



## Investors Presentation

December 2017



# Forward-Looking Statements

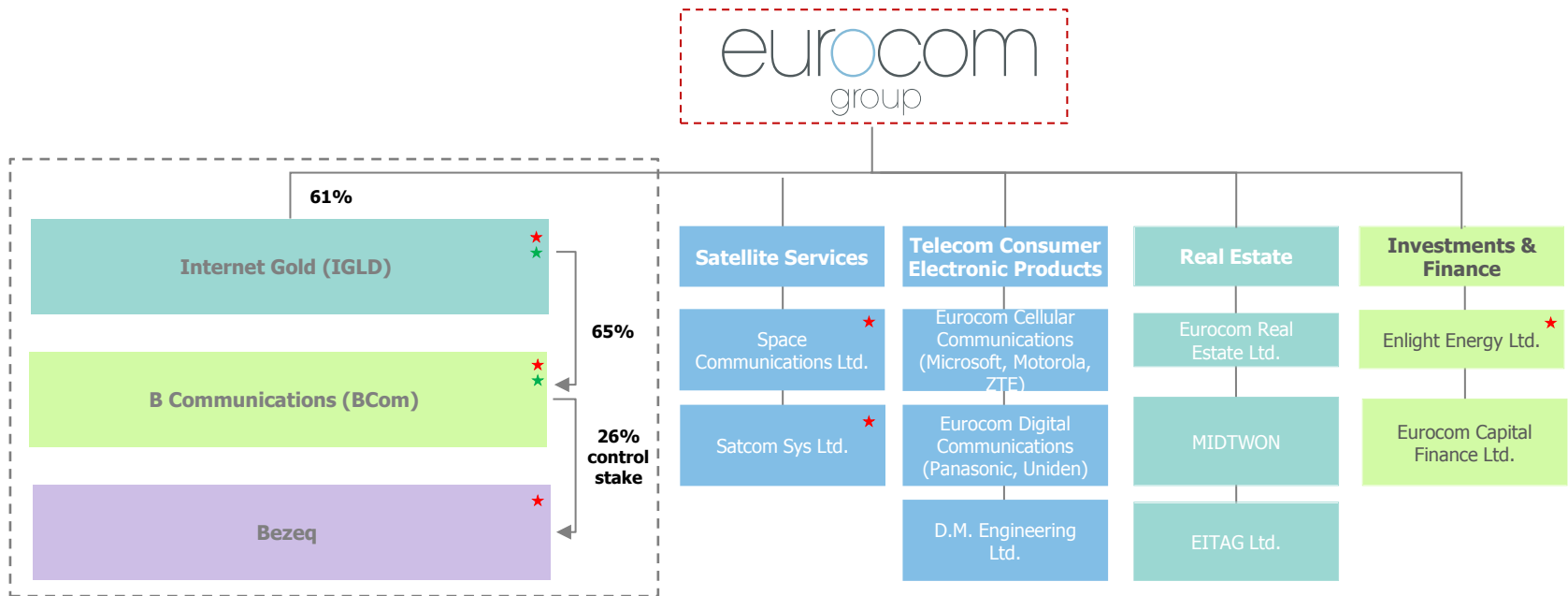
This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements that are not historical facts and may include financial projections 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 holds a 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 Corporation Ltd., Israel's largest telecommunications provider (TASE: BEZQ).
- Internet Gold is a subsidiary of Eurocom Communications Ltd.
- IGLD's debt includes 2 series of debentures having an A3 local rating that are traded on TASE.
- During 2016, Internet Gold received a dividend of NIS 230 million from its subsidiary B Communications.

# Eurocom Group is one of the leading holding companies in Israel, highly experienced in the telecommunications market

- Eurocom was founded in 1979.
- One of Israel's largest holding companies in Israel.
- Owned by Shaul Elovitch, Chairman of the Board of Directors (80% ownership) and Yossef Elovitch, Director 20% ownership).
- Investments in telecommunications, satellite services, renewable energy, media, consumer electronics, real estate and additional fields.



★ Traded on TASE   ★ Traded on NASDAQ

# Company's Management



## Shaul Elovitch <sup>★</sup>

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 experience in  
communications*

### Proven capabilities in:

- Strategy creation & strategic planning
- Marketing & brand development
- Operational & financial management
- Management of mergers & acquisitions
- Capital raising - 16 major transactions
  - 2 IPOs – **IGLD** and **BCOM**
  - 12 bond issues
  - \$800 million Rule 144A offering

# Key Milestones for IGLD

From small entrepreneurial business to large holding company

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**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 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)
- 

