



The Bezeq Era

Investors Presentation, November 2013



Forward-Looking Statement

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements that are not historical facts and may include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. Those factors include the factors indicated in our filings with the Securities and Exchange Commission (SEC). For more details, refer to our SEC filings and the amendments thereto, including our Annual Report on Form 20-F and Current Reports on Form 6-K. We undertake no obligation to update forward-looking statements to reflect subsequent occurring events or circumstances, or to changes in our expectations, except as may be required by law.

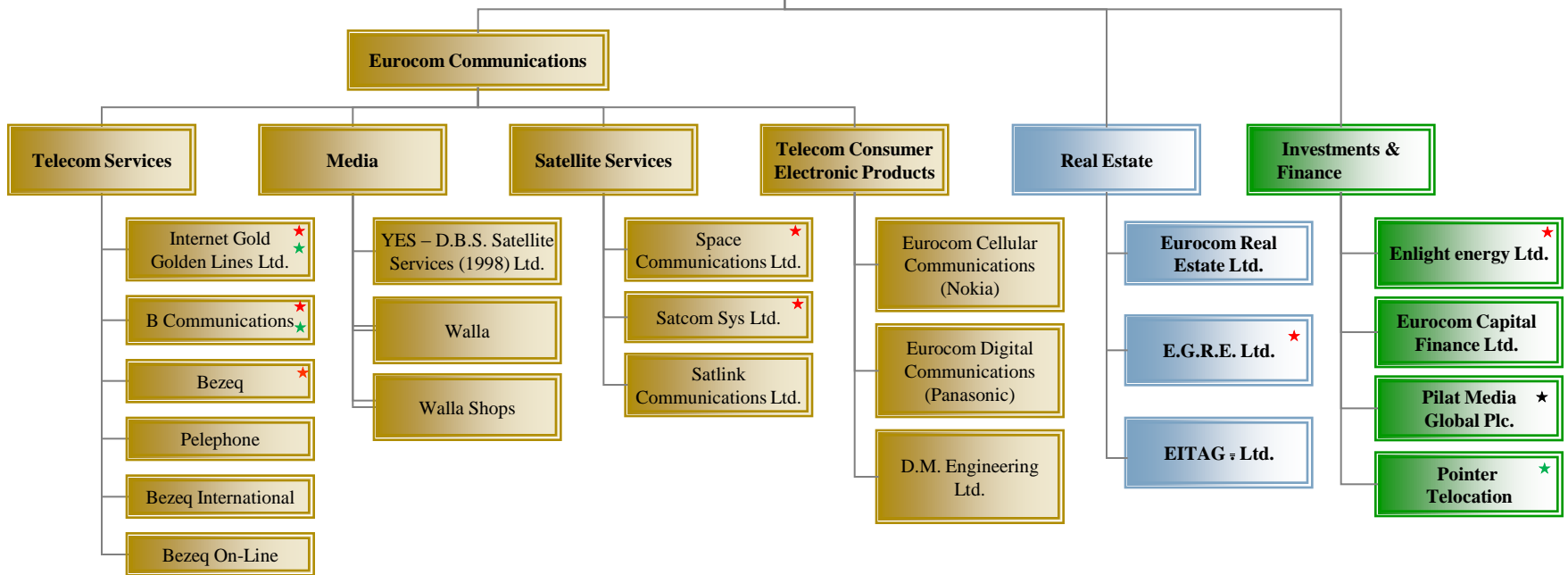
IGLD's Profile

- Internet Gold (TASE and Nasdaq: IGLD) is a telecommunications-oriented holding company. Internet Gold's primary holding is its 67.99% interest in B Communications Ltd. ("BCOM") (TASE and Nasdaq: BCOM), which in turn holds the controlling interest (approximately 30.96%) in Bezeq, The Israel Telecommunication Corp., Israel's largest telecommunications provider (TASE: BZEQ).
- Internet Gold is a subsidiary of Eurocom Communications Ltd.
- BCOM decreased its debt from NIS 5.3 billion as of the date it acquired its controlling interest in Bezeq (in April 2010) to just NIS 2.7 million as of the end of the third quarter.

