



The Bezeq Era

Investors Presentation, May 2014



Forward-Looking Statement

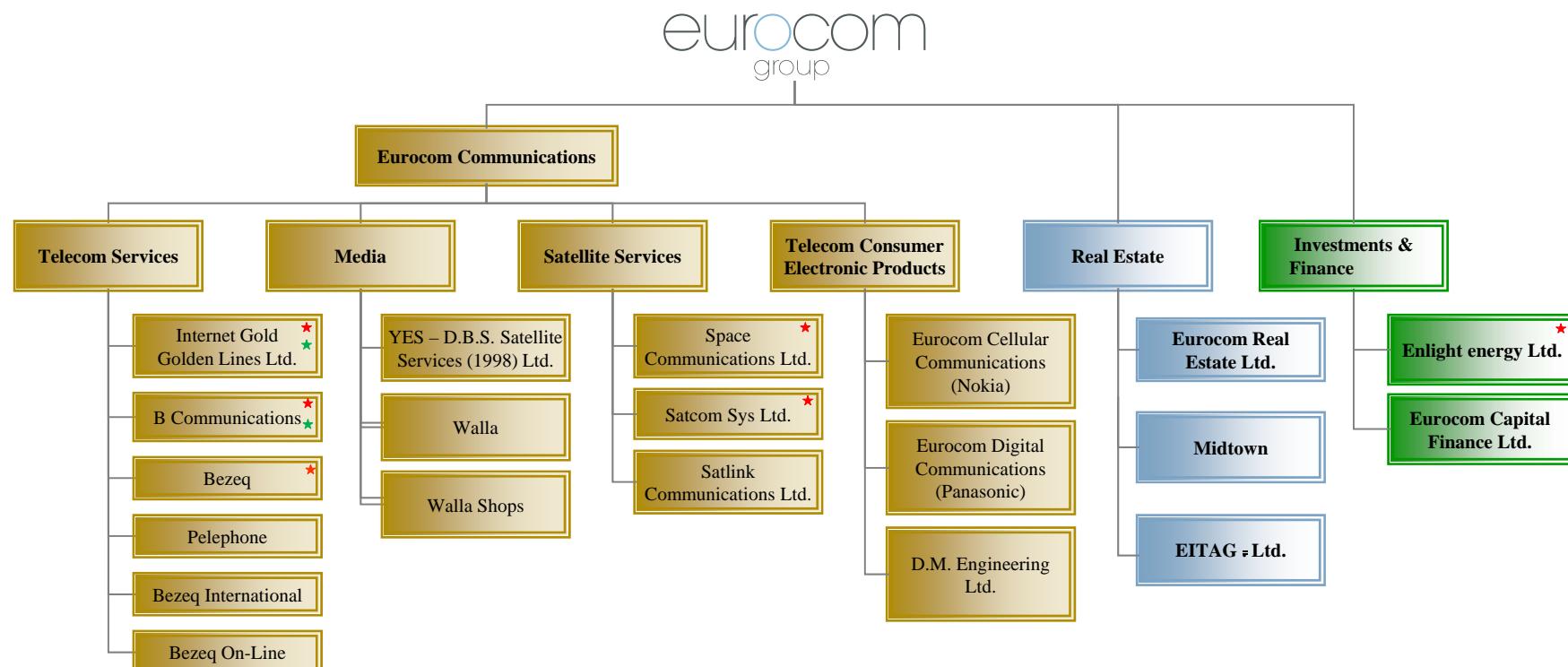
This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements that are not historical facts and may include financial projections 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 Profile

- Internet Gold (TASE and Nasdaq: IGLD) is a telecommunications-oriented holding company. Internet Gold's primary holding is its 68% interest in B Communications Ltd. ("BCOM") (TASE and Nasdaq: BCOM), which in turn holds the controlling interest (approximately 30.89%) in Bezeq – The Israel Telecommunication Corp., Israel's largest telecommunications provider (TASE: BEZQ).
- Internet Gold is a subsidiary of Eurocom Communications Ltd.
- Since the acquisition of its controlling interest in Bezeq in April 2010, BCOM has decreased its net debt from more than NIS 5 billion to just NIS 2.8 billion as of March 31, 2014.
- On February 19, 2014, BCOM announced the completion of a private offering of US\$ 800 million senior secured notes to fully refinance its bank and institutional debt that was incurred to acquire its controlling interest in Bezeq.
- On March 3, 2014, IGLD completed public offering of its new Series D debentures for an aggregate principal amount of NIS 117.5 million at a price per Unit of NIS 1,070. The gross proceeds from the offering amounted to NIS 125.8 million.

