

BUSINESS NEWS

FOR IMMEDIATE RELEASE

Internet Gold Reports Record Financial Results For Q4 2009 - Bezeq Acquisition On Track: Closing Expected During April 2010 -

Petah Tikva, Israel, February 24, 2010 -- Internet Gold Golden Lines Ltd., (NASDAQ Global Market and TASE: IGLD) today reported its financial results for the fourth quarter and full year ended December 31, 2009.

Highlights

- **Record revenues and strong profitability for the quarter:** Revenues for the fourth quarter reached NIS 324 million (\$86 million) and net income was NIS 42 million (\$11 million).
- **Record revenues and strong profitability for 2009:** Revenues for the full year reached a record of NIS 1,244 (\$330 million) and net income was NIS 101 million (\$27 million).
- **Progress of Bezeq Acquisition:** Actions completed to date include:
 - o The completion of the sale of 012 Smile.Communications' legacy telecommunications business for NIS 1.2 billion, a prerequisite established by Israel's regulators, for the acquisition of the controlling interest in Bezeq - The Israel Telecommunications Corporation Ltd.
 - o The signing of a NIS 3.9 billion financing agreement with a consortium of banks led by Bank Hapoalim.
 - o The signing of a financing agreement of up to NIS 500 million (up to \$133 million) with Migdal Insurance.

Financial Results for the Fourth Quarter

Revenues: Revenues for the fourth quarter of 2009 were NIS 324 million (US \$86 million), a 3.7% increase compared with NIS 312.4 million in the fourth quarter of 2008, and a 4.6% sequential increase compared with NIS 309.8 million in the third quarter of 2009. The increased revenues reflect the record results delivered by 012 Smile.Communications, together with the modest contribution of Smile.Media.

Operating Income: Operating income for the fourth quarter reached a record NIS 56.7 million (US \$15 million) a 104.7% increase compared with NIS 27.7 million in the fourth quarter of 2008. In accordance with U.S. generally accepted accounting principles, NIS 23 million (US \$6 million) of scheduled depreciation and amortization costs associated with the legacy telecommunication assets that were the subject of a sale agreement entered into in November 2009 and finalized in January 2010, were not charged to operating expenses.

Net Financial Income: Net financial income, for the fourth quarter of 2009 totaled NIS 30.6 million (US \$8 million). Net financial income primarily includes: (i) NIS 48.1 million (US \$12.8 million) associated with the mark-to-market accounting for certain marketable securities held for sale whose values increased as a result of the global improvement in the capital markets and the sale of certain of such marketable securities; and (ii) financial expenses of NIS 16 million (US \$4.2 million) associated with the Company's debt.

Net income: Net income for the quarter was NIS 42 million (US \$11 million), or NIS 2.32 (US \$0.61) per basic share and NIS 2.21 (US \$0.58) per diluted share, compared to a net loss of NIS 8.4 million, or NIS 0.41 loss per basic and diluted share, for the fourth quarter of 2008.

Financial Results for 2009

Revenues: Revenues for the year ended December 31, 2009 were NIS 1,244 million (\$329.5 million) a 6.6% increase compared to NIS 1,167 million for 2008.

Operating Income: Operating income for 2009 reached NIS 173 million (US \$45.8 million), a 37.6% increase compared with NIS 125.7 million for 2008. Adjusted EBITDA for the year reached NIS 278 million (US \$74 million), a 10% increase compared with NIS 254 million for 2008. Net income for 2009 was NIS 101 million (US \$26.7 million), or NIS 5.5 (US \$1.46) per basic share and NIS 5.44 (US \$1.44) per diluted share, compared to a net loss of NIS 24 million, or NIS 1.13 loss per basic and diluted share for 2008.

Balance Sheet: Total assets as of December 31, 2009 were approximately NIS 2,869 million (US \$760 million). In accordance with ASC 360-10 (Formerly known as FAS 144), "*Accounting for the Impairment or Disposal of Long-Lived Asset*," the Company's legacy telecommunications assets and liabilities that were sold subsequent to the balance sheet date were classified as "held for sale" in the Company's balance sheet as of December 31, 2009. As of December 31, 2009, assets held for sale totaled NIS 1,370 million (US \$363 million) and liabilities held for sale totaled NIS 297 million (US \$79 million).

Comments of Management

Commenting on the results, Eli Holtzman, Internet Gold's CEO, said: "For the past decade, we have been constantly pursuing growth, organically and through M&A activity. Our strategy was to become the leader of our telecommunications market and I am satisfied that we have achieved this goal with our group's pending acquisition of the controlling stake in Bezeq, the Israel telecommunication incumbent. We are fully committed to this transaction and are focused on obtaining the remaining required regulatory approvals. We feel very comfortable with the progress and foresee completion of the acquisition on time as planned."

