



The Bezeq Era

Investors Presentation

May 2016



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.

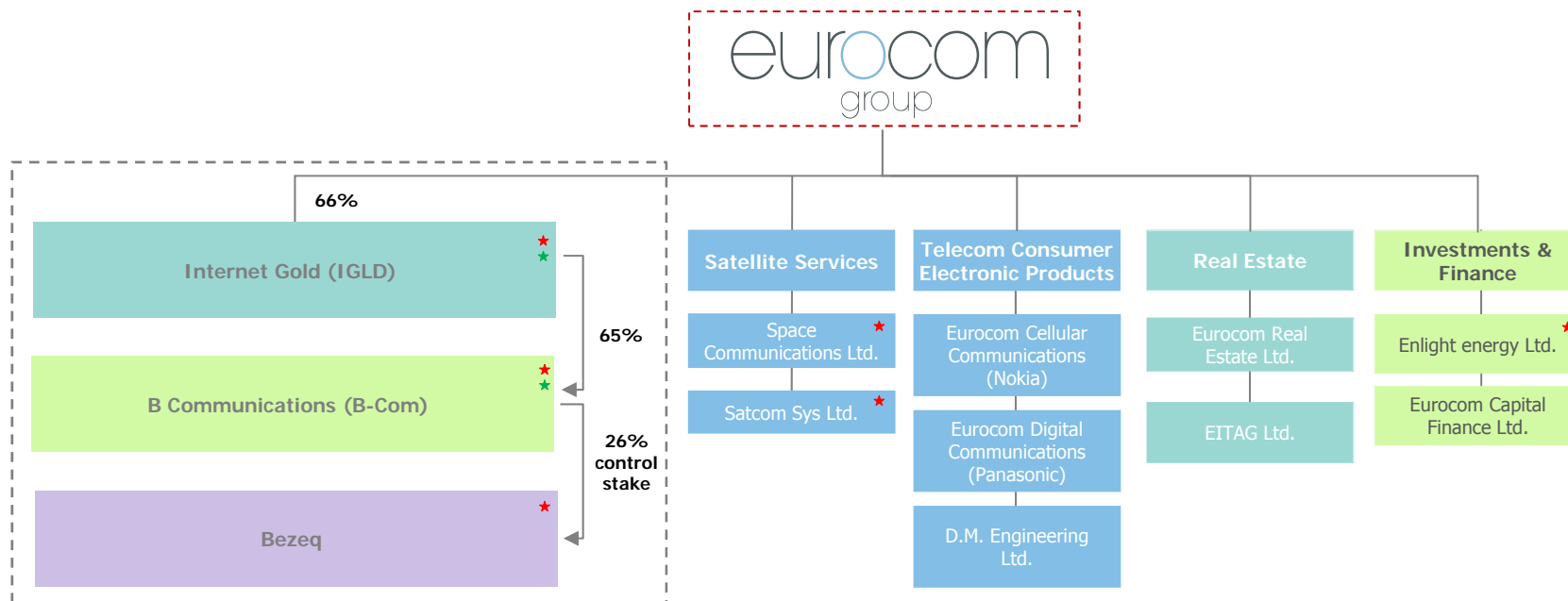
IGLD's Profile

- Internet Gold (TASE and Nasdaq: IGLD) is a telecommunications-oriented holding company. Internet Gold's holds 64.8% interest in B Communications Ltd. ("BCOM") (TASE and Nasdaq: BCOM), which in turn holds the controlling interest (approximately 26.3%) in Bezeq – The Israel Telecommunication Corp., Israel's largest telecommunications provider (TASE: BEZQ).
- Internet Gold is a subsidiary of Eurocom Communications Ltd.
- IGLD's debt includes 2 series of debentures that are traded on TASE. During Q1/2016 the rating of the both series was notched-up to A3 local rating.
- Trades at a discount to Net Asset Value.
- On May 26, 2016, B Communications' board of directors declared a cash dividend in the amount of NIS 355 million, Internet Gold expect to receive NIS 230 million from this dividend on June 29, 2016.

