

b.com

The Bezeq Era

February 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.



About BCOM

- B Communications Ltd. is a holding company with a controlling interest (approximately 26.3%) 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	\$27.00
52 Week Range	\$14.31-\$27.96
Shares Outstanding	29.9 Million
Market Capitalization	\$807 Million

As of February 1, 2016

Investment Considerations

- Owns a controlling stake in an asset with strong, consistent cash flow generation
- Trades at a significant discount to Net Asset Value
- Third consecutive quarter of dividend announcement as part of Company's commitment to return capital to shareholders
- Decreased net debt from more than NIS 5 billion in April 2010 (when BCOM acquired the controlling interest in Bezeq) to just NIS 1.6 billion as of February 2, 2016 and after the sale of 4.18% of its bezeq shares for NIS 982 million
- 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

Dividend Distributions

- In May 2015, the Company's board of directors declared a cash dividend of NIS 67 million (NIS 2.24 per share). The dividend was paid on June 16, 2015.
- In August 2015, the Company's board of directors declared a cash dividend of NIS 22 million (NIS 0.73 per share). The dividend was paid on September 29, 2015.
- On November 19, 2015, the Company's board of directors declared a cash dividend of NIS 38 million (NIS 1.27 per share). The dividend was paid on December 23, 2015.

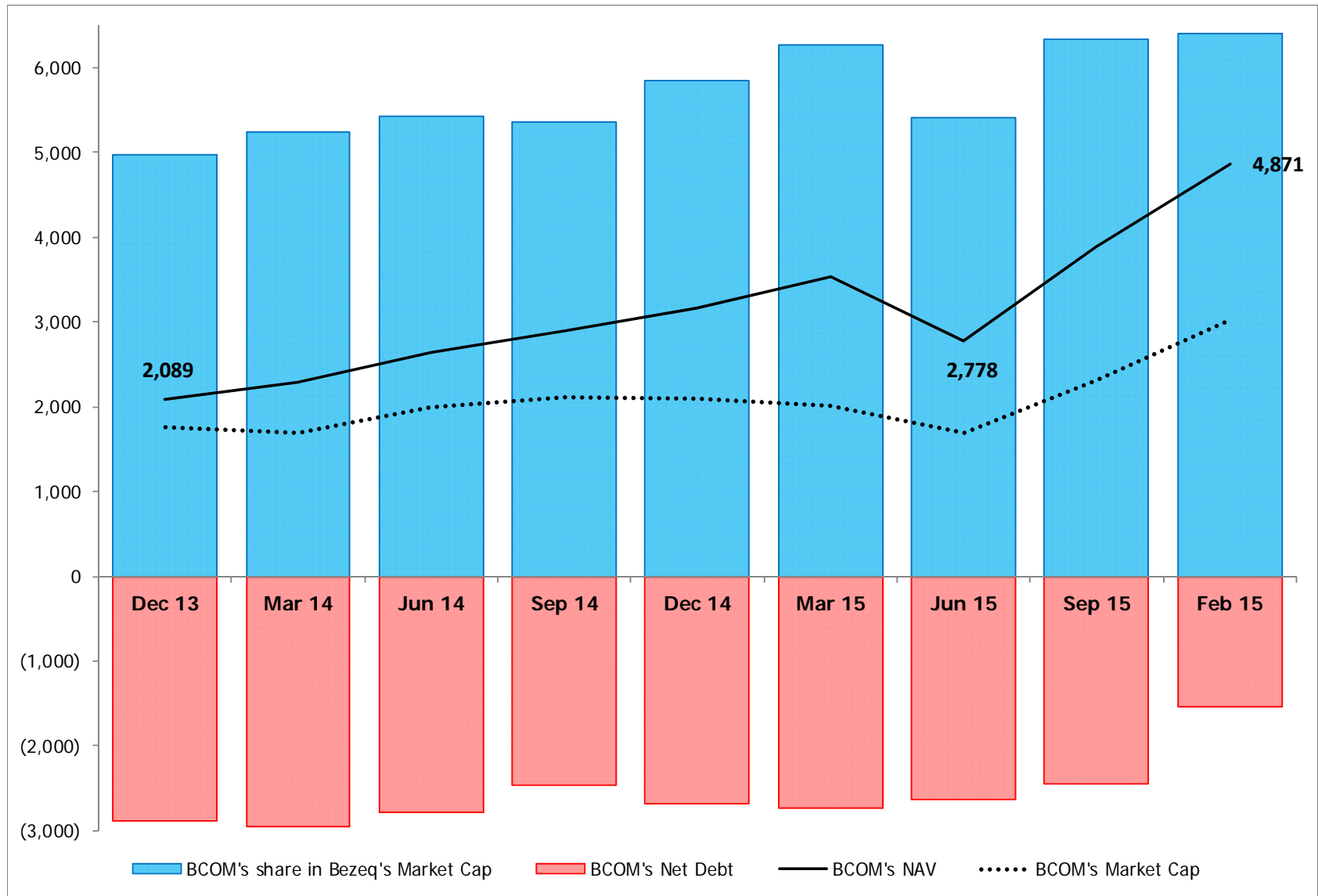
The NIS 127 million dividend distribution during 2015 represents a 6.1% dividend yield based on LTM average share price.

NAV Breakdown

Data	
No. of BCOM shares	29,889,045
No. of Bezeq shares held by BCOM	728,373,713
Bezeq share price (NIS) @ February 1, 2016	8.80
No. of Bezeq shares	2,765,356,800
Bezeq's market cap (NIS millions)	24,330
BCOM's NAV calculation	
	NIS Millions
BCOM's share in Bezeq's market cap	6,408
BCOM's net debt*	1,537
BCOM's NAV	4,871
Upside over market price	
	NIS
BCOM's share price according to NAV	162.98
BCOM's share price @ February 1, 2016	101.00
Upside (%)	61.4%

* Based on the net debt as of September 30, 2015 adjusted by dividend distributed by BCOM in December 2015 and the sale of 4.18% of Bezeq's shares in February 1, 2016.

NAV History



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 experience in
communications*