Business Segments

012 Smile.Communications Ltd. (NASDAQ and TASE: SMLC):

- **Record revenues and profitability for the quarter:** Revenues for the fourth quarter reached NIS 305 million (\$81 million) and net income was a record NIS 60 million (\$16 million).
- **Record revenues and profitability for 2009:** Revenues for the full year reached a record of NIS 1,174 (\$ 311 million) and net income was a record NIS 150 million (\$40 million).

Smile.Media Ltd.: Smile.Media delivered a modest revenue increase during the fourth quarter. The segment's revenues for the fourth quarter were NIS 19.2 million (US \$5.1 million), derived primarily from its e-commerce businesses. Its adjusted EBITDA for the quarter was NIS 636,000 (US \$168,000).

Other: During the fourth quarter, Internet Gold incurred operating expenses of approximately NIS 1.5 million (US \$0.4 million). These expenses were primarily for the continued investigation of potential joint venture and M&A opportunities, and for activities related to the Company's listing on public securities exchanges, including expenses such as investor relations, Sarbanes Oxley compliance, insurance, legal and accounting expenses.

Notes:

A) ASC 360-10: In accordance with **ASC 360-10**, the telecommunications business classified as "held for sale" was initially quantified at the lower of its carrying amount or "fair value less cost to sell" as of the date on which the Company's management was committed to a plan to sell it, and was not depreciated or amortized from that date.

B) NON-GAAP MEASUREMENTS: Reconciliation between the Company's results on a GAAP and non-GAAP basis is provided in a table immediately following the Consolidated Statement of Operations (Non-GAAP Basis). Non-GAAP financial measures consist of GAAP financial measures adjusted to exclude amortization of acquired intangible assets, as well as certain business combination accounting entries. The purpose of such adjustments is to give an indication of our performance exclusive of non-cash charges and other items that are considered by management to be outside of our core operating results. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. We believe these non-GAAP financial measures provide consistent and comparable measures to help investors understand our current and future operating cash flow performance. These non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies. Reconciliation between results on a GAAP and non-GAAP basis is provided in a table immediately following the Consolidated Statement of Operations.

EBITDA is a non-GAAP financial measure generally defined as earnings before interest, taxes, depreciation and amortization. We define adjusted EBITDA as net income before financial income (expenses), net, impairment and other charges, expenses recorded for stock compensation in accordance with ASC 718-10 (Formerly known as SFAS 123(R)), income tax expenses and depreciation and amortization. We present adjusted EBITDA as a supplemental performance

measure because we believe that it facilitates operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structure (most particularly affecting our interest expense given our recently incurred significant debt), tax positions (such as the impact of changes in effective tax rates or net operating losses) and the age of, and depreciation expenses associated with, fixed assets (affecting relative depreciation expense).

Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other statement of operations or cash flow data prepared in accordance with GAAP as a measure of our profitability or liquidity. Adjusted EBITDA does not take into account our debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, adjusted EBITDA, as presented in this press release, may not be comparable to similarly titled measures reported by other companies due to differences in the way that these measures are calculated.

Convenience Translation to Dollars: For the convenience of the reader, the reported NIS figures of December 31, 2009 have been presented in thousands of U.S. dollars, translated at the representative rate of exchange as of December 31, 2009 (NIS 3.775 = U.S. Dollar 1.00). The U.S. Dollar (\$) amounts presented should not be construed as representing amounts receivable or payable in U.S. Dollars or convertible into U.S. Dollars, unless otherwise indicated.

About Internet Gold

In October 2009, Internet Gold announced that its approximately 75.3% owned subsidiary, 012 Smile.Communications (Nasdaq: SMLC), had signed a definitive agreement to purchase the controlling interest (approximately 30.6%) in Bezeq, The Israel Telecommunication Corp., Israel's largest telecommunications provider (TASE: BZEQ).

For further information, please visit our website: <http://www.Igld.com>.

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 risks associated with the pending acquisition of the controlling interest in Bezeq 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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Consolidated Balance Sheets

	December 31		Convenience translation into U.S. dollars \$1=NIS 3.775
	2009	2008	December 31
	(Unaudited)	(Audited)	(Unaudited)
	NIS thousands	NIS thousands	\$ thousands
Current assets			
Cash and cash equivalents	1,350,694	86,090	357,799
Marketable securities	99,131	214,895	26,260
Trade receivables, net	14,077	217,796	3,729
Related parties receivable	6,077	1,729	1,610
Prepaid expenses and other current assts	8,432	27,046	2,234
Deferred tax assets	1,755	26,116	465
Total current assets	1,480,166	573,672	392,097
Assets classified as held for sale	1,370,072	-	362,933
Investments			
Long-term trade receivables	-	6,350	-
Marketable securities	-	279,823	-
Assets held for employee severance benefits	1,434	17,786	380
Deferred tax assets	39	57	10
Property and equipment, net	1,164	171,104	308
Other assets, net	9,482	302,934	2,512
Other intangible assets, net	-	174,640	-
Goodwill	6,492	416,888	1,720
Total assets	2,868,849	1,943,254	759,960

