



# The Bezeq Era

Investors Presentation, July 2011



# 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 Key Parameters

Internet Gold is a telecommunications-oriented holding company which is a subsidiary of Eurocom Communications Ltd.

Internet Gold's primary holding is its approximately 78.11% interest in B Communications Ltd. (TASE and Nasdaq: BCOM), which in turn holds the controlling interest (approximately 31.22%) in Bezeq, The Israel Telecommunication Corp., Israel's largest telecommunications provider (TASE: BZEQ).

From April 14, 2010 through May 31, 2011, BCOM repaid more than NIS 1.5 billion of its bank debt which incurred to fund its April 2010 acquisition of the controlling interest in Bezeq ~ NIS 1.3 billion are nominal principle installments.

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<sup>1</sup> IGLD's Unconsolidated net debt:	NIS	657 million
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<sup>2</sup> Estimated value of base asset:	NIS	2.1 billion
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<sup>3</sup> Unconsolidated LTV:	36%
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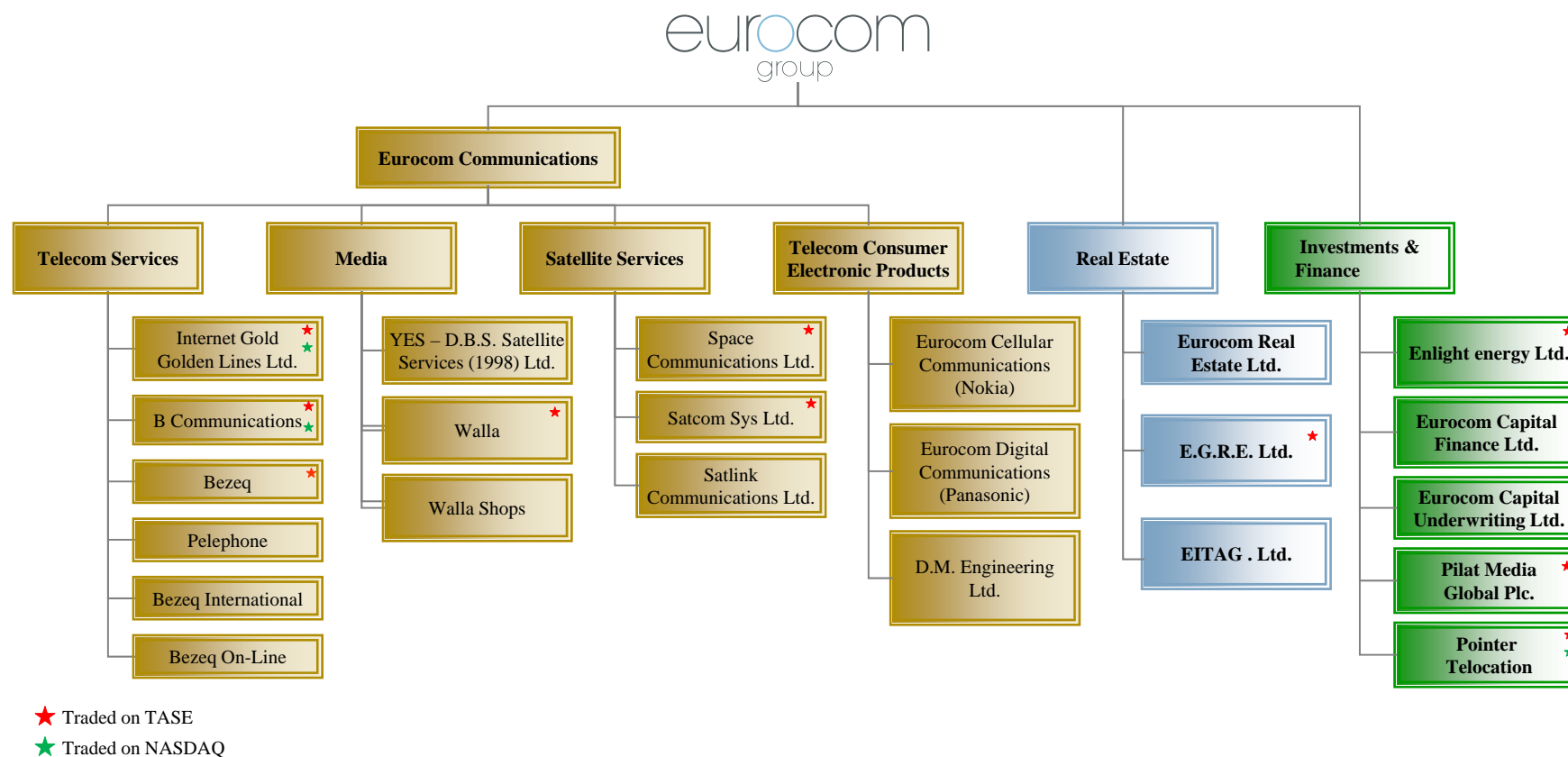
<sup>1</sup> As of March 31, 2011