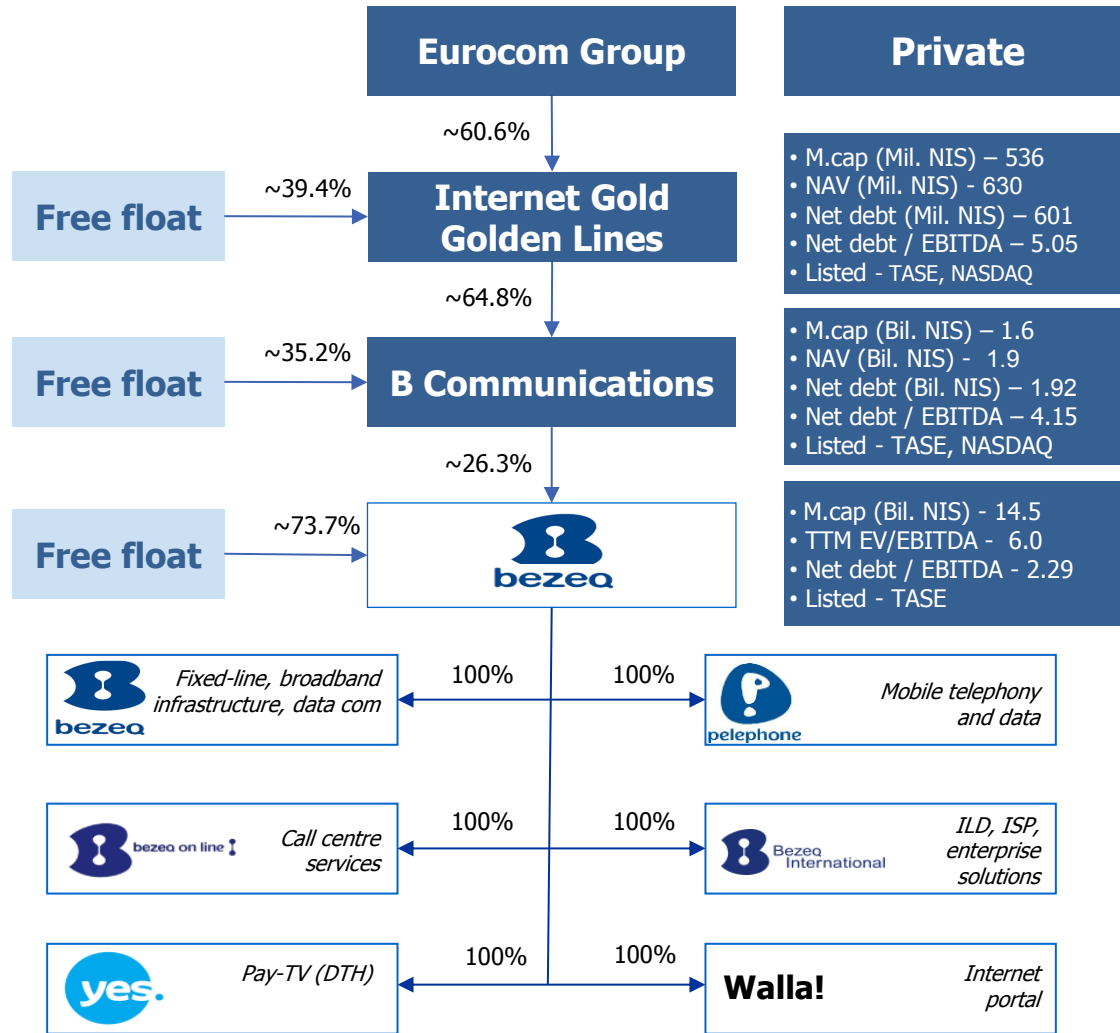
**2007  
to  
2009**

- 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  
2017**

- Sale of legacy 012 Smile Communications assets
  - Acquisition of the controlling interest in Bezeq – Israel's telecom market leader
  - On February 19, 2014, BCOM announced the completion of an international offering of US\$ 800 million of 7<sup>3</sup>/<sub>8</sub>% Senior Secured Notes that was used to fully refinance the bank and institutional debt that it incurred to acquire its controlling interest in Bezeq
  - On February 2, 2016, BCOM announced the sale of 4.18% of Bezeq's shares for NIS 982 million
  - On September 18, 2016 BCOM completed the successful refinancing of its 7<sup>3</sup>/<sub>8</sub>% Senior Secured Notes with the new Series C Debentures
  - From April 2010 through September 2017, BCOM decreased its net debt from more than NIS 5 billion to only NIS 1.9 billion
-

# Group Structure



Source: Bezeq's investors presentation – <http://ir.bezeq.co.il>.

(1) Net debt and holding percentage figures are as of September 30, 2017.

(2) Market cap figures are as of November 30, 2017.



