Status: Active.

Type of firm : Public company, stock limited.

Established: 21.08.1980

Share capital: (NIS):

Issued:	2,646	millions	
Value:	1	Registered:	2,825

Partners - Shareholders :

B. Communication (S.P2) Ltd.	26.34%
Public	73.62%
Alovitz Shaul, Orna and Or.	0.03%

Registration notes: Changes since registration:
81 - 10 Changing articles and capital structure.

Registration fees are paid on time.

Last report submitted to the Registrar was on via TASE

Subject to EU financial sanctions: No.

Directors: Mr. Alovitz Shaul.
 Ms. Stela Hendler.



Activities

Nature of business :	Services. Telecommunication, Telephone, ISP. International phone call provider. ADSL, ATM, VPRN, MPLS and Wi-Fi communication services.		
Persons employed :	5986	12959	in the group.
Group / Associates :	Pelephone Ltd. Bezeq Online Ltd. B - Communication Ltd. Walla Ltd. Bezeq International Ltd. D.B.S. Satellite TV Ltd. Eurocom Group.		

Balance Sheet data at glance:

	3 months		
Date:	31.03.2016	31.03.2015	31.12.2015
Currency:	ILS	ILS	ILS
Turnover :	2,559	2,174	9,985
Capital issued :	3,878	3,858	3,874

Liquidity :	Sufficient.
Results :	Good.
Payments :	Prompt.
Trend :	Downward.

Credit limit :	As requested.
Terms of payment :	NM.

	3 months		
	31.03.16	31.03.15	31.12.15
Current ratio:	0.81	1.12	0.77
Quick ratio:	0.79	1.10	0.74
Debt to equity ratio:	5.32	5.57	5.92
Equity / Balance:	15.81%	15.21%	14.46%
EBITDA:	ILS 1,023	ILS 953	ILS 4,254
EBITDA / Turnover:	40%	44%	43%
Debt / EBITDA:	10.83	14.45	2.63
Turnover/employee:	ILS 0.427	ILS 0.363	ILS 1.668
Inventory / turnover: (days)	17	14	4

Notes:

All the information received was affirmative.

On 04.08.29, the board of directors approved a dividend policy, according to the policy, the company will pay 100% of its net profits as dividend.

Risks

Credit rating:	ABB			
Evaluation indicators:	<u>Weight:</u>	<u>Earned:</u>	<u>Credit:</u>	<u>Rating:</u>
Financial	30	60%	18	Average
Business:	15	60%	9	Average
Managements:	10	65%	7	Good
Industry rating:	7	55%	4	Average
Payments:	30	60%	18	Average
Liens:	8	10%	1	Poor
			56	
Scale:	85 - 100	Excellent		AAA
	65 - 84	Good		AAB
	51 - 64	Average		ABB
	35 - 50	Unsatisfactory		BBB
	1 - 34	Poor		BBC

Balance Sheet data.

Date:	31.03.2016	31.03.2015	31.12.2015
Currency:	ILS	ILS	ILS
	3 months	3 months	12 months

Statements of income

	Millions	Millions	Millions
Turnover :	2,559	2,174	9,985
Cost of sale:	-	-	-
Gross profit:	2,559	2,174	9,985
Administrative costs	1,985	1,538	7,415
Trading profit / loss :	574	636	2,570
Financial Expenses:	102	37	263
Other income:	(1)	16	12
Income (loss) before tax:	471	615	2,319
Tax:	183	152	598
Net profit (loss):	<u>288</u>	<u>463</u>	<u>1,721</u>

<u>Asset</u>	31.03.2016 Millions	31.03.2015 Millions	31.12.2015 Millions
Current assets			
Cash and cash equivalents:	1,777	3,709	1,317
Customers / Debtors	2,341	2,561	2,327
Inventory:	123	87	115
Total current assets:	<u>4,241</u>	<u>6,357</u>	<u>3,759</u>
Other asset:	<u>2,630</u>	<u>1,404</u>	<u>2,694</u>
Non - Current assets			
Fixed assets - net:	6,902	6,956	6,894
Intangible assets:	3,260	4,503	3,332
Total non-current asset	<u>10,162</u>	<u>11,459</u>	<u>10,226</u>
 <u>Balance:</u>	 <u><u>17,033</u></u>	 <u><u>19,220</u></u>	 <u><u>16,679</u></u>

Liabilities and shareholders' equity

Equity			
Options:	-	-	-
Capital (deficit):	(1,851)	(1,620)	(2,139)
Capital fund:	282	414	308
Issued :	3,878	3,858	3,874
Premium on shares:	384	272	368
Shares held by an associated Co.:	-	-	-
Loans:	-	-	-
Net worth :	<u>2,693</u>	<u>2,924</u>	<u>2,411</u>

Current liabilities	31.03.2016 Millions	31.03.2015 Millions	31.12.2015 Millions
Short - term loans from banks and others:	2,282	3,586	2,146
Trade payables:	1,843	1,074	1,657
Others payables and accrued expenses:	1,087	1,028	1,102
Total current liabilities:	5,212	5,688	4,905
Long - term liabilities			
Long - term loans from banks and others:	8,794	10,186	9,026
Accrued severance pay and retirement obligations:	238	238	240
Others:	96	184	97
Total long-term liabilities:	9,128	10,608	9,363
Minority interest:	-	-	-
Balance:	17,033	19,220	16,679

Notes:

Balance sheet: Seen - Consolidated - IFRS.
ILS 1.000

Please note, ILS and NIS are the same local Israeli Currency.