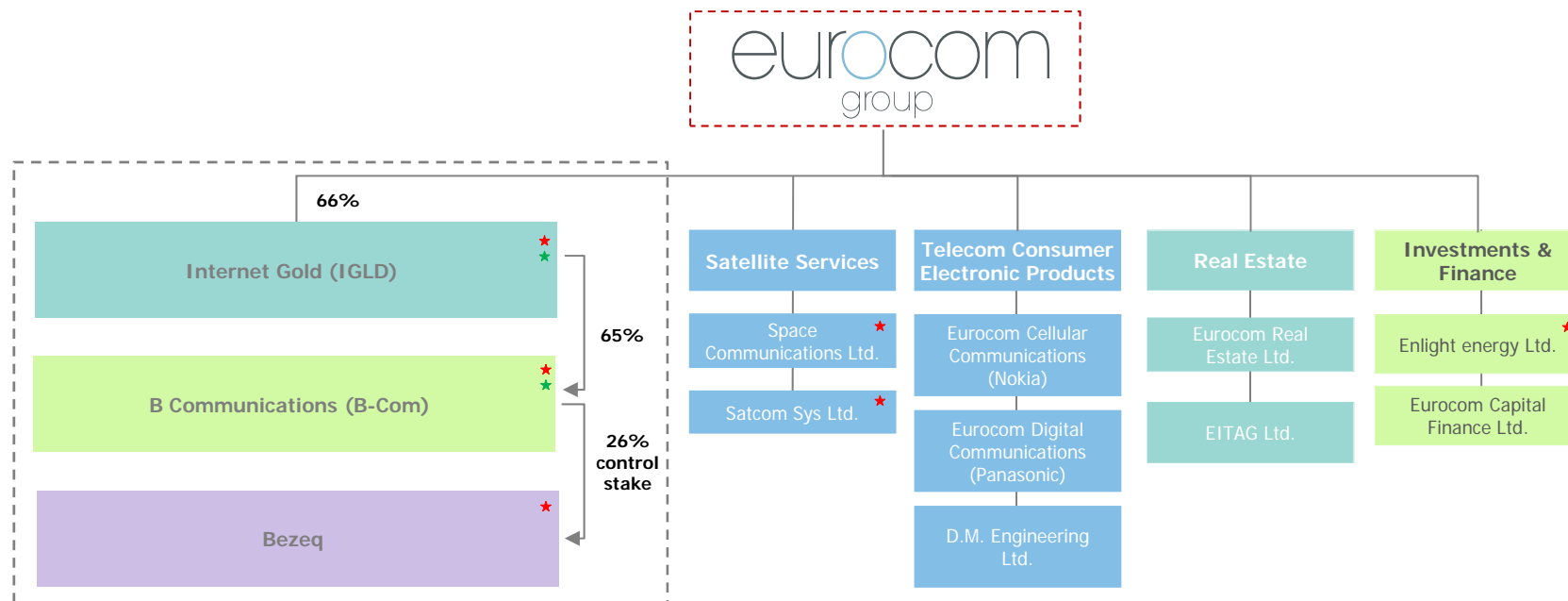
Proven capabilities in:

- 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

Bezeq and B-Com 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		
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		

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)

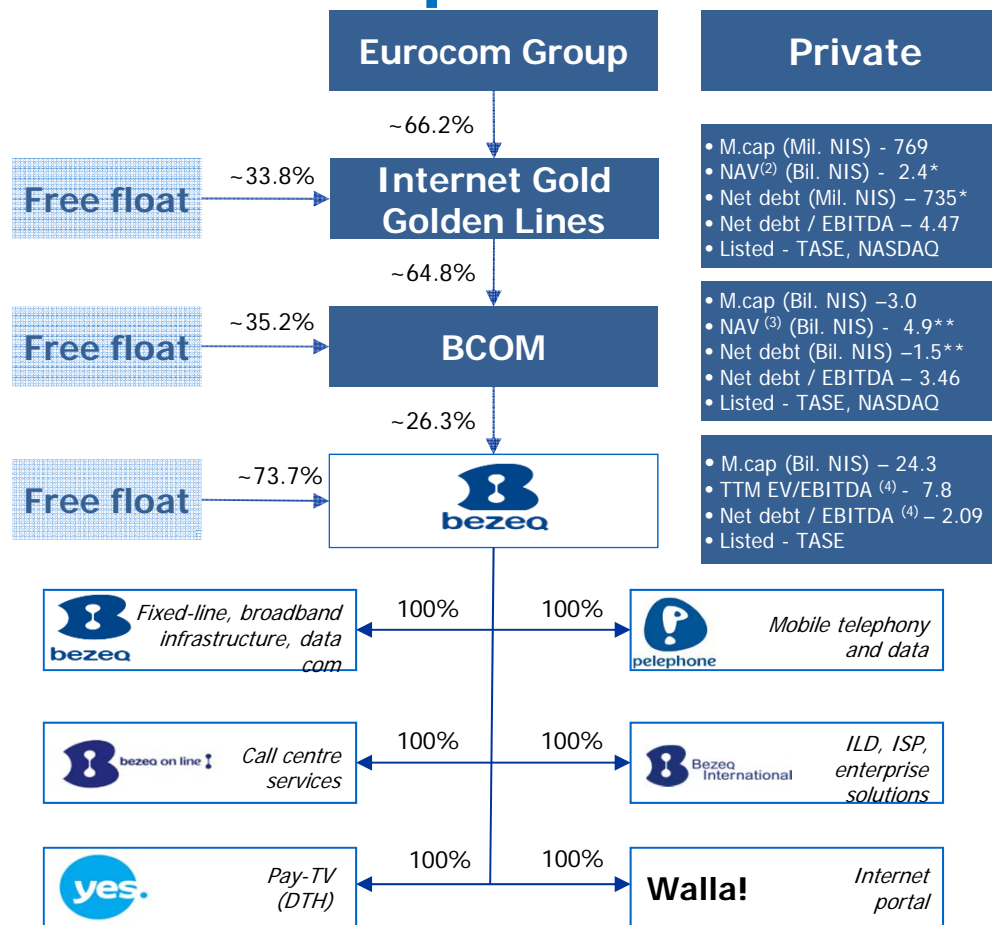
2007
to
2009

- 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 February 2016, BCOM decreased its net debt from more than NIS 5 billion to NIS 1.6 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 September 30, 2015. Holding percentage figures are as of February 2, 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 February 1, 2016, less IGLD's adjusted net debt as of September 30.

(3) BCOM's NAV is defined as value of BCOM's shares according to Bezeq market cap, based on Bezeq stock price as of February 1, 2016, less BCOM's adjusted net debt as of September 30.

