Internet Gold Reports Financial Results for The Third Quarter of 2013

- Maintaining sufficient liquidity for the coming years -

Ramat Gan, Israel – Novmber 7, 2013 – Internet Gold – Golden Lines Ltd. (NASDAQ Global Market and TASE: IGLD) today reported its financial results for the third quarter ended September 30, 2013.

Bezeq's Results: For the third quarter of 2013, the Bezeq Group reported revenues of NIS 2.4 billion ($ 679 million) and operating profit of NIS 721 million ($ 204 million). Bezeq's EBITDA for the third quarter totaled NIS 1.05 billion ($ 297 million), representing an EBITDA margin of 44%. Net income for the period attributable to Bezeq's shareholders totaled NIS 449 million ($ 127 million). Bezeq's cash flow from operating activities during the period totaled NIS 1.1 billion ($ 323 million).

Cash Position: As of September 30, 2013, Internet Gold's unconsolidated cash and cash equivalents totaled NIS 279 million ($ 79 million), its unconsolidated gross debt was NIS 1.1 billion ($ 301 million) and its unconsolidated net debt was NIS 786 million ($ 222 million).

Internet Gold's Unconsolidated Balance Sheet Data*

In millions		**Convenience translation into U.S. dollars (Note A)**		
	September 30, 2013	**September 30, 2013**	**September 30, 2012**	**December 31, 2012**
	NIS	**US$**	**NIS**	**NIS**
Short term liabilities	**144**	**41**	147	138
Long term liabilities	**921**	**260**	1,023	895
Total liabilities	**1,065**	**301**	1,170	1,033
Cash and cash equivalents	**279**	**79**	312	179
Total net debt	**786**	**222**	858	854

***** Does not include the balance sheet of B Communications.

Dividend from Bezeq: On September 15, 2013, Internet Gold's subsidiary, B Communications Ltd., received two dividend payments from Bezeq which together totaled NIS 455 million ($ 129 million). These dividend payments included a current dividend of NIS 300 million ($ 85 million), representing B Communications' share of Bezeq's net profit for the first half of 2013, and a special dividend of NIS 155 million ($ 44 million), representing B Communications' share of the sixth and last installment of the special dividend declared by Bezeq and approved by its shareholders in 2011.

Internet Gold's Third Quarter Financial Results

Internet Gold's consolidated revenues for the third quarter of 2013 were NIS 2.4 billion ($ 679 million), a 3.8% decrease compared with NIS 2.5 billion reported in the third quarter of 2012. For both the current and the prior-year periods, Internet Gold's consolidated revenues consisted entirely of Bezeq's revenues.

During the third quarter of 2013, B Communications recorded **net amortization expenses related to its Bezeq purchase price allocation** ("Bezeq PPA") of NIS 198 million ($ 56 million) in its consolidated financial statements. From April 14, 2010, the date of the acquisition of its interest in Bezeq, until June 30, 2013, B Communications has amortized approximately 57% of the total Bezeq PPA. The Bezeq PPA amortization expense is a non-cash expense that is subject to adjustment. If, for any reason, B Communications finds it necessary or appropriate to make adjustments to amounts already expensed, it may result in significant changes to its audited financial reports, as well as to future financial statements.

Internet Gold's financial expenses, net: Internet Gold's unconsolidated net financial expenses for the third quarter of 2013 totaled NIS 41 million ($ 12 million) compared with NIS 17 million in the third quarter of 2012. These expenses included NIS 29 million ($ 8 million) in payments to holders of the Company's publicly-traded debentures, and a NIS 16 million ($ 3 million) non-cash expense related to the revaluation of Nurisha Holdings Ltd.'s option to purchase B Communications shares, which, in accordance with IAS 39, must be revalued each quarter until it vests in the second quarter of 2014. As non-cash items, any expense or income resulting from this revaluation do not affect the Company's cash-flow. In addition, financial expenses were impacted by the third quarter's 0.45% increase in inflation rates as compared to the third quarter of 2012, which increased payments due to the Company's bond holders.

These expenses were partially offset by financial income of NIS 4 million that resulted from the Company's marketable securities.

Internet Gold's net loss attributable to shareholders for the third quarter of 2013 was NIS 32 million ($ 9 million), a 48% improvement compared to a net loss of NIS 62 million in the third quarter of 2012.

