BUSINESS NEWS

FOR IMMEDIATE RELEASE

Microsoft Corporation (MSFT) and Internet Gold (IGLD) have agreed that Microsoft will operate its MSN portal in Israel independently from October 2008

Petah Tikva, Israel, July 6th 2008, Microsoft Corporation and Internet Gold ((IGLD) through its 100% owned subsidiary Smile Media Ltd) have reached an agreement to have Microsoft independently operate a MSN Israel portal. Established during 2000, MSN Israel Ltd is 50.1% owned by the Internet Gold Group and 49.9% owned by Microsoft Corporation.

The parties are currently discussing the terms of migration and possible future cooperation. The msn.co.il portal will continue to operate throughout the transition period and both parties are working together to support employees, advertisers and users through this period.

MSN is a global portal network which operates in 44 countries. In almost all of these countries the MSN portal is fully owned by Microsoft Corp. and only in a very few instances has Microsoft joined forces with a domestic partner to establish a local MSN portal. In 2007, MSN Israel accounted for less than 3% of Internet Gold's total revenues.

Eli Holtzman, CEO of Internet Gold, said today "We have been happy to partner with Microsoft in establishing MSN Israel over the last eight years. Since then, we have developed MSN Israel into a leading portal in Israel. Given the change in the parties' online strategies we have agreed it makes sense for Microsoft to operate msn.co.il independently. We believe this is the right move for both parties and anticipate it will have a positive impact on our results".

"During the last few years, the Internet Gold Group has significantly expanded its activities in a variety of communications areas and, as a result, our MSN Israel operations currently represent a minor portion of the group's total revenues. Thus, we have decided recently to change course and seek alternatives for growth. We are continuing to actively examine new and financially significant areas of activity in and out of Israel, which have substantial growth potential and will drive our group to its next phase of business" concluded Mr Holtzman.

Danny Yamin General Manager of Microsoft, Israel, said today, "Our relationship with Internet Gold has worked well to establish strong foundations for our online business but both parties now feel that the time has come to operate independently to allow us both to deepen our impact on the Israeli market.

We are very excited about our future in Israel and see some fantastic opportunities for growth and development of both the MSN portal and the Windows Live services. It is MSN's goal worldwide to deliver the best of local and international content – integrated with our Windows Live services – providing ways for consumers to interact and engage with MSN and more importantly, with each other. We call this 'the social portal'. Content is a very important part of this strategy and we will continue to partner with local and global premium content providers to deliver this."

About Internet Gold

Internet Gold is one of Israel's leading communications groups with a major presence across all Internet-related sectors. Its 72.4% owned subsidiary, 012 Smile.Communications Ltd., is one of Israel's major Internet and international telephony service providers, and one of the largest providers of enterprise/IT integration services. Its 100% owned subsidiary, Smile.Media Ltd., manages a growing portfolio of Internet portals and e-Commerce sites.

Forward-Looking Statements

This press release contains forward-looking statements that are subject to risks and uncertainties. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, general business conditions in the industry, changes in the regulatory and legal compliance environments in the industries it is engaged, the failure to manage growth and other risks detailed from time to time in Internet Gold's filings with the Securities Exchange Commission, including Internet Gold's Annual Report on Form 20-F. These documents contain and identify other important factors that could cause actual results to differ materially from those contained in our projections or forward-looking statements. Stockholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward-looking statement.

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