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

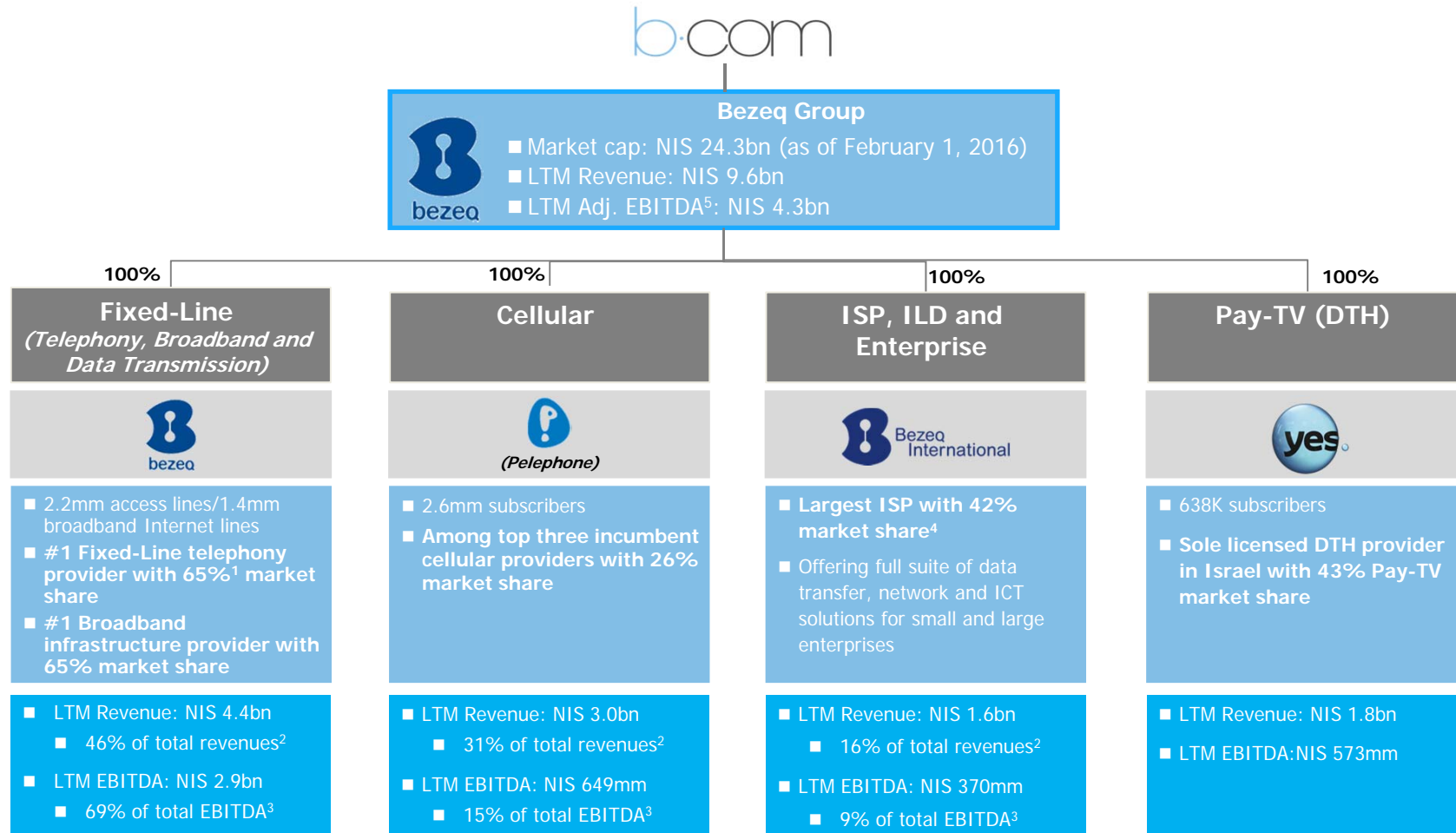
* Net debt adjusted by BCOM's dividend distribution in December 2015 and the sale of BCOM's shares in January 2016.

** Net debt adjusted by BCOM's dividend distribution in December 2015 and the sale of Bezeq's shares in February 2016.



Bezeq, Our Base Asset

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



Note: LTM results and KPIs as of 3Q '15; Subscriber based market share data as of 3Q '15

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

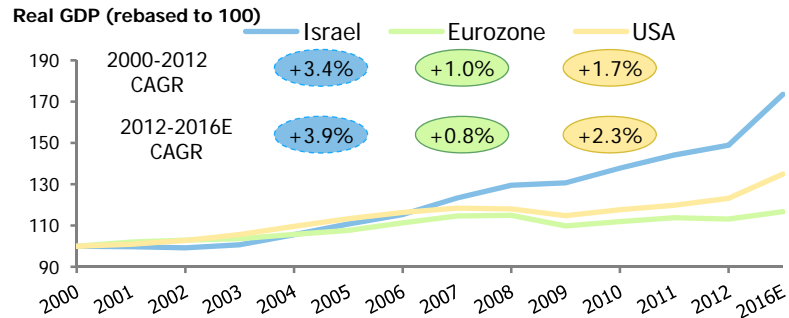
⁵ Adjusted EBITDA represents profit before income tax, share of loss of equity-accounted investee, financing expenses, net and depreciation and amortization.

Bezeq operates in an attractive macroeconomic environment with unique characteristics

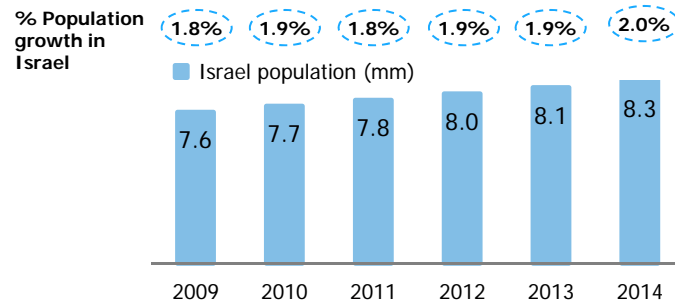


The Israeli economy benefits from positive fundamentals as reflected in its A+/A1 (stable)¹ sovereign credit rating

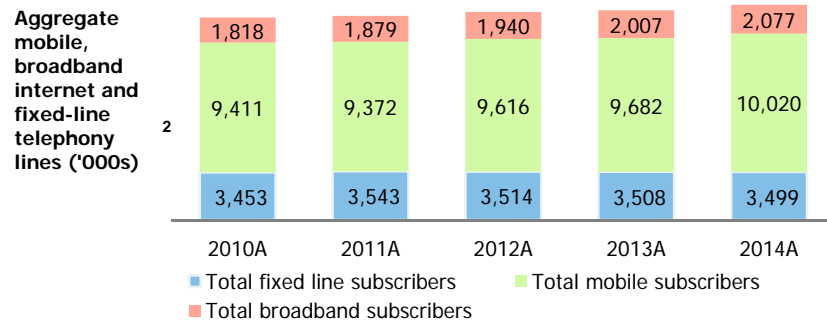
Consistent high GDP growth...



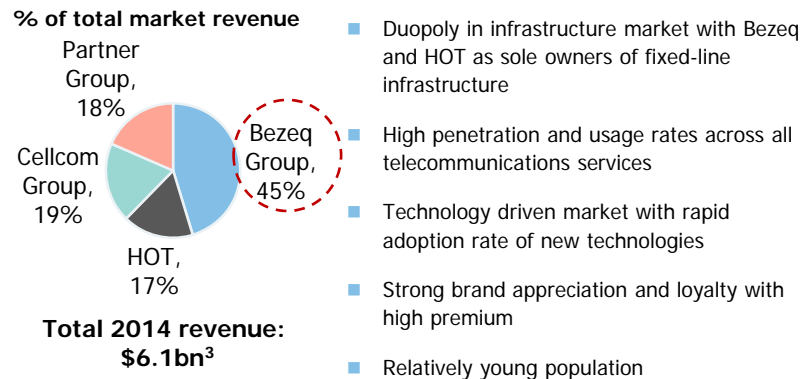
...with strong underlying population growth



