



The Bezeq Era

Investors presentation, May 2015





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.



About BCOM

- B Communications Ltd. is a holding company with a controlling interest (approximately 30.7%) in Bezeq, The Israel Telecommunication Corp. ("Bezeq"), Israel's largest telecommunications provider (TASE: BEZQ).
- BCOM is a subsidiary of Internet Gold and part of the Eurocom Group in Israel. The Company, which was formerly known as 012 Smile Communications, went public on Nasdaq in November 2007.

| At A Glance | |
|-----------------------|-------------------|
| Ticker | BCOM |
| Exchange | NASDAQ & TASE |
| Headquarters | Ramat Gan, Israel |
| Stock Price | \$15.56 |
| 52 Week Range | \$13.34-\$21.61 |
| Shares Outstanding | 29.9 Million |
| Market Capitalization | \$465.1 Million |

As of May 20, 2015

Investment Considerations

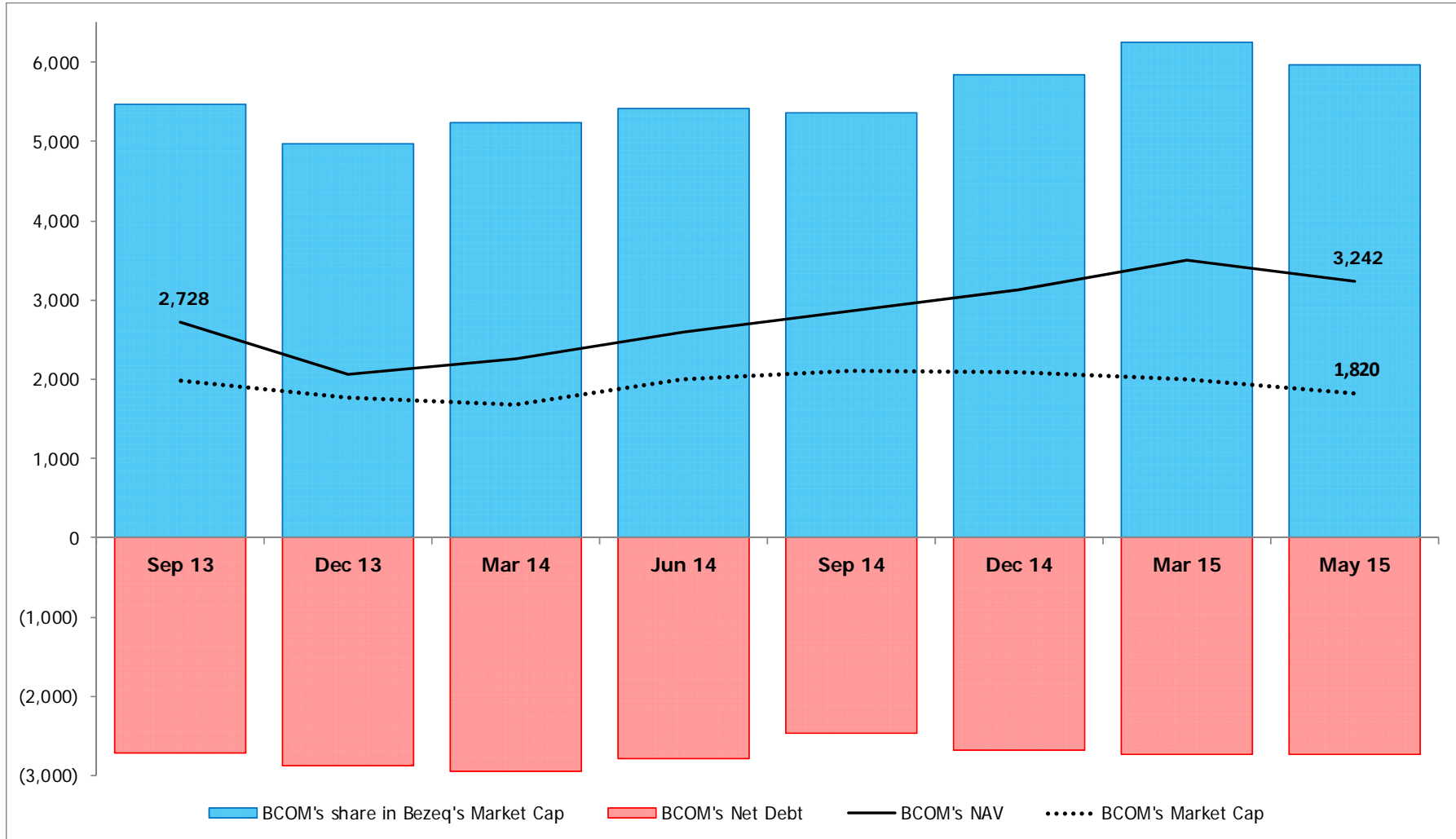
- Owns a controlling stake in an asset with strong, consistent cash flow generation
- Trades at a significant discount to Net Asset Value
- Paid a dividend in first quarter of 2015 as part of Company's commitment to returning capital to shareholders
- Decreased net debt from more than NIS 5 billion in April 2010 (when BCOM acquired controlling interest in Bezeq) to just NIS 2.7 billion as of March 31, 2015
- Pushed out maturities in February 2014 by refinancing debt used to acquire stake in Bezeq through private placement of \$800 million of senior secured notes

NAV Breakdown

| Data | |
|--|---------------------|
| No. of BCOM shares | 29,889,045 |
| No. of Bezeq shares held by BCOM | 843,873,713 |
| Bezeq share price (NIS) @ May 19, 2015 (*) | 7.08 |
| No. of Bezeq shares | 2,747,644,494 |
| Bezeq's market cap (NIS millions) | 19,446 |
| BCOM's NAV calculation | NIS Millions |
| BCOM's share in Bezeq's market cap | 5,972 |
| BCOM's net debt | 2,730 |
| BCOM's NAV | 3,242 |
| Upside over market price | NIS |
| BCOM's share price according to NAV | 108.48 |
| BCOM's share price @ May 19, 2015 | 60.90 |
| Upside (%) | 78.1% |

(*) Bezeq's share price adjusted by dividend payable in May 27, 2015.