# Our Base Asset



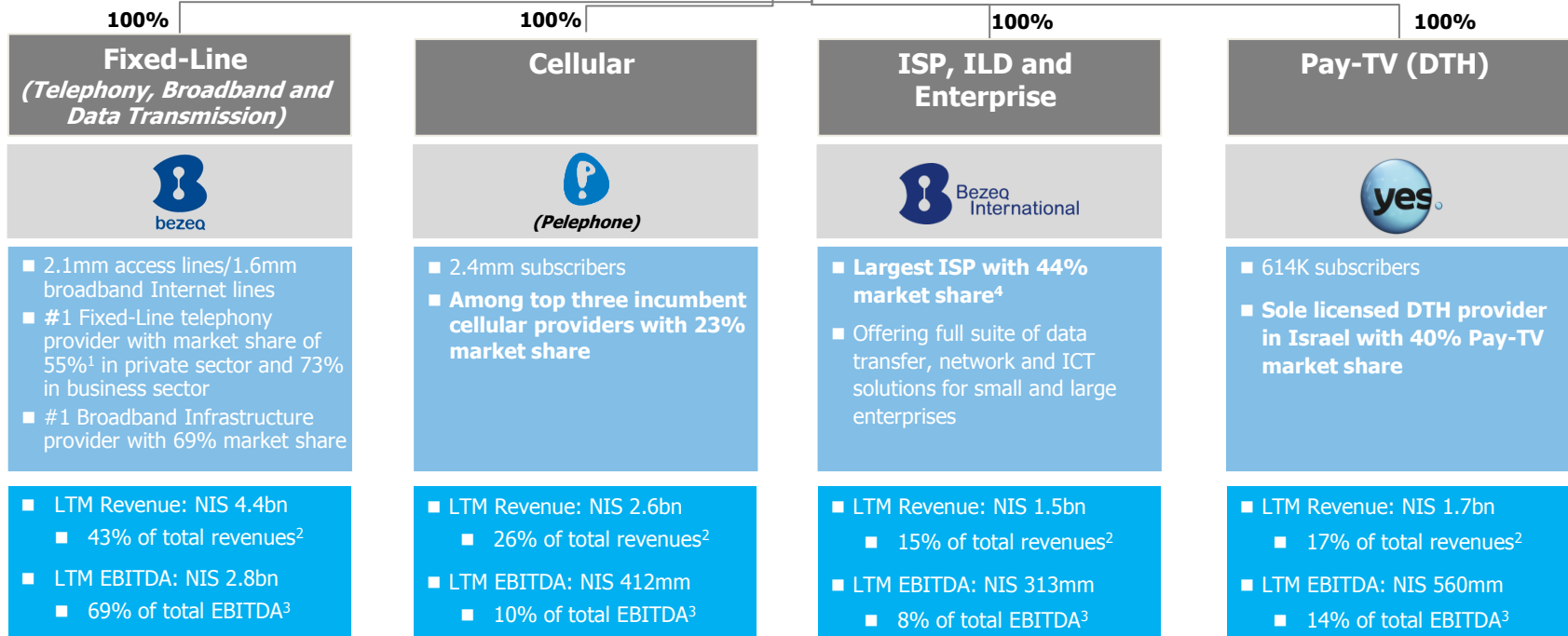
# Bezeq is Israel's largest telecom group and the most comprehensive infrastructure and service provider



b.com

**Bezeq Group**

- Market cap: NIS 14.5bn (as of November 30, 2017)
- LTM Revenue: NIS 10.1bn
- LTM EBITDA: NIS 4.1bn



Note: LTM results, KPIs and Subscriber based market share data are as of 4Q '16

<sup>1</sup> Company estimates; Captures private and business sector

<sup>2</sup> Breakdown based on gross revenue (pre elimination of inter-company revenues)

<sup>3</sup> Breakdown based on aggregate EBITDA generated by Bezeq Fixed-Line, Pelephone and Bezeq International (pre elimination of inter-company items)

<sup>4</sup> Company estimates; Based on total broadband Internet infrastructure access services subscribers in the market

# The Israeli economy combines the advantages of developed markets and emerging economies



## Unemployment rate



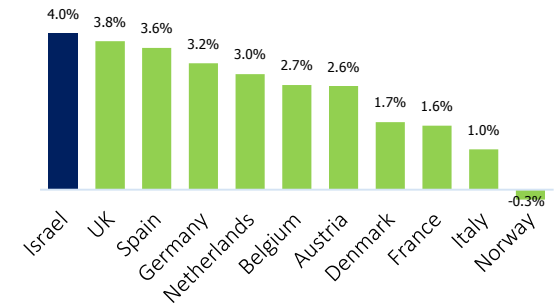
Source: Central Bureau of Statistics data and Bank of Israel calculations

## Inflation rate



Source: Central Bureau of Statistics data and Bank of Israel calculations

## Nominal GDP Growth, 2016



Source: Credit Suisse; Israel – Bank of Israel

### Fitch Upgrades Israel's Credit Rating to A+

New rating in line with those of Standard & Poor's and Moody's.

TheMarker | Nov 14, 2016 1:35 PM

### S&P affirms A+ credit rating for Israel

Standard & Poor's affirms credit ratings for Israel, with a stable outlook. Finance Minister welcomes the announcement.