Bezeq, B-Com and IGLD are ultimately controlled by the Eurocom Group, the most experienced operator in the Israeli telecommunications field




















- Eurocom was 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 (80% ownership) and Yossef Elovitch, Director (20% ownership)
- Solid financial base and strategic partnerships support growth
- Investments in telecommunications, satellite services, media, consumer electronics, real estate and additional fields



★ Traded on TASE ★ Traded on NASDAQ

Eurocom: Israel's Largest Communications Footprint

eurocom group		
	Relative strength	Company within the group
Internet access	●	 bezeq
Internet Services	●	 Bezeq International
Internet VAS residential	●	 Bezeq International
Internet business	●	 bezeq
e-Advertising	●	 walla
e-Commerce	●	 וואלה שופינג
Date Services	●	 bezeq
ILD	●	 Bezeq International
Fixed telephony	●	 bezeq
Mobile	●	 pelephone
Multi channel TV	●	 yes.
Telecom & consumer electronics.	●	 ZTE中兴  NOKIA Connecting People  Panasonic ideas for life  MOTOROLA
Satellite services	●	 AMOS by Spacenet  GILAT SATCOM

Experienced, Disciplined Leadership



Shaul Elovitch★

Founder & Chairman

*Over 40 years experience
building leading communications
businesses and other major
investments businesses*



Doron Turgeman

CEO since 2011 & CFO from
2001 till 2011

*20 years experience in
management
18 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: 13 major transactions
 - 2 IPOs – IGLD and BCOM
 - 10 bond issues
 - \$800 million Rule 144A offering

Key Milestones for IGLD

From small entrepreneurial business
to large holding company

1999
to
2006

- Founded in 1999 under the name Goldtrade, operating in the field of e-commerce, as a subsidiary of IGLD, and as the operator of the e-commerce web site P1000
- In 2004, IGLD increases its holdings in the Company to 100%
- Restructure of IGLD into a holding company owning Smile Communications and Smile Media
- As part of the restructure Goldtrade changes its name to Smile Communications, transfers its e-commerce activities to Smile Media and receives IGLD's communications activities
- 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)

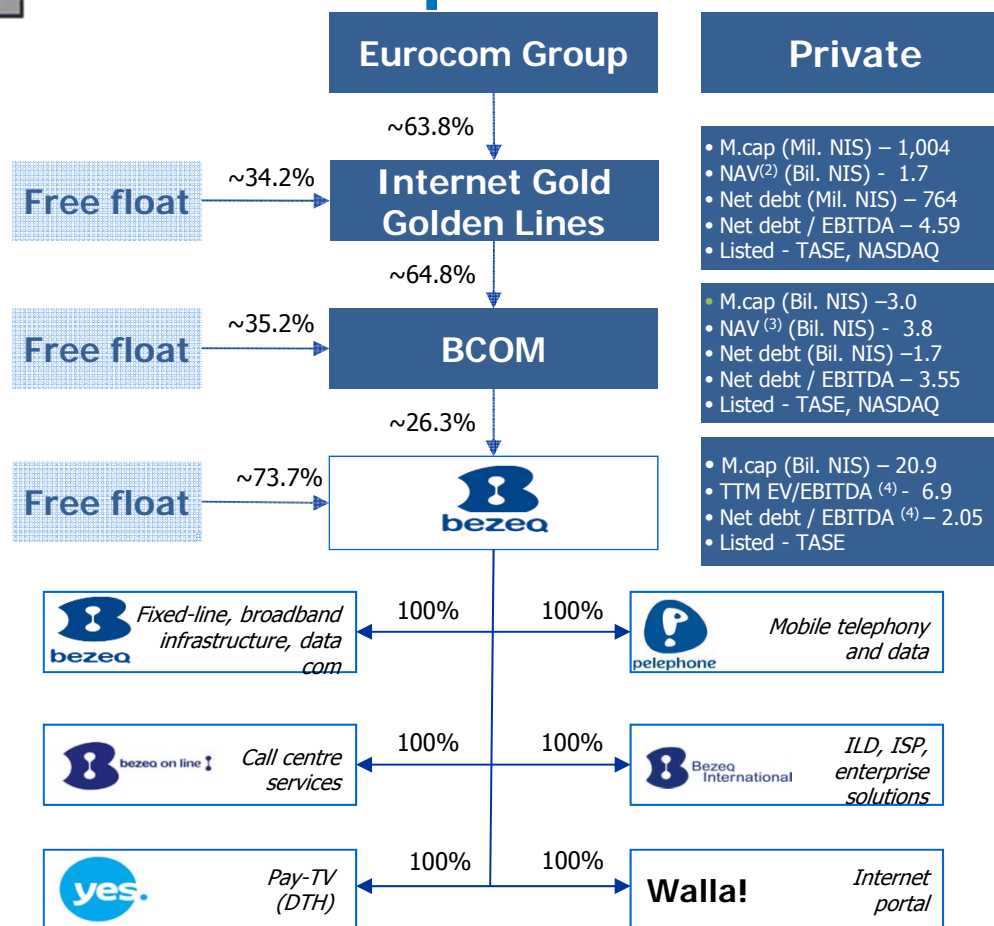
2007
to
2009

- 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

2010
to
2015

- Sale of legacy 012 Smile Communications assets
- Acquisition of the controlling interest in Bezeq – Israel's telecom market leader
- From April 2010 through March 2016, BCOM decreased its net debt from more than NIS 5 billion to NIS 1.7 billion
- On February 2, 2016, BCOM announced the sale of 4.18% of Bezeq's shares for NIS 982 million
- On February 19, 2014, BCOM announced the completion of an international offering of US\$ 800 million senior secured notes that was used to fully refinance the bank and institutional debt that it incurred to acquire its controlling interest in Bezeq
- Focus on continuous deleveraging and creation of shareholder value