NAV History



Dividend Distribution

- On May 21, 2015, the Company's board of directors declared a cash dividend of NIS 67 million (NIS 2.24 per share).
- The dividend will be payable to all of the Company's shareholders of record at the end of the NASDAQ trading day on June 2, 2015. The payment date will be June 16, 2015.

Key Milestones for BCOM

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 2015, BCOM decreased its net debt from more than NIS 5 billion to NIS 2.7 billion.
- 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

Experienced, Disciplined Leadership



Shaul Elovitch [★]

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



Doron Turgeman

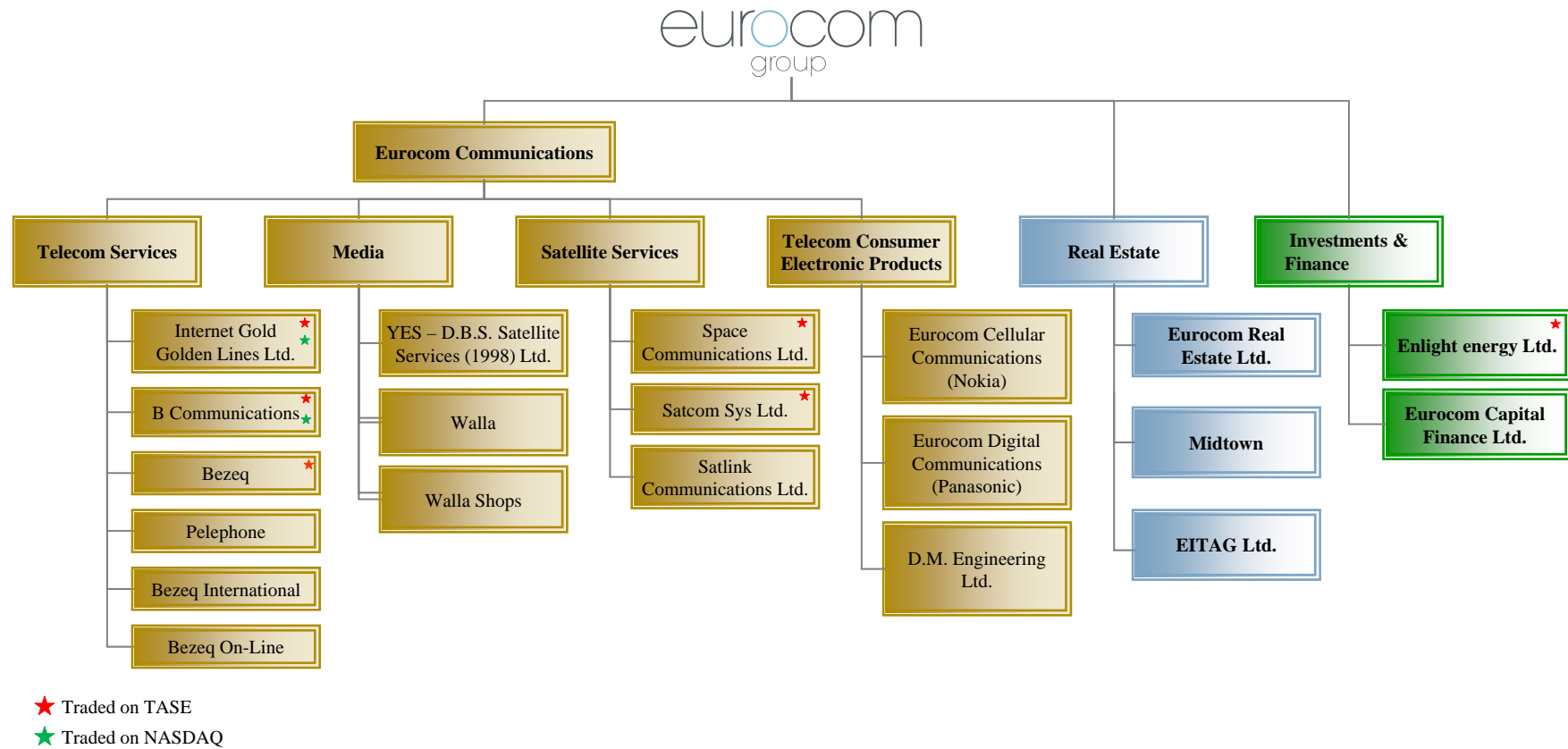
CEO since 2011 & CFO from
2001 till 2011
*20 years experience in
management
18 years experience in
communications*

Proven capabilities in:

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

Eurocom Group Overview

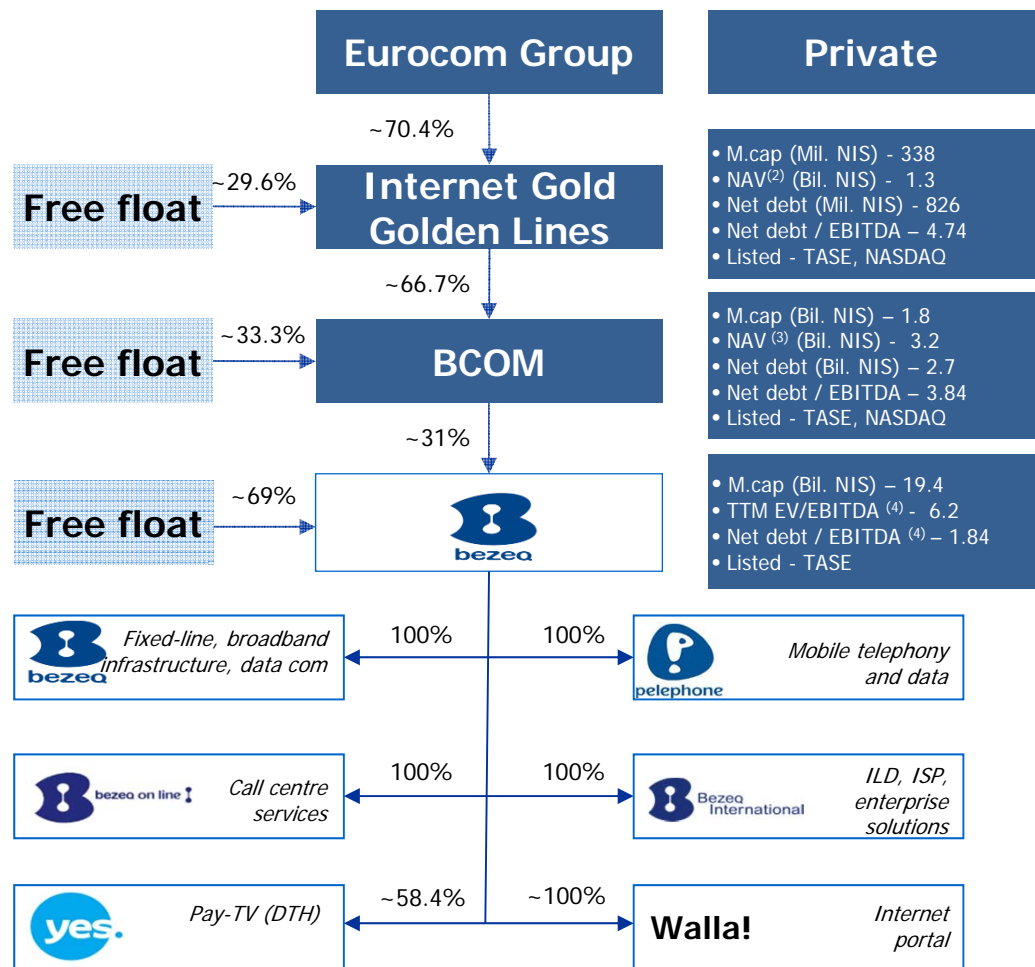
- Founded in 1979
- One of Israel's largest holding companies with a strong presence in Israel and a growing international presence
- Owned by Shaul Elovitch, Chairman of the Board of Directors (80% ownership) and Yossef Elovitch, Director (20% ownership)
- Solid financial base and strategic partnerships ensure the strong backing necessary to accelerate growth
- Diversified portfolio with investments in telecommunications, media, real estate, consumer electronics and financial services



Eurocom: Israel's Largest Communications Footprint

| eurocom group | | |
|---------------------------------|-------------------|--------------------------|
| | Relative strength | Company within the group |
| Internet access | ● | |
| Internet Services | ● | |
| Internet VAS residential | ● | |
| Internet business | ● | |
| e-Advertising | ● | |
| e-Commerce | ● | |
| Date Services | ● | |
| ILD | ● | |
| Fixed telephony | ● | |
| Mobile | ● | |
| Multi channel TV | ● | |
| Telecom & consumer electronics. | ● | |
| Satellite services | ● | |

Group Structure



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

(1) All figures are as of March 31, 2015.

(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 19, 2015 adjusted by dividend payable on May 27, 2015, less IGLD's net debt.

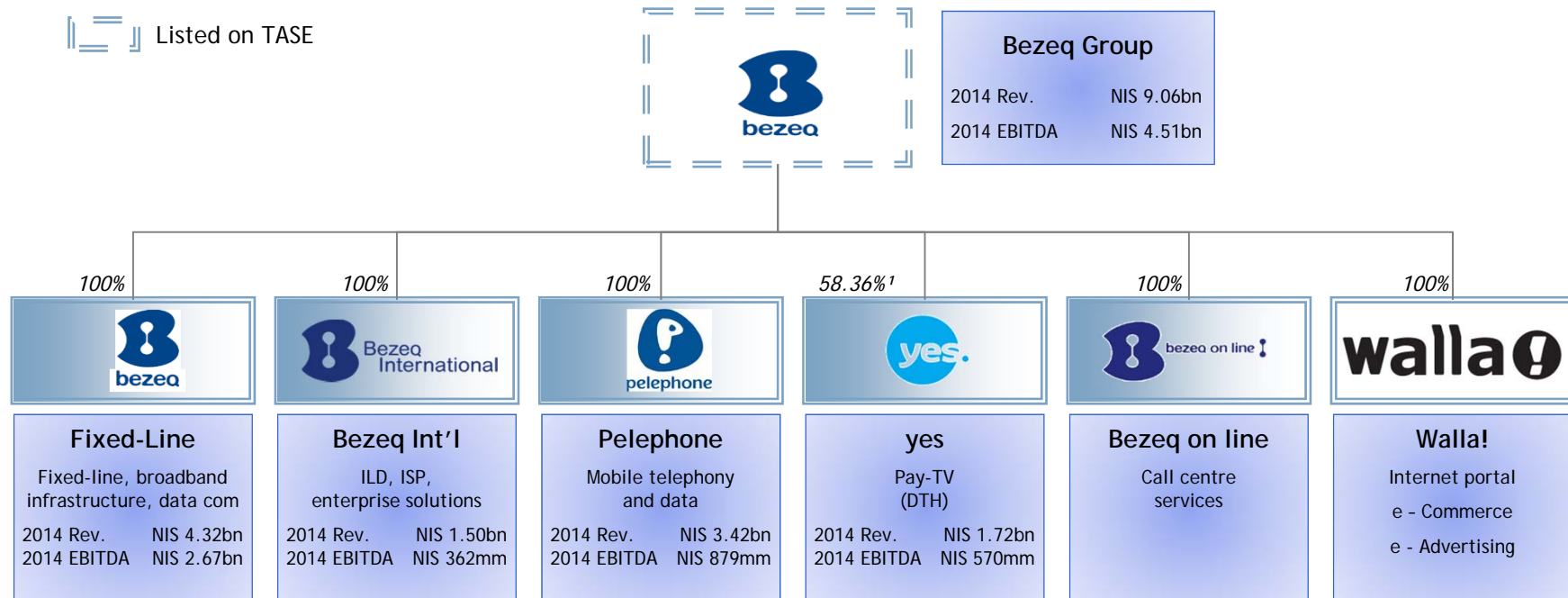
(3) BCOM's NAV is defined as value of BCOM's shares according to Bezeq market cap, based on Bezeq stock price as of May 19, 2015 adjusted by dividend payable on May 27, 2015, less BCOM's net debt.