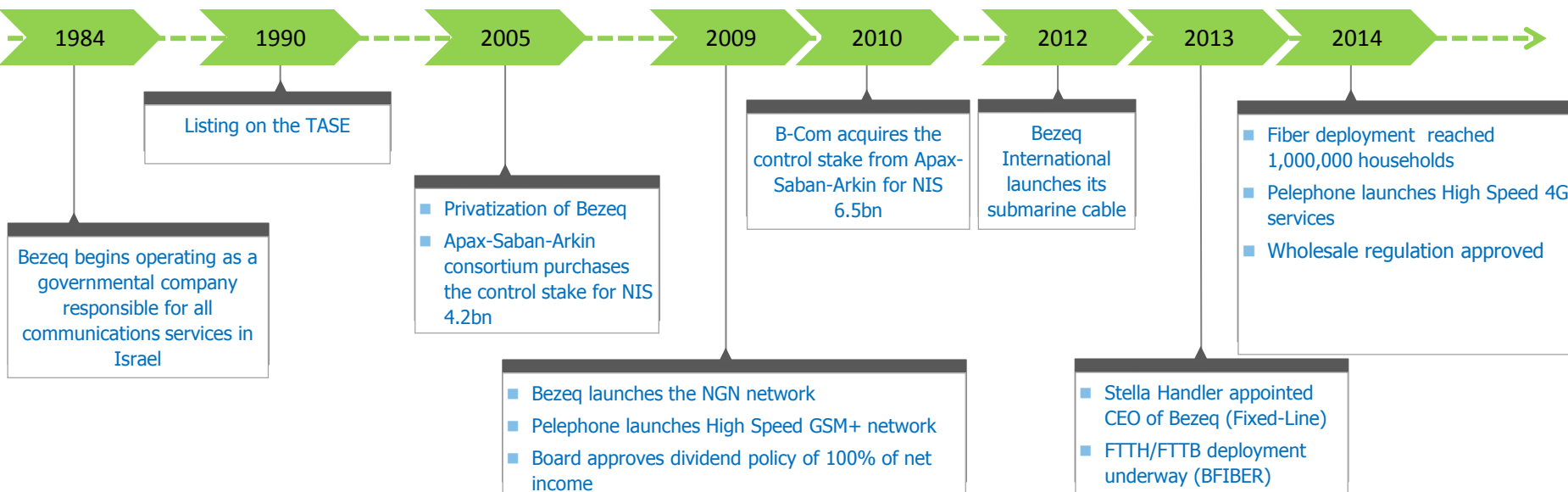
### Rating Action: Moody's affirms Israel's A1 government rating; outlook remains stable

Global Credit Research - 11 Aug 2016

# Bezeq is the historical incumbent and since its privatization in 2005 has been controlled under a Control Permit attached to the 30% stake



## History and milestones



## Control permit

- Control in Bezeq is held by holders of a pre-approved permit from the Israeli Prime Minister and the Ministry of Communications ("Control Permit")
- Only a party that holds a Control Permit may exercise its holdings in such a manner as to direct the activities of Bezeq
- BCOM is the only shareholder that has a permit to direct the activities of Bezeq
- BCOM has nominated all of the members of Bezeq's board of directors who were elected by shareholders<sup>1</sup>
- BCOM consolidates Bezeq's financial statements based on its de-facto control of Bezeq

Source: Company information

<sup>1</sup> Excluding employee representatives on the Board whose nominations require the prior approval of our ultimate controlling shareholder, Mr. Shaul Elovitch, as chairman of Bezeq's Board of Directors, pursuant to Bezeq's collective bargaining agreement

# The Bezeq Group in numbers - 2016



Revenues of  
NIS 10.1 billion

**Strong financials**  
in terms of profitability, cash generation and capital structure



**100%**  
of net income dividend distribution policy



**614,000**  
Pay-TV customers  
(Market share: 40%)



**1.6 million**  
broadband lines  
(Market share: 69%)



**2.4 million**  
cellular subscribers  
(Market share: 22.7%)



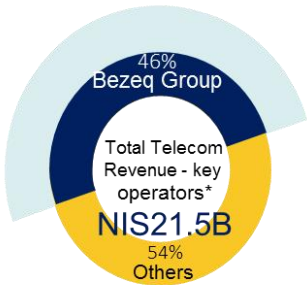
**2.1 million**  
fixed access lines



(Market share telephony private sector: 55%,  
Business sector: 73%)



Diversified portfolio in all TMT sub-markets

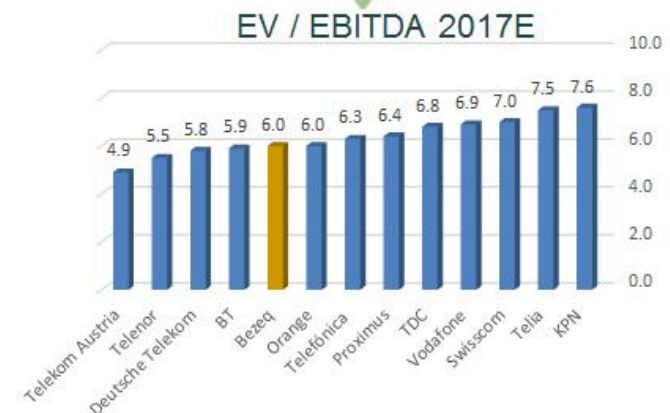


\* Includes revenues from Bezeq, Cellcom, Partner and Hot

\* Cellular Market share data as of 9/2016

## Sector Leading Dividend Policy

- Board of Directors approved dividend policy – 100% of net income on a semi-annual basis
- Since 2006, Bezeq has distributed 100% of net income each year + two special dividends
- 2017 estimated dividend yield ~ 10%