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, our Chairman of the Board of Directors (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

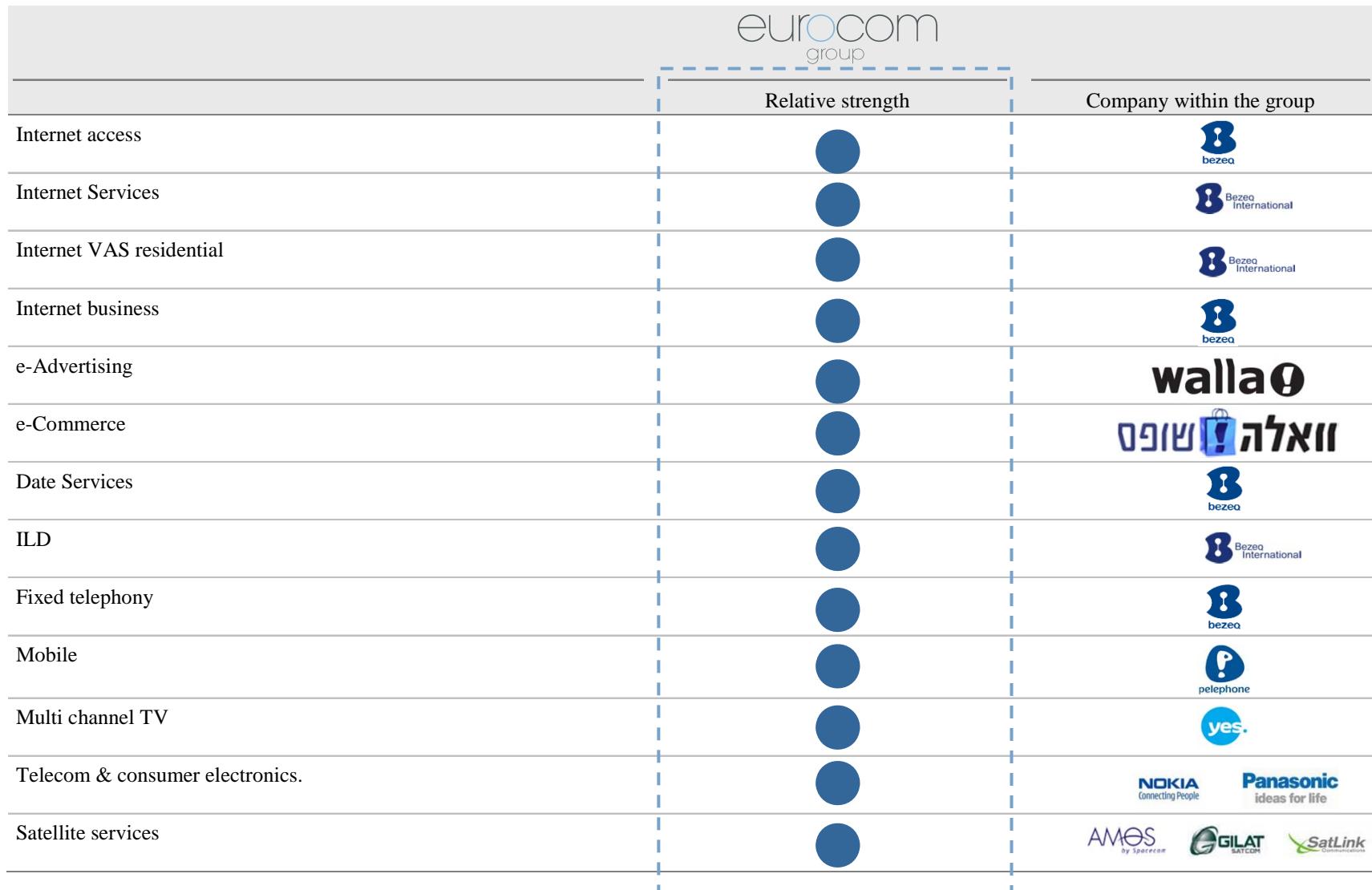


★ Traded on TASE

★ Traded on NASDAQ

★ Traded on TASE and AIM

Eurocom: Israel's Largest Communications Footprint



IGLD - Experienced, Disciplined Leadership



Shaul Elovitch*

Founder & Chairman

*Over 30 years experience
building leading communications
businesses and other major
investments businesses*