ILS: Israeli Shekel.

NIS: New Israeli Shekel.

Both are the same.

US\$= 3.768

Financials in USD

Date:	31.03.2016	31.03.2015	31.12.2015
Currency:	US\$	US\$	US\$
	3 months	3 months	12 months
<u>Statements of income</u>	Thousands	Thousands	Thousands
Turnover :	679	577	2,650
Cost of sale:	-	-	-
Gross profit:	679	577	2,650
Administrative costs	527	408	1,968
Trading profit / loss :	152	169	682
Financial Expenses:	27	10	70
Other income:	(0)	4	3
Income (loss) before tax:	125	163	615
Tax:	49	40	159
Net profit (loss):	<u>76</u>	<u>123</u>	<u>457</u>

<u>Asset</u>	31.03.2016	31.03.2015	31.12.2015
	US\$	US\$	US\$
	Thousands	Thousands	Thousands
Current Assets			
Cash and cash equivalents:	472	984	350
Customers / Debtors	621	680	618
Inventory:	33	23	31
Total current assets:	<u>1,126</u>	<u>1,687</u>	<u>998</u>
Other asset:	<u>698</u>	<u>373</u>	<u>715</u>
Non - Current Assets			
Fixed assets - net:	1,832	1,846	1,830
Intangible assets:	865	1,195	884
Total non-current asset	<u>2,697</u>	<u>3,041</u>	<u>2,714</u>
<u>Balance :</u>	<u><u>4,520</u></u>	<u><u>5,101</u></u>	<u><u>4,426</u></u>

Liabilities and shareholders' equity	31.03.2016 US\$ Thousands	31.03.2015 US\$ Thousands	31.12.2015 US\$ Thousands
E q u i t y			
Options:	-	-	-
Capital (deficit):	(491)	(430)	(568)
Capital fund:	75	110	82
Issued :	1,029	1,024	1,028
Premium on shares:	102	72	98
Shares held by an associated Co.:	-	-	-
Loans:	-	-	-
Net worth :	<u>715</u>	<u>776</u>	<u>640</u>

Current liabilities	31.03.2016 US\$ Thousands	31.03.2015 US\$ Thousands	31.12.2015 US\$ Thousands
Short - term loans from banks and others:	606	952	570
Trade payables:	489	285	440
Others payables and accrued expenses:	288	273	292
Total current liabilities:	<u>1,383</u>	<u>1,510</u>	<u>1,302</u>

Long - term liabilities	31.03.2016 US\$ Thousands	31.03.2015 US\$ Thousands	31.12.2015 US\$ Thousands
Long - term loans from banks and others:	2,334	2,703	2,395
Accrued severance pay and retirement obligations:	63	63	64
Others:	25	49	26
Total long-term liabilities:	<u>2,423</u>	<u>2,815</u>	<u>2,485</u>

Minority interest:	<u>-</u>	<u>-</u>	<u>-</u>
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Balance :	<u><u>4,520</u></u>	<u><u>5,101</u></u>	<u><u>4,426</u></u>
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Balance Sheet data in percentages. %

	<u>31.03.16</u>	<u>31.03.15</u>	<u>31.12.2015</u>	<u>% change</u>
Turnover :	100.00%	100.00%	100.00%	17.71%
Cost of sale:	0.00%	0.00%	0.00%	-
Gross profit:	100.00%	100.00%	100.00%	17.71%
Administrative costs	77.57%	70.75%	74.26%	29.06%
Trading profit / loss :	22.43%	29.25%	25.74%	-9.75%
Financial Expenses:	3.99%	1.70%	2.63%	175.68%
Other income:	-0.04%	0.74%	0.12%	-106.25%
Income (loss) before tax:	18.41%	28.29%	23.22%	-23.41%
Tax:	7.15%	6.99%	5.99%	20.39%
Net profit (loss):	<u>11.25%</u>	<u>21.30%</u>	<u>17.24%</u>	<u>-37.80%</u>

Assets.

