Investors Presentation

November 2018

Forward-Looking Statements

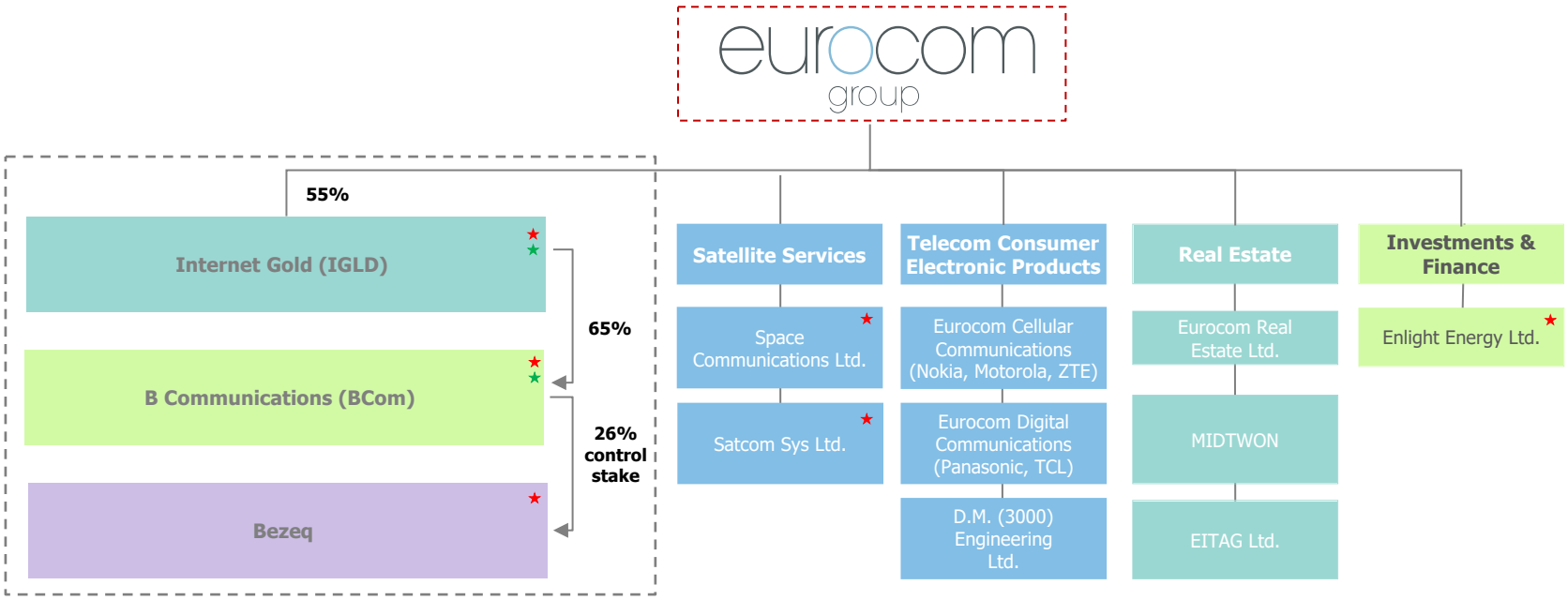
This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements that are not historical facts and may include financial projections 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 Ba2 local rating that are traded on TASE.
- During 2016, Internet Gold received a dividend of NIS 230 million from its subsidiary B Communications.

Eurocom Status

- Eurocom was founded in 1979.
- Used to be one of the largest holding companies in Israel.
- The current effective owners: 3 Israeli banks.
- The Tel Aviv-Jaffa District Court issued a liquidation order for Eurocom Communications - which took effect on May 3, 2018. The stay was given at the request of the representatives of the creditor banks in order to exhaust a creditor arrangement process within this time period. According to the court ruling, the official receiver will be the temporary liquidator of Eurocom Communications until the appointment of a permanent liquidator, and Attorneys Pinchas Rubin, Amnon Lorch and Uri Gaon were appointed as special managers.



★ Traded on TASE ★ Traded on NASDAQ

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 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)