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

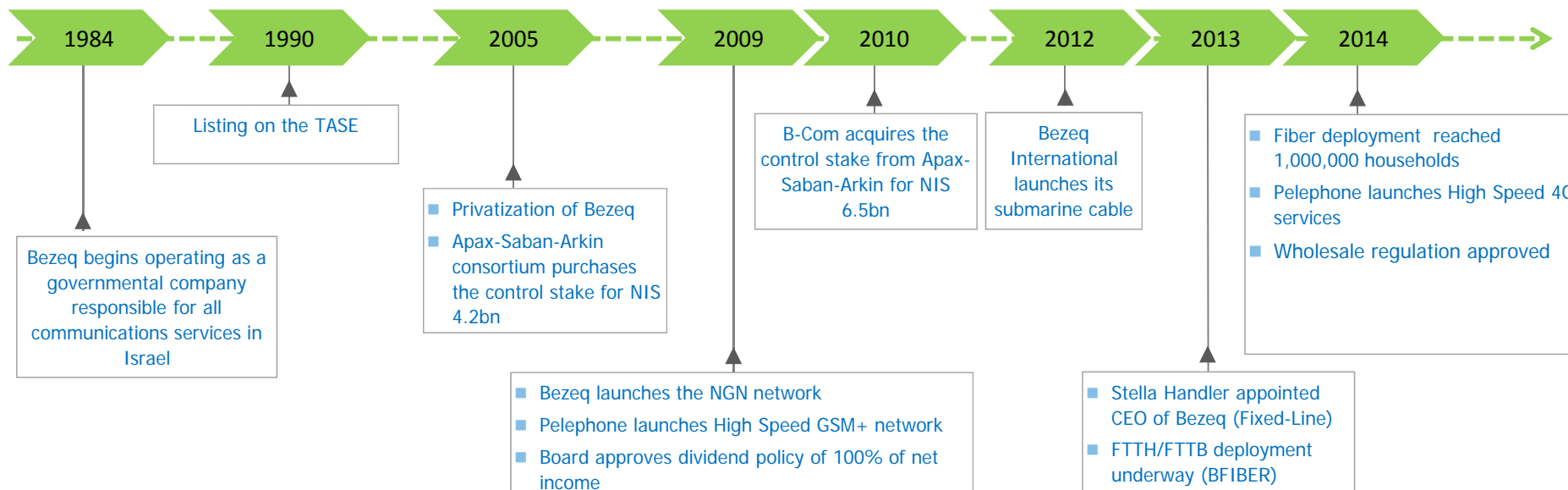
² Mobile subscribers based on total UMTS subscribers for all MNOs; Broadband internet subscribers based on Bezeq and HOT subscribers; Fixed-Line telephony lines based on Bezeq, HOT, Cellcom, Partner and other operators

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



Bezeq Fixed-Line



Extended optical fiber deployment underway – Bfiber (FTTH/FTTB)

- Fiber rollout is on track to reach 1,300,000 households by end of 2015
- The only fixed-line company with a nationwide fiber network
- Implementing VDSL and vectoring technologies



Highly advanced nationwide NGN network that has led to impressive achievements

- Average speed among Bezeq subscribers has increased from 24.0 Mbps in Q3 2014 to 36.7 Mbps in Q3 2015

Bezeq International

- Advanced infrastructure following the launch of submarine cable in 2012 (“Jonah”)
 - Among the most advanced in the world (40G upgradable to 100G)
- Key differentiator over competition
 - **Only Israeli ISP to own an international infrastructure**
 - Increased capacity and Internet performance
 - Potential revenue streams from future sale of additional cable capacity
 - Full cable redundancy



Telephone

- Fast and advanced network
 - **Rolling out High Speed 4G network , using LTE technology.**
 - **In 2015 majority of the population will enjoy 4G coverage**
 - Covers substantially all of Israel with 2 switch farms connected to approximately 2,200 sites
 - The network performances expected to upsurge following the LTE frequency tender



YES

- **Pioneer in HD broadcasting, advanced set-top box combining PVR, VOD & HD, and streamer**
- **Leader in value added services based on Hybrid satellite-IP platform and Progressive Download technology**
 - Launched “yes Multiroom” service (first in Israel)
 - Recently launched “yes Go” - TV Everywhere service (first in Israel)

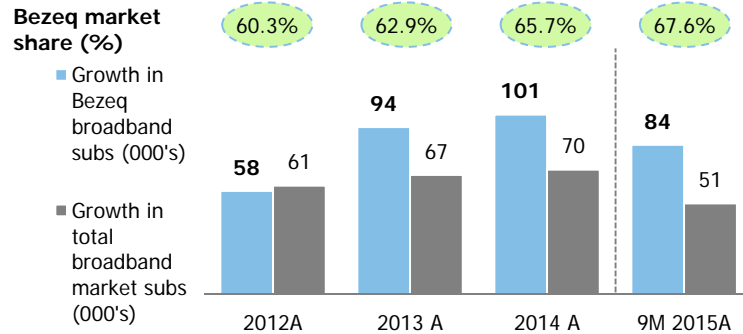




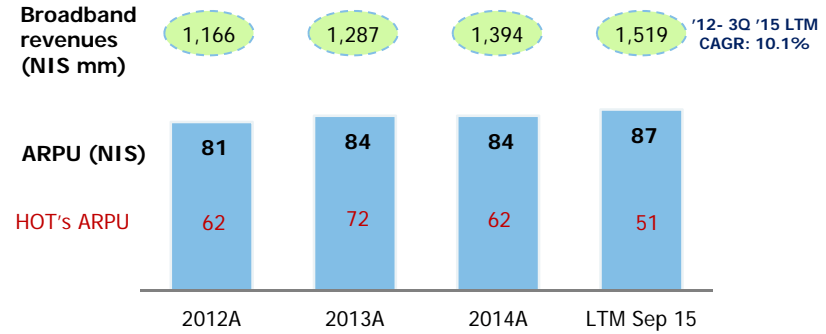
Bezeq Fixed-Line is the leading company in Telephony, Broadband and Data Transmission Services



Bezeq has been consistently increasing its market share in the broadband infrastructure market...

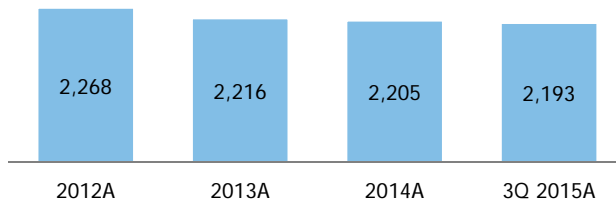


...and broadband ARPU¹ continues to increase and drive revenues



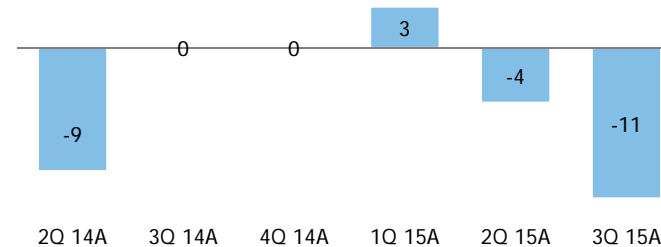
Since 2012 the number of telephony lines has decreased moderately and remained meaningful...