<sup>2</sup> IGLD's base asset defined as the market cap of its 78.1% ownership interest in BCOM's outstanding shares as of July 20, 2011






























<sup>3</sup> Based on Midroog report from July 17, 2011

# 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, Chairman of the Board of Directors and CEO (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: 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  
and other businesses*



### **Eli Holtzman** ★

Co-Founder and CEO since 1992  
*over 30 years of operational &  
marketing experience*



### **Doron Turgeman**

CFO since 2001  
*17 years experience in financial  
management , 15 years in  
communications*

### **Proven capabilities in:**

- Strategy creation & strategic planning
- Marketing & brand development
- Operational & financial management
- Management of mergers & acquisitions
- Creation of partnerships
- Capital raising: 9 major transactions
  - 2 IPO's – IGLD and SMLC (renamed-BCOM)
  - 7 bond issues

# 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 group holding 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)

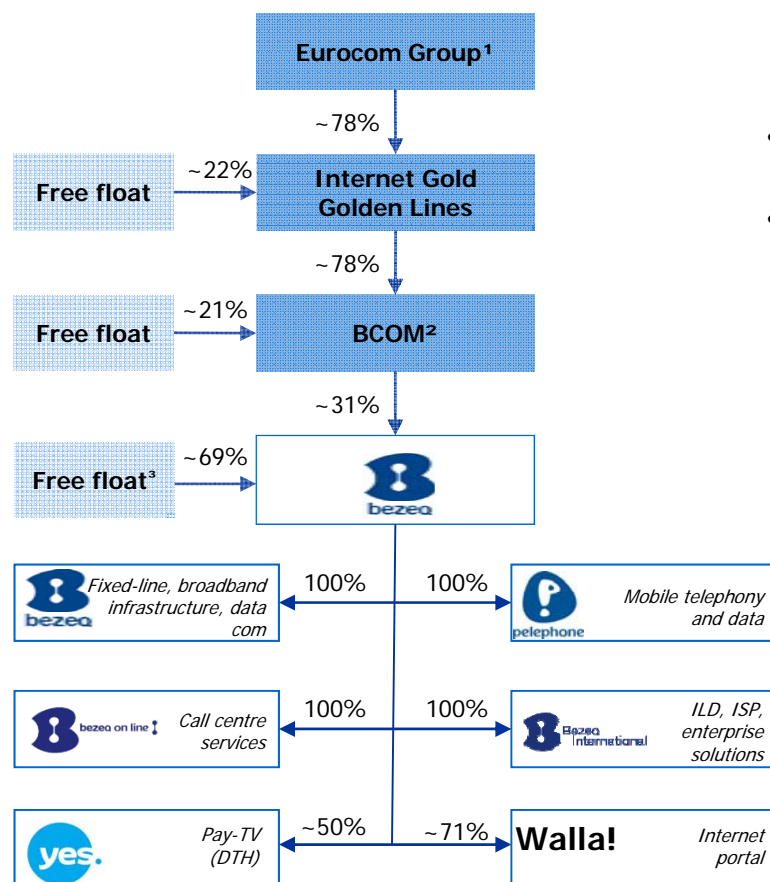
2007  
to  
2009

- 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  
2011

- Acquisition of the controlling interest in Bezeq – Israel's telecom market leader
- From April 14, 2010 through May 31, 2011, BCOM repaid more than NIS 1.5 billion (US\$ 455 million) of its bank debt which incurred to fund its April 2010 acquisition of the controlling interest in Bezeq.