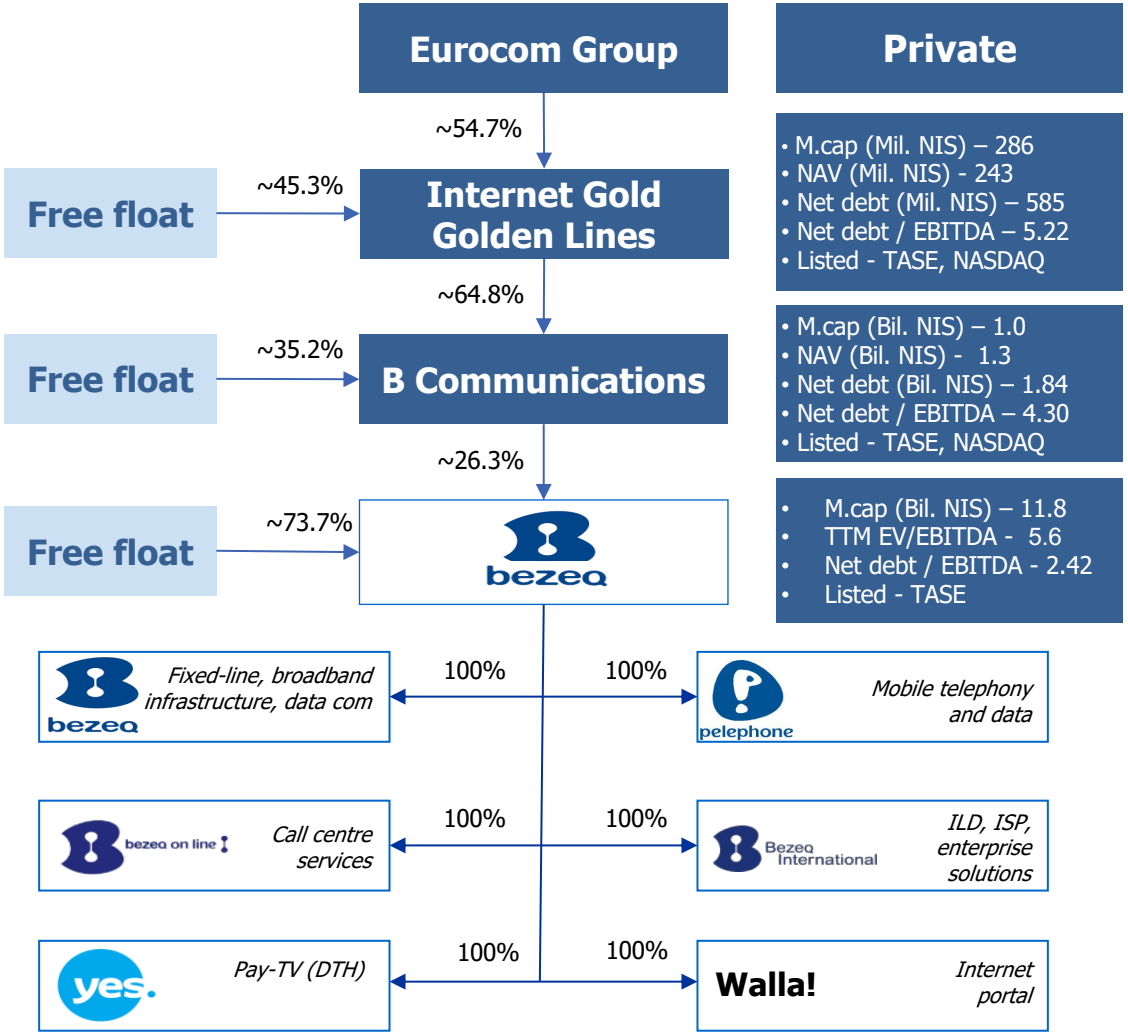
2007 to 2009

- 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 2018

- 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 7⅜% 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 7⅜% Senior Secured Notes with the new Series C Debentures
- From April 2010 through Today, BCOM decreased its net debt from more than NIS 5 billion to only NIS 1.8 billion