Internet Gold's Unconsolidated Financial Results

In millions		**Convenience translation into U.S. dollars (Note A)**		
	Three-month period ended September 30,	**Three-month period ended September 30,**	**Three-month period ended September 30,**	**Year ended December 31,**
	2013	**2013**	**2012**	**2012**
	NIS	**US$**	**NIS**	**NIS**
Revenues	**-**	**-**	-	-
Financial expenses	**(41)**	**(12)**	(17)	(60)
Other expenses	**(1)**	**-**	(1)	(14)
Interest in BCOM's net income (loss)	**10**	**3**	(44)	37
Net income (loss)	**32**	**9**	(62)	(37)

Comments of Management

Commenting on the results, Doron Turgeman, CEO of Internet Gold said, "The third quarter was another period of progress according to our long-term work plan. With the goal of increasing our liquidity, during the quarter we sold a portion of our B Communications shares and now have a cash balance that is sufficient, according to the assumptions of our current work plan, to fully service our debt until 2015. In addition, the dividend distribution that B Communications has recently announced will further increase our liquidity. In general, we continue to be very pleased with all aspects of the Bezeq acquisition, which continues to generates a steady return that enhances our overall financial position and capabilities. We remain exceedingly confident regarding Bezeq's positioning in Israel's communications market and continue to seek out appropriate high-potential opportunities further afield."

Bezeq Group Results (Consolidated)

To provide further insight into its results, the Company is providing the following summary of the consolidated financial report of the Bezeq Group for the third quarter ended September 30, 2013. For a full discussion of Bezeq's results for the third quarter of 2013, please refer to its website: http://ir.bezeq.co.il.

Bezeq Group (consolidated)	Q3 2013	Q3 2012	% change
	(NIS millions)		
Revenues	2,398	2,494	-3.8%
Operating profit	721	667	8.1%
EBITDA	1,050	1,026	2.3%
EBITDA margin	43.8%	41.1%	
Net profit attributable to Company shareholders	449	342	31.3%
Diluted EPS (NIS)	0.16	0.13	23.1%
Cash flow from operating activities	1,143	1,024	11.6%
Payments for investments, net	267	270	-1.1%
Free cash flow [1]	876	754	16.2%
Net debt/EBITDA (end of period) [2]	1.97	1.64	

[1] Free cash flow is defined as cash flow from operating activities less net payments

[2] EBITDA in this calculation refers to the trailing twelve months.

Revenues of the Bezeq Group in the third quarter of 2013 amounted to NIS 2.40 billion ($ 679 million) compared with NIS 2.49 billion in the corresponding quarter of 2012, a decrease of 3.8%. The reduction in Bezeq Group revenues was primarily due to a decrease in cellular segment revenues. Nevertheless, the Bezeq Group results reflect a moderation in the quarter-over-quarter decrease in Pelephone's revenues, relative stability in the revenues of Bezeq Fixed-line and an increase in the revenues of Bezeq International.

The Bezeq Group's focused policy of initiating streamlining and efficiency measures in all segments, contributed to the increase in profitability metrics.

Operating profit of the Bezeq Group in the third quarter of 2013 amounted to NIS 721 million ($ 204 million) compared with NIS 667 million in the corresponding quarter of 2012, an increase of 8.1%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) of the Bezeq Group in the third quarter of 2013 amounted to NIS 1.05 billion ($ 297 million) (EBITDA margin of 43.8%) compared with NIS 1.03 billion (EBITDA margin of 41.1%) in the corresponding quarter of 2012, an increase of 2.3%.

Net profit attributable to Bezeq shareholders amounted to NIS 449 million ($127 million) compared with NIS 342 million in the corresponding quarter of 2012, an increase of 31.3%.

The third quarter results again show record levels of operating cash flow and the second highest free cash flow in the last few years. **Cash flow from operating activities** of the Bezeq Group in the third quarter of 2013 amounted to NIS 1.14 billion ($ 323 million) compared with NIS 1.02 billion in the corresponding quarter of 2012, an increase of 11.6%. **Free cash flow** of the Bezeq Group in the third quarter of 2013 amounted to NIS 876 million ($ 248 million) compared with NIS 754 million in the corresponding quarter of 2012, an increase of 16.2%.

Net financial debt of the Bezeq Group was NIS 8.58 billion ($ 2.43 billion) at September 30, 2013 compared with NIS 7.19 billion as of September 30, 2012.