Eurocom Group Overview

- Founded in 1979
- One of Israel's largest holding companies with a strong presence in Israel and a growing international presence
- Owned by Shaul Elovitch, our Chairman of the Board of Directors (80% ownership) and Yossef Elovitch, Director (20% ownership)
- Solid financial base and strategic partnerships ensure the strong backing necessary to accelerate growth
- Diversified portfolio with investments in telecommunications, media, real estate, consumer electronics and financial services

eurocom
group



- ★ Traded on TASE
- ★★ Traded on NASDAQ
- ★★★ Traded on TASE and AIM

Eurocom: Israel's Largest Communications Footprint

	eurocom group	
	Relative strength	Company within the group
Internet access	●	
Internet Services	●	
Internet VAS residential	●	
Internet business	●	
e-Advertising	●	
e-Commerce	●	
Date Services	●	
ILD	●	
Fixed telephony	●	
Mobile	●	
Multi channel TV	●	
Telecom & consumer electronics.	●	
Satellite services	●	

IGLD - Experienced, Disciplined Leadership



Shaul Elovitch ★

Founder & Chairman

*Over 30 years experience
building leading communications
businesses and other major
investments businesses*

Proven capabilities in:

- Strategy creation & strategic planning
- Marketing & brand development
- Operational & financial management
- Management of mergers & acquisitions
- Creation of partnerships
- Capital raising: 11 major transactions
 - 2 IPOs – **IGLD** and **BCOM**
 - 10 bond issues



Doron Turgeman

CEO since 2011 & CFO from 2001 till 2011

*19 years experience in management
17 years in communications*

Key Milestones for IGLD

From small entrepreneurial business
to large holding company

**1992
to
1995**

- Israeli telecom market commences privatization process
- Eurocom participates in the privatization process and forms a corporate vehicle for that purpose
- Goal: to become one of Israel's leading telecom service providers

**1995
To
2000**

- Internet emerges as a major commercial service
- IGLD decides to focus on ISP activities
- Expansion into Content and Value-Added Services
- Successful listing on NASDAQ (IGLD) (TASE dual listing 2005)

**2000
to
2007**

- Continuous organic growth
- Restructure of IGLD into a holding company owning Smile Communications and Smile Media
- Acquisition and merger with 012 Golden Lines to form 012 Smile Communications
- Successful IPO and listing of 012 Smile Communications on NASDAQ and TASE (SMLC)