Group Structure



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

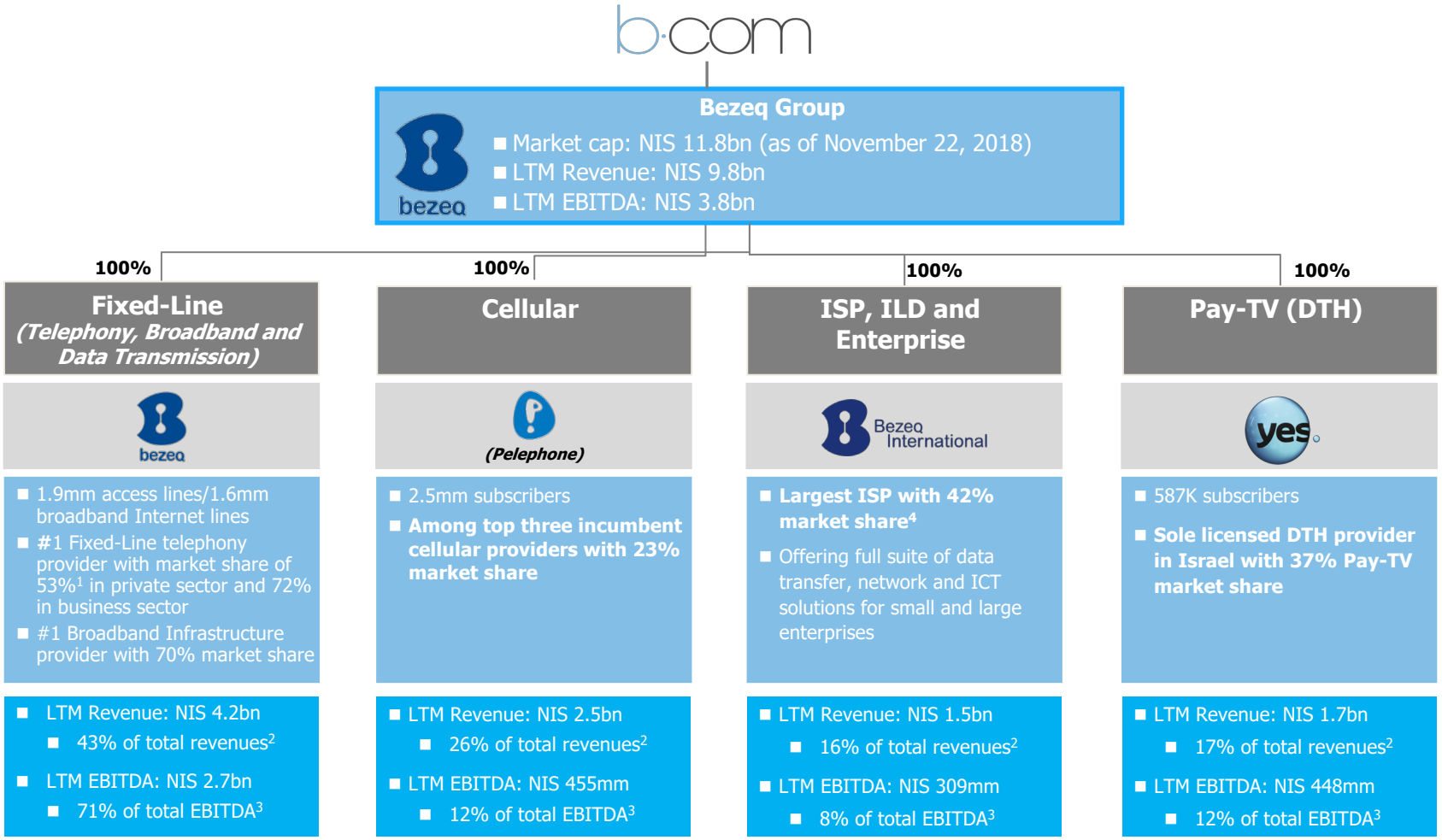
(1) Net debt figures are as of September 30, 2018.

(2) Market cap and holding percentage figures are as of November 22, 2018.

b·com group

Our Base Asset

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



Note: LTM results, KPIs and Subscriber based market share data are as of 4Q '17

[1] Company estimates; Captures private and business sector

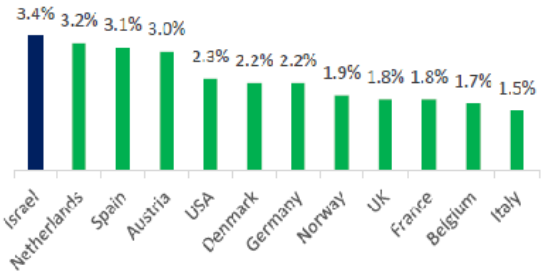
[2] Breakdown based on gross revenue (pre elimination of inter-company revenues)

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

[4] 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

GDP Growth, 2017

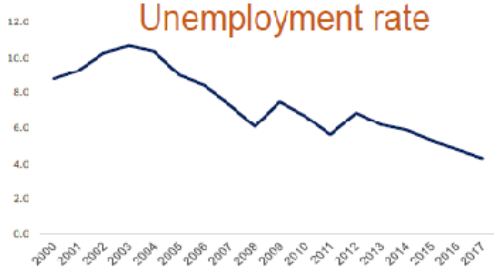


Source : OECD, World Bank; Israel - Bank of Israel

Inflation rate

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

Unemployment rate



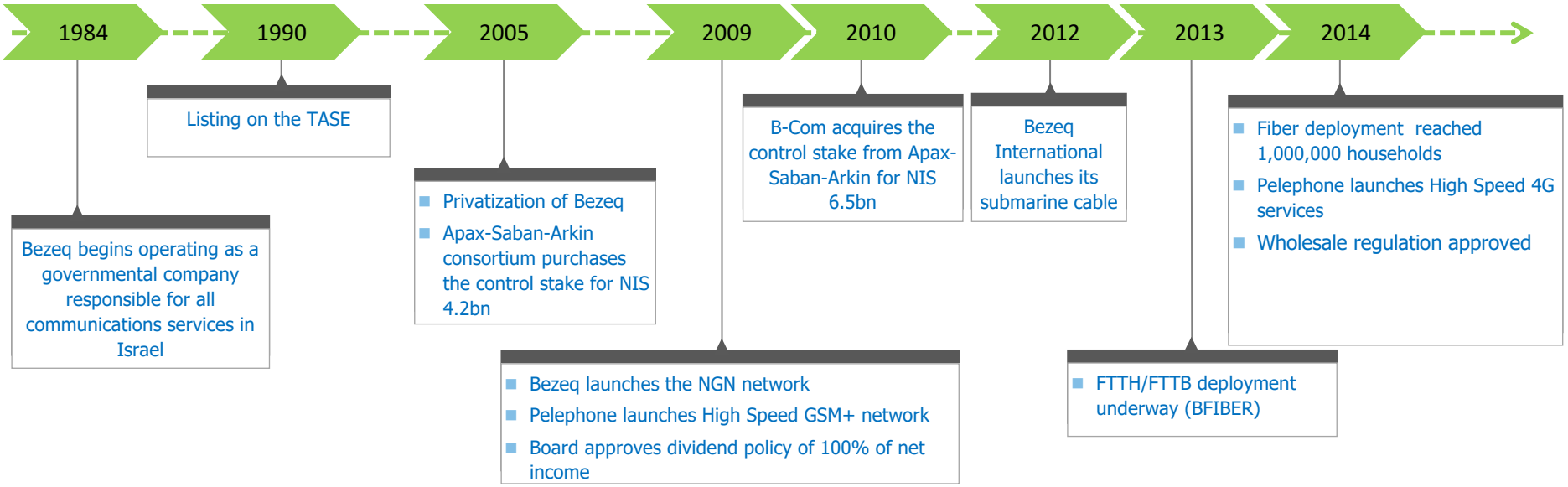
Source: Central Bureau of Statistics data and Bank of Israel calculations