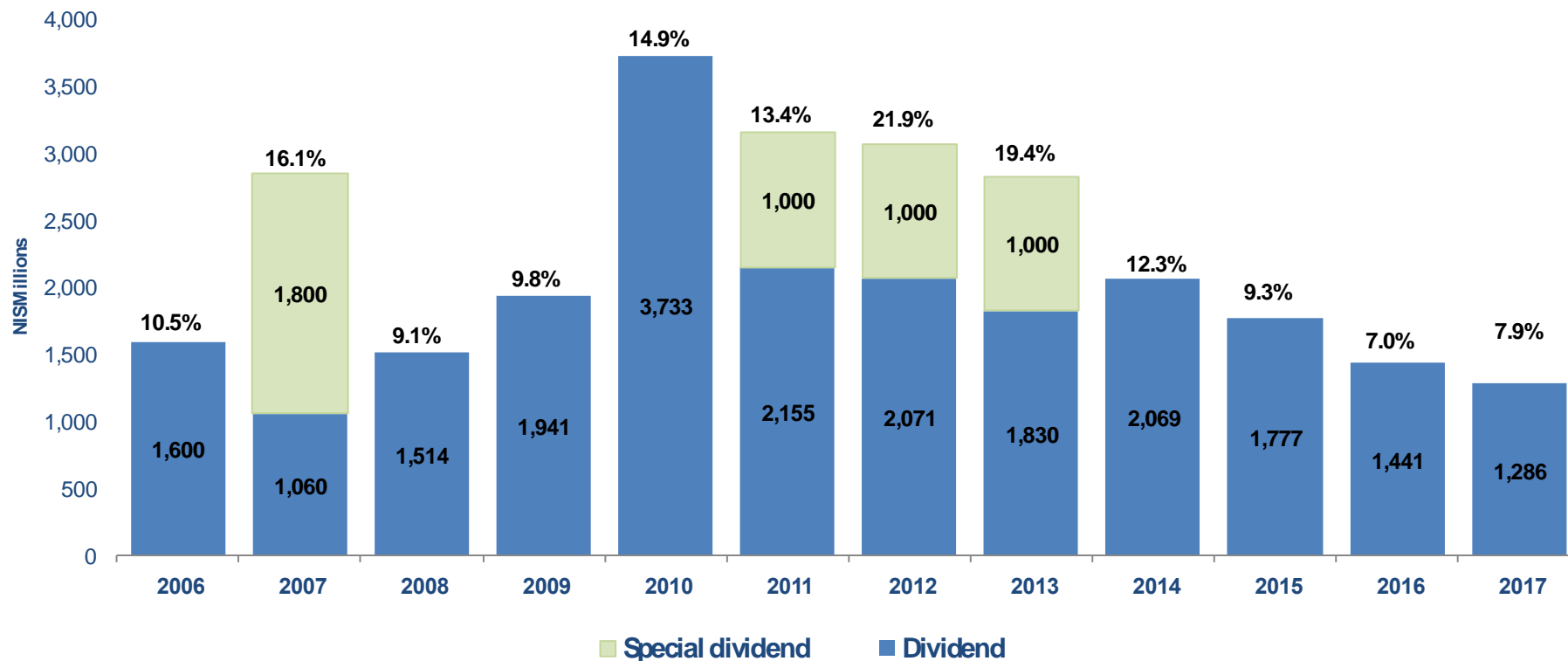
Source: Credit Suisse; Bezeq: based on share price of NIS 5.2

Source: Credit Suisse; Bezeq: based on share price of NIS 5.2 (debt: 30.9.2017)



# Bezeq's Dividend Policy

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



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 27.2 billion (\$ 7.7 billion) in dividends.

# Bezeq's leading position is supported by its fully owned advanced network infrastructure and technology across all lines of business



## Bezeq Fixed-Line



- Leading broadband provider in Israel with over 1.56 million subscribers, approximately 69% market share, offering up to 100 Mbps.
- FTTC, all IP, infrastructure for consumer and business customers, covering 99% of Israeli households.
- Provides customers with high speed data transmission and ultra-fast Internet services over existing copper lines and fiber.



- FTTB rollout is on track to cover 1.3 million households by the end of 2016.

## Bezeq International



- Leading broadband Internet service provider in Israel - approximately 44% Internet market share.
- Israel's largest data center.
- Direct ownership of modern and high-speed submarine cable system deployed between Israel and Europe.
- Increasing bandwidth at affordable rates.
- International telephony



## Telephone



- 2.40 million cellular customers
- Nationwide HSPA network; wide deployment of 4G (LTE) network.
- Strong platform for advanced data services (Cyber service, Big data solutions, IOT starter kit, etc.).
- Host of value added services (cloud, music, TV, ringtones, etc.).