Proven capabilities in:

- Strategy creation & strategic planning
- Marketing & brand development
- Operational & financial management
- Management of mergers & acquisitions
- Creation of partnerships
- Capital raising: 13 major transactions
 - 2 IPOs – IGLD and BCOM
 - 10 bond issues
 - \$800 million Rule 144A offering



Doron Turgeman

CEO since 2011 & CFO from 2001 till 2011

*19 years experience in management
17 years in communications*

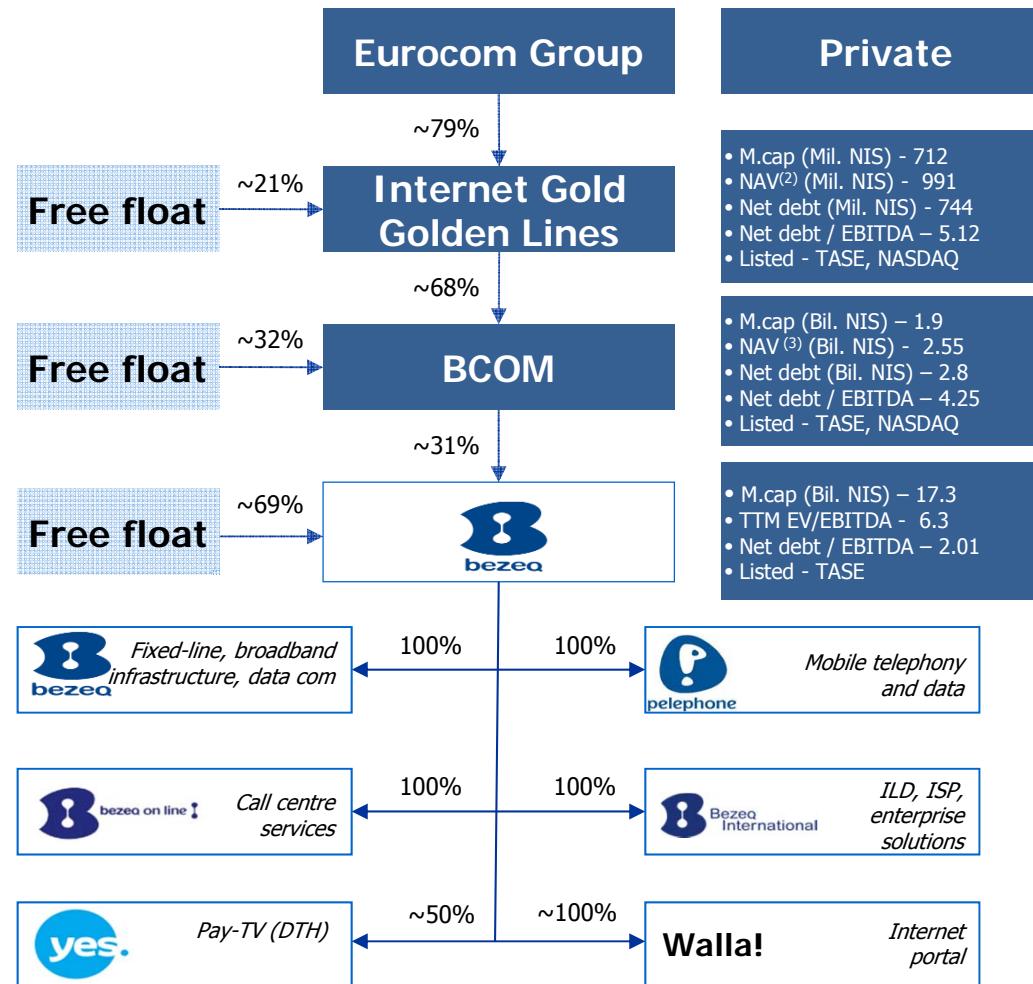
* Chairman of the board of directors of Bezeq and its subsidiaries

Key Milestones for IGLD

From small entrepreneurial business to large holding company

1992 to 1995	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Continuous organic growth• Restructure of IGLD into a holding company owning 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	<ul style="list-style-type: none">• 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
2010 to 2014	<ul style="list-style-type: none">• Acquisition of the controlling interest in Bezeq – Israel's telecom market leader• From April 2010 through March 2014, BCOM has decreased its net debt from more than NIS 5 billion to just NIS 2.8 billion as of March 31, 2014.• On February 19, 2014, BCOM announced the completion of a private offering of US\$ 800 million senior secured notes to fully refinance its bank and institutional debt that was incurred to acquire its controlling interest in Bezeq.