Bezeq access lines (000's)



...and the decline which characterized 2012-2013 has abated during 2014 and nearly stopped

Bezeq access lines net adds (000's)



Source: Company data and competitors' public filings

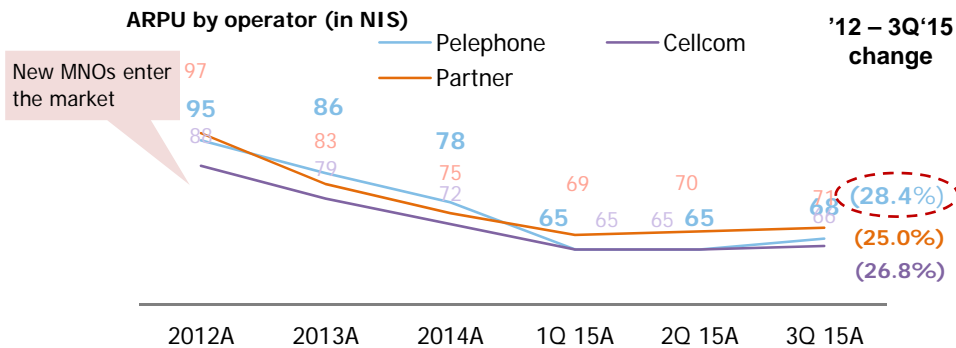
¹ Average revenue per user not including revenues from data communications and transmissions services, internet services, services to communications providers, and contract and other services. Based on average subscribers for the period.



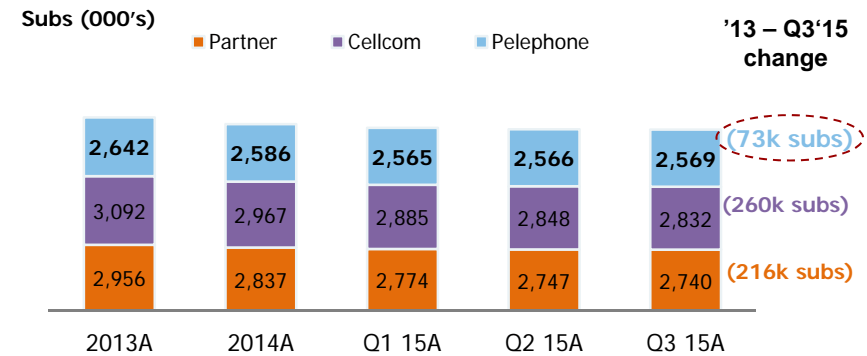
Pelephone presents the smallest net subscriber loss



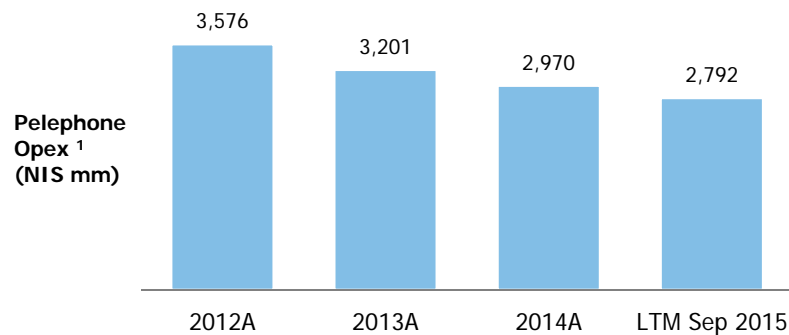
Pelephone emerged with high ARPU following the turmoil in the Israeli mobile market...



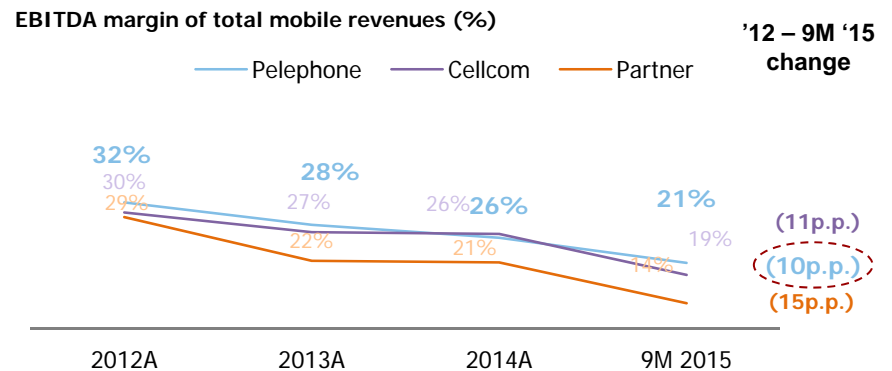
...recording the smallest net subscriber loss over the period...



...and by implementing efficiencies that led to improved cost base...



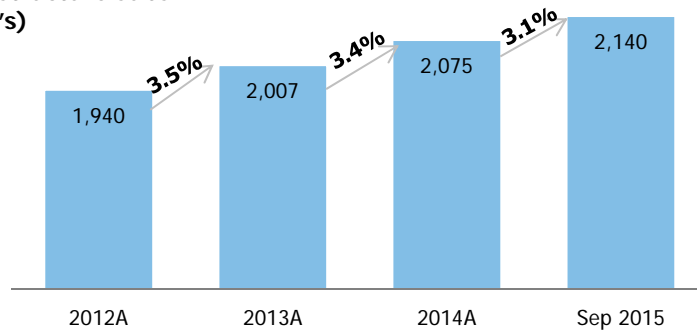
...it was able to support high EBITDA margins relative to peers



Source: Company data and competitors' public filings
¹ Calculated as total revenues less operating profit

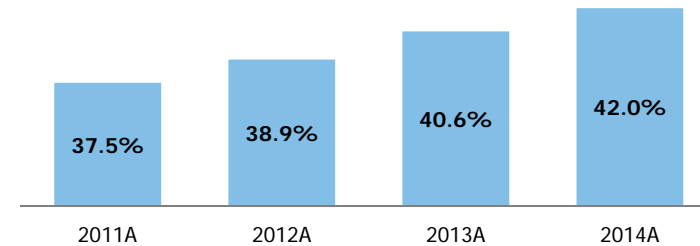
The ISP market has been growing consistently with the broadband infrastructure market...

Total broadband infrastructure subs (000's)



...and Bezeq International has been outgrowing peers and successfully increasing its market share in the ISP market

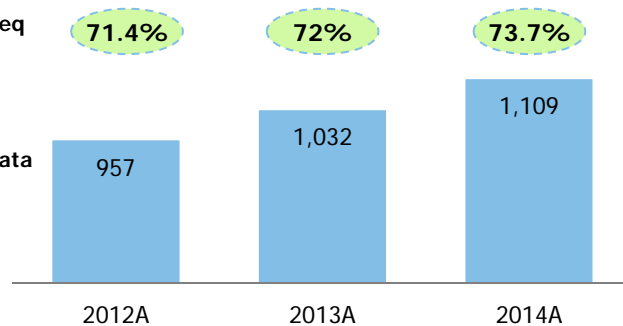
Bezeq international ISP market share (%)



ISP, ICT and data are Bezeq International's growth engines...