Notes:

A. Convenience Translation to Dollars: For the convenience of the reader, certain of the reported NIS figures of September 30, 2013 have been presented in millions of U.S. dollars, translated at the representative rate of exchange as of September 30, 2013 (NIS 3.537 = 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.

B. Use of non-IFRS Measurements: We and the Bezeq Group’s management regularly use supplemental non-IFRS financial measures internally to understand, manage and evaluate its business and make operating decisions. We believe these non-IFRS financial measures provide consistent and comparable measures to help investors understand the Bezeq Group’s current and future operating cash flow performance.

These non-IFRS financial measures may differ materially from the non-IFRS financial measures used by other companies.

EBITDA is a non-IFRS financial measure generally defined as earnings before interest, taxes, depreciation and amortization. The Bezeq Group defines EBITDA as net income before financial income (expenses), net, impairment and other charges, expenses recorded for stock compensation in accordance with IFRS 2, income tax expenses and depreciation and amortization. We present the Bezeq Group’s 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, 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).

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 IFRS as a measure of profitability or liquidity. 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, 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.

Reconciliation between the Bezeq Group’s results on an IFRS and non-IFRS basis is provided in a table immediately following the Company's consolidated results. Non-IFRS financial measures consist of IFRS 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 the Bezeq Group’s performance exclusive of non-cash charges and other items that are considered by management to be outside of its core operating results. The Bezeq Group's non-IFRS financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures, and should be read only in conjunction with its consolidated financial statements prepared in accordance with IFRS.

About Internet Gold

Internet Gold is a telecommunications-oriented holding company which is a controlled subsidiary of Eurocom Communications Ltd. Internet Gold's primary holding is its controlling interest in B Communications Ltd. (TASE and Nasdaq: BCOM), which in turn holds the controlling interest in Bezeq, The Israel Telecommunication Corp., Israel's largest telecommunications provider (TASE: BZEQ). Internet Gold's shares are traded on NASDAQ and the TASE under the symbol IGLD. For more information, please visit the following Internet sites:

www.igld.com
www.bcommunications.co.il
www.ir.bezeq.co.il

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, the failure to manage growth and other risks detailed from time to time in B Communications' filings with the Securities Exchange Commission. 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.

For further information, please contact:

Idit Cohen – IR Manager
idit@igld.com **/ Tel: +972-3-924-0000**

Investor relations contacts:
Mor Dagan - Investor Relations
mor@km-ir.co.il **/ Tel: +972-3-516-7620**

Condensed Consolidated Statements of Financial Position as at

(In millions)

	September 30 2013 NIS	Convenience translation into U.S. dollars (Note A) September 30 2013 US$	September 30 2012 NIS	December 31 2012 NIS
Assets				
Cash and cash equivalents	**1,111**	**314**	705	764
Investments, including derivative financial instruments	**1,783**	**504**	1,743	1,655
Trade receivables, net	**2,791**	**790**	3,044	2,927
Other receivables	**344**	**99**	259	329
Inventory	**122**	**34**	149	123
Assets classified as held-for-sale	**221**	**62**	172	164
Total current assets	**6,372**	**1,802**	6,072	5,962
Investments, including derivative financial instruments	**90**	**25**	94	90
Long-term trade and other receivables	**700**	**198**	1,193	1,074
Property, plant and equipment	**6,584**	**1,862**	6,811	6,911
Intangible assets	**6,779**	**1,917**	7,189	7,252
Deferred and other expenses	**389**	**109**	406	384
Investment in equity-accounted investee (mainly loans)	**1,000**	**283**	984	1,005
Deferred tax assets	**93**	**26**	144	*128
Total non-current assets	**15,635**	**4,420**	16,821	16,844
Total assets	**22,007**	**6,222**	22,893	22,806

* Restated following the retrospective application of the amendment to IAS 19, Employee Benefits.