Group Structure



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

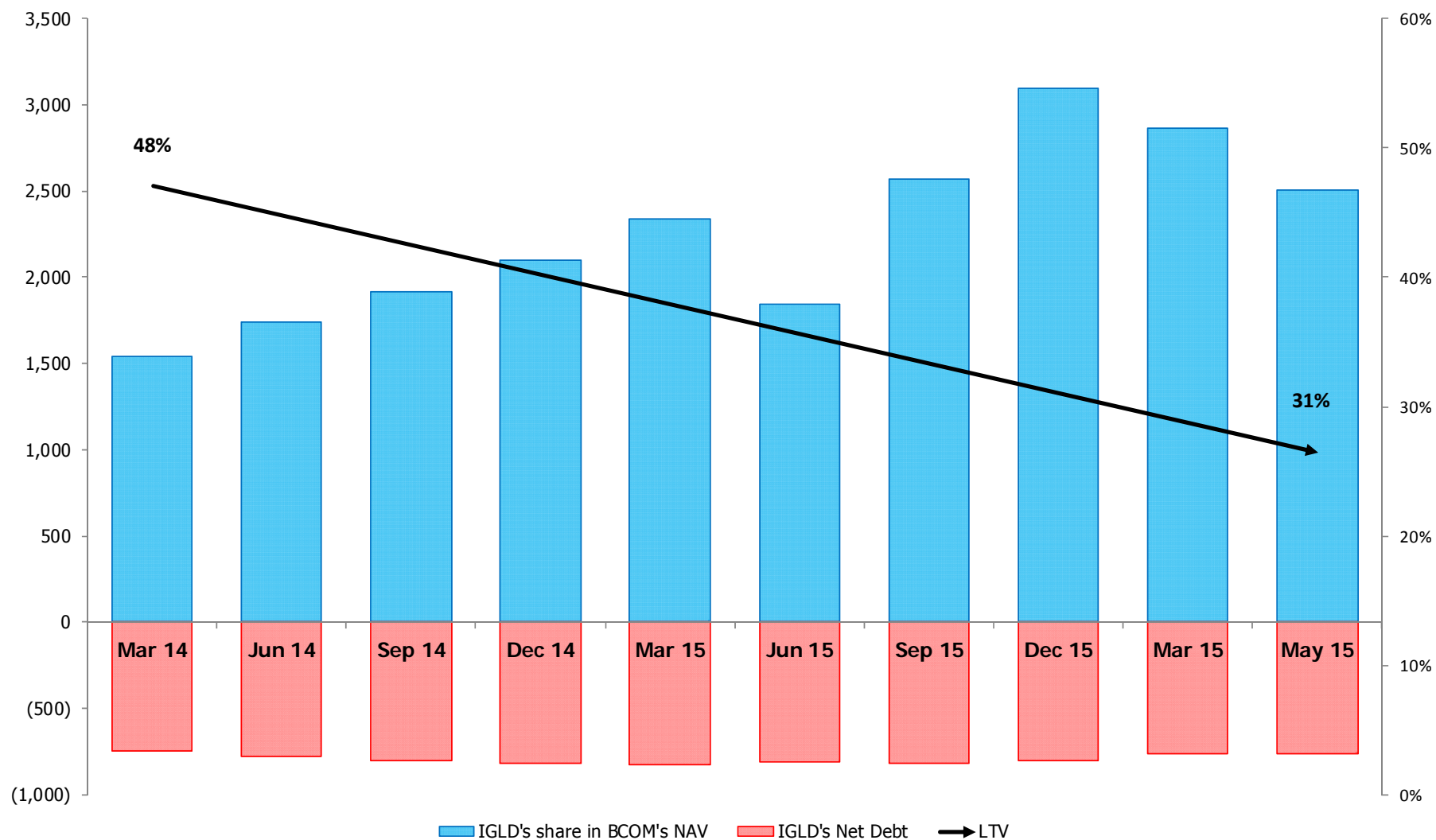
(1) Net debt figures are as of March 31, 2016. Holding percentage figures are as of May 25, 2016.