Group Structure



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

⁽¹⁾ All figures and ratios are as of March 31, 2014, while Net debt of BCOM and Bezeq was adjusted for the dividend distributed by Bezeq on April 2014.

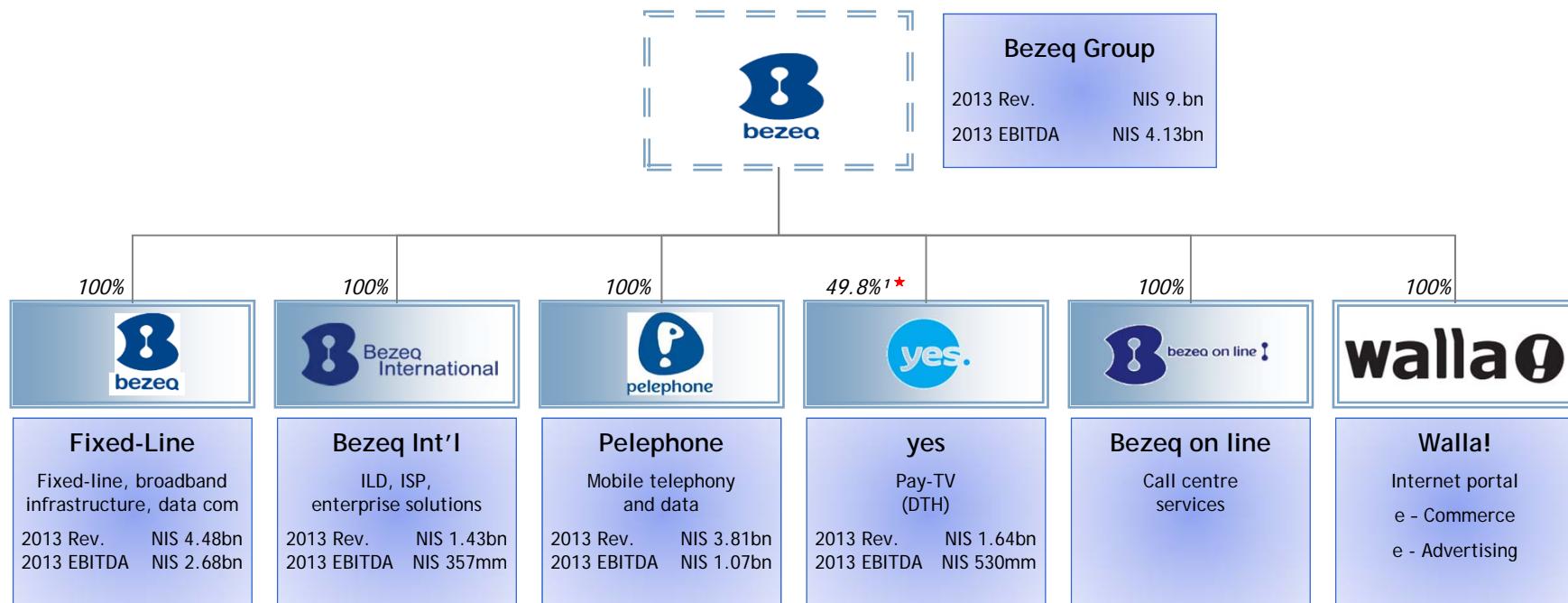
⁽²⁾ IGLD's NAV is defined as value of IGLD's shares according to BCOM's NAV, based on Bezeq stock price as of May 28, 2014 less IGLD's net debt.

⁽³⁾ BCOM's NAV is defined as value of BCOM's shares according to Bezeq market cap, based on Bezeq stock price as of May 28, 2014 less BCOM's adjusted net debt.