S&P raises Israel's credit rating to record AA-

Moody's affirms Israel's A1 credit rating, gives economy positive outlook

Bezeq is the historical incumbent and since its privatization in 2005 has been controlled under a Control Permit

History and milestones



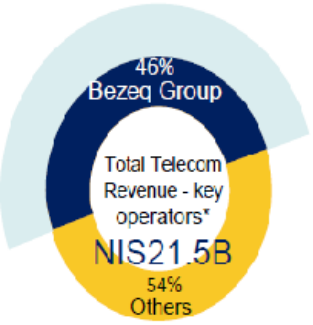
Control permit

- 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
- BCOM consolidates Bezeq's financial statements based on its de-facto control of Bezeq

Source: Company information

The Bezeq Group in numbers - 2017

Bezeq group in numbers 2017



* Includes revenues from Bezeq, Cellcom, Partner and Hot

Revenues of NIS 9.8 billion

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

70%
of net income dividend distribution policy

1.9 million
fixed access lines

(Market share telephony private sector: 53%, Business sector: 72%)

587,000
Pay-TV customers
(Market share: 37%)

2.5 million
cellular subscribers
(Market share: 23.3%*)

1.6 million
broadband lines
(Market share: 70%)

Diversified portfolio in all TMT sub-markets

* Cellular Market share data as of 9/2017

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 1.64 million subscribers, approximately 70% 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.

Pelephone

- 2.53 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.).

Bezeq International

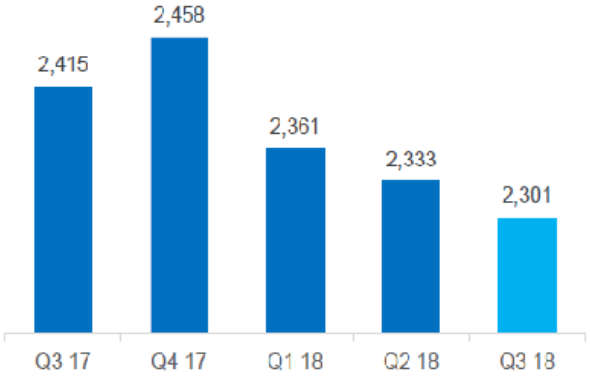
- Leading broadband Internet service provider in Israel - approximately 42% Internet market share.
- Israel's largest data center.
- Direct ownership of modern and high-speed submarine cable system deployed between Israel and Europe.
- Increasing bandwidth at affordable rates.
- International telephony

YES

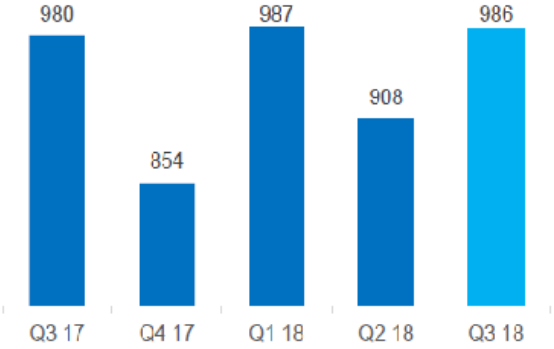
- Leading brand for content innovative applications and customer service
- Approximately 37% market share.
- Rich content offering with extensive agreements with first –tier content producers.
- Over 160 channels including 39 Yes branded channels.
- Fully digital with nationwide deployment.