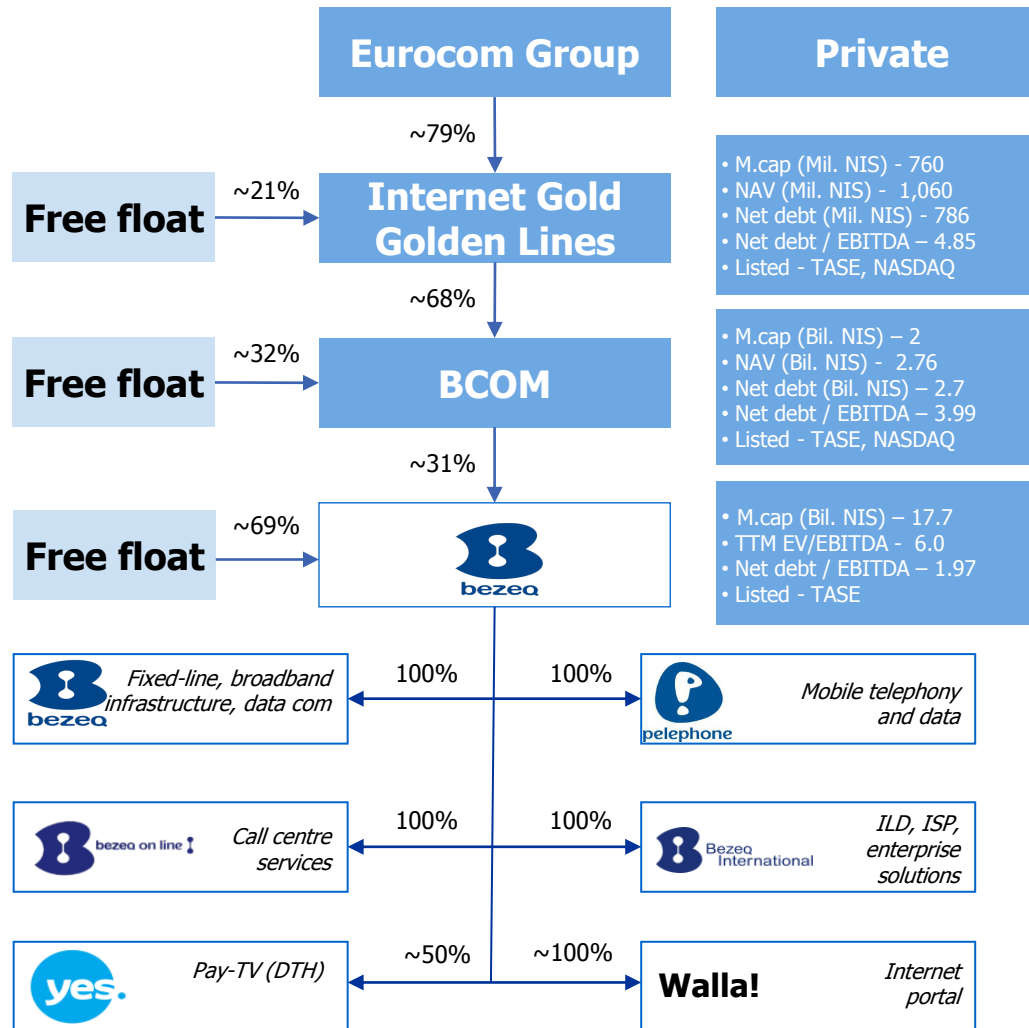
**2007
to
2009**

- Continuous organic growth
- Crystallization of the strategy to become a leader in the Israeli telecom market
- Preparation for the next major M&A transaction while examining several opportunities
- Sale of legacy 012 Smile.Communications assets
- Acquisition of the controlling interest in Bezeq – Israel's telecom market leader

**2009
to
2013**

- Acquisition of the controlling interest in Bezeq – Israel's telecom market leader
- From April 2010 through September 2013, BCOM repaid ~ NIS 2.6 billion of the debt incurred to fund its April 2010 acquisition of the controlling interest in Bezeq.

Group Structure



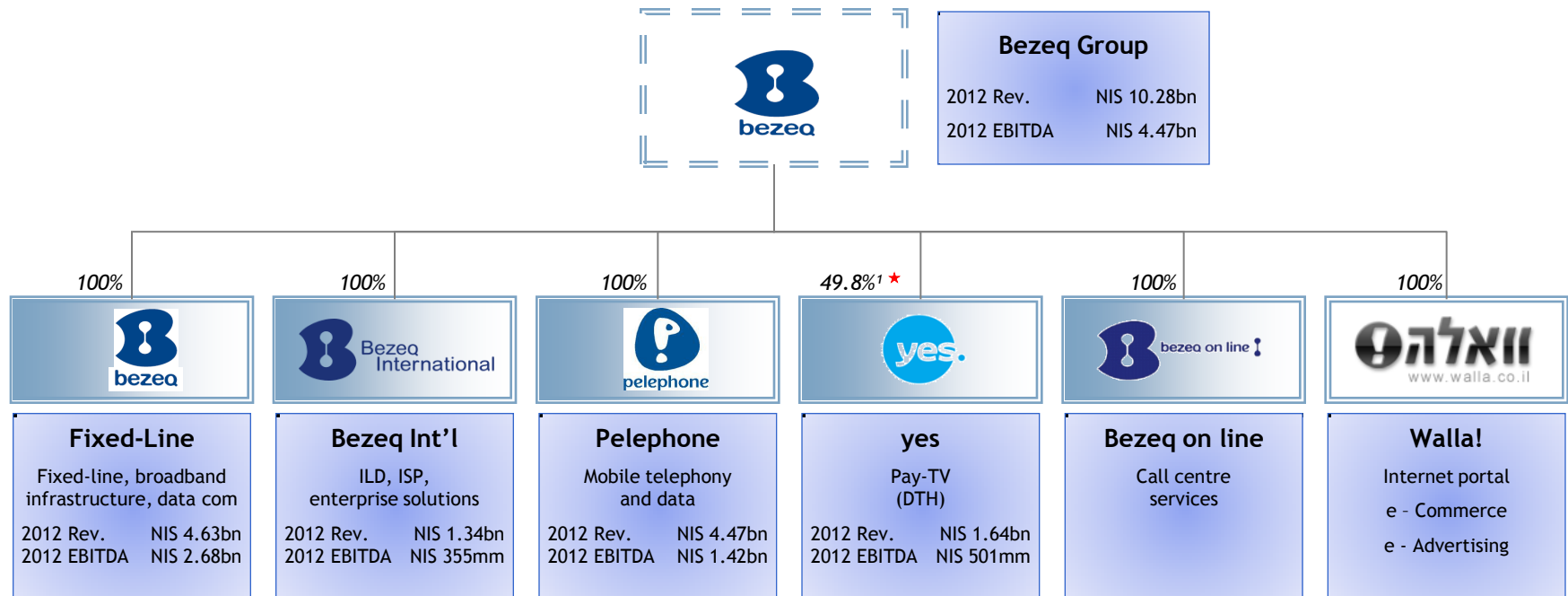
* All figures and ratios are as of September 30, 2013.

