



## INTERNET GOLD – GOLDEN LINES LTD.

2 Dov Friedman Street, Ramat-Gan, 52503, Israel

### NOTICE OF 2011 ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We cordially invite you to the 2011 Annual General Meeting of Shareholders to be held on Thursday, August 11, 2011 at 11:00 a.m. (Israel time) at our offices at 2 Dov Friedman Street, Ramat Gan 52503, Israel, for the following purposes:

1. To reelect Ms. Anat Winner to serve as a Class C director until our 2014 Annual General Meeting of Shareholders;
2. To reelect two outside directors (as such term is defined in the Israeli Companies Law), each for a third three-year term (Ms. Orly Guy and Ms. Ronit Gottlieb)
3. To approve the compensation to be paid to the outside directors and the Class C director (if elected at the meeting), according to the fixed statutory amount for companies of our size set forth from time to time in the Israeli Companies Regulations (Rules Regarding Compensation and Expenses of an Outside Director), 5760-2000.
4. To approve terms of procurement of directors' and officers' liability insurance policy;
5. To ratify and approve the reappointment of Somekh Chaikin, registered public accounting firm, a member of KPMG International, as our independent registered public accountants for the year ending December 31, 2011, and to authorize our Board of Directors to delegate to the Audit Committee the authority to fix the compensation of such independent registered public accountants in accordance with the volume and nature of their services;
6. To review and discuss our auditor's report and consolidated financial statements for the year ended December 31, 2010; and
7. To transact such other business that may properly come before the annual general meeting or any adjournment thereof.

Shareholders may review the full version of the proposed resolutions in the Proxy Statement as well as the accompanying proxy card, on, or about, July 6, 2011, via the Israeli Securities Authority's electronic filing system at <http://www.magna.isa.gov.il> or the website of the Tel-Aviv Stock Exchange Ltd. at <http://maya.tase.co.il>, and also at our offices (2 Dov Friedman St., Ramat-Gan, 52503, Israel - +972-3-9240000 (phone), +972-3-939-9832 (fax)).

Our company's representative is Mr. Ami Barlev (2 Dov Friedman Street, Ramat Gan, Israel - Tel: 050-2029021 Fax: 03-7530927).

Shareholders of record at the close of business on July 5, 2011 are entitled to notice of and to vote at the meeting. You can vote either by mailing in your proxy or in person by attending the meeting. If voting by mail, the proxy must be received by our transfer agent or at our registered office in Israel at least twenty-four (24) hours prior to the appointed time of the meeting to be validly included in the tally of ordinary shares voted at the meeting. If you attend the meeting, you may vote in person and your proxy will not be used. Detailed proxy voting instructions are provided both in the Proxy Statement and on the proxy card.

#### **Quorum and Voting**

The presence, in person or by proxy, of two shareholders holding or representing, in the aggregate, at least one third of our company's voting rights will constitute a quorum at the meeting. No business will be considered or determined at the meeting unless the requisite quorum is present within half an hour from the time designated for the meeting. If within half an hour from the time designated for the meeting a quorum is not present, the meeting will stand adjourned to the same day in the following week, at the same time and place. At the adjourned meeting, any two shareholders present in person or by proxy will constitute a quorum. This notice will serve as notice of such reconvened meeting if no

quorum is present at the original date and time and no further notice of the reconvened meeting will be given to shareholders.

Our Articles of Association require each shareholder that wishes to participate in the meeting to certify to us prior to the vote, or if the shareholder is voting by proxy, in the proxy card, as to whether or not his or her holdings in our company or his or her vote requires the approval of the Prime Minister of Israel and Israeli Minister of Communications pursuant to the Israeli Communications Law (Telecommunications and Broadcasting), 1982 or the Communications Order (Determination Of Essential Service Provided By "Bezeq" The Israeli Telecommunications Corp., Limited), 5757-1997, or the Communications Order. If a shareholder does not provide such certification, such shareholder will not be entitled to vote at the meeting and such shareholder's vote will not be counted for quorum purposes.