(4) Bezeq's EV/EBITDA and Net Debt/EBITDA ratios are effected by the one-time capital gain generated from the sale of the "Yad2" web site and from the consolidation of Yes debt as of March 26, 2015.



Bezeq, Our Base Asset

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



¹ The balance of the share ownership is held by Eurocom DBS Ltd.

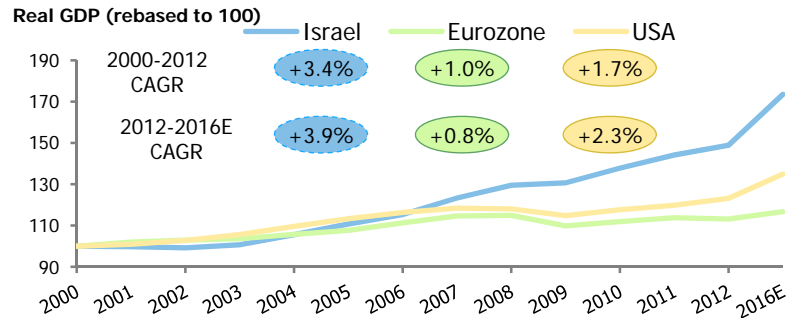
On March 23, 2015 Bezeq shareholders approved the following resolutions: 1. Acceptance of the terms established by the Antitrust Commissioner in his approval dated March 26, 2014, both by Bezeq and by Yes and to announce the exercise, at no cost, of Bezeq's option for the allotment of 6,221 shares of Yes, representing 8.6% of Yes shares ("the Option") (subsequent to exercise of the Option, Bezeq will hold 58.36% of the share capital in Yes in full dilution). Bezeq has already exercised such option; 2. To enter into an agreement with Eurocom DBS Ltd., whereby Bezeq will acquire the entire holdings of Eurocom DBS in Yes (including a right to exercise 43 Yes shares that it holds) and all the shareholder loans provided by Eurocom DBS to Yes, all for the consideration and under the terms of the agreement.

Bezeq operates in an attractive macroeconomic environment with unique characteristics

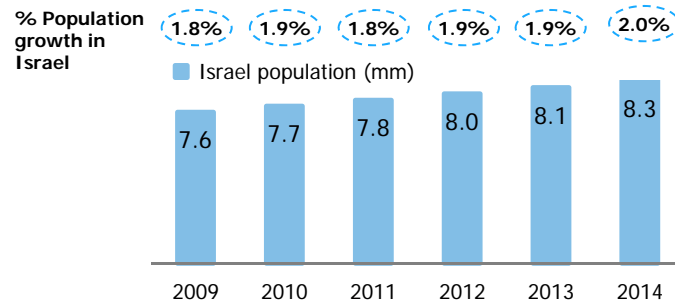


The Israeli economy benefits from positive fundamentals as reflected in its A+/A1 (stable)¹ sovereign credit rating

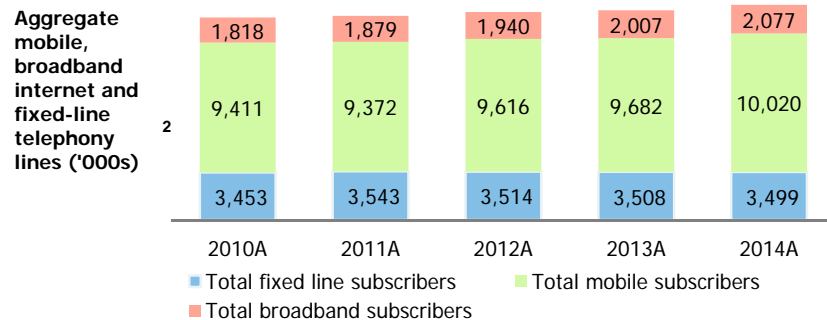
Consistent high GDP growth...



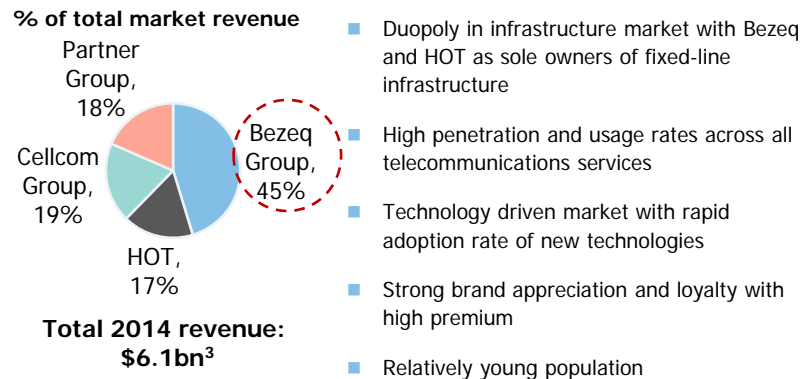
...with strong underlying population growth



The Israeli telecommunications market is growing alongside the growth in population...



...and Bezeq is the largest player in the market with the largest revenue share



Source: EIU; Israel Central Bureau of Statistics; Company data; Public filings for competitors' data