## YES



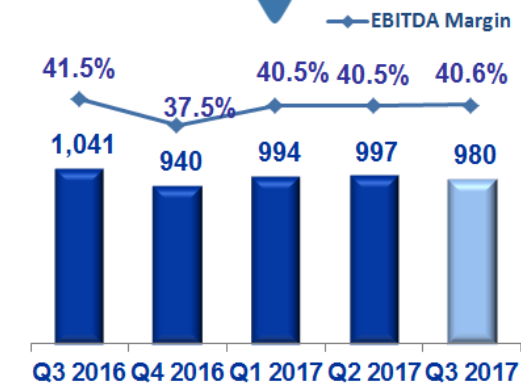
- Leading brand for content innovative applications and customer service
- Approximately 40% market share.
- Rich content offering with extensive agreements with first-tier content producers.
- Over 160 channels including 39 Yes branded channels.
- Fully digital with nationwide deployment.



### Consolidated Revenue (NIS Millions)



### Consolidated EBITDA (NIS Millions)



### Consolidated Net Profit (NIS Millions)



\*Includes provision for early retirement and increased tax expenses due to decrease in corporate tax rates

### Consolidated CapEx (NIS Millions)

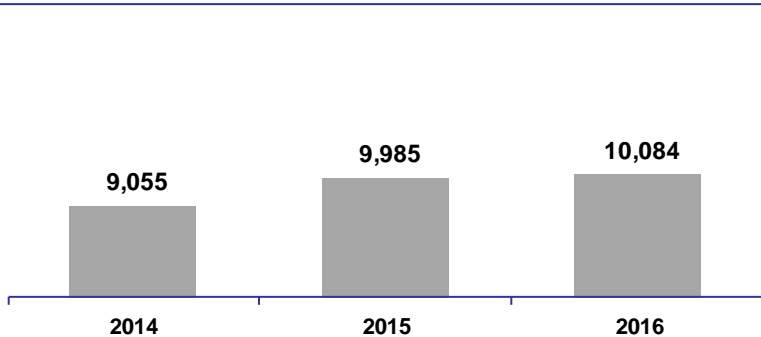


### Operating Cash Flow (NIS Millions)

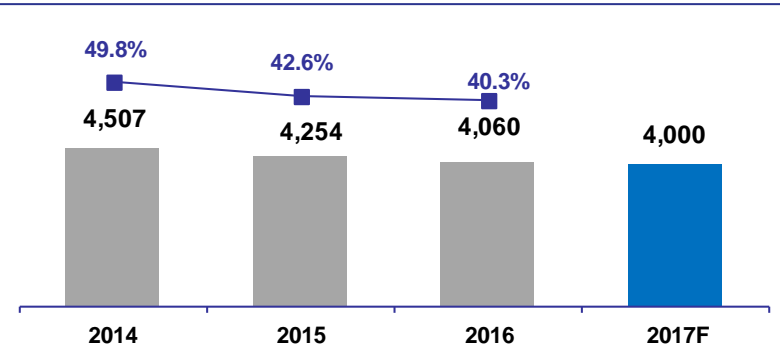




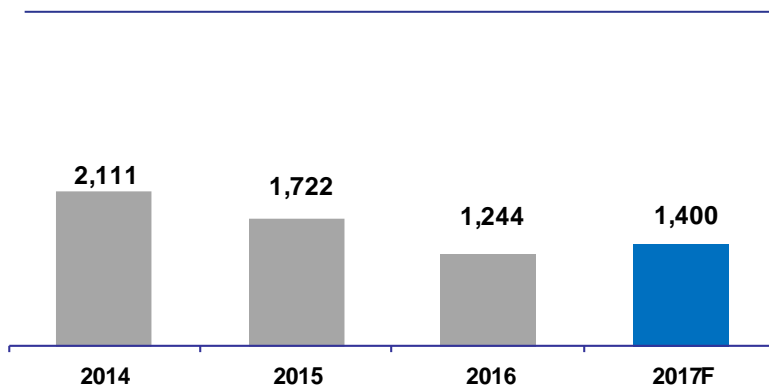
## Revenues



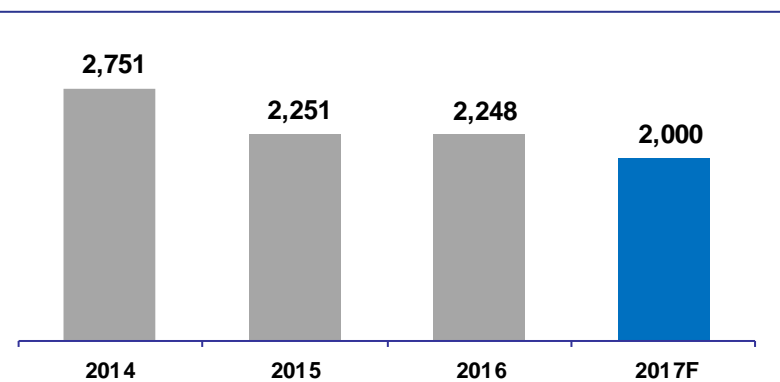
## EBITDA



## Net Income



## Free Cash Flow



# Bezeq – Key Take Aways



- Strong country economic growth
- State of the art infrastructure and high quality of service
- Regulatory limitations regarding structural separation
- Leading dividend yield among telecom peers
- New digital innovative growth engines