Bezeq Overview

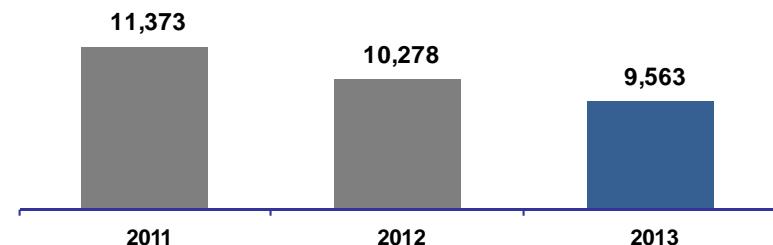
Bezeq: Israel's Most Comprehensive Communications Infrastructure and Service Provider



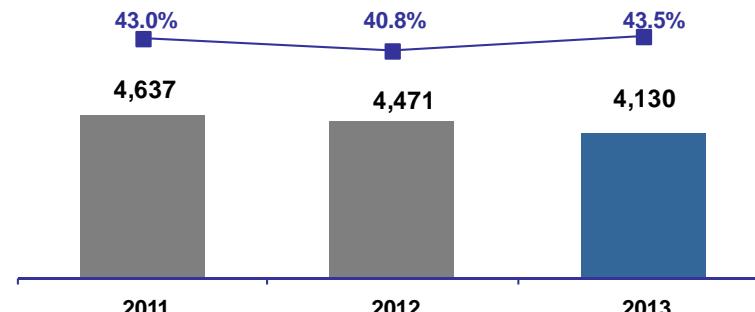
¹ 50.2% held by Eurocom. Following a Supreme Court decision which prevents Bezeq from acquiring control of yes, as of August 21, 2009, Bezeq ceased consolidating yes's financial results and began accounting for its investment in yes according to the equity method

Bezeq's Results (NIS Millions)

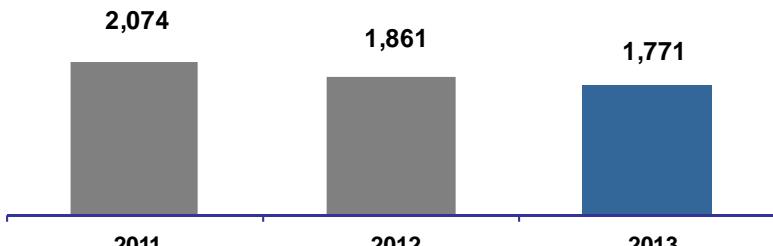
Revenues



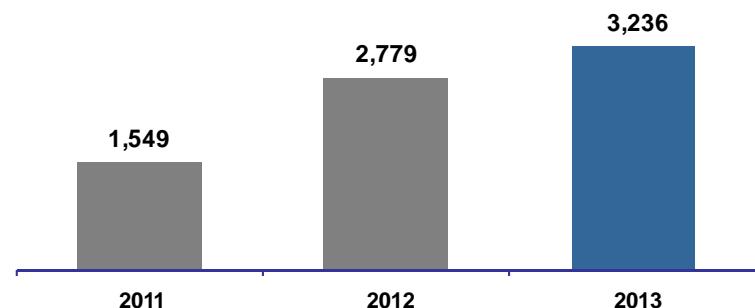
EBITDA



Net income attributable to shareholders



Free cash flow *



Source : Bezeq's press release

* Free cash flow is defined as free cash flows from operating activities less net capex payments

Bezeq Overview



Bezeq Fixed-Line

Fixed-line, broadband infrastructure, data com

	Fiscal year ending December 31			CAGR
NISmm	2011A	2012A	2013A	11-13
Revenue	4,648	4,630	4,478	-1.85%
% growth	-11.7%	-0.4%	-3.3%	
EBITDA	2,346	2,689	2,681	6.90%
% margin	50.5%	58.1%	59.9%	
Capex	937	658	485	-14.49%
% of rev.	20.2%	14.2%	10.8%	
FCF ¹	1,169	1,351	1,789	23.71%
% of rev.	25.2%	29.2%	40.0%	



Pelephone

Mobile telephony and data

	Fiscal year ending December 31			CAGR
NISmm	2011A	2012A	2013A	11-13
Revenue	5,548	4,468	3,809	-17.14%
% growth	-3.2%	-19.5%	-14.7%	
EBITDA	1,921	1,423	1,065	-25.54%
% margin	34.6%	31.8%	28.0%	
Capex, net	382	381	315	-9.19%
% of rev.	6.9%	8.5%	8.3%	
FCF ¹	418	1,347	1,276	74.72%
% of rev.	7.5%	30.1%	33.5%	