Condensed Consolidated Statements of Financial Position as at (cont'd)

(In millions)

	September 30	Convenience translation into U.S. dollars (Note A) September 30	September 30	December 31
	2013	**2013**	**2012**	**2012**
	NIS	**US$**	**NIS**	**NIS**
Liabilities				
Short-term bank credit, current maturities of long-term liabilities and debentures	**1,609**	**455**	1,057	1,707
Trade payables	**630**	**178**	770	793
Other payables, including derivative financial instruments	**901**	**255**	825	746
Dividend payable	**-**	**-**	1,366	669
Current tax liabilities	**774**	**219**	564	588
Provisions	**124**	**35**	172	145
Employee benefits	**248**	**70**	288	*251
Total current liabilities	**4,286**	**1,212**	5,042	4,899
Debentures	**6,476**	**1,831**	6,066	5,913
Bank loans	**6,184**	**1,748**	6,524	6,422
Loans from institutions and others	**549**	**155**	546	540
Dividend payable	**-**	**-**	326	-
Employee benefits	**258**	**73**	228	*260
Other liabilities	**81**	**23**	86	67
Provisions	**67**	**19**	71	66
Deferred tax liabilities	**1,082**	**306**	1,107	1,159
Total non-current liabilities	**14,697**	**4,155**	14,954	14,427
Total liabilities	**18,983**	**5,367**	19,996	19,326
Equity				
Total equity attributable to equity holders of the Company	**(89)**	**(25)**	(185)	*(92)
Non-controlling interests	**3,113**	**880**	3,082	*3,572
Total equity	**3,024**	**855**	2,897	3,480
Total liabilities and equity	**22,007**	**6,222**	22,893	22,806

* Restated following the retrospective application of the amendment to IAS 19, Employee Benefits.

Condensed Consolidated Statements of Income for the

(In millions, except per share data)

	Nine months period ended September 30			Three months period ended September 30			Year ended December 31
		Convenience translation into U.S. dollars			Convenience translation into U.S. dollars		
	2013	2013	2012	2013	2013	2012	2012
	NIS	US$	NIS	NIS	US$	NIS	NIS
Revenues	**7,154**	**2,023**	7,829	**2,398**	**678**	2,494	10,278
Cost and expenses							
Depreciation and amortization	**1,508**	**426**	2,267	**527**	**149**	757	2,367
Salaries	**1,438**	**407**	1,530	**466**	**132**	512	*1,980
General and operating expenses	**2,610**	**738**	3,016	**890**	**251**	964	3,997
Other operating (income) expenses, net	**(30)**	**(8)**	52	**(1)**	**-**	19	(1)
	5,526	**1,563**	6,865	**1,882**	**532**	2,252	8,343
Operating income	**1,628**	**460**	964	**516**	**146**	242	1,935
Financing expenses, net	**311**	**88**	344	**138**	**39**	124	*415
Income after financing expenses, net	**1,317**	**372**	620	**378**	**107**	118	1,520
Share in losses of equity-accounted investee	**195**	**55**	233	**88**	**25**	92	245
Income before income tax	**1,122**	**317**	387	**290**	**82**	26	1,275
Income tax	**428**	**121**	279	**143**	**40**	75	*556
Net income (loss) for the period	**694**	**196**	108	**147**	**42**	(49)	719
Income (loss) attributable to:							
Owners of the Company	**18**	**5**	(144)	**(32)**	**(9)**	(62)	*(37)
Non-controlling interests	**676**	**191**	252	**179**	**51**	13	*756
Net income (loss) for the period	**694**	**196**	108	**147**	**42**	(49)	719
Earnings per share							
Net income (loss), basic	**0.75**	**0.21**	(7.52)	**(1.68)**	**(0.47)**	(3.24)	(1.97)
Net income (loss), diluted	**0.70**	**0.20**	(7.55)	**(1.70)**	**(0.48)**	(3.24)	(2.01)

* Restated following the retrospective application of the amendment to IAS 19, Employee Benefits.

Reconciliation for NON-IFRS Measures

EBITDA

The following is a reconciliation of the Bezeq Group's operating income to EBITDA:

In millions

	Three months period ended September 30		
		Convenience translation into U.S. dollars (Note A)	
	2013	2013	2012
	NIS	US$	NIS
Operating income	**721**	**204**	667
Depreciation and amortization	**329**	**93**	359
EBITDA	**1,050**	**297**	1,026

Free Cash Flow

The following table shows the calculation of the Bezeq Group's free cash flow:

In millions

	Three months period ended September 30		
		Convenience translation into U.S. dollars (Note A)	
	2013	2013	2012
	NIS	US$	NIS
Cash flow from operating activities	**1,143**	**323**	1,024
Purchase of property, plant and equipment	**(270)**	**(76)**	(309)
Investment in intangible assets and deferred expenses	**(50)**	**(14)**	(58)
Proceeds from the sale of property, plant and equipment	**53**	**15**	97
Free cash flow	**876**	**248**	754