**Bezeq is well positioned for future growth  
in the Israeli Telecom market**

# IGLD's Unconsolidated Net Debt

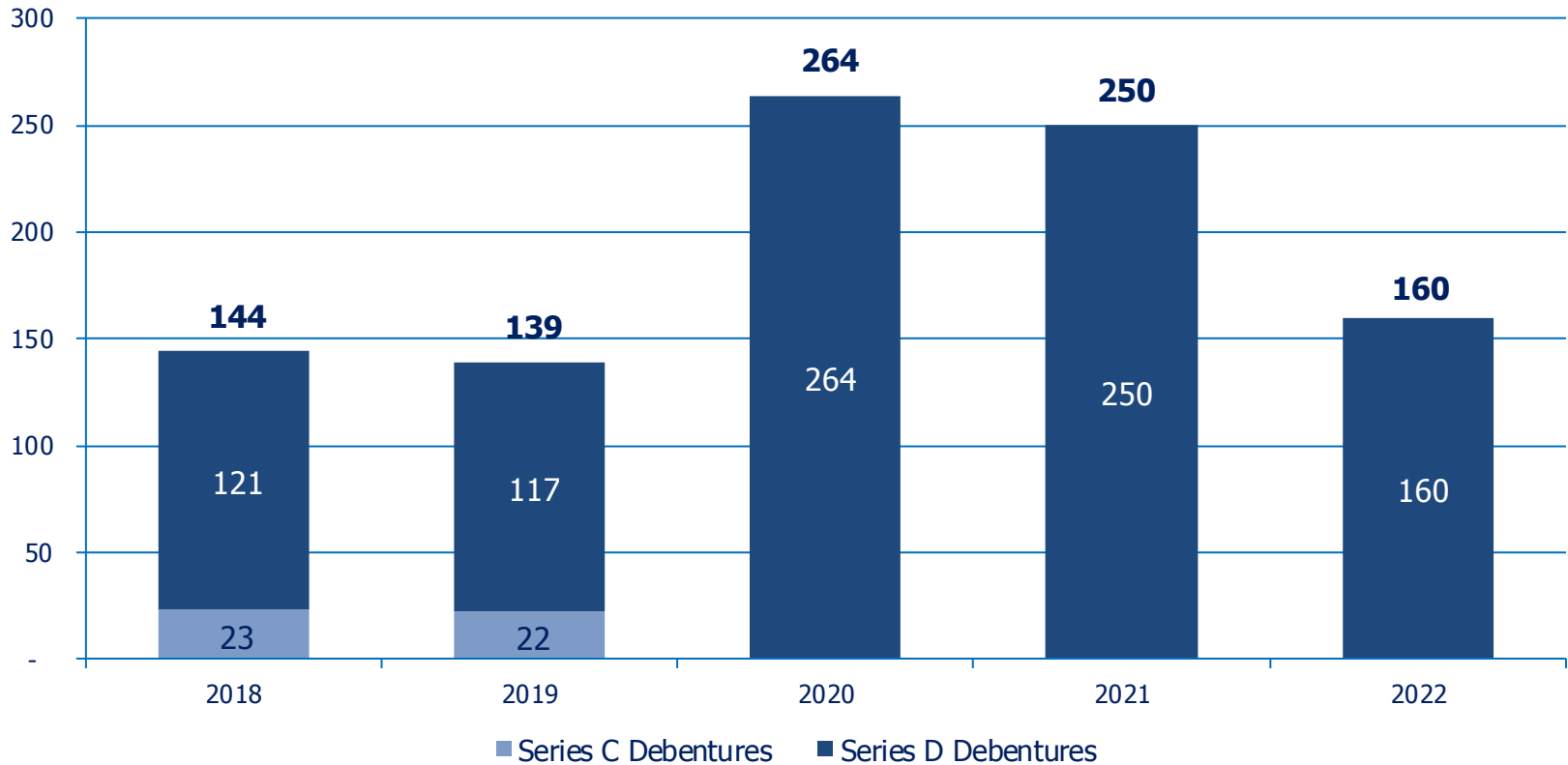
	<b>December 31, 2016</b>	<b>September 30, 2017</b>
	<b>NIS millions</b>	<b>NIS millions</b>
Series C debentures	389	257
Series D debentures	551	541
CPI forward	6	-
<b>Total liabilities</b>	<b>946</b>	<b>798</b>
Cash and cash equivalents	48	20
Short-term investments	334	177
<b>Total Liquidity</b>	<b>382</b>	<b>197</b>
<b>Net debt</b>	<b>564</b>	<b>601</b>

- During October 2017, the Company conducted two private placements of its Series D Debentures in exchange for Series C Debentures. Upon completion of the exchange offers, an aggregate principal amount of NIS 40.5 million par value of Series C Debentures and NIS 757.3 million par value of Series D Debentures remain outstanding.