(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 25, 2016, less IGLD's net debt as of March 31, 2016.

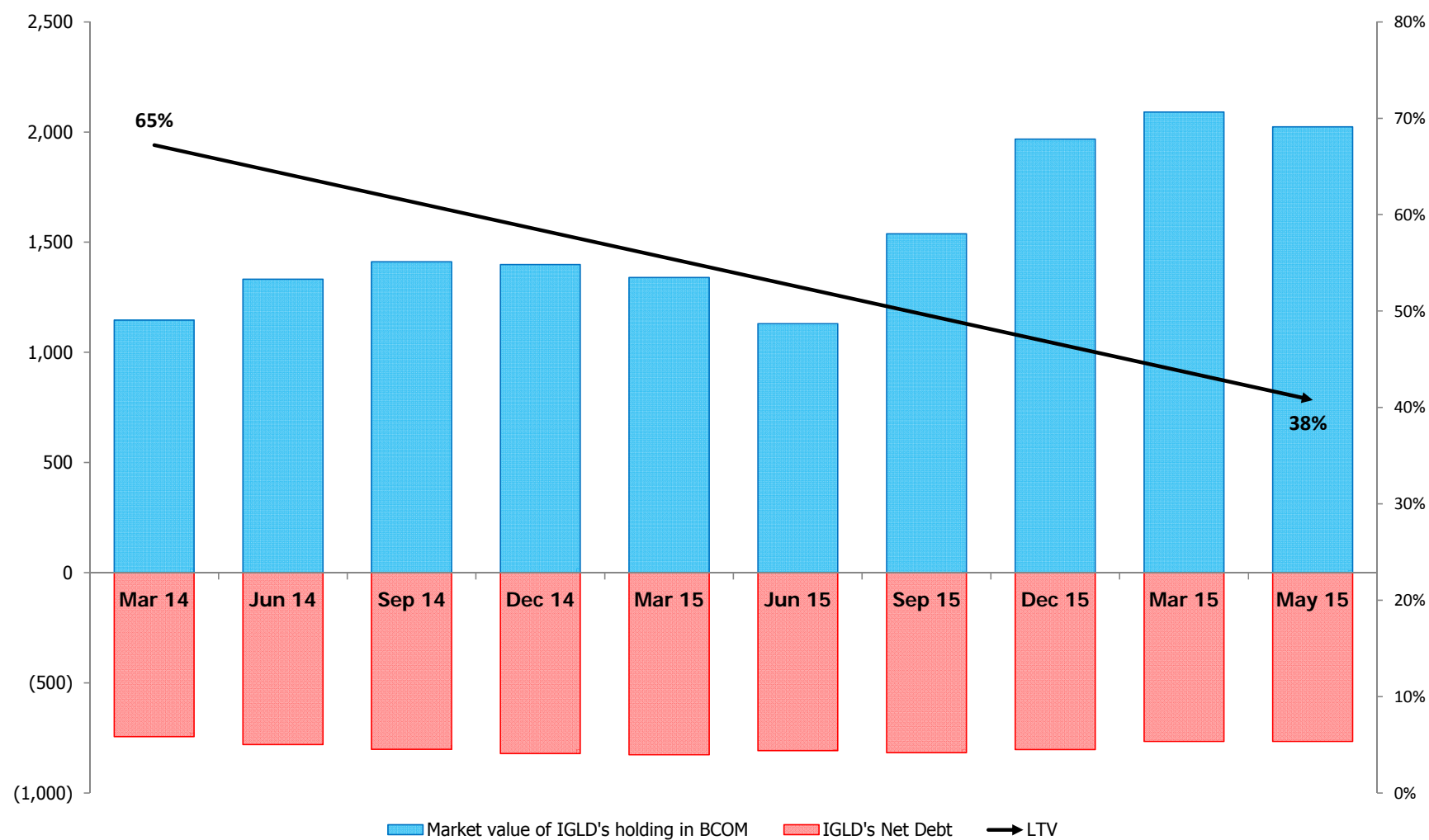
(3) BCOM's NAV is defined as value of BCOM's shares according to Bezeq market cap, based on Bezeq stock price as of May 25, 2016, less BCOM's net debt as of March 31, 2016.

(4) Bezeq's EV/EBITDA and Net Debt/EBITDA ratios are effected by the full consolidation of Yes financials as of March 26, 2015.