¹ Indicates credit rating and outlook by S&P / Moody's

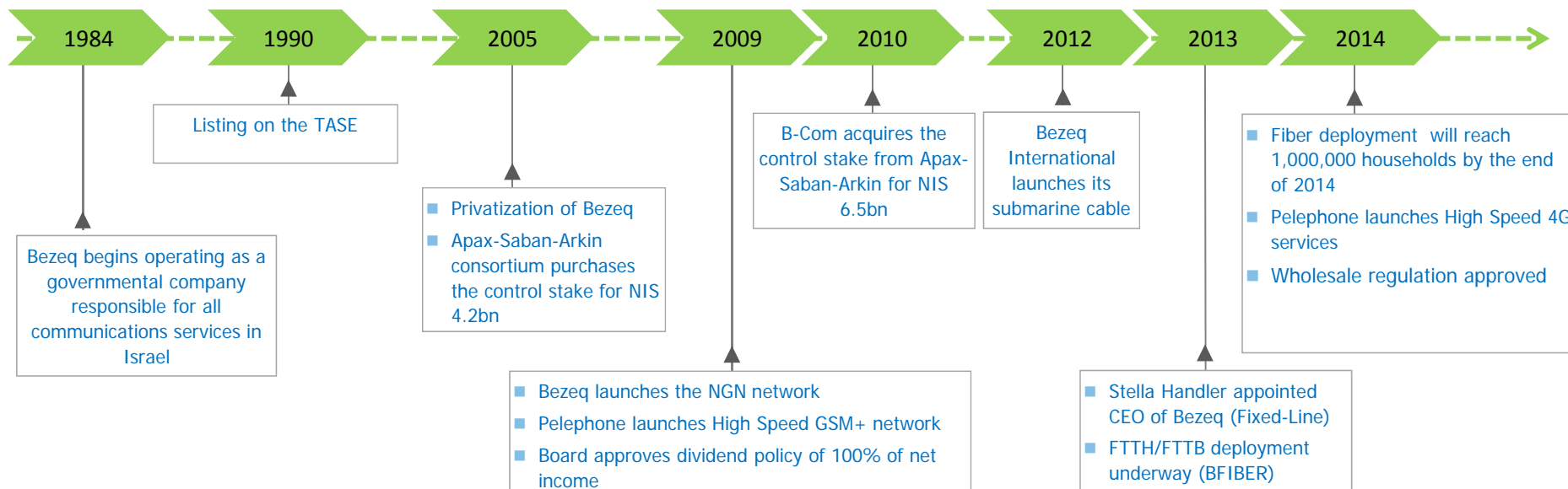
² Mobile subscribers based on total UMTS subscribers for all MNOs; Broadband internet subscribers based on Bezeq and HOT subscribers; Fixed-Line telephony lines based on Bezeq, HOT, Cellcom, Partner and other operators

³ Based on aggregate revenues of the 4 largest telecom groups: Bezeq (incl. YES), HOT, Cellcom and Partner; USD/NIS conversion based on exchange rate of 3.889 as of December 31, 2014

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
- B-Com is the only shareholder that has a permit to direct the activities of Bezeq
- B-Com has nominated all of the members of Bezeq’s board of directors who were elected by shareholders¹
- B-Com consolidates Bezeq’s financial statements based on its de-facto control of Bezeq

Source: Company information

¹ 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

Bezeq Business Lines



Bezeq Fixed-Line

Fixed-line, broadband infrastructure, data com

| | 2012A | 2013A | 2014A | CAGR 12-14 |
|------------------|-------|-------|-------|---------------|
| NISmm | | | | |
| Revenue | 4,630 | 4,478 | 4,317 | -3.44% |
| % growth | -0.4% | -3.3% | -3.6% | |
| EBITDA | 2,689 | 2,681 | 2,668 | -0.39% |
| % margin | 58.1% | 59.9% | 61.8% | |
| Capex, net | 658 | 485 | 601 | -4.43% |
| % of rev. | 14.2% | 10.8% | 13.9% | |
| FCF ¹ | 1,351 | 1,789 | 1,658 | 10.78% |
| % of rev. | 29.2% | 40.0% | 38.4% | |



Pelephone

Mobile telephony and data

| | 2012A | 2013A | 2014A | CAGR 12-14 |
|------------------|--------|--------|--------|---------------|
| NISmm | | | | |
| Revenue | 4,468 | 3,809 | 3,419 | -12.52% |
| % growth | -19.5% | -14.7% | -10.2% | |
| EBITDA | 1,423 | 1,065 | 879 | -21.41% |
| % margin | 31.8% | 28.0% | 25.7% | |
| Capex, net | 381 | 315 | 321 | -8.21% |
| % of rev. | 8.5% | 8.3% | 9.4% | |
| FCF ¹ | 1,347 | 1,276 | 892 | -18.62% |
| % of rev. | 30.1% | 33.5% | 26.1% | |



Bezeq International

ILD, ISP, enterprise solutions

| | 2012A | 2013A | 2014A | CAGR 12-14 |
|------------------|-------|-------|-------|---------------|
| NISmm | | | | |
| Revenue | 1,340 | 1,433 | 1,504 | 5.94% |
| % growth | -1.0% | 6.9% | 5.0% | |
| EBITDA | 355 | 357 | 362 | 0.98% |
| % margin | 26.5% | 24.9% | 24.1% | |
| Capex, net | 173 | 97 | 109 | -20.62% |
| % of rev. | 12.9% | 6.8% | 7.2% | |
| FCF ¹ | 99 | 191 | 203 | 43.20% |
| % of rev. | 7.4% | 13.3% | 13.5% | |



- Leading broadband provider in Israel with over 1.39 million subscribers, approximately 65% 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 expected to cover 1.3 million households by the end of 2015.



- 2.56 million cellular customers
- HSPA (High Access Packet Speed) cellular technology offering 3.75 G speed.
- Initial LTE-4G launch in 2014, expansion in 2015.
- Essential to accessing higher value segments of the market.
- Strong platform for rising smartphone demand and advanced data services.

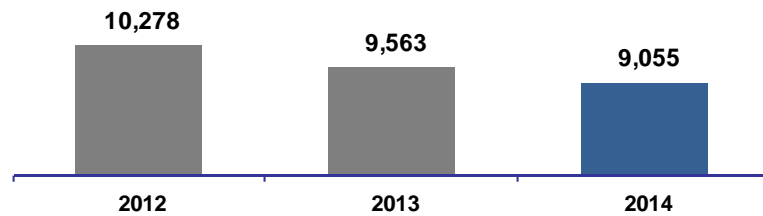


- Leading broadband Internet service in Israel Approximately 42% Internet market share.
- Israel's largest data center.
- Direct ownership of modern and high-speed submarine cable system deployed between Israel and Europe.
- Increasing bandwidth at affordable rates.
- International telephony