Source: Company's information, Bezeq's investors' presentation.



Bezeq Overview

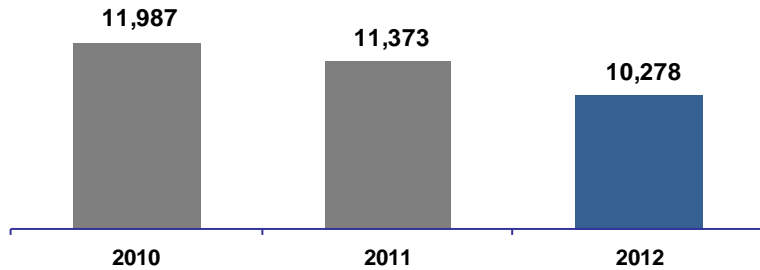
Bezeq: Israel's Most Comprehensive Communications Infrastructure and Service Provider



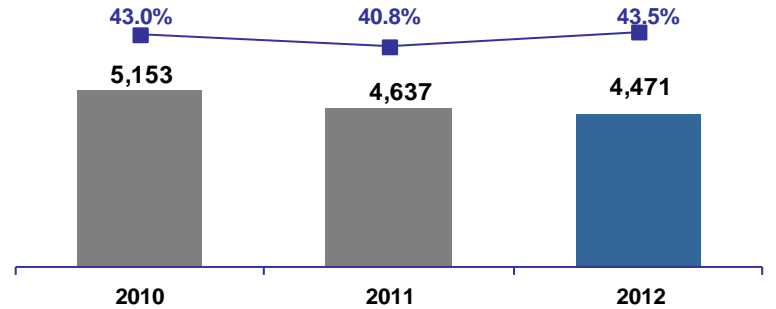
¹ 50.2% held by Eurocom. Following a Supreme Court decision which prevents Bezeq from acquiring control of yes, as of August 21, 2009, Bezeq ceased consolidating yes' s financial results and began accounting for its investment in yes according to the equity method

Bezeq's Results (NIS Millions)