Bezeq International

ILD, ISP, enterprise solutions

	Fiscal year ending December 31			CAGR
NISmm	2011A	2012A	2013A	11-13
Revenue	1,354	1,340	1,433	2.88%
% growth	-1.9%	-1.0%	6.9%	
EBITDA	350	355	357	1.00%
% margin	25.8%	26.5%	24.9%	
Capex, net	288	173	97	-41.97%
% of rev.	21.3%	12.9%	6.8%	
FCF ¹	(44)	99	191	-
% of rev.	-3.2%	7.4%	13.3%	



- Leading provider of broadband services (ADSL/VDSL) in Israel with over 1.25 million subscribers offering up to 100 Mbps.
- FTTC, all IP, infrastructure for consumer and business customers.
- Provides customers with high speed data transmission and ultra-fast Internet services over existing copper lines and fiber.
- 99% of Israeli households covered.



- 2.6 million cellular customers
- HSPA (High Access Packet Speed) cellular technology offering 3.75 G speed.
- Essential to accessing higher value segments of the market.
- Strong platform for rising smartphone demand and advanced data services.



- Leading broadband Internet service in Israel. Approximately 39% Internet market share.
- Israel's largest data center.
- New high-speed submarine cable system deployed between Israel and Europe.
- Increasing bandwidth at affordable rates.

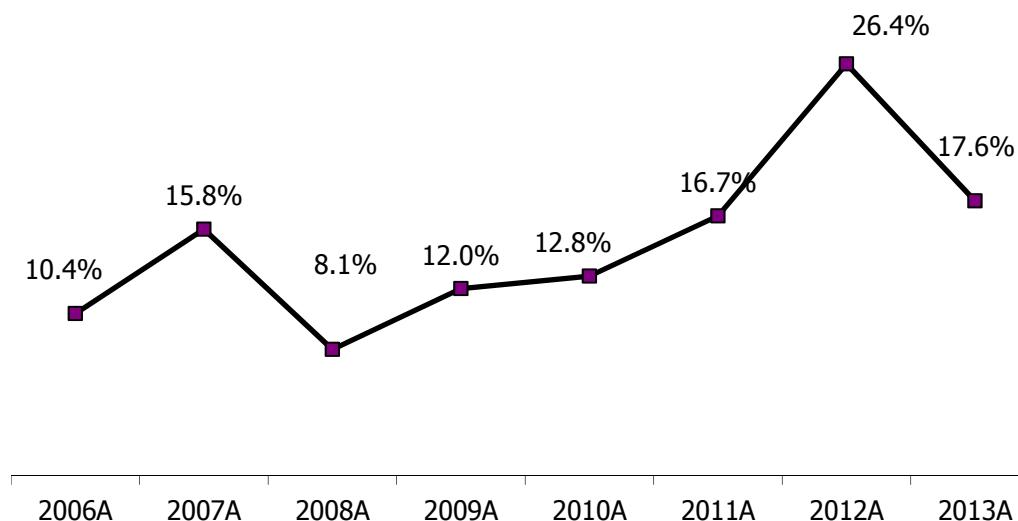
¹ Free cash flow is defined as cash flows from operating activities less net payments for investments

Bezeq's Dividend Policy

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

Dividend Yield from 2006 to 2013

— Dividend yield (%)¹



Source: Bezeq

¹ Based on the sum of regular and special dividends paid during the fiscal year divided by Bezeq's market cap as of December 31.

- Based on its ownership interest, BCOM will receive ~ 31% of Bezeq's annual dividends
- Since 2006, Bezeq has paid over NIS 20.7 billion (US\$ 5.8 billion) in dividends
- Bezeq has paid all six equal special dividend payments which were declared by the Board of Directors and approved by the Israeli Court. The special dividend of NIS 3 billion in aggregate was paid on a semi-annual basis from 2011 to 2013.

IGLD's Cash Position

As of March 31, 2014, IGLD's unconsolidated cash and cash equivalents totaled NIS 432 million, its unconsolidated total debt was NIS 1.2 billion, and its net debt totaled NIS 744 million.

