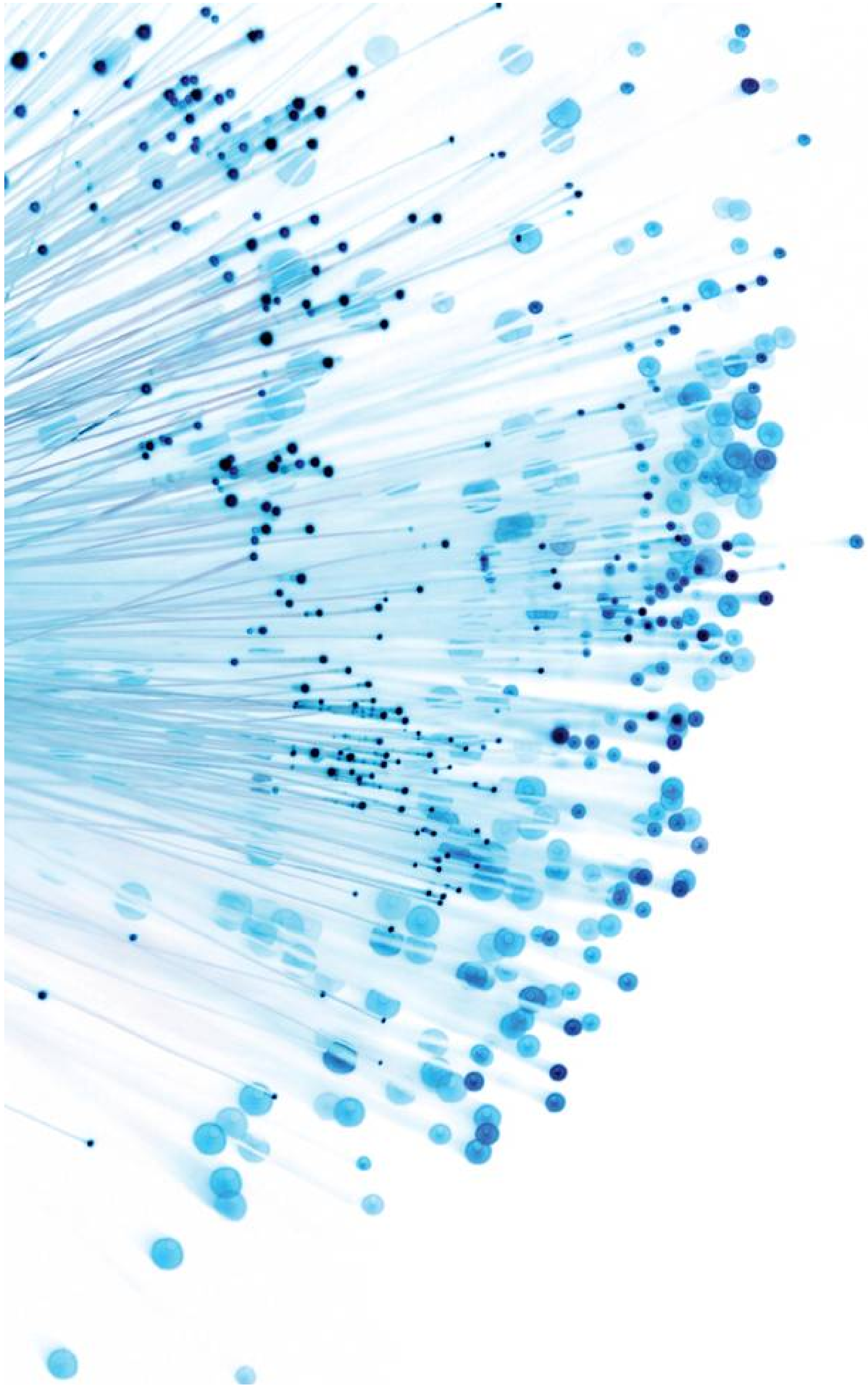