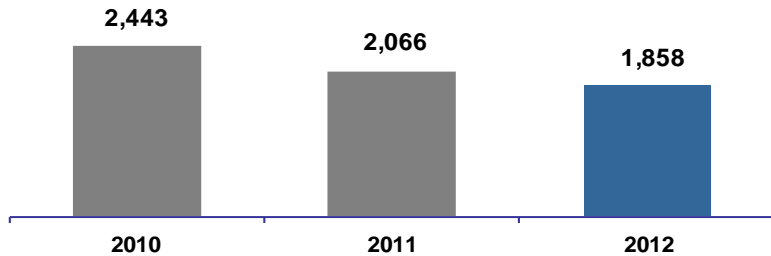
Revenues



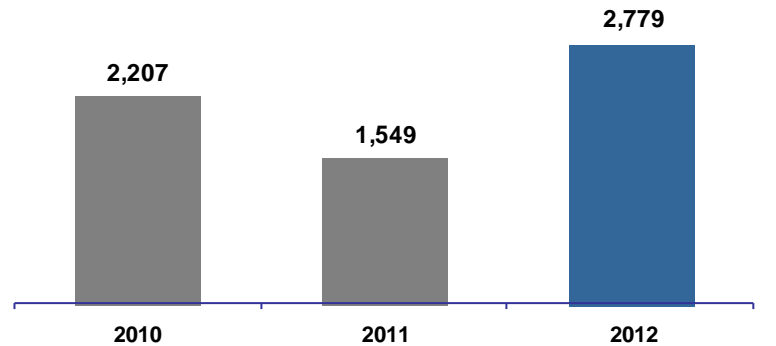
EBITDA



Net income attributable to shareholders



Free cash flow *



Source : Bezeq's press release

2008 and 2009 figures do not consolidate YES results

* Free cash flow is defined as free cash flows from operating activities less net capex payments

Bezeq Overview



Bezeq Fixed-Line

Fixed-line, broadband infrastructure, data com

NISmm	Fiscal year ending December 31			CAGR 10-12
	2010A	2011A	2012A	
Revenue	5,263	4,648	4,630	-6.21%
<i>% growth</i>	-0.8%	-11.7%	-0.4%	
EBITDA	2,733	2,346	2,683	-0.92%
<i>% margin</i>	51.9%	50.5%	57.9%	
Capex	900	937	658	-14.49%
<i>% of rev.</i>	17.1%	20.2%	14.2%	
FCF ¹	1,240	1,169	1,351	4.38%
<i>% of rev.</i>	23.6%	25.2%	29.2%	



Pelephone

Mobile telephony and data

NISmm	Fiscal year ending December 31			CAGR 10-12
	2010A	2011A	2012A	
Revenue	5,732	5,548	4,468	-11.71%
<i>% growth</i>	6.6%	-3.2%	-19.5%	
EBITDA	1,984	1,921	1,423	-15.31%
<i>% margin</i>	34.6%	34.6%	31.8%	
Capex	397	382	381	-2.04%
<i>% of rev.</i>	6.9%	6.9%	8.5%	
FCF ¹	822	418	1,347	28.01%
<i>% of rev.</i>	14.3%	7.5%	30.1%	



Bezeq International

ILD, ISP, enterprise solutions

NISmm	Fiscal year ending December 31			CAGR 10-12
	2010A	2011A	2012A	
Revenue	1,380	1,354	1,340	-1.46%
<i>% growth</i>	4.7%	-1.9%	-1.0%	
EBITDA	414	350	355	-7.40%
<i>% margin</i>	30.0%	25.8%	26.5%	
Capex	180	288	173	-1.96%
<i>% of rev.</i>	13.0%	21.3%	12.9%	
FCF ¹	110	(44)	99	-5.13%
<i>% of rev.</i>	8.0%	-3.2%	7.4%	



- Most advanced communications network in Israel.
- FTTC, all IP, infrastructure for consumer and business customers.
- 85% of Israeli households covered.



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



- Leading broadband Internet service in Israel Approximately 39% Internet market share.
- Israel's largest data center.
- New high- speed submarine cable system deployed between Israel and Europe.
- Increasing bandwidth at affordable rates.

¹ Free cash flow is defined as cash flows from operating activities less net payments for investments

Bezeq's Dividend Policy

distribution of 100% of its after-tax profit on a semi-annual basis

Dividend Yield from 2006 to 2013

— Dividend yield (%)¹



Source: Bezeq

¹ Based on the sum of regular and special dividends paid during the fiscal year divided by Bezeq's market cap as of December 31.

- Based on its ownership interest, BCOM will receive ~ 31% of Bezeq's annual dividends
- Since 2006, Bezeq has paid over NIS 20.7 billion (US\$ 5.8 billion) in dividends
- Bezeq has paid all six equal special dividend payments which were declared by the Board of Directors and approved by the Israeli Court. The special dividend of NIS 3 billion in aggregate was paid on a semi-annual basis from 2011 to 2013.

IGLD's Cash Position

As of September 30, 2013, IGLD's unconsolidated cash and cash equivalents totaled NIS 279 million, its unconsolidated total debt was NIS 1.065 billion, and its net debt totaled NIS 786 million.