Reduction in LTV According to BCOM's NAV (NIS Millions)



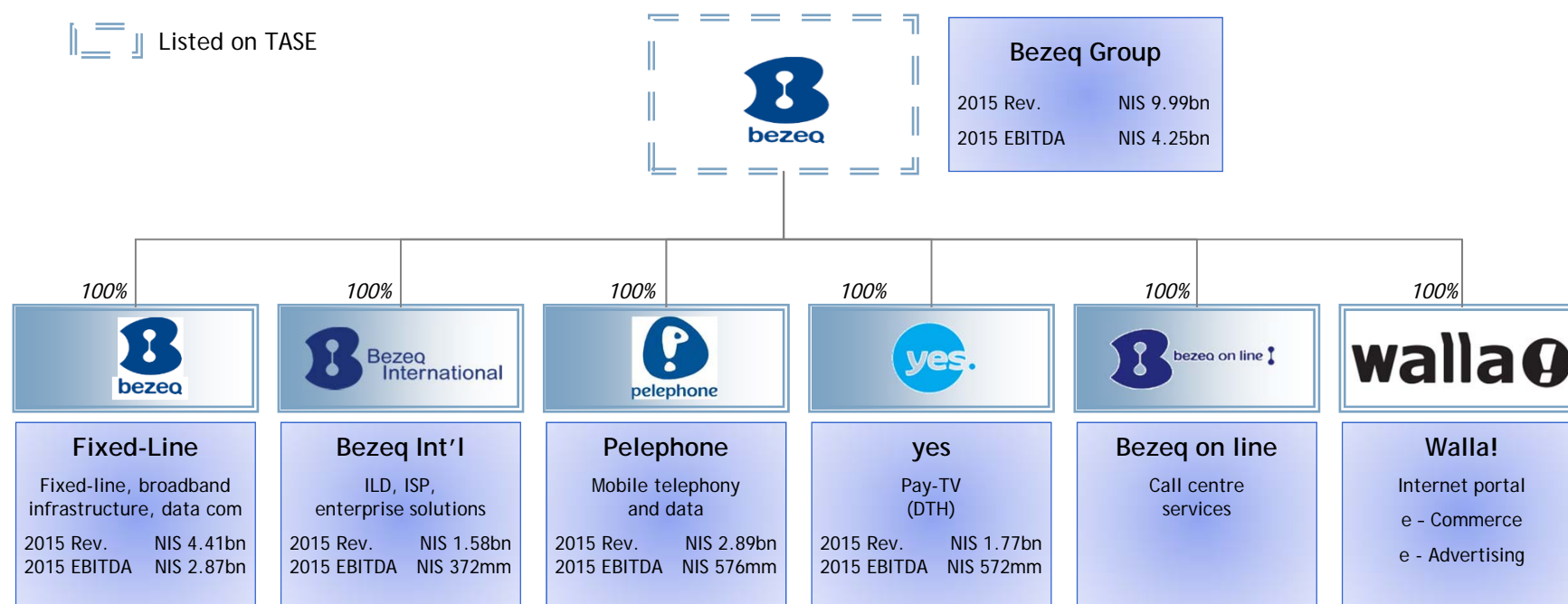
Reduction in LTV According to Market Value (NIS Millions)





Bezeq, Our Base Asset

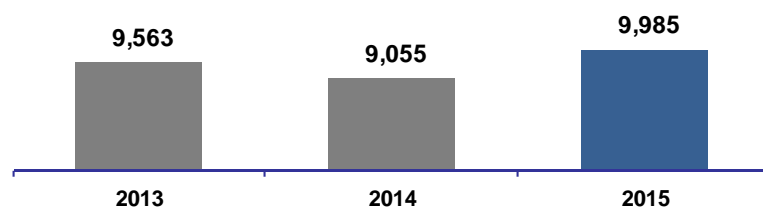
Bezeq: Israel's Most Comprehensive Communications Infrastructure and Service Provider



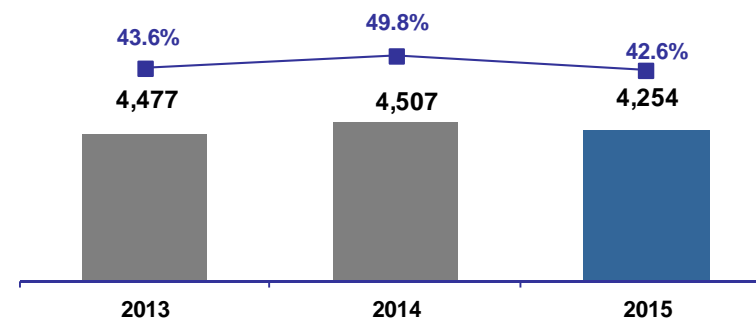
On June 23, 2015, and Further to Bezeq's shareholders approval, approval was granted by the Ministry of Communications for the transfer of the means of control in Yes such that Bezeq would control Yes and hold all of Yes's issued and paid-up capital, unconditionally. This concludes the satisfaction of all the preconditions that were determined in the purchase transaction between Bezeq Eurocom D.B.S. Ltd., which was approved by the General Meeting on March 23, 2015. The closing took place on June 24, 2015. At the closing: (a) a total cash amount of NIS 680 million (six hundred and eighty million), was paid to Eurocom DBS; (b) Bezeq acquired the entire holdings of Eurocom DBS in Yes (including a right to exercise 43 Yes shares that it holds) and acquired all the shareholder loans provided by Eurocom DBS to Yes (c) Eurocom DBS director in YES, resigned. As a result of the closing Bezeq holds 100% of "YES"