# Group Structure



- April 2010 - BCOM acquired the controlling interest in Bezeq from the Apax-Saban-Arkin consortium
- Bezeq trades on the Tel-Aviv Stock Exchange, BCOM and IGLD - listed on the NASDAQ Global Select Market & TASE

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

<sup>1</sup> In addition Eurocom holds approximately 1.37% direct interest in BCOM.

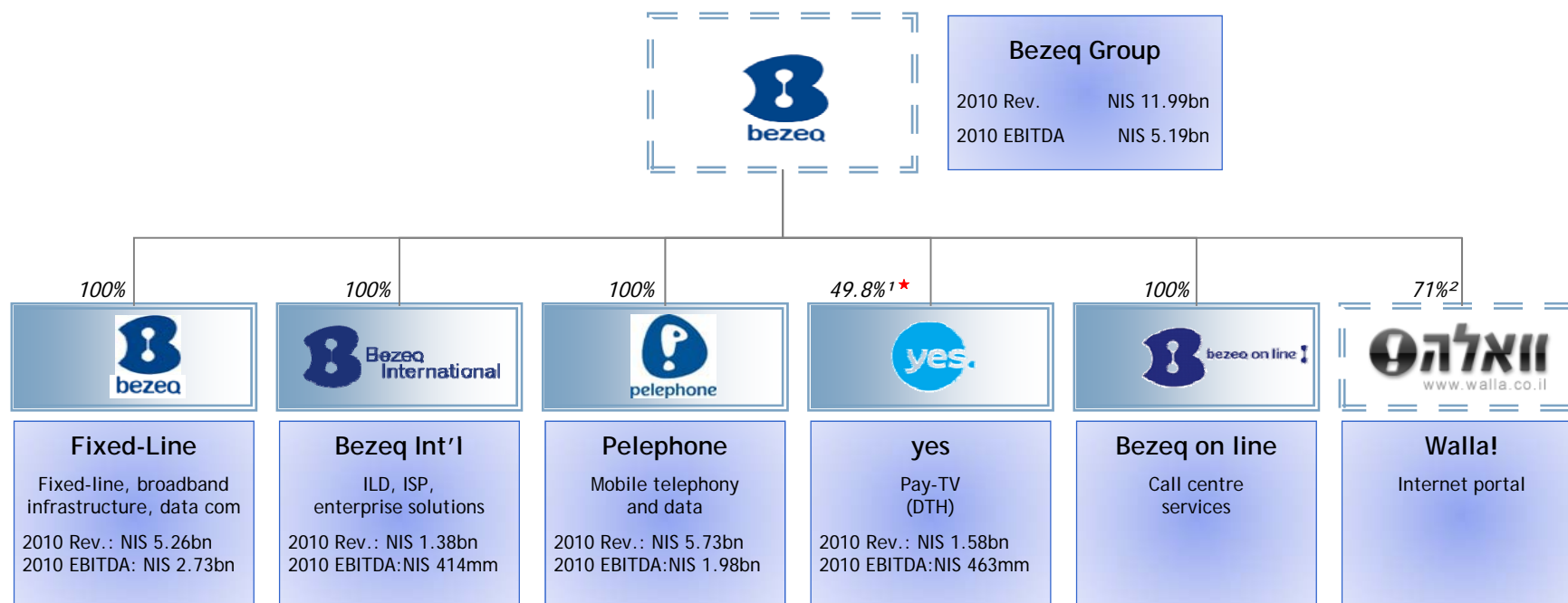
<sup>2</sup> Prior to April 2010, BCOM (B Communications Ltd.) operated under the name 012 Smile.Communications.