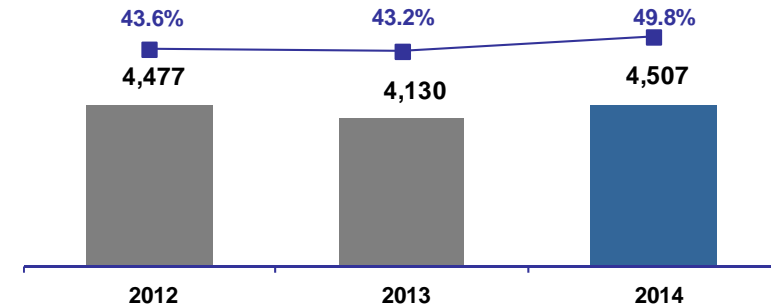
¹ Free cash flow is defined as cash flows from operating activities less net payments for investments

Bezeq Financials (NIS Millions)

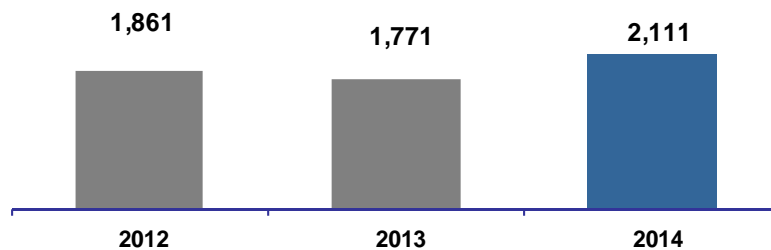
Revenues



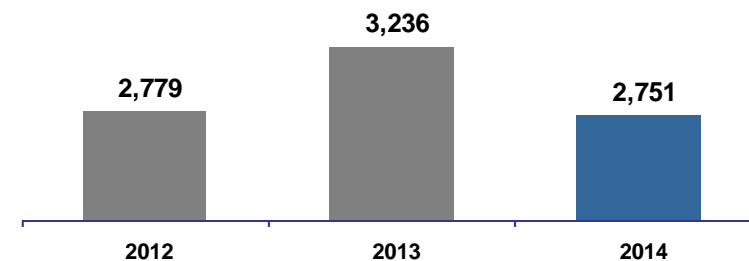
EBITDA



Net income attributable to shareholders



Free cash flow *



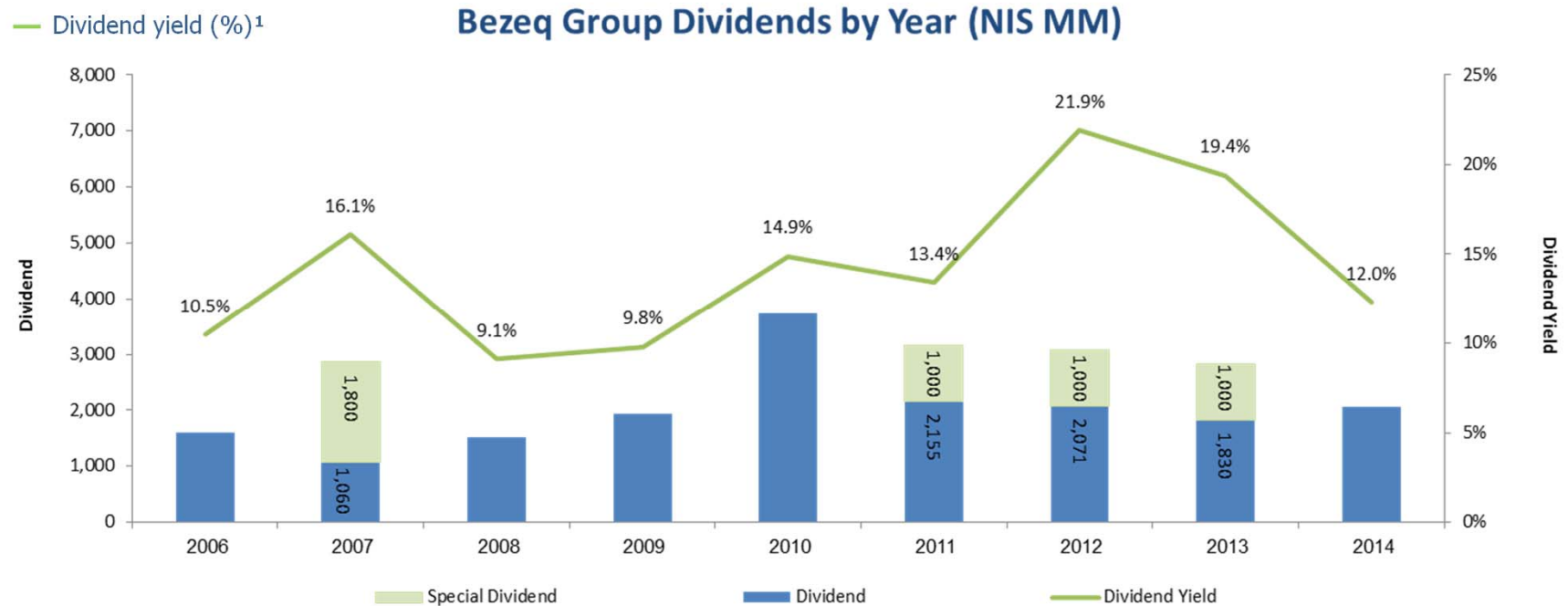
Source : Bezeq's press release

* Free cash flow is defined as 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 2014



Source: Bezeq

¹ Dividend Yield is based on average market cap during the period

- Based on its ownership interest, BCOM will receive ~ 31% of Bezeq's annual dividends
- Since 2006, Bezeq has paid over NIS 22.8 billion (US\$ 5.9 billion) in dividends
- Bezeq has paid all six equal special dividend payments which were declared by its 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.



BCOM Financials



BCOM Solo P&L (NIS Millions)

| | <u>Q2/2014</u> | <u>Q3/2014</u> | <u>Q4/2014</u> | <u>Q1/2015</u> |
|---|----------------|----------------|----------------|----------------|
| <u>BCOM's Profit & Loss</u> | | | | |
| G&A expenses | (1) | (1) | (1) | (2) |
| Tax expenses | - | - | (12) | - |
| Financing income (expenses), net | (100) | (99) | 1 | (65) |
| Total expenses | (101) | (100) | (12) | (67) |
| Interest in Bezeq's net income ^(*) | 250 | 132 | 128 | 143 |
| PPA amortization, net | (42) | (34) | (39) | (28) |
| Net income (loss) | 107 | (2) | 77 | 48 |

(*) Bezeq results for Q2/2014 included NIS 582 million one-time capital gain (before tax) from the sale of the "Yad2" portal

BCOM's Cash Position

As of March 31, 2015, BCOM's unconsolidated liquidity balances totaled NIS 970 million and its unconsolidated total financial liabilities totaled NIS 3.7 billion.