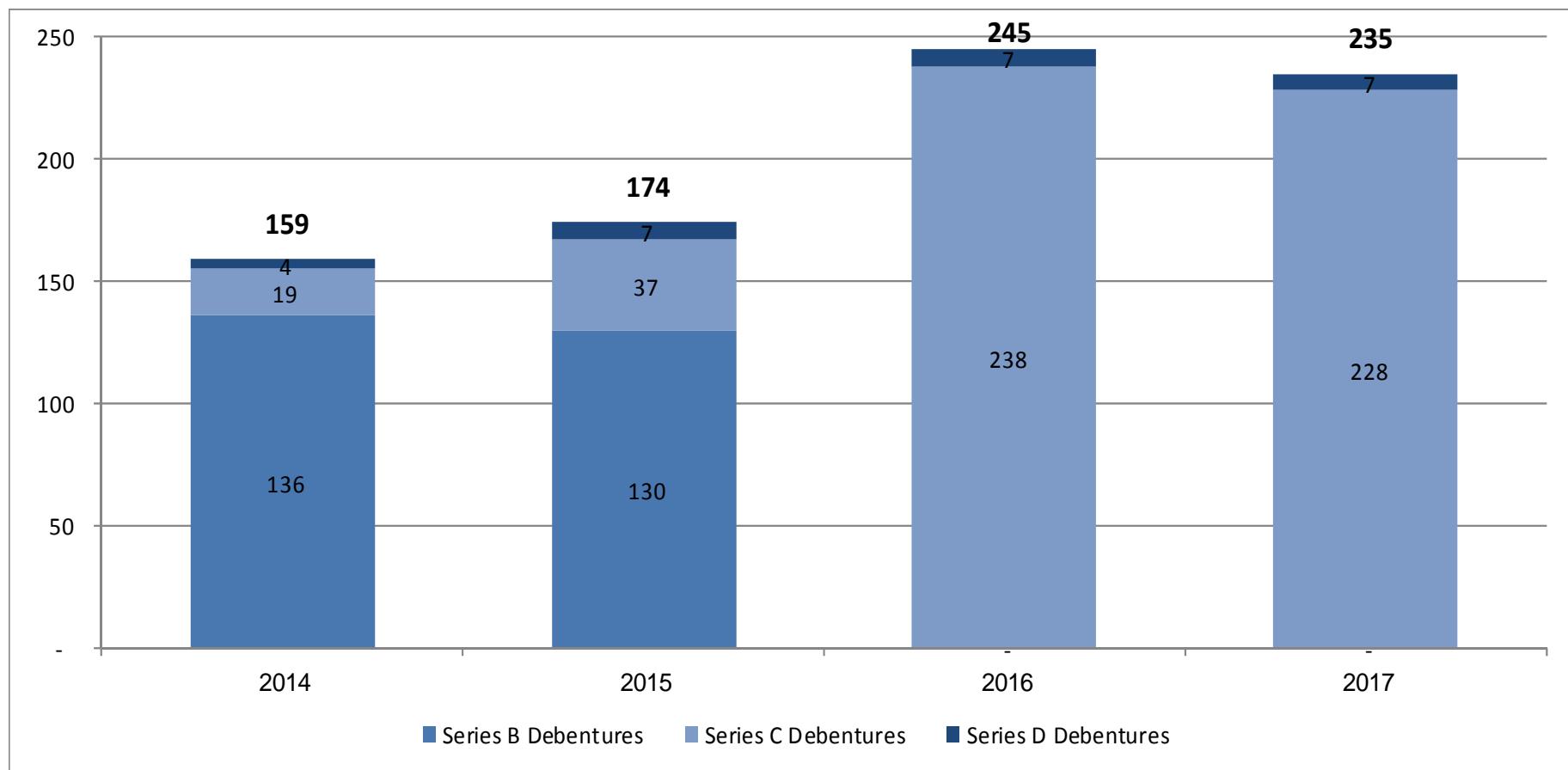
IGLD's Unconsolidated Balance Sheet Data* As of March 31, 2014

	<u>NIS millions</u>
Short term liabilities	129
Long term liabilities	1,047
Total liabilities	1,176
Cash and cash equivalents	432
Total net debt	744

* Does not include the balance sheet of BCOM

Projection of Future Debt Repayment

(NIS millions)



* All amounts include future estimated interest payments



The Bezeq Era

Thank you