Bezeq Financials (NIS Millions)

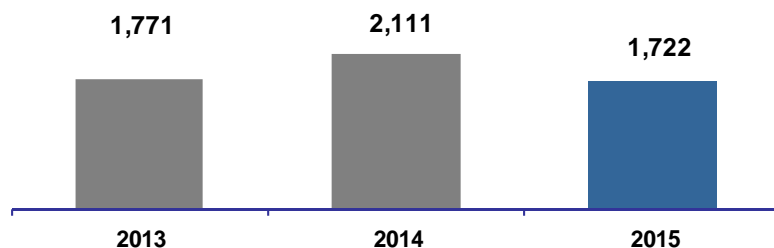
Revenues



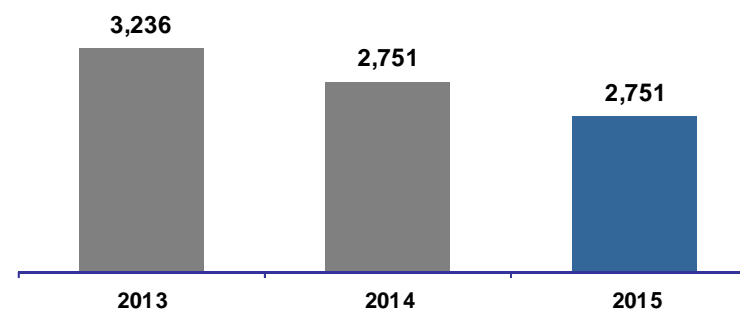
EBITDA



Net income attributable to shareholders



Free cash flow *



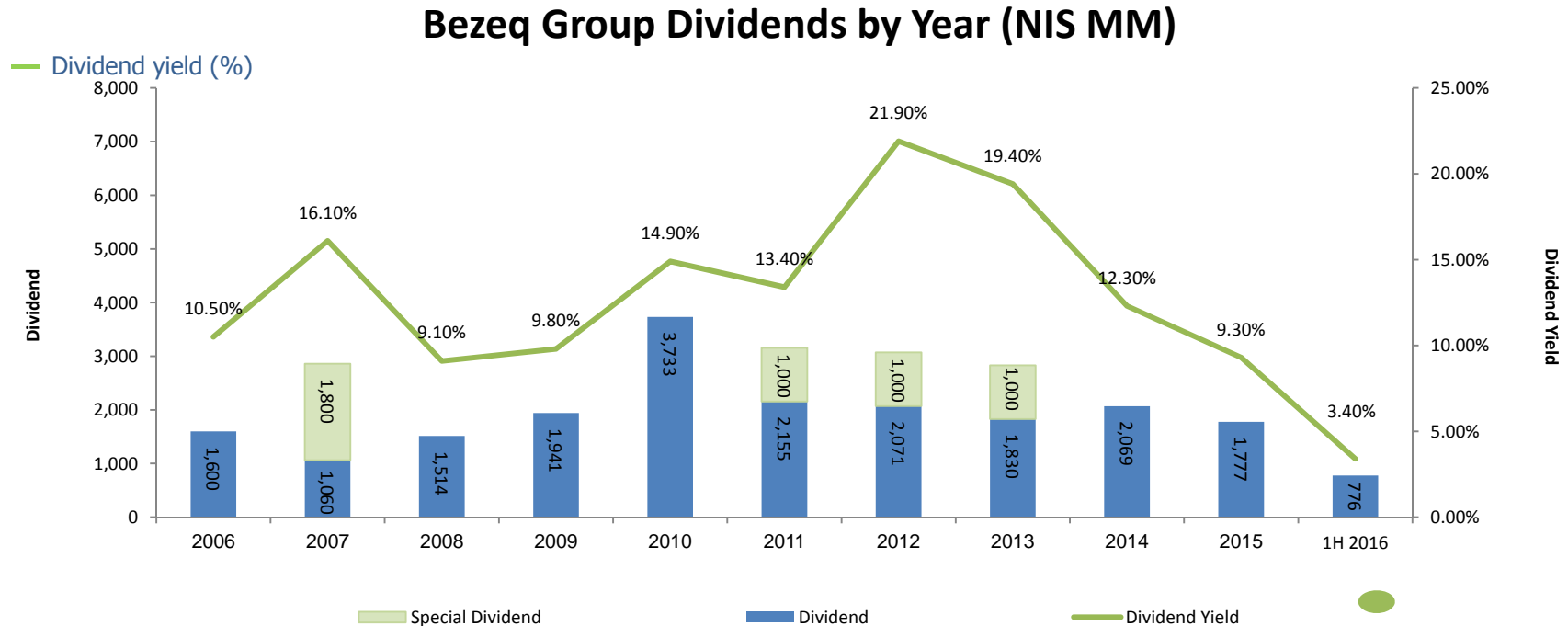
Source : Bezeq's press release

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

Bezeq's Dividend Policy

distribution of 100% of its net income on a semi-annual basis

Dividend Yield from 2006 to 2016



Source: Bezeq

* Dividend Yield is based on average market cap during the period

- Based on its ownership interest, BCOM will receive ~ 26.3% of Bezeq's annual dividends
- Since 2006, Bezeq has paid over NIS 25.2 billion (US\$ 6.7 billion) in dividends
- Bezeq's Board of Directors recommended the distribution of 100% of net profits for the second half of 2015 as a cash dividend to shareholders of NIS 776 million (approximately NIS 0.28 per share). The semi-annual dividend, which is subject to Bezeq's shareholder approval, would be payable on May 30, 2016. The ex-dividend date is May 17, 2016.

IGLD's Cash Position

IGLD's Unconsolidated Balance Sheet Data* As of March 31, 2016

	<u>NIS millions</u> <u>Unaudited</u>
Short term liabilities	140
Long term liabilities	793
Total liabilities	933
Cash and cash equivalents**	169
Total net debt	764

* Does not include the balance sheet of BCOM

** On June 29, 2016 ,IGLD expects to receive
NIS 230 million dividend from BCOM

IGLD's Solo Balance Sheet

Statements of Financial Position	December 31, 2015 Audited	March 31, 2016 Unaudited