Bezeq Group – Financials

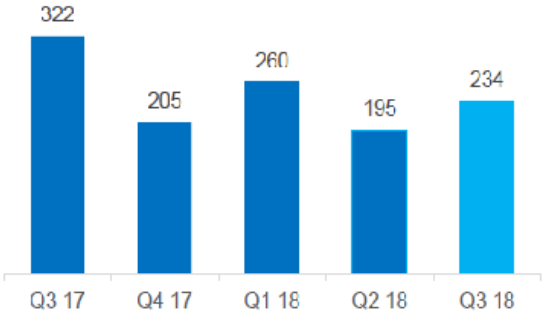
Consolidated Revenue (NIS Millions)



Consolidated EBITDA** (NIS Millions)

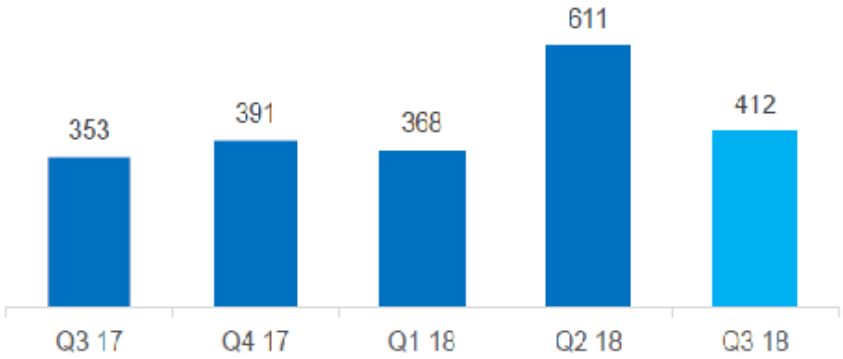


Consolidated Net Profit** (NIS Millions)

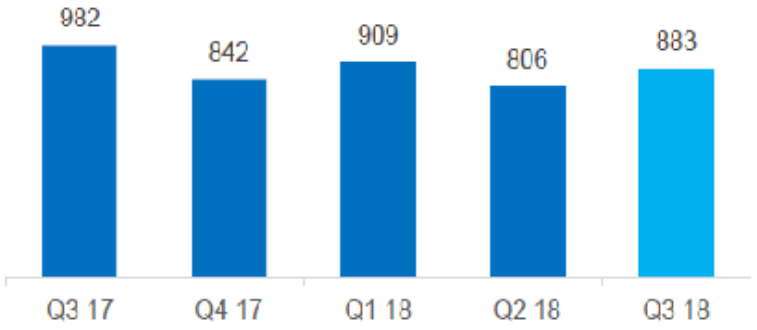


** Q2 2018 EBITDA and net profit includes NIS 80m provision for early retirement

Consolidated CapEx* (NIS Millions)



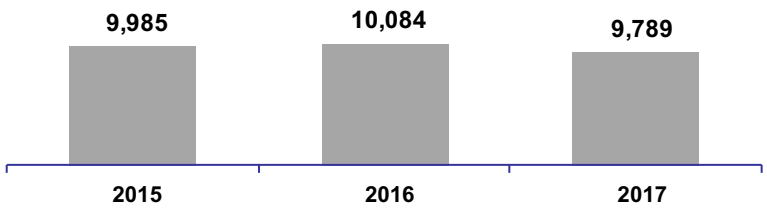
Operating Cash Flow (NIS Millions)



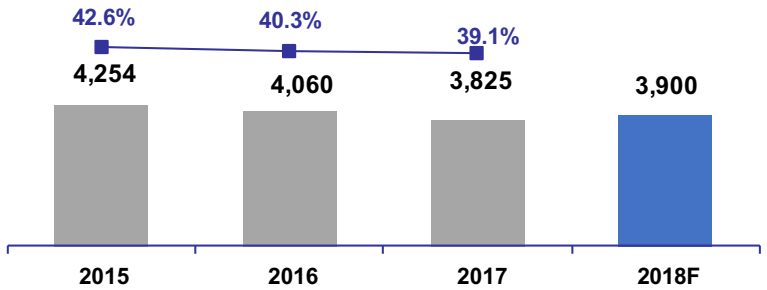
*Q2 2018 capex includes payments of NIS 192m for permit fees and taxes relating to the sale of "Sakia"

Bezeq Financials (NIS Millions)