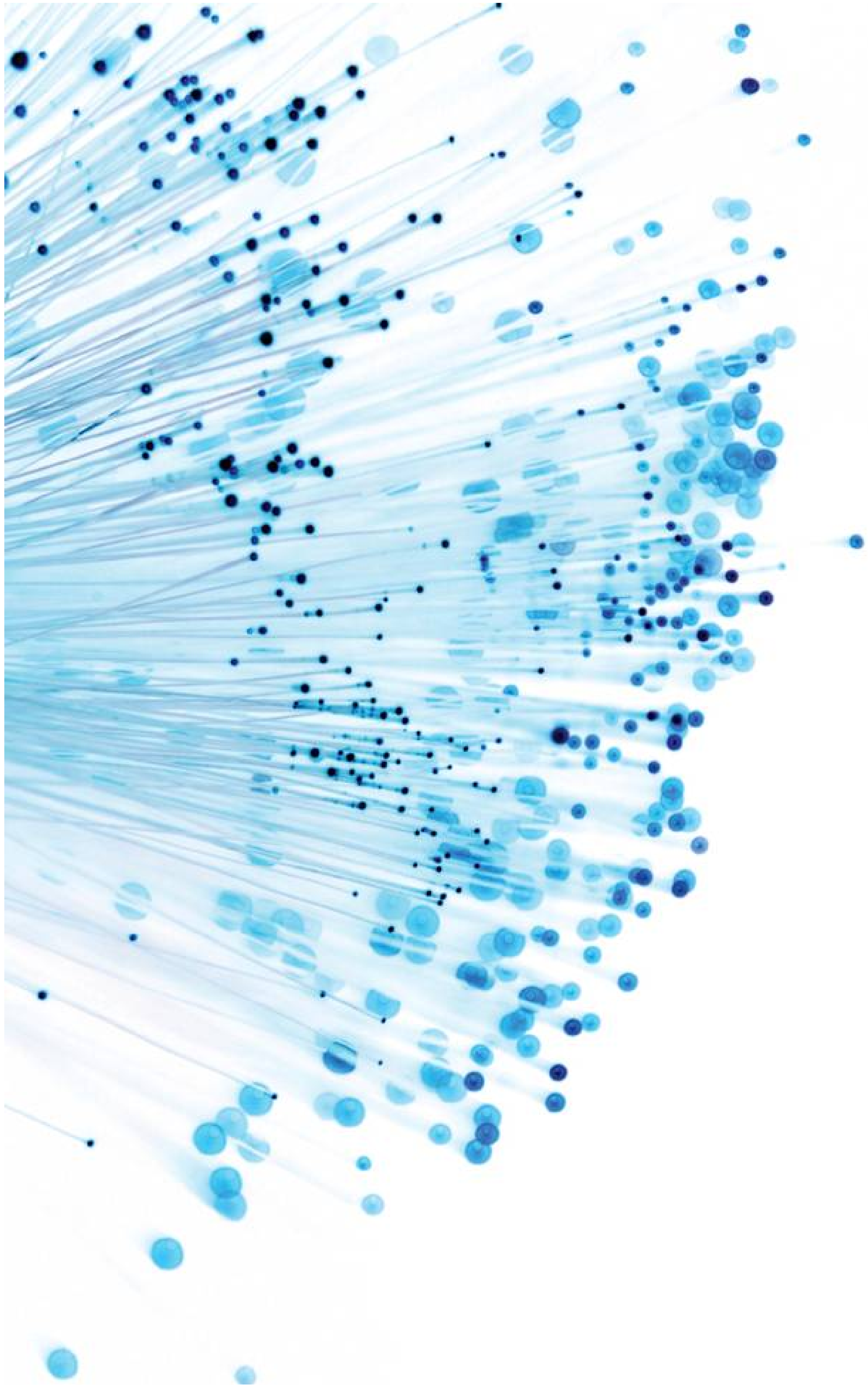