According to our Articles of Association, "Exceptional Holdings" do not entitle the holder to vote such shares at the meeting. "Exceptional Holdings" are defined in the Israeli Communications, and a description of the definition of "Exceptional Holdings" is included in the Proxy Statement.

An affirmative vote of the holders of a majority of the ordinary shares represented at the meeting, in person or by proxy, entitled to vote and voting thereon, is required to approve the proposals 1, 3 and 5.

#### **With respect to proposal 2**

the election of each nominee for outside director requires the affirmative vote of a majority of ordinary shares represented at the meeting, in person or by proxy, entitled to vote and voting on the matter, provided that either (i) the shares voting in favor of such resolution include at least a majority of the shares of non-controlling shareholders (and shareholders who do not have a personal interest in the matter, other than a personal interest that is not as a result of their relationship with the controlling shareholders) who vote on the matter (excluding the vote of abstaining shareholders), or (ii) the total shareholdings of the non-controlling shareholders (and shareholders who do not have a personal interest in the matter, other than a personal interest that is not as a result of their relationship with the controlling shareholders) who vote against such proposal do not represent more than 2% of the voting rights in our company.

#### **With respect to proposal 4**

Pursuant to the Israeli Companies Law, the affirmative vote of the holders of a majority of the ordinary shares represented at the Meeting, in person or by proxy, entitled to vote and voting on the matter, is required to approve the resolution. Generally, in order for such resolution to be effective with respect to a director who is deemed a controlling shareholder, either (i) the shares voting in favor of the proposal must include at least a majority of the non-interested shareholders with respect to such proposal voting on the matter (excluding the vote of abstaining shareholders); or (ii) the total shareholdings of the non-interested shareholders who vote against the proposal must not represent more than 2% of the voting rights in our company. However, pursuant to the Israeli Companies Regulations (Relief from Related Party Transactions) 5760-2000, or the Relief Regulations, such special majority is not required with respect to a director who is a controlling shareholder if the Audit Committee and Board of Directors of the Company have determined, that the terms of the insurance policy as applicable to an office holder who is a controlling shareholder are less than or equal to the terms of insurance policy as applicable to all other office holders, that the insurance policy is on market terms and will not have a material impact on the Company's profitability, assets or liabilities.

Our Audit Committee and Board of Directors have approved, subject to shareholder approval, a framework agreement of terms and conditions for the renewal, extension and/or replacement, from time to time, of our directors' and officers' liability insurance policy for all directors and officers of the company and its subsidiaries, who may serve from time to time (including a director who may be deemed a controlling shareholder, within the meaning of the Israeli Companies Law), or the New Policy, as follows: (i) the Audit Committee and Board of Directors must approve that the New Policy is in accordance with the terms and conditions of the framework agreement described in this Proxy Statement; (ii) the annual aggregate premium of the New Policy may not exceed 35% of the previous year's aggregate premium; (ii) the coverage limit per claim and in the aggregate under the New Policy may not exceed an amount representing an increase of 35% in any year, as compared to the previous year's aggregate coverage limit (iii) any New Policy may not be entered into after 2015; and (iv) the terms of any New Policy must be identical with respect to all of our officers and directors (including officers and directors who may be deemed controlling shareholders, within the meaning of the Israeli Companies Law), any New Policy must be on market terms and may not materially impact our profitability, assets or liabilities. No further approval of our shareholders

will be required in connection with any renewal and/or extension and/or purchase of the New Policy entered into in compliance with the foregoing terms and conditions of the framework agreement.

**Nevertheless, such special majority will be required if one or more shareholders holding at least 1% of the issued and outstanding share capital of the Company or of the Company's voting rights, objects to the relief from the special majority requirement, provided that such objection is submitted to the Company in writing not later than 14 days from the date of the publication of the notice regarding the Meeting.**

July 4, 2011