# Bezeq Overview

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

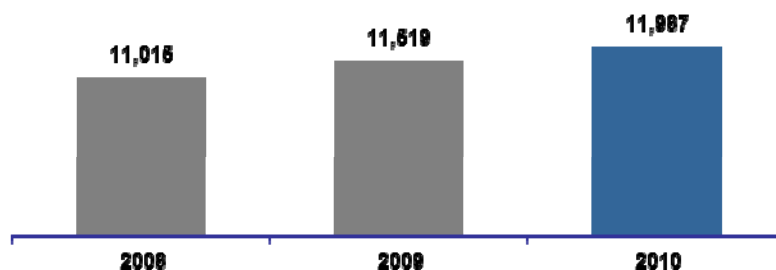


<sup>1</sup> 50.2% held by Eurocom. Following a Supreme Court decision which prevents Bezeq from acquiring control of yes, as of August 21, 2009, Bezeq ceased consolidating yes' s financial results and began accounting for its investment in yes according to the equity method

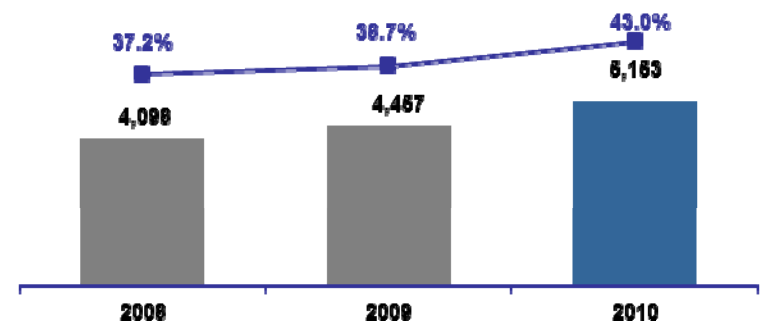
<sup>2</sup> In September 2010, Bezeq International sold its entire holding in Walla! to Bezeq

# Bezeq's Results (NIS Million)

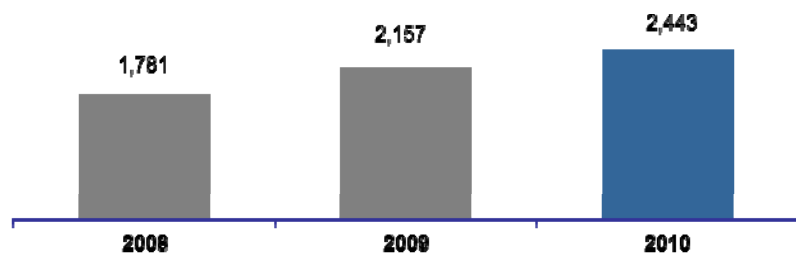
## Revenues



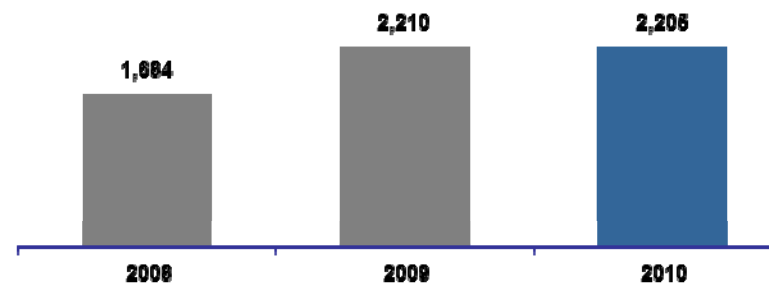
## EBITDA



## Net income from continuing operations



## Free cash flow \*



Source : Bezeq's investor presentation

2008 and 2009 figures do not consolidate YES results

\* Free cash flow is defined as free cash flow from operating activities offset by net capital expenditures (Capex)