Assets		
Cash and cash equivalents	38	5
Investments including derivatives	239	164
Total current assets	277	169
Deferred tax asset	11	-
Investments in investee	698	1,128
Total non-current assets	709	1,128
Total assets	986	1,297
Liabilities		
Short-term debentures	130	130
Other payables	24	10
Total current liabilities	154	140
Debentures	925	793
Total non-current liabilities	925	793
Total liabilities	1,079	933
Shareholders equity (equity deficit)	(93)	364
Total liabilities and equity	986	1,297

IGLD During Last 15 Months

IGLD During The Last 15 Months

	December 31, 2014	March 31, 2016
IGLD's share in Bcom's Market cap (NIS Billions)	1.40	1.98
IGLD's share in Bcom's NAV (NIS Billions)	2.21	2.46
Net Financial Debt (NIS Billions) ⁽¹⁾	0.82	0.76
NAV (NIS Billions) ⁽²⁾	1.39	1.69
Debt Weighted Duration (In years)	3.50	3.17
LTV Based on BCOM's NAV ⁽³⁾	37.1%	31.1%
LTV Based on BCOM's Market Cap ⁽⁴⁾	58.6%	38.7%
Local rating of Series B/C Debentures	BBB+	A-
Series C Debentures YTM ⁽⁵⁾	4.48%	1.40%
Series D Debentures YTM ⁽⁵⁾	6.58%	2.97%
Total Liquidity (NIS Billions)	0.32	0.17

(1) Net financial debt reported at December 31, 2014 and March 31 2016.

(2) NAV is calculated as IGLD's share in Bcom's NAV minus its Net Financial debt.

(3) LTV is calculated as IGLD's Net Financial debt divided by its share in Bcom's NAV.

(4) LTV is calculated as IGLD's Net Financial debt divided by its share in Bcom's Market cap.

(5) YTM as of December 31, 2014 and May 25, 2016.