Current assets

Cash and cash equivalents:	41.90%	58.35%	35.04%	-52.09%
Customers / Debtors	55.20%	40.29%	61.90%	-8.59%
Inventory:	2.90%	1.37%	3.06%	41.38%
Total current assets:	<u>24.90%</u>	<u>33.07%</u>	<u>22.54%</u>	<u>-33.29%</u>

Other asset:	<u>15.44%</u>	<u>7.30%</u>	<u>16.15%</u>	<u>87.32%</u>
Total non-current asset	<u>59.66%</u>	<u>59.62%</u>	<u>61.31%</u>	<u>-11.32%</u>

B a l a n c e :	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>-11.38%</u>
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Equity

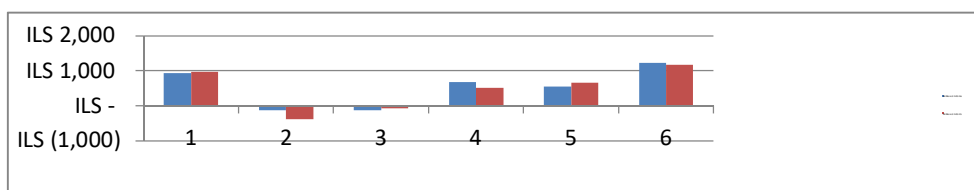
Options:	0.00%	0.00%	0.00%	-
Capital (deficit):	-68.73%	-55.40%	-88.72%	14.26%
Capital fund:	10.47%	14.16%	12.77%	-31.88%
Issued :	144.00%	131.94%	160.68%	0.52%
Premium on shares:	14.26%	9.30%	15.26%	41.18%
Shares held by an associated Co.:	0.00%	0.00%	0.00%	-
Loans:	0.00%	0.00%	0.00%	-
Net worth :	<u>15.81%</u>	<u>15.21%</u>	<u>14.46%</u>	<u>-7.90%</u>

<u>Liabilities</u>	<u>31.03.16</u>	<u>31.03.15</u>	<u>31.12.2015</u>	<u>% change</u>
Short - term loans from banks and others:	43.78%	63.05%	43.75%	-36.36%
Trade payables:	35.36%	18.88%	33.78%	71.60%
Others payables and accrued expenses:	20.86%	18.07%	22.47%	5.74%
Total current liabilities:	<u>30.60%</u>	<u>29.59%</u>	<u>29.41%</u>	<u>-8.37%</u>
Total long-term liabilities:	<u>53.59%</u>	<u>55.19%</u>	<u>56.14%</u>	<u>-13.95%</u>
Minority interest:	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	-
B a l a n c e :	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>-11.38%</u>

<u>Indicators:</u>						
	31.03.2016		31.03.2015		<u>Trend</u>	
Current ratio:	0.81		1.12		Downward	
Quick ratio:	0.79		1.10		Downward	
Debt to equity ratio:	5.32		5.57		Upward	
Equity / Balance:	15.81%		15.21%		Upward	
Return on equity:	10.69%		15.83%		Downward	
EBITDA:	ILS	1,023	Millions	ILS	953	Upward
EBITDA / Turnover:	40%		44%		Downward	
Debt / EBITDA:	10.83		14.45		Downward	
Working capital:	ILS	(971)	Millions	ILS	669	Downward
Cash position:	0.85		0.90		Downward	

Notes:

<u>Cash Flow highlights:</u>	3 months			
		Millions		Millions
		<u>31.03.16</u>		<u>31.03.15</u>
Net cash from current activity:	ILS	922	ILS	961
Net cash from (for) investments activities:	ILS	(123)	ILS	(378)
Net cash from (for) financial activities - loans:	ILS	(133)	ILS	(75)
Increase (Decrease) in cash & equivalent:	ILS	666	ILS	508
Cache for the beginning of the period:	ILS	555	ILS	660
Cash & equivalent for the end of the period:	ILS	1,221	ILS	1,168



Business environment

General: The leading telecommunication company in Israel.
 The company and its associated companies are the leading telecommunication service providers, Telephone, Internet, Cellular and Satellite TV (YES).
 Due to new regulation, the company started to allow transfer of its internet and telephone customers to other virtual operators.
 Increasing competition continues.
 Hot Telecom is debtor's leading competitor.
 Debtor's market share: ISP 68% (up from 66% in 2014).

Suppliers: Hot Telecom Ltd.
 Pelephone Ltd.
 Juniper Networks.
 EMC.
 Vmware.
 Alcatel Telecom Ltd.

Customers: Occasional.
 Over 60% of the local market.
 Income from private customers 57% , 43% from commercial.

Import: Import (Services) world wide.
 British Telecom
 Rosttelecom
 AT&T

Export: Export to the EU and USA.

Bankers: Leumi Bank (10-800)
 Hapoalim Bank (12-170)
 Israel Discount Bank. (11-010)
 First International Bank (31-046)
 Mizrahi - Tfahot (20-461)

Liens: Total of 38 liens on debtor's assets.
 Liens on all assets.

* Registered liens for bankers are "Pari Passu".

Confidential and without responsibility.

END

[WE'RE THE ANSWERING COMPANY. ANY QUESTIONS ?](#)