# Bezeq Overview



## Bezeq Fixed-Line

Fixed-line, broadband infrastructure, data com

NISmm	Fiscal year ending December 31			
	2008A	2009A	2010A	CAGR 08-10
Revenue	5,498	5,303	5,263	(2.2%)
% growth	(3.8%)	(3.5%)	(0.8%)	
EBITDA	2,327	2,317	2,733	8.4%
% margin	42.3%	43.7%	51.9%	
Capex	472	767	900	38.1%
% of rev.	8.6%	14.5%	17.1%	
FCF <sup>1</sup>	1,855	1,550	1,833	(0.6%)
% of rev.	33.7%	29.2%	34.8%	

## FY 10 Business overview

- Leading provider of broadband services (ADSL) in Israel with over 1 million installed lines
- 2.5 million installed fixed lines for domestic telephony
- Provides customers with high speed data transmission and ultra-fast Internet services over existing copper lines
- Deploying next generation broadband infrastructure and content services



## Pelex

Mobile telephony and data

NISmm	Fiscal year ending December 31			
	2008A	2009A	2010A	CAGR 08-10
Revenue	4,713	5,376	5,732	10.3%
% growth	0.6%	14.1%	6.6%	
EBITDA	1,456	1,794	1,984	16.7%
% margin	30.9%	33.4%	34.6%	
Capex	795	555	397	(29.3%)
% of rev.	16.9%	10.3%	6.9%	
FCF <sup>1</sup>	661	1,239	1,587	54.9%
% of rev.	14.0%	23.0%	27.7%	

## FY 10 Business overview

- Israel's leading cellular phone operator with more than 2.7 million subscribers
- HSPA subscriber leader with over 1.5 million subscribers
- #1 in data as % of cellular service revenues. Reached 25% of cellular service revenues from data, content and Value added services.
- 1st in Israel to offer mobile communication services



## Bezeq Int'l

ILD, ISP, enterprise solutions

NISmm	Fiscal year ending December 31			
	2008A	2009A	2010A	CAGR 08-10
Revenue	1,306	1,318	1,380	2.8%
% growth	0.2%	0.9%	4.7%	
EBITDA	322	345	414	13.4%
% margin	24.6%	26.2%	30.0%	
Capex	118	120	180	23.4%
% of rev.	9.0%	9.1%	13.0%	
FCF <sup>1</sup>	203	225	234	7.5%
% of rev.	15.6%	17.1%	17.0%	

## FY 10 Business overview

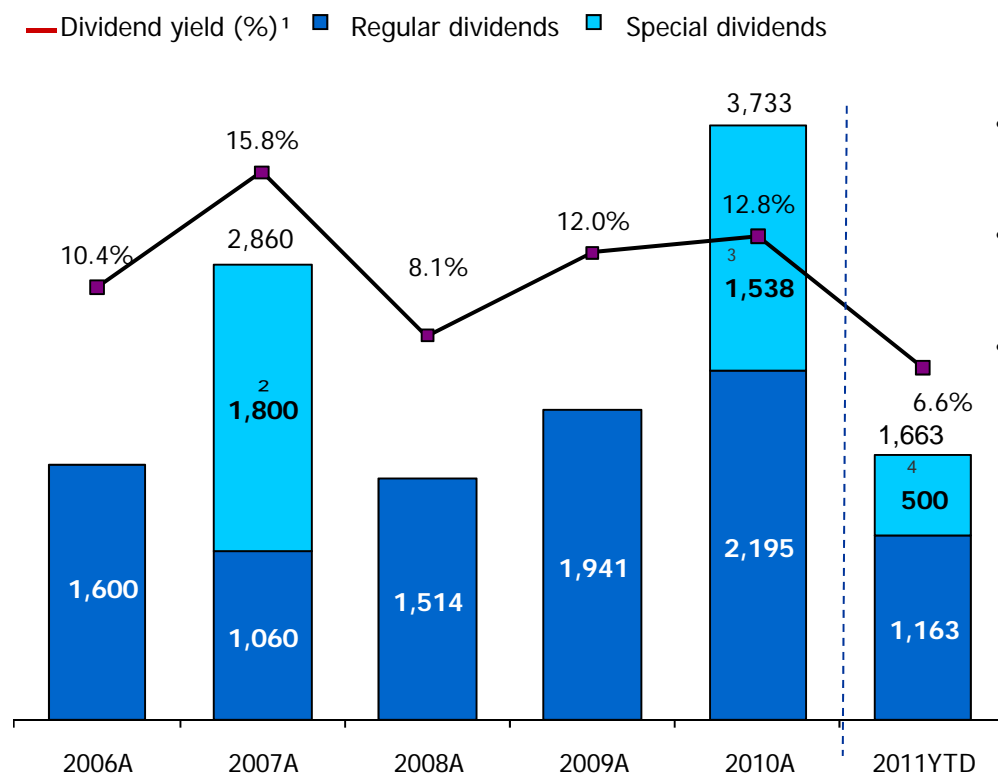
- Resilient, leading ISP provider with 36% market share
- Provider of communications solutions in international telecom, web hosting, data communications, and information security solutions
- Launch of "private NGN" and VoB services offerings in 2009