Midroog Raised the Rating of the Company's Debentures from Baa1.il to A3.il

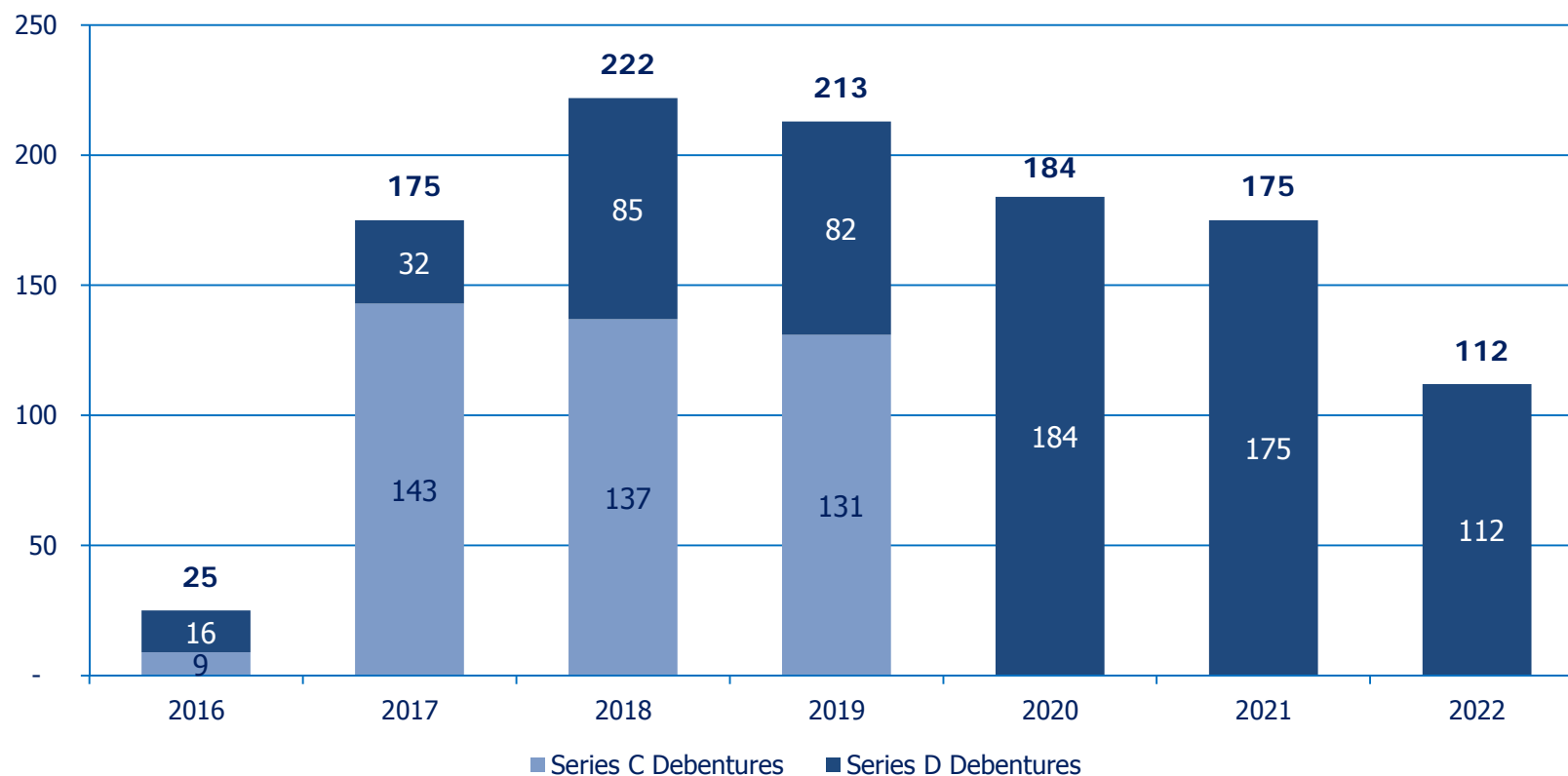
On February 9 , 2016, Midroog Ltd., an Israeli rating company affiliated with Moody's ("Midroog") has raised the local rating of the Company's Series C and D Debentures from Baa1.il to A3.il, with a stable outlook.

The main considerations for the rating, as indicated by Midroog were:

- The rating reflects the anticipated improvement to the Company's liquidity profile in light of projected dividends from B Communications, as reflected in the debt servicing ratios, which are expected to range between 0.8 to 2.4 in the short and medium term.
- The significant improvement in the Company's financial leverage in light of the significant increase in the value of B Communications shares, which support the Company's financial flexibility. Midroog also noted the anticipated improvement in the coverage ratios as a result of the sale by B Communications Ltd. of 4.2% of the shares of Bezeq and the significant decrease in the net financial debt of B Communications. Midroog estimates that the expanded net debt to EBITDA coverage ratios are expected to range between 3.8 to 4.0.

Projection of Future Debt Repayment

(NIS millions)



- All amounts include future estimated interest payments
- As of May 26, 2016



The Bezeq Era

Thank you