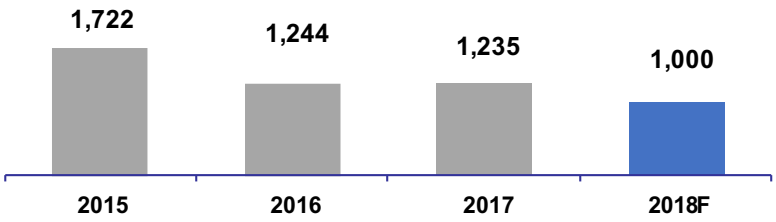
Revenues



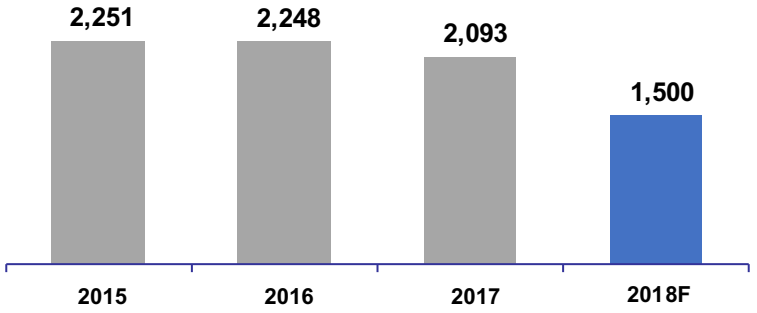
EBITDA



Net Income



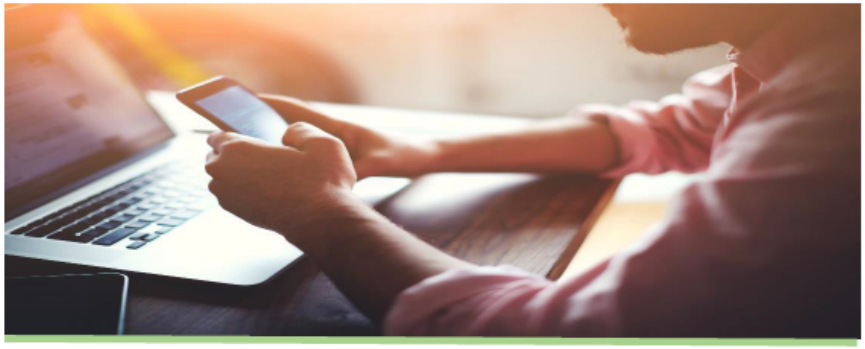
Free Cash Flow

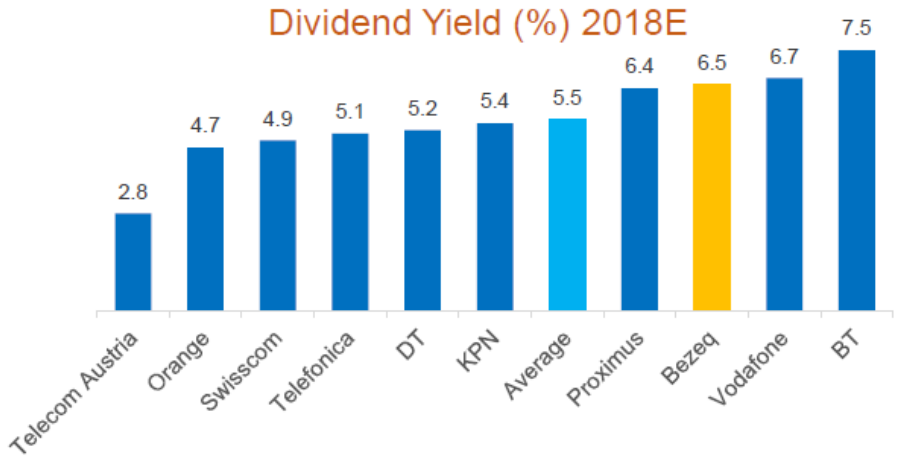


* Bezeq's 2018 forecast includes the effect of early implementation of IFRS 16 as from January 1, 2018 of NIS 400 million on EBITDA and a negligible amount on the net profit.

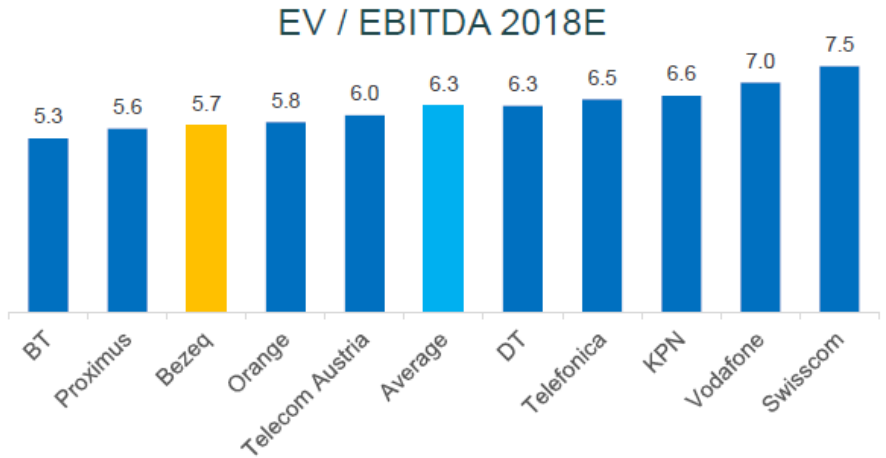
Sector Leading Dividend Policy

- Board of Directors approved dividend policy – 70% of net income on a semi-annual basis