<sup>1</sup> EBITDA- Net Capex

# Bezeq's Dividend Policy:

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

## Dividend Distributions (in NIS mm)



- Based on its ownership interest, BCOM will receive ~30% of Bezeq's annual dividends
- Since 2006, Bezeq has paid over NIS 10 billion (US\$ 2.6 billion<sup>4</sup>) in dividends
- Bezeq has already paid the first of six equal special dividend payments which were declared by the Board of Directors and approved by the Israeli Court. This special dividend of 3 NIS billion in the aggregate will be paid on a semi-annual basis during 2011-2013

Source: Bezeq

<sup>1</sup> Based on regular and special dividends paid during the fiscal year.

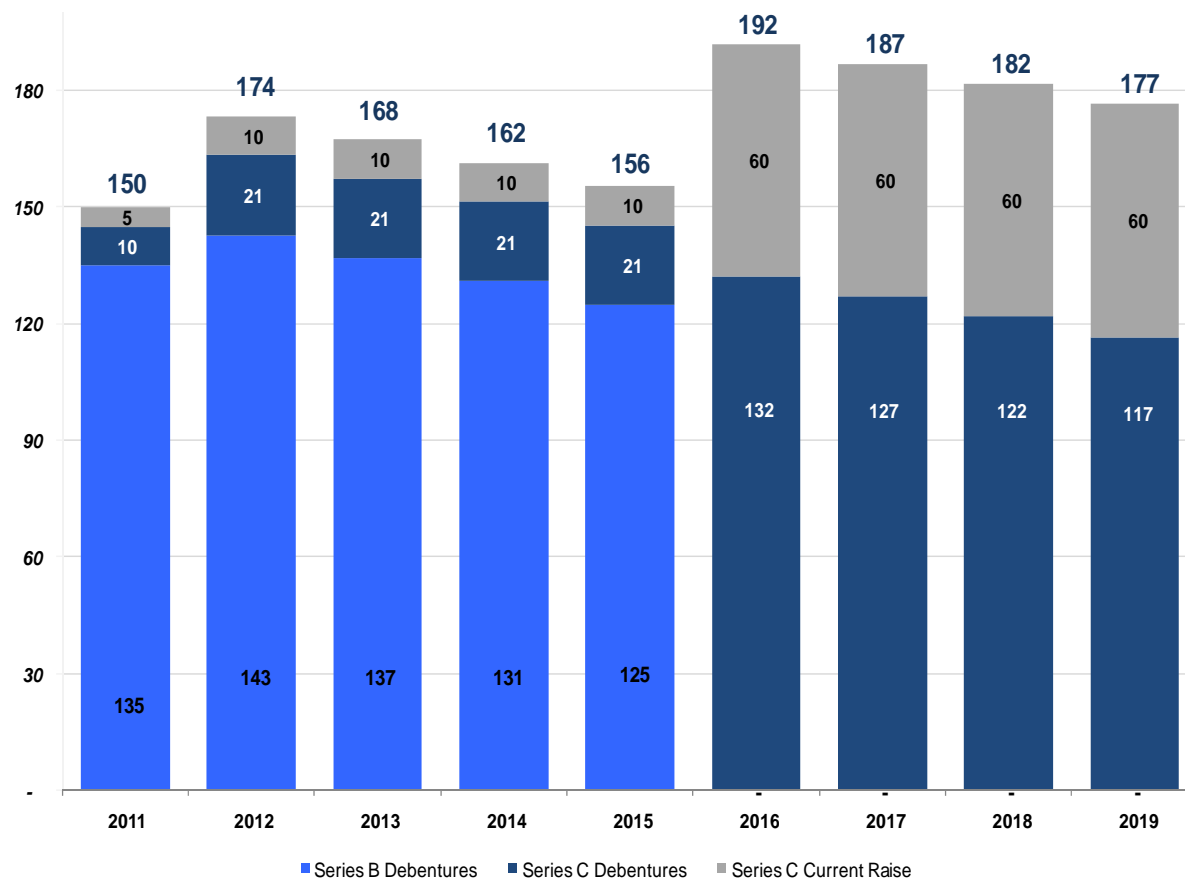
<sup>2</sup> Special dividend paid in February 2007.