Third Quarter 2010 Results

Investor Presentation

Forward-Looking Information and Statement

This presentation contains general data and information as well as forward looking statements about Bezeq The Israel Telecommunication Corp., Ltd ("Bezeq"). Such statements, along with explanations and clarifications presented by Bezeq's representatives, include expressions of management's expectations about new and existing programs, opportunities, technology and market conditions. Although Bezeq believes its expectations are based on reasonable assumptions, these statements are subject to numerous risks and uncertainties. These statements should not be regarded as a representation that anticipated events will occur or that expected objectives will be achieved. In addition, the realization and/or otherwise of the forward-looking information will be affected by factors that cannot be assessed in advance, and which are not within the control of Bezeq, including the risk factors that are characteristic of its operations, developments in the general environment, external factors, and the regulation that affects Bezeq's operations.



Bezeq Group

Overview

Summary Highlights

The most comprehensive communications infrastructure and service provider in Israel

1. Advanced market with strong fundamentals
2. Leading player in the Israeli market
3. Largest base of residential and business customers
4. Most extensive network infrastructure
5. Best positioned for convergent services
6. Strong balance sheet and cash flow generation
7. Highly experienced management team

bezeq

Bezeq Group Profile

~70% free float and improved liquidity facilitate transition to developed markets

B Communications Ltd. [1] — 30.4%

Free Float [2] — 69.6%

bezeq

	100%	100%	100%	49.8% [3]	71.7% [4]	100%
	Fixed-Line	Bezeq Int'l	Pelephone	yes	Walla!	Bezeq on line
	Fixed-line telephony, broadband infrastructure, data & transmission	ILD, ISP, enterprise solutions, voice-over-broadband	Mobile telephony and data	Pay-TV (DTH)	Internet Portal	Call centre services
Q3-10 Rev.	NIS 1.32bn	NIS 347MM	NIS 1.44bn	NIS 395MM	NIS 48MM	NIS 11MM
Contribution	41.3%	11.1%	45.5%		1.7%	0.4%

Listed on TASE

Notes:
1. B Communications Ltd. is controlled by Internet Gold – Golden Lines Ltd. (75.3%), which is controlled by Eurocom Communications Ltd. (70%).
2. Amitim, the manager of 8 senior Israeli pension funds under special management, owns approximately 5.7% of the outstanding shares of Bezeq.
3. Following a Supreme Court decision which prevents Bezeq from getting control of yes, as of August 21, 2009, Bezeq ceased consolidating yes' financial results and started accounting for its investment in yes according to the equity method.
4. In September 2010, Bezeq International sold its entire holding in Walla! to Bezeq.

Bezeq Group Q3 2010 Highlights

- Strong operating and financial performance across the Bezeq Group
  - Revenues were NIS 3.03bn, up 3.7% YoY, as growth in cellular, broadband Internet and data communications more than offset continued erosion in fixed-line telephony
  - EBITDA reached NIS 1.33bn, up 7.5% YoY, for a 43.8% EBITDA margin (42.3% in Q3-09)
  - Net profit from continuing operations reached NIS 588MM, in line with Q3-09
    - Q3-09 net profit included a NIS 1.5bn one-time gain related to the deconsolidation of yes

- NGN and HSPA network infrastructures prove key in enhancing the Group's competitive positioning
  - NGN rollout generates demand for higher bandwidths and yields ~10% broadband Internet ARPU expansion
  - HSPA network success is reflected in Pelephone's ability to expand service revenues and ARPU
  - Bezeq International to deploy new submarine cable that will significantly enhance our customers' communications and media experience, as well as Israel's international datacom capacity

- Double-digit operating and free cash flow expansion
  - OCF reached NIS 1.17bn, up 14.2% YoY; YTD OCF totaled NIS 2.95bn, up 2.7% YoY
  - FCF grew 27.5% YoY to NIS 838MM; YTD FCF amounted to NIS 1.9bn, up 6.4% YoY

Operating Segments' Performance in Q3 2010

Strong quarterly performance at the group's key segments

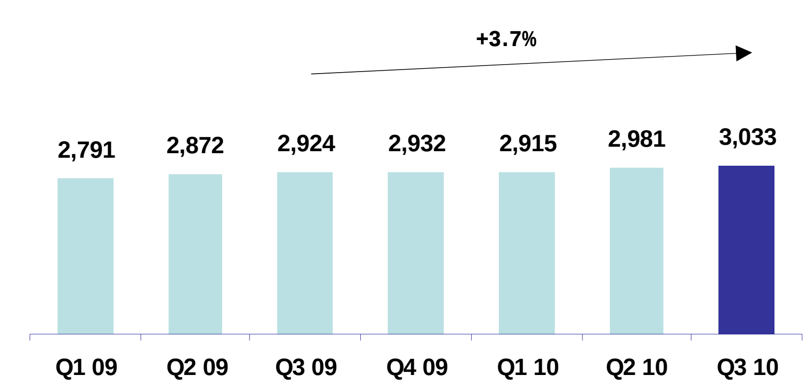
Change in Q3-10 vs. Q3-09	Bezeq Fixed-Line [1]	Pelephone	Bezeq Int'l [1]	yes	Bezeq Group
Revenues	-1.5%	+5.1%	+4.5%	+3.9%	+3.7%
Operating profit	+13.2%	+12.7%	+4.8%	+18.3%	+11.9%
EBITDA	+7.7%	+7.2%	+6.0%	+16.7%	+7.5%
EBITDA margin [2]	+4.7 p.p.	+0.7 p.p.	+0.4 p.p.	+3.9 p.p.	+1.5 p.p.
Net profit (loss) from continuing operations	+18.2%	+3.5%	+5.4%	-11.4% [3]	+0.3%
Free cash flow [4]	+85.7%	+20.9%	-6.8%	+30.7%	+27.5%

1. Excludes Walla! financials.
2. Year-over-year change presented in percentage points.
3. yes recorded a 11.4% decrease in its net loss in Q3-10.
4. Free cash flow defined as cash flow from operations - net capex + dividends received