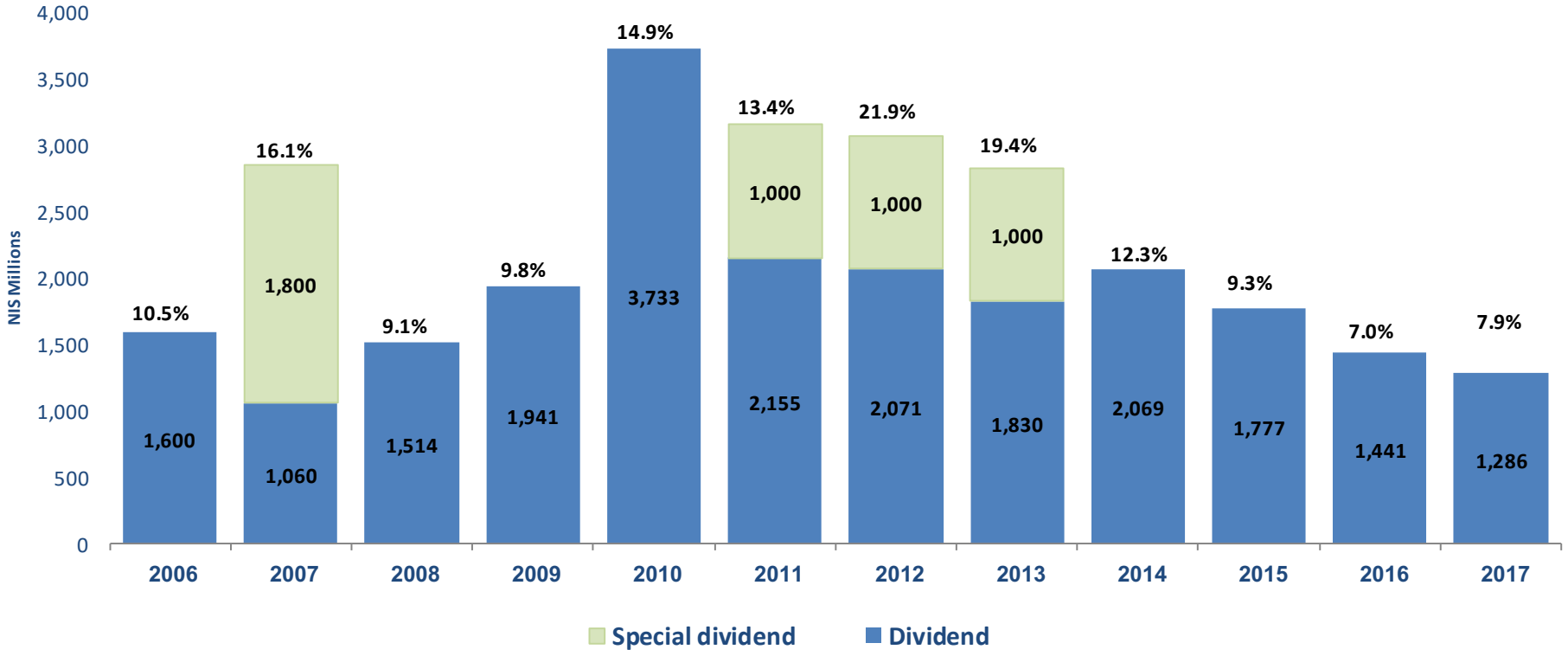
Source: Barclays; Bezeq: based on share price of NIS 3.9



Source: Citi; Bezeq: based on share price of NIS 3.9

Bezeq's Dividend Policy

Distribution of 70% of its net income on a semi-annual basis (100% until 2017)



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 27.8 billion ($7.7 billion) in dividends.