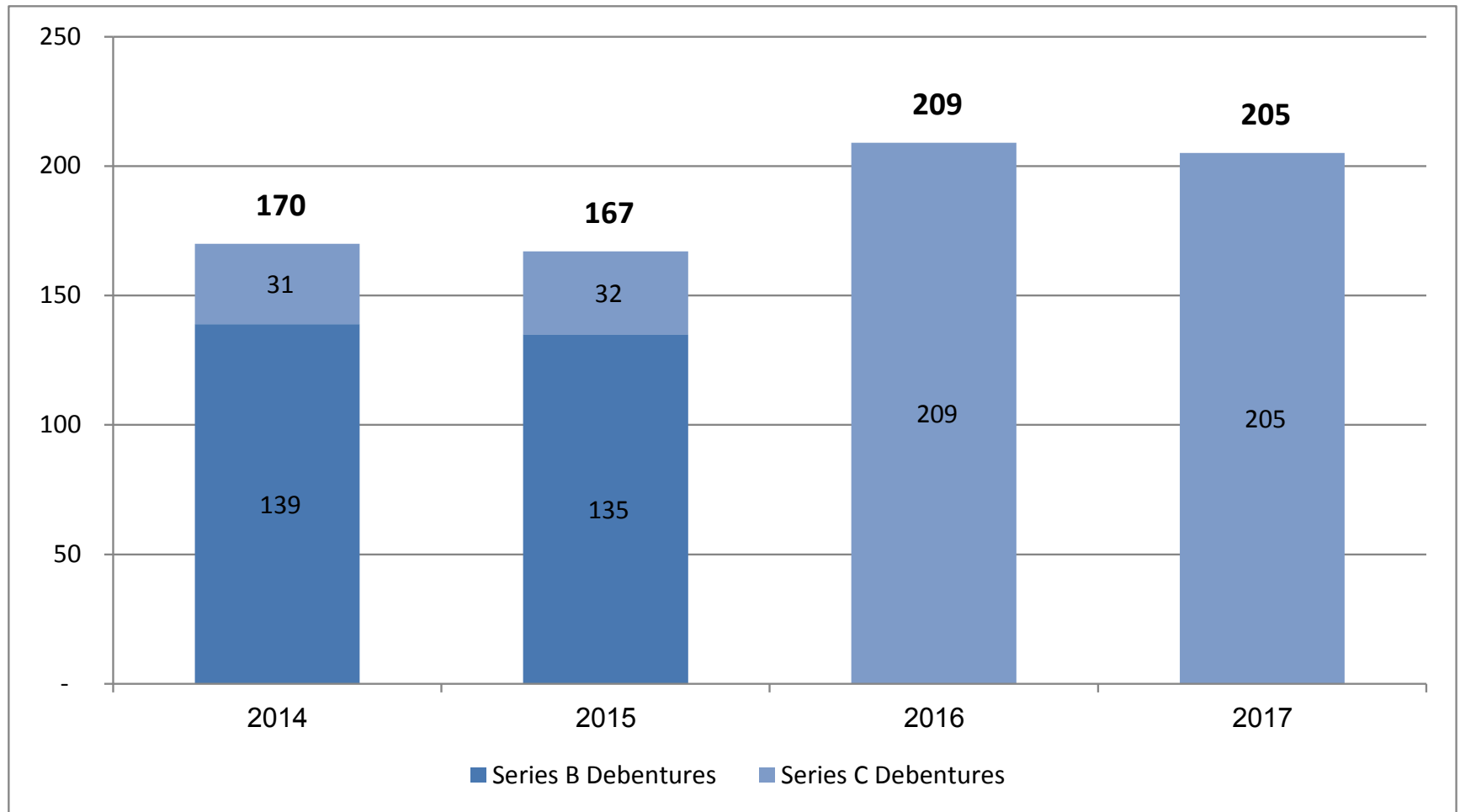
IGLD's Unconsolidated Balance Sheet Data* As of September 30, 2013

	<u>NIS millions</u>
Short term liabilities	144
Long term liabilities	921
Total liabilities	1,065
Cash and cash equivalents	279
Total net debt	786

* Does not include the balance sheet of BCOM

Projection of Future Debt Repayment

(NIS millions)



- The projected debt repayment takes into consideration future changes in the inflation rate of 2% per year
- All amounts include future estimated interest payments



The Bezeq Era

Thank you