# IGLD's Unconsolidated Balance Sheet

	<u>December 31, 2016</u> Audited	<u>September 30, 2017</u> Unaudited
<b>Assets</b>		
Cash and cash equivalents	48	20
Short-term investments	334	177
<b>Total current assets</b>	<b>382</b>	<b>197</b>
Investment in BCOM	758	834
<b>Total non-current assets</b>	<b>758</b>	<b>834</b>
<b>Total assets</b>	<b>1,140</b>	<b>1,031</b>
<b>Liabilities</b>		
Short-term debentures	130	183
Other payables	21	2
<b>Total current liabilities</b>	<b>151</b>	<b>185</b>
Debentures	795	613
<b>Total non-current liabilities</b>	<b>795</b>	<b>613</b>
<b>Total liabilities</b>	<b>946</b>	<b>798</b>
<b>Shareholders equity</b>	<b>194</b>	<b>233</b>
<b>Total liabilities and equity</b>	<b>1,140</b>	<b>1,031</b>

# Projection of Future Debt Repayments (NIS millions)



- All amounts include future estimated interest payments
- As of November 30, 2017 and subsequent to the debentures exchange in October, 2017.



## The Bezeq Era

Thank you



## Use of Non-IFRS Financial Measures

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. The following non-IFRS measures are provided in the press release and accompanying supplemental information because management believes these measurements provide consistent and comparable measures to help investors understand the Bezeq Group's current and future operating cash flow performance and are useful for investors and financial institutions to analyze and compare companies on the basis of operating performance.

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

Reconciliations between the Bezeq Group's results on an IFRS and non-IFRS basis with respect to these non-IFRS measurements are provided below. Its. The 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 the financial statements prepared in accordance with IFRS.

# Reconciliation for Non-IFRS Measures

The following is a reconciliation of the Bezeq Group's net profit to EBITDA:

<b>NIS millions</b>	<b>Three months period ended</b>	<b>Trailing twelve months ended</b>
	<b>September 30, 2017</b>	
Net income	322	1,215
Income tax	128	562
Share of loss in equity-accounted investee	-	5
Financing expenses, net	94	433
Depreciation and amortization	436	1,696
<b>EBITDA</b>	<b>980</b>	<b>3,911</b>

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

<b>NIS millions</b>	<b>Three months period ended September 30, 2017</b>
Cash flow from operating activities	982
Purchase of property, plant and equipment	(255)
Investment in intangible assets and deferred expenses	(98)
Proceeds from the sale of property, plant and equipment	48
<b>Free cash flow</b>	<b>677</b>



# Reconciliation for Non-IFRS Measures

The following table shows the calculation of the Group companies net debt:

<b>NIS Millions</b>	<b>September 30, 2017</b>		
	<b>Bezeq</b>	<b>BCOM</b>	<b>IGLD</b>
Short term bank loans and credit and debentures	555	257	185
Non-current bank loans and debentures	10,978	2,208	613
Cash and cash equivalents	(2,471)	(257)	(20)
Investments	(94)	(291)	(177)
<b>Net Debt</b>	<b>8,968</b>	<b>1,917</b>	<b>601</b>

The following table shows the calculation of the BCOM's and IGLD's NAV:

<b>NIS millions</b>	<b>As at September 30, 2017</b>	
	<b>BCOM</b>	<b>IGLD</b>
Value of shares held *	3,817	1,231
Net debt	1,917	601
<b>NAV</b>	<b>1,900</b>	<b>630</b>

\* Please refer to glossary.

# Reconciliation for Non-IFRS Measures

The following table shows the calculation of the Bezeq Group's EV and EV to EBITDA:

	<u>NIS Millions</u>
Bezeq's equity market cap. *	14,491
Bezeq's Net Debt	8,968
<b>Bezeq's Enterprise Value</b>	<b>23,459</b>
TTM EBITDA	3,911
<b>EV/EBITDA</b>	<b>6.0</b>

# Glossary

Term	Definition
TTM	Trailing twelve months
LTM	Last twelve months
KPI	Key performance indicator
TMT	Telecom, Media & Technology
Liquidity balances	Cash and cash equivalents and short term investments.
Net debt	Long and short term bank loans and debentures minus cash and cash equivalents and short term investments.
Loan To Value – LTV	Unconsolidated net debt to Company's share in Bezeq's market cap.
Dividend yield	Total dividends paid by Bezeq during last 12 months to Bezeq's average market cap during last 12 months.
EBITDA	Net profit plus income tax expenses, share of loss in equity accounted investee, net financing expenses and depreciation and amortization.
Net debt to EBITDA	Net debt divided by trailing twelve months EBITDA.
Enterprise Value - EV	Market cap of shareholders' equity plus net debt.
B Communications' NAV	Value of BCOM's share in Bezeq's market cap less BCOM's unconsolidated net debt.

# Glossary

Term	Definition
Internet Gold's NAV	Value of IGLD's share in BCOM's NAV less IGLD's unconsolidated net debt.
Net debt / EBITDA	Proportional net debt to EBITDA according to company's holding ratio in its subsidiaries.
Market Capitalization	Market cap. Figures in this presentation are as of November 30, 2017.
Free cash flow	Cash flows from operating activities minus capital expenditures.
Enterprise Value	Market cap plus net debt.