Bezeq – Key Take Aways

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

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

IGLD's Unconsolidated Net Debt

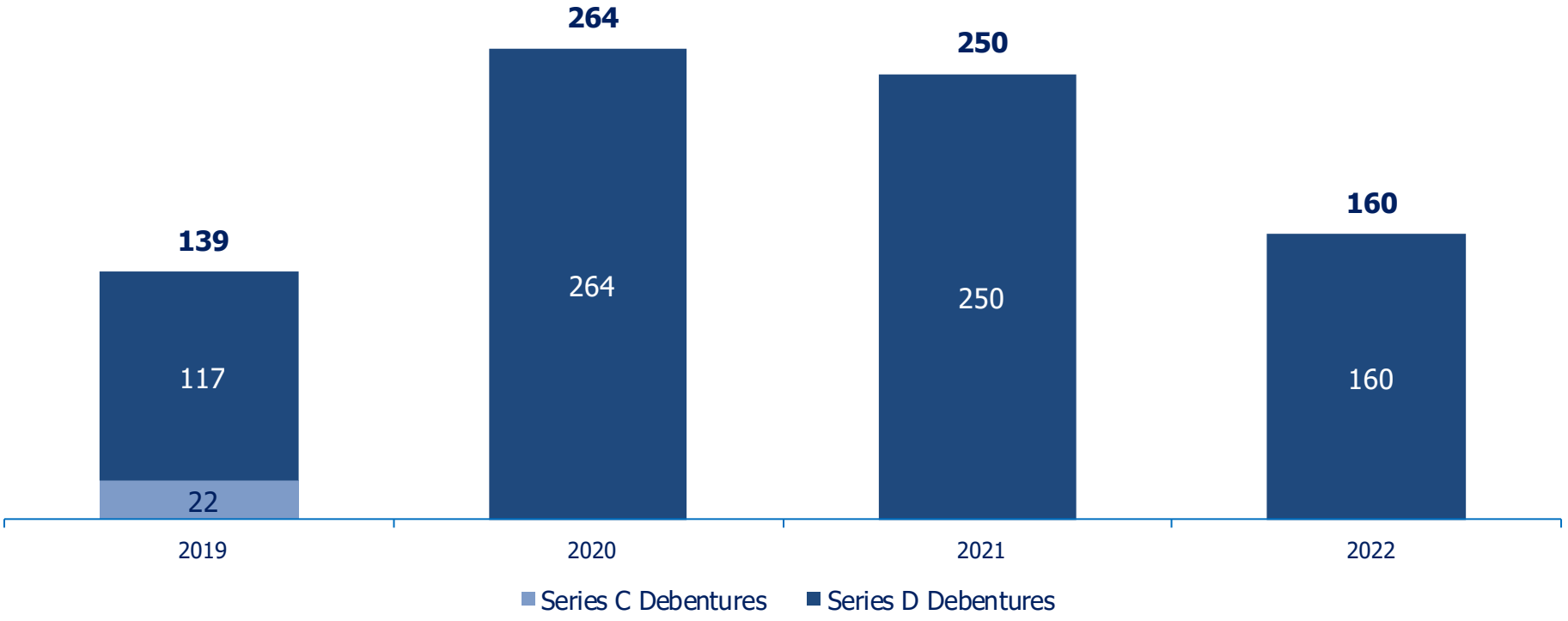
	December 31, 2017 NIS millions	September 30, 2018 NIS millions
Series C debentures	43	22
Series D debentures	780	706 *
Total liabilities	**823**	**728**
Cash and cash equivalents	21	25
Short-term investments	174	118
Total Liquidity	**195**	**143**
Net debt	**628**	**585**

* The Series D debentures balance as of September 30, 2018 includes NIS 14 million arising from the initial implementation of IFRS 9. It should be noted that the increase in the Series D debentures balance will not increase the Company's future debt repayments and will decrease the Company's finance expenses over the term of the debentures.

IGLD's Unconsolidated Balance Sheet

	December 31, 2017 Audited	September 30, 2018 Unaudited
Assets		
Cash and cash equivalents	21	25
Short-term investments	174	118
Total current assets	**195**	**143**
Investment in BCOM	807	645
Total non-current assets	**807**	**645**
Total assets	**1,002**	**788**
Liabilities		
Short-term debentures	97	97
Other payables	16	1
Total current liabilities	**113**	**98**
Debentures	712	630
Total non-current liabilities	**712**	**630**
Total liabilities	**825**	**728**
Shareholders equity	**177**	**60**
Total liabilities and equity	**1,002**	**788**

Projection of Future Debt Repayments
(NIS millions)



- All amounts include future estimated interest payments
- As of November 22, 2018.

INTERNET GOLD

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. lts. 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:

NIS millions	Three months period ended	Trailling twelve months ended
	September 30, 2018	
Net income	234	894
Income tax	85	344
Share of loss in equity-accounted investee	1	4
Financing expenses, net	109	447
Depreciation and amortization	547	2,036
EBITDA	**976**	**3,725**

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

NIS millions	Three months period ended
	September 30, 2018
Cash flow from operating activities	883
Purchase of property, plant and equipment	(308)
Investment in intangible assets and deferred expenses	(95)
Lease payments	(109)
Permit fee	(9)
Proceeds from the sale of property, plant and equipment	12
Free cash flow	**374**

Reconciliation for Non-IFRS Measures

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

NIS Millions	September 30, 2018		
	Bezeq	BCOM	IGLD
Short term bank loans and credit and debentures	1,798	253	98
Non-current bank loans and debentures	10,149	2,229	630
Cash and cash equivalents	(1,408)	(236)	(25)
Investments	(1,517)	(406)	(118)
Net Debt	**9,022**	**1,840**	**585**

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

NIS millions	As at September 30, 2018	
	BCOM	IGLD
Value of shares held *	3,117	828
Net debt	1,840	585
NAV	**1,277**	**243**

* 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:

	NIS Millions
Bezeq's equity market cap. *	11,836
Bezeq's Net Debt	9,022
Bezeq's Enterprise Value	**20,858**
TTM EBITDA	3,725
EV/EBITDA	**5.6**

* Based on Bezeq's stock price as of November 22, 2018.

The following table shows the calculation of BCOM's LTV:

(In millions NIS)	**As at September 30, 2018**
BCOM's Net Debt*	1,840
Market value of Bezeq shares held by Bcom	3,117
BCOM's LTV	**59%**

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 22, 2018.
Free cash flow	Cash from operating activities less cash used for the purchase/sale of property, plant and equipment, and intangible assets, net and lease payments.
Enterprise Value	Market cap plus net debt.