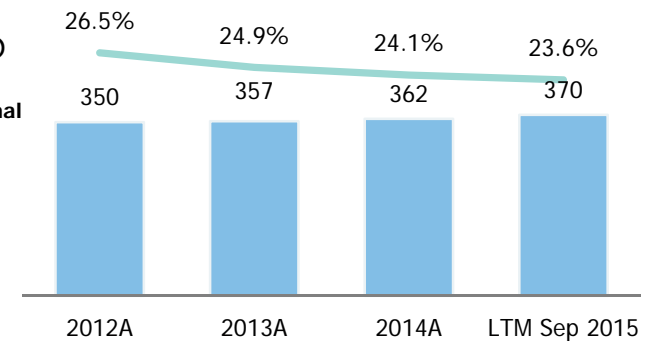
% of total Bezeq International revenues

ISP, ICT and data revenues¹ (NIS mm)



...offsetting decline in ILD and allowing it to maintain overall stable EBITDA level and margin despite competition

EBITDA margin (%)
Bezeq International EBITDA (NIS mm)



Source: Company data and competitors' public filings
¹ Total revenues excluding ILD revenue



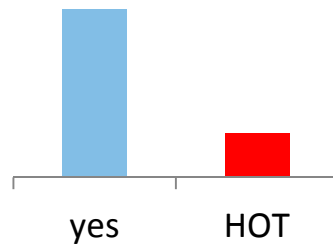
YES (Multi Channel Satellite TV - DTH) presents sustained growth in market share



YES's unparalleled content offering continues to be a key differentiator vs. HOT...

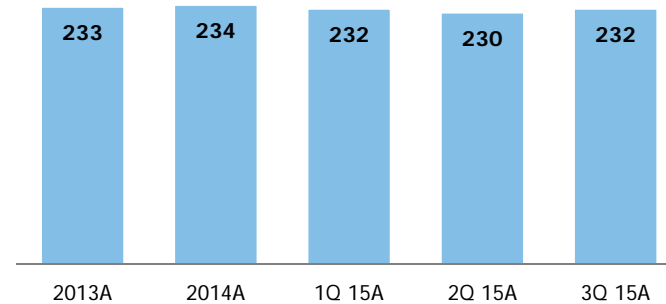
- 8 wins in "docaviv festival" 2014
- 47 wins in the 2014 Emmy awards (films, series and Documentaries films) 
- 7 out of the 10 most watched series in the US are broadcasted on yes.

Which company broadcast the best content?¹



...while maintaining stable ARPU despite premium pricing

YES ARPU (NIS)



Growth in subscribers and market share continues...

YES Market share %



Net growth in Pay-TV market (000's subs)

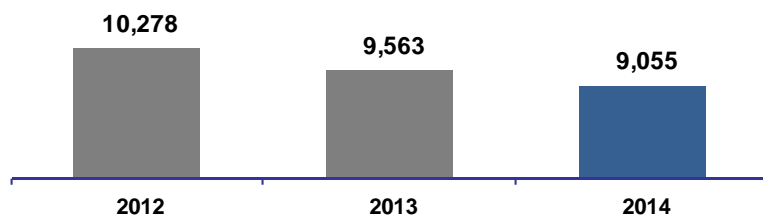


Source: Company data and competitors' public filings

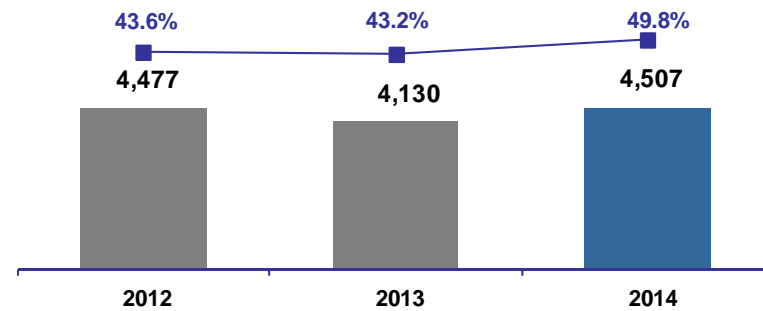
¹ According to TNS Israel, September 2014, conducted at yes's request

Bezeq Financials (NIS Millions)