Consolidated Balance Sheets (cont'd)

	December 31		Convenience translation into U.S. dollars \$1=NIS 3.775
	2009	2008	December 31
	(Unaudited)	(Audited)	(Unaudited)
	NIS thousands	NIS thousands	\$ thousands
Current liabilities			
Short-term bank credit	462,836	42,738	122,606
Current maturities of long-term obligations	149	11,238	39
Accounts payable	7,095	148,580	1,879
Current maturities of convertible debentures	17,682	17,516	4,684
Current maturities of debentures	215,994	100,142	57,217
Other payable and accrued expenses	69,654	125,388	18,451
Related parties payable	188	3,223	50
Total current liabilities	773,598	448,825	204,926
Liabilities classified as held for sale	296,868	-	78,641
Long term liabilities			
Long-term obligations and other payables	-	760	-
Convertible debentures	73,357	84,857	19,432
Debentures	1,051,024	812,254	278,417
Deferred tax liabilities	21,653	46,856	5,736
Liability for employee severance benefits	2,140	34,626	567
Total long term liabilities	1,148,174	979,353	304,152
Total liabilities	2,218,640	1,428,178	587,719
Shareholders' equity	431,036	324,604	114,182
Non-controlling interest	219,173	190,472	58,059
Total equity	650,209	515,076	172,241
Total liabilities and shareholders' equity	2,868,849	1,943,254	759,960

Consolidated Statements of Operations

All amounts are in thousands except for per share data

	Year ended December 31			Convenience translation into U.S. dollars \$1=NIS 3.775
	2009	2008	2007	Year ended December 31
	(Unaudited)	(Audited)	(Audited)	(Unaudited)
	NIS thousands			\$ thousands
Revenue	1,244,090	1,167,327	1,175,946	329,560
Costs and operating expenses				
Cost of revenue	852,775	799,914	802,296	225,901
Selling and marketing	151,258	175,780	176,250	40,068
General and administrative	65,130	71,548	69,843	17,253
Impairment and other expenses (income), net	1,888	(5,581)	14,589	500
Total operating expenses	1,071,051	1,041,661	1,062,978	283,722
Operating income	173,039	125,666	112,968	45,838
Financial (income) expenses, net	(25,760)	122,073	57,533	(6,824)
Gain from issuance of shares in subsidiary	-	-	(120,310)	-
Income before income taxes	198,799	3,593	175,745	52,662
Income tax expenses	59,328	14,550	50,460	15,716
Income (loss) after income tax expenses	139,471	(10,957)	125,285	36,946
Net income attributable to non-controlling interest	(38,597)	(13,338)	(1,267)	(10,224)
Net income (loss)	100,874	(24,295)	124,018	26,722
Income (loss) per share, basic				
Net income (loss) per share	5.50	(1.13)	5.74	1.46
Weighted average number of shares outstanding (in thousands)	18,346	21,551	21,617	18,346
Income (loss) per share, diluted				
Net (loss) income per share	5.44	(1.13)	5.44	1.44
Weighted average number of shares outstanding (in thousands)	19,915	21,551	24,795	19,915

Reconciliation Table of Non-GAAP Measures

	Year ended December 31			Convenience translation into dollars \$1=NIS 3.775
	2009	2008	2007	Year ended December 31 2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	NIS thousands	NIS thousands	NIS thousands	\$ thousands
GAAP operating income	173,039	125,666	112,968	45,838
<u>Adjustments</u>				
Amortization of acquired intangible assets	18,761	27,280	31,938	4,970
Impairment and other expenses, net	1,888	7,258	10,433	500
Share-based compensation in accordance with ASC 718 (previously SFAS 123(R))	4,956	3,429	-	1,313
Non-GAAP adjusted operating income	198,644	163,633	155,339	52,621
GAAP tax expenses, net	59,328	14,550	50,460	15,716
<u>Adjustments</u>				
Amortization of acquired intangible assets Included in tax expenses, net	6,900	7,365	9,262	1,828
Non-GAAP tax expenses, net	66,228	21,915	59,722	17,544
Net income (loss) as reported	100,874	(24,295)	124,018	26,722
Non-controlling interest in operations of consolidated subsidiaries	38,597	13,338	1,267	10,224
Gain from issuance of shares in subsidiary	-	-	(120,310)	-
Income tax expenses	59,328	14,550	50,460	15,716
Impairment and other expenses, net	1,888	7,258	10,433	500
Share-based compensation in accordance with ASC 718 (previously SFAS 123(R))	4,956	3,429	-	1,313
Financial (income) expenses, net	(25,760)	122,073	57,537	(6,824)
Depreciation and amortization	98,586	117,503	116,848	26,115
Adjusted EBITDA	278,469	253,856	240,253	73,766