BCOM's Unconsolidated Balance Sheet Data⁽¹⁾ As of March 31, 2015

| | <u>NIS millions</u> |
|-------------------------------|---------------------|
| <u>Financial liabilities</u> | |
| Senior Secured Notes | 2,866 |
| Series B Debentures | 698 |
| Tax liability | 136 |
| Total | 3,700 |
| <u>Liquidity balances</u> | |
| Lockbox account | 419 |
| Unrestricted Cash | 551 |
| Total | 970 |

(1) Does not include the balance sheet of Bezeq.

BCOM Solo- Assets (NIS millions)

| <u>Statements of Financial Position</u> | <u>December 31, 2014</u> | <u>March 31, 2015</u> |
|---|--------------------------|-----------------------|
| | Audited | Unaudited |
| Assets | | |
| Cash and cash equivalents | 118 | 45 |
| Investments including derivatives | 879 | 925 |
| Other receivables | 178 | 233 |
| Total current assets | 1,175 | 1,203 |
| Investments in investee | 3,724 | 3,845 |
| Total non-current assets | 3,724 | 3,845 |
| Total assets | 4,899 | 5,048 |



BCOM Solo - Liabilities (NIS millions)

| <u>Statements of Financial Position</u> | <u>December 31, 2014</u> | <u>March 31, 2015</u> |
|---|--------------------------|-----------------------|
| | <u>Audited</u> | <u>Unaudited</u> |
| Liabilities | | |
| Short-term debentures | - | 177 |
| Other payables including derivatives | 102 | 165 |
| Total current liabilities | 102 | 342 |
| Other liabilities | 85 | 58 |
| Debentures | 3,751 | 3,634 |
| Total non-current liabilities | 3,836 | 3,692 |
| Total liabilities | 3,938 | 4,034 |
| Total equity | 961 | 1,014 |
| Total liabilities and equity | 4,899 | 5,048 |

BCOM During 2014

| | <u>January 1, 2014</u> | <u>December 31, 2014</u> |
|---|------------------------|--------------------------|
| BCOM's share in Bezeq's market cap (NIS Billions) | 4.97 | 5.86 |
| Net Financial Debt (NIS Billions)⁽¹⁾ | 2.74 | 2.68 |
| NAV (NIS Billions)⁽²⁾ | 2.23 | 3.18 |
| Debt Weighted Duration (In years) | 2.77 | 4.45 |
| LTV ⁽³⁾ | 55.1% | 45.8% |
| Local rating of Series B Debentures | A2 | A1 |
| Series B Debentures YTM | 4.13% | 2.68% |
| Total Liquidity (NIS Billions) | 0.66 | 1.00 |
| Scheduled 12M Principal and Interest Payments (NIS Millions) | 505 | 277 |
| Bcom Debt Coverage Ratio⁽⁴⁾ | 1.51 | 2.69 |
| BCOM's proportional Net Debt / EBITDA⁽⁵⁾ | 4.20 | 3.52 |

(1) Net financial debt reported at December 31, 2013 and DDecember 31,2014.

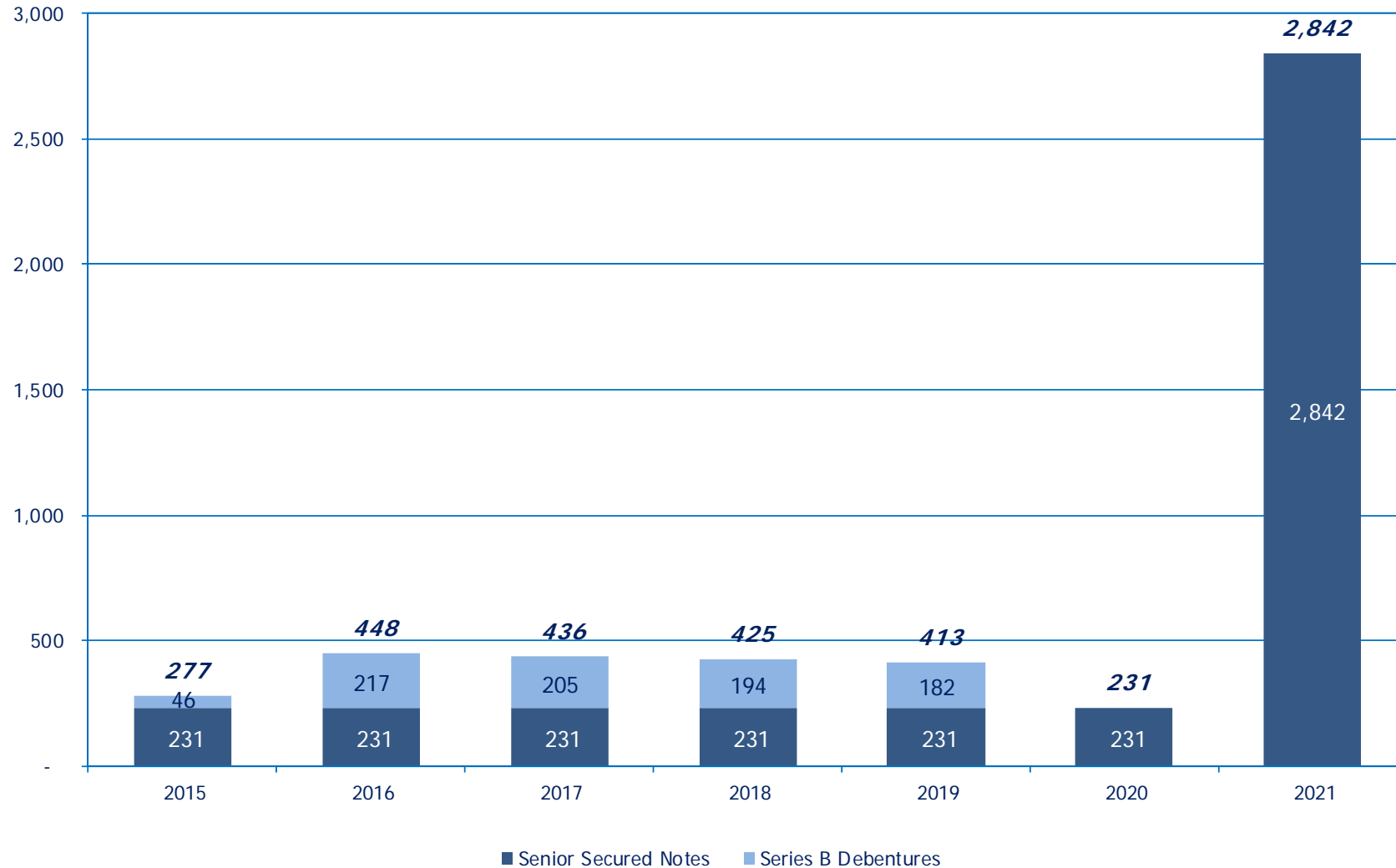
(2) NAV is calculated as BCOM's share in Bezeq's market cap minus its Net Financial debt.