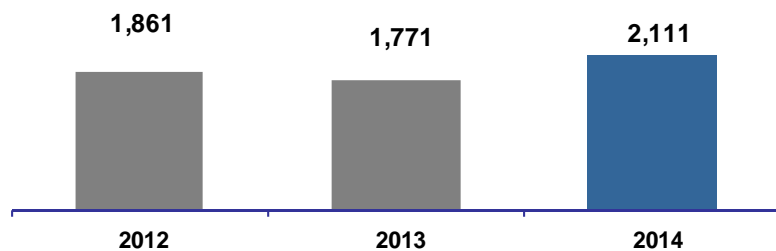
Revenues



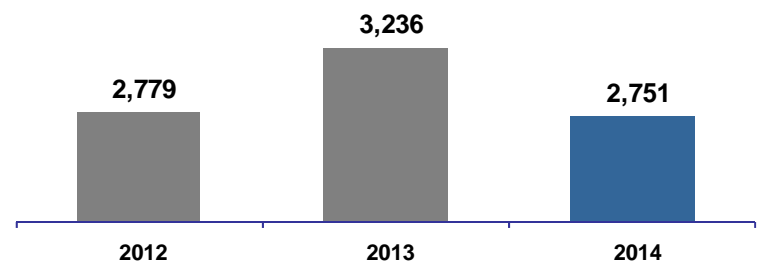
EBITDA



Net income attributable to shareholders



Free cash flow *



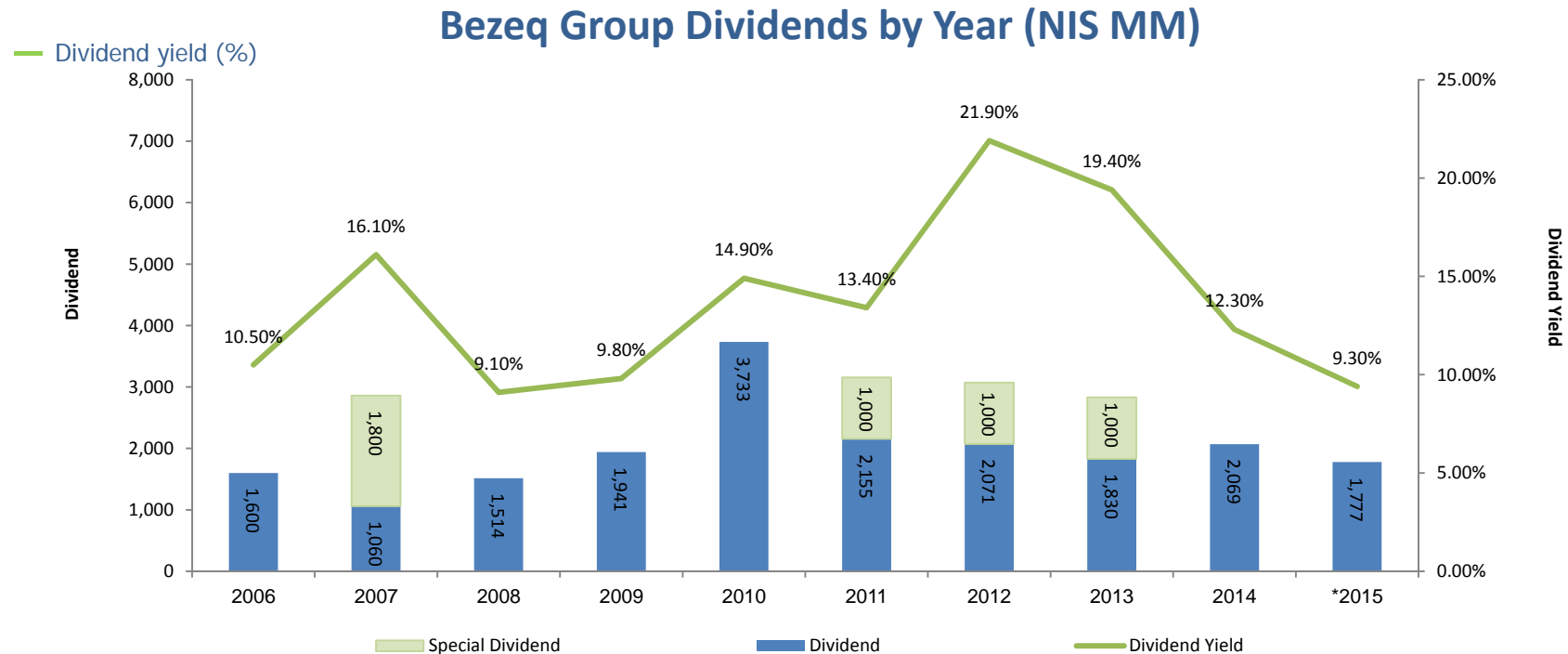
Source : Bezeq's press release

* 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 2015



Source: Bezeq

* 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 24.5 billion (US\$ 6.3 billion) in dividends



BCOM Financials



BCOM Solo P&L (NIS Millions)

<u>BCOM's Profit & Loss</u>	<u>Q4/2014</u>	<u>Q1/2015</u>	<u>Q2/2015</u>	<u>Q3/2015</u>
G&A expenses	(1)	(2)	(2)	(2)
Tax expenses	(12)	-	-	-
Financing income (expenses), net	1	(65)	(85)	(59)
Total expenses	(12)	(67)	(87)	(61)
Interest in Bezeq's net income	128	143	148	125
PPA amortization, net	(39)	(28)	(40)	(26)
Net income	77	48	21	38

BCOM's Cash Position

BCOM's Unconsolidated Balance Sheet Data⁽¹⁾

	September 30, 2015	September 30, 2015
	Reported	Adjusted*
	NIS millions	NIS millions
<u>Financial liabilities</u>		
Senior Secured Notes	2,821	2,821
Series B Debentures	700	700
Tax liability	99	134
Total	3,620	3,655
<u>Liquidity balances</u>		
Lockbox account	423	1,405
Unrestricted Cash	465	465
Dividend receivable ⁽²⁾	286	286
Total	1,174	2,156
<u>Net debt</u>		
Total	2,446	1,499

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

(2) The dividend was received by BCOM on October 26, 2015.

* Adjusted by the sale of 4.18% of Bezeq's shares in February 1, 2016.



BCOM Solo- Assets (NIS millions)

Statements of Financial Position	December 31, 2014 Audited	September 30, 2015 Reported	September 30, 2015 Adjusted*
Assets			
Cash and cash equivalents	118	301	1,283
Investments including derivatives	879	873	873
Other receivables	178	210	210
Total current assets	1,175	1,384	2,366
Investments in investee	3,724	3,499	3,007
Total non-current assets	3,724	3,499	3,007
Total assets	4,899	4,883	5,373

* Adjusted by the sale of 4.18% of Bezeq's shares in February 1, 2016.

BCOM Solo - Liabilities (NIS millions)

Statements of Financial Position	<u>December 31, 2014</u> Audited	<u>September 30, 2015</u> Reported	<u>September 30, 2015</u> Adjusted*
Liabilities			
Short-term debentures	-	176.00	176.00
Other payables	102	159	194
Total current liabilities	102	335	370
Other liabilities	85	21	21
Debentures	3,751	3,550	3,550
Total non-current liabilities	3,836	3,571	3,571
Total liabilities	3,938	3,906	3,941
Total equity	961	977	1,432
Total liabilities and equity	4,899	4,883	5,373

* Adjusted by the sale of 4.18% of Bezeq's shares in February 1, 2016.



BCOM During Last 21 Months

	January 1, 2014	September 30, 2015	September 30, 2015
	Reported	Reported	Adjusted*
BCOM's share in Bezeq's market cap (NIS Billions) ⁽¹⁾	4.97	7.42	6.41
Net Financial Debt (NIS Billions) ⁽²⁾	2.74	2.48	1.53
Dividend Yield LTM	9.4%	6.1%	6.1%
Debt Weighted Duration (In years)	2.77	4.20	4.20
Net Debt to EBITDA	4.20	4.00	3.46
LTV ⁽⁴⁾	55%	33%	24%
Local rating of Series B Debentures	A2	A1	?
Series B Debentures YTM ⁽⁵⁾	4.13%	1.53%	1.53%
Senior Secured Notes YTM ⁽⁵⁾	7.4%	5.6%	5.6%
Total Liquidity (NIS Billions) ⁽⁶⁾	0.66	1.13	2.11

(1) BCOM's share in Bezeq's market cap is based on Bezeq's stock price as of February 1, 2016.

(2) Net financial debt reported at September 30, 2015 less BCOM's dividend distribution in December 2015.