<sup>3</sup> Special dividend which included a one-time gain of NIS 1.5 billion as a result of the deconsolidation of YES.

<sup>4</sup> Special dividend paid in May 2011.

# Projection of Future Debt Repayment

(2011-2019, NIS mm)



- The projected debt repayment is linked to the Israeli consumer price index as of June 30, 2011
- The projected debt repayment does not take into consideration future changes in the inflation rate
- All amounts include future estimated interest payments

## IGLD's Financials Parameters

<sup>1</sup> Unconsolidated gross debt: NIS 1,044 million

<sup>1</sup> Unconsolidated net cash: NIS 387 million

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<sup>1</sup> Unconsolidated net debt: NIS 657 million

<sup>2</sup> Estimated value of base asset: NIS 2.1 billion

<sup>3</sup> Unconsolidated LTV: 36%

<sup>1</sup> Bcom's gross debt: NIS 5,150 million

<sup>1</sup> Bcom's net cash and assets: NIS 930 million

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<sup>1</sup> Bcom's net debt: NIS 4,220 million

<sup>4</sup> Estimated value of base asset: NIS 7.3 billion

<sup>1</sup> As of March 31, 2011

<sup>2</sup> IGLD's base asset defined as the market cap of its 78.1% ownership interest in BCOM's outstanding shares as of July 20, 2011

<sup>3</sup> Based on Midroog report from July 17, 2011

<sup>4</sup> BCOM's base asset defined as the market cap of its 31.22% ownership interest in BEZEO's outstanding shares as of July 20, 2011

## **INTERNET GOLD - GOLDEN LINES DEBENTURES RECEIVE AN A3 STABLE RATING**

Midroog Ltd., an Israeli rating company affiliated with Moody's, has awarded a local A3 stable rating for a possible issuance of up to NIS 200 million of additional existing Series C Debentures or a new series of debentures with an average duration of approximately 5.5 years.

The Debentures, if offered, will be offered only in Israel pursuant to a shelf prospectus and a prospectus supplement, will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States or to U.S. Persons (as such term is defined under Regulation S promulgated under the Securities Act) without registration under the Securities Act or an exemption from the registration requirements of the Securities Act.

In awarding the A3 rating, Midroog cited the residual cash flow coverage ratios expected from B Communications shareholdings. In Midroog's estimation, the debt servicing ability by means of the residual cash flow is not favorable when considering the amortization table structure, with a duration which is short in relation to the projected cash flow. Conversely, Midroog cited that the Company and B Communications regularly maintain considerable fluid cash balances which are meant to serve as additional support for current debt servicing.

In addition, Midroog cited that the Company has a high ownership percentage in B Communications in a manner that does not threaten control of B Communications under a scenario in which a portion of the shareholdings are sold. In addition, Midroog mentioned the low leverage ratio between the value of B Communications shares held by the Company and the debt balance.





## The Bezeq Era

Thank you