(3) LTV is calculated as BCOM's Net Financial debt divided by its share in Bezeq's market cap.

(4) Debt coverage ratio is calculated as dividends received by BCOM in TTM divided by scheduled interest and principal payments (excluding early repayments).

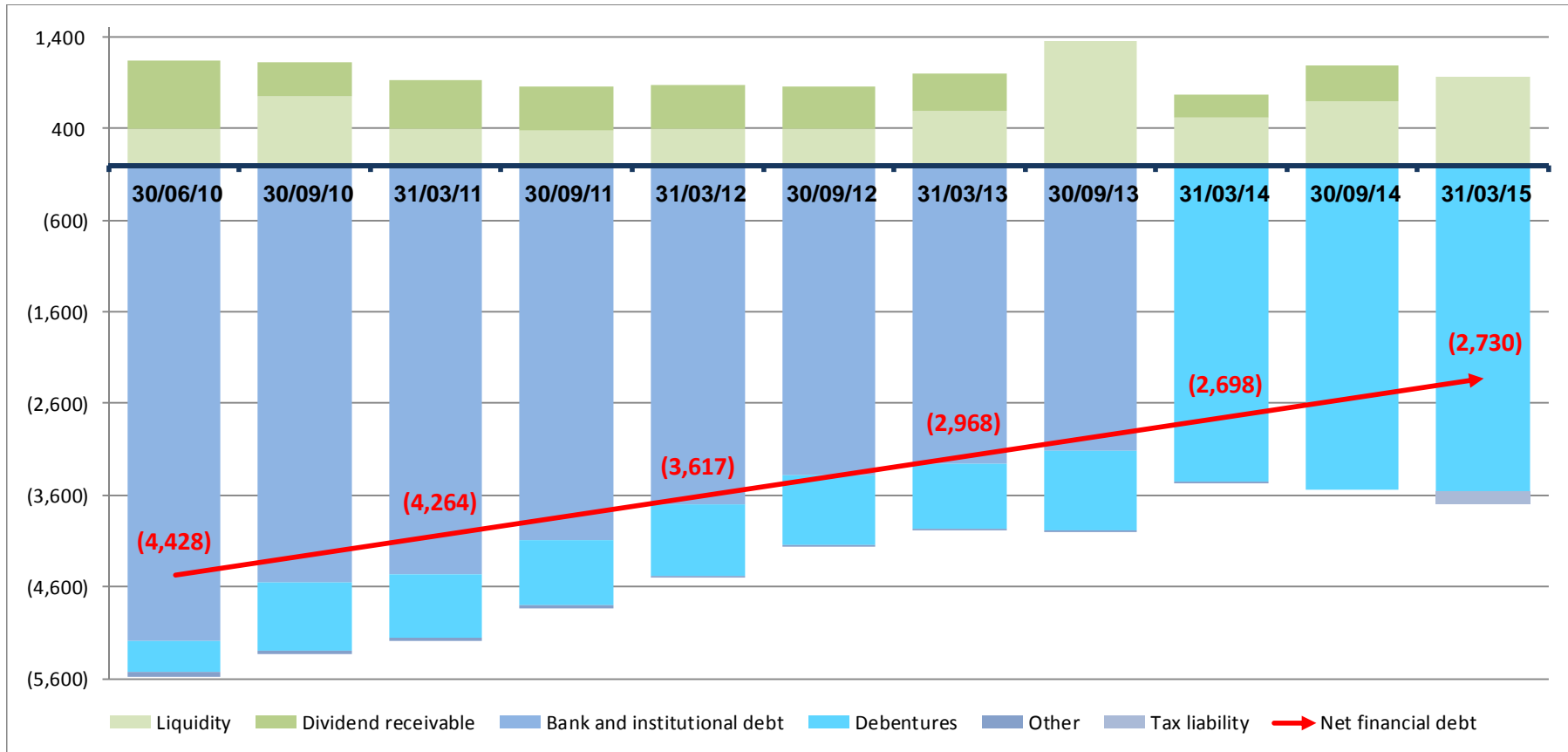
(5) Net Debt / EBITDA at December 31, 2013 and December 31, 2014.

BCOM Debt Repayment Schedule (NIS millions)



• All amounts include future estimated interest payments

Reduction in BCOM's Net Debt From the Bezeq acquisition until March 2015 (NIS Millions)





Notes Repurchase Program

- On August 10, 2014 the Company announced that its Board of Directors has approved the buyback of up to \$50 million of its Notes.
- Through the end of the first quarter of 2015, the Company, through a wholly owned subsidiary, purchased \$4 million par value of the notes.
- During the second quarter of 2015 and until May 21, 2015, the Company purchased additional \$6 Million par value of the Notes.

b.com

The Bezeq Era

Thank you