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

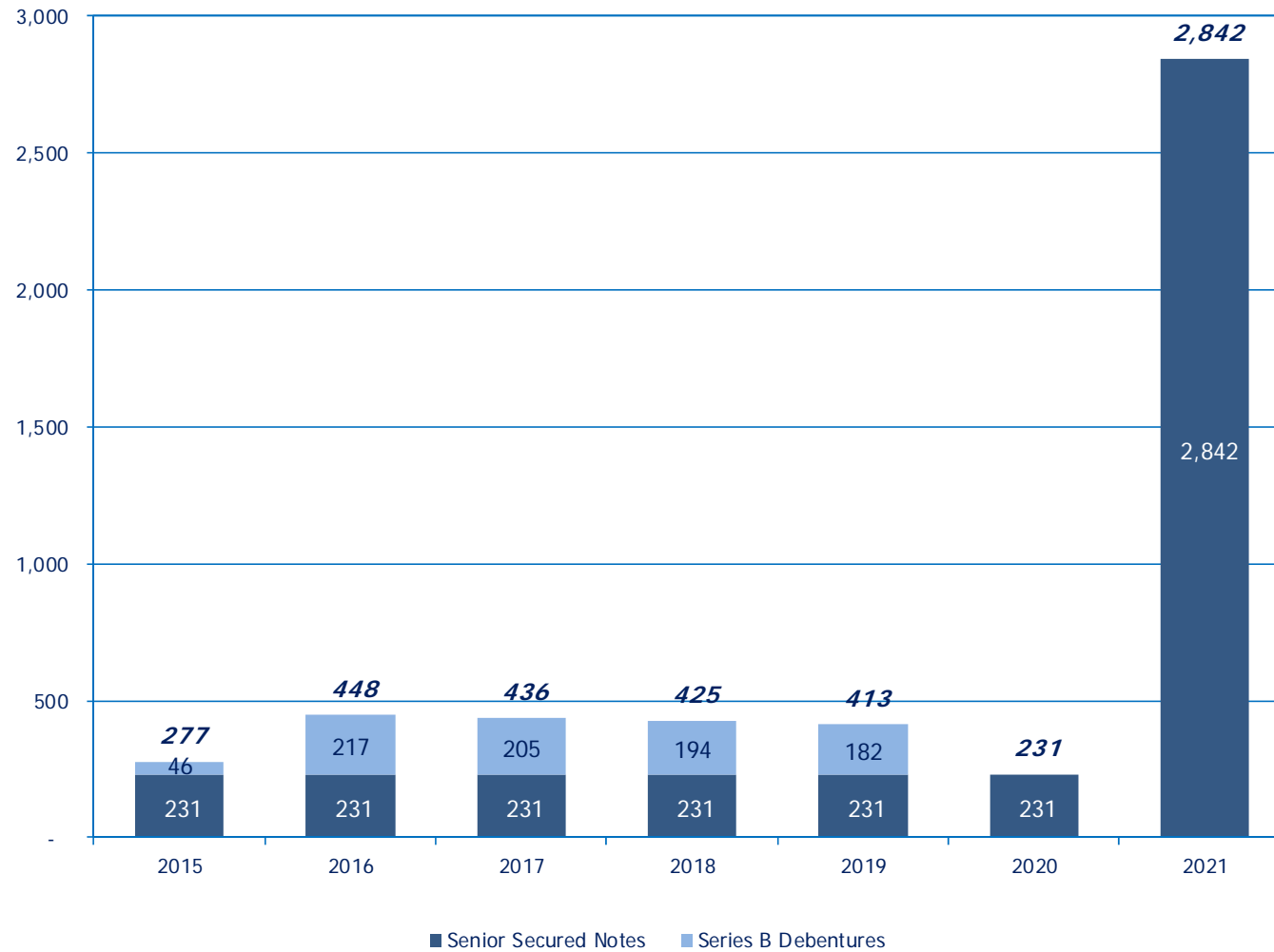
(4) LTV is calculated as BCOM's Net Financial debt divided by its share in Bezeq's market cap.

(5) YTM as of February 18, 2014 and as of January 13, 2016.

(6) Total Liquidity is adjusted by dividend distribution by BCOM in December 2015.

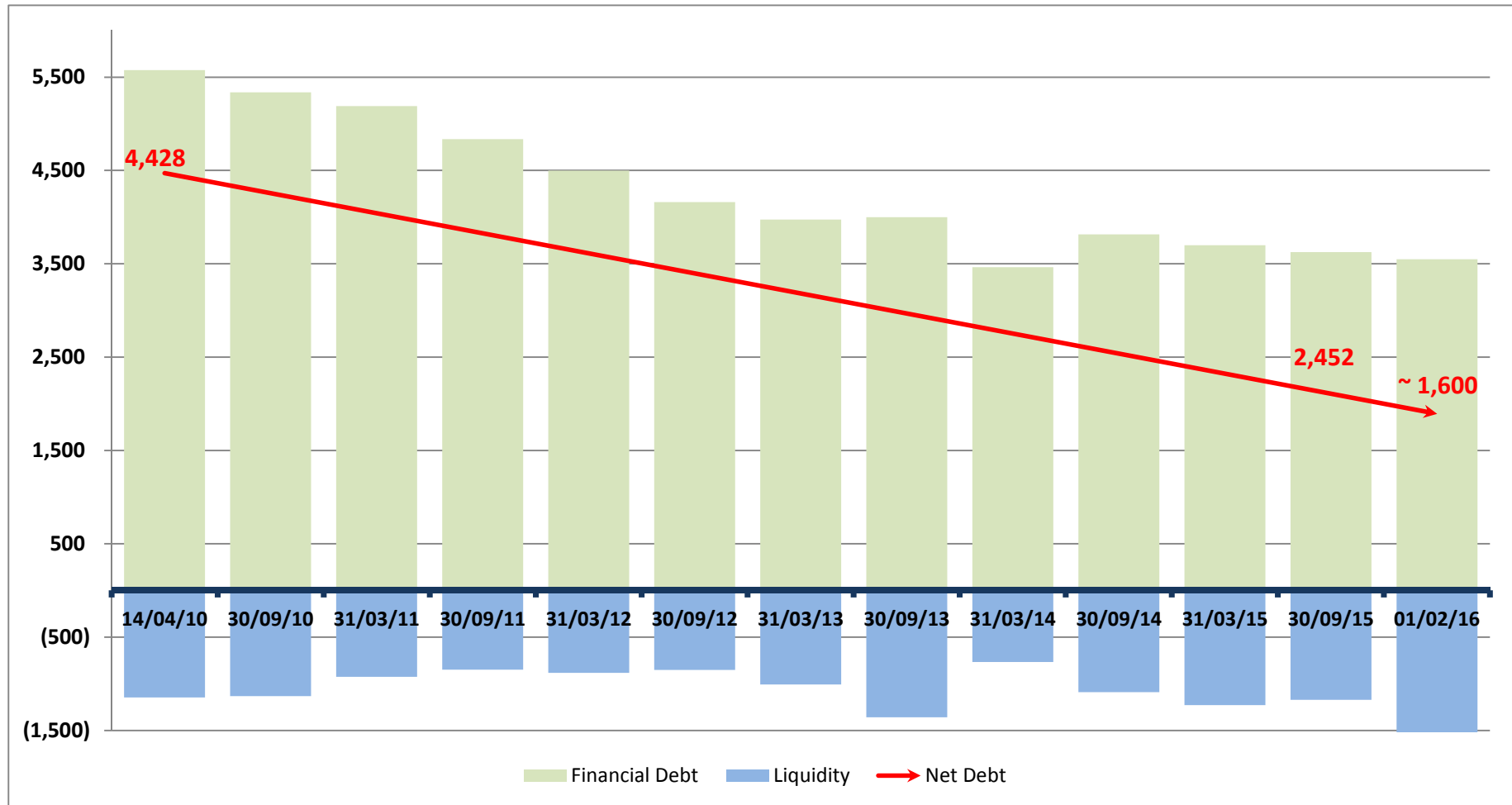
* Adjusted by the sale of 4.18% of Bezeq's shares in February 1, 2016.

BCOM's Debt Repayment Schedule (NIS millions)



• All amounts include future estimated interest payments

Reduction in BCOM's Net Debt From the Bezeq acquisition until February 2016 (NIS Millions)



Notes Repurchase Program

- On January 20, 2016 the Company announced that it had nearly completed the purchase of \$50 million of its Notes pursuant to the Company's Notes repurchase program that was approved in August 2014. The Company also announced that its Board of Directors has approved an extension of the Program by additional \$50 million.
- From September 30, 2015 through January 20, 2016, the Company purchased \$28 million par value of the Notes. The total par value of Notes that has been repurchased from August 2014 through January 20, 2016 is \$43.3 million.

b.com

The Bezeq Era

Thank you