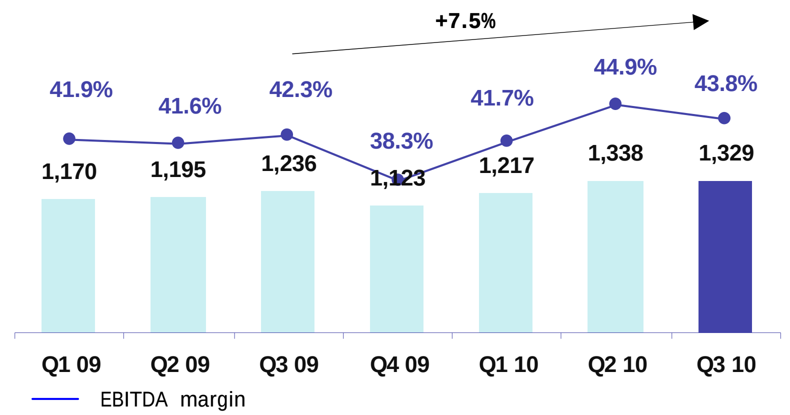
Bezeq Group Quarterly Financial Performance [1]

Top-line growth combined with profitability and FCF enhancement

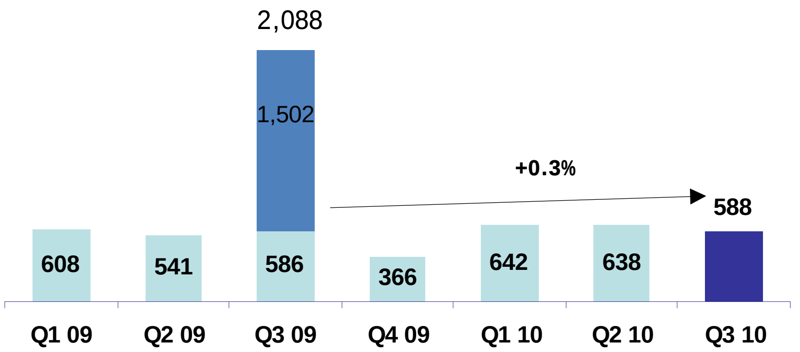
Group Revenue
NIS MM



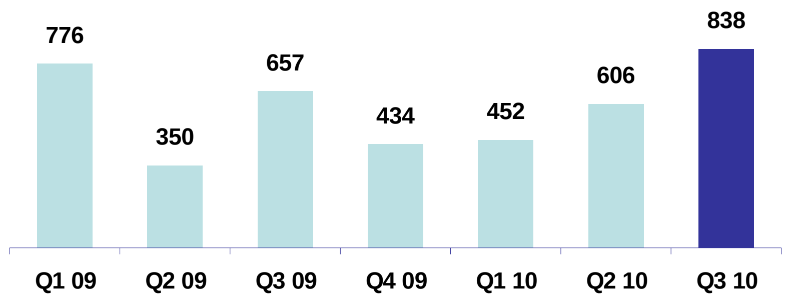
Group EBITDA [2]
NIS MM



Group Net Profit (attributable to shareholders) [3]
NIS MM



Group Free Cash Flow [4]
NIS MM



1. Pro-forma excluding yes' financial results but including accounting of yes' loss according to the equity method
2. Adjusted for early-retirement-related provisions (NIS 267MM in Q4-09), and including costs related to employee options
3. Q3-09 net profit to shareholders included a one-time gain of NIS 1,538MM resulting from the deconsolidation of yes
4. Free cash flow defined as cash flow from operations - net capex + dividends received

Bezeq Group Financial Outlook 2010

- Bezeq reiterates full-year financial outlook as provided in early March 2010
- The Bezeq Group projects full-year 2010 revenues, net profit from continuing operations and EBITDA to be in line or slightly higher than 2009 levels
  - Outlook is underpinned by the strength of the Bezeq Group's comprehensive consumer and business communications offerings and a strict focus on improving operating efficiencies
- The Bezeq Group expects gross capital expenditures in 2010 to be close to the 2009 level, reflecting:
  - Continuing investment in Bezeq's Next Generation Network (NGN), expanding its coverage to reach approximately 50% of Israeli households by the end of 2010
  - Slightly lower capital expenditures at Pelephone, which successfully completed and launched its High Speed GSM (HSPA) network in early 2009

Regulatory Environment

Regulation remains a significant risk factor

Fixed-Line

- MoC-appointed Hayek committee evaluates Bezeq's tariffs, fixed-line wholesale regime, and historical structural separation regime imposed on Bezeq; recommendations are due in April 2011
- Arrangements Law draft calls for the Israel Electric Corp. to deploy FTTH and enter the broadband wholesale market
- MoC allows Bezeq and subsidiaries to offer bundled services, albeit without cross-subsidies when the bundle is being offered by Bezeq

Mobile

- Regulators promote increased competition through:
  - MTRs cut from NIS 0.25 to NIS 0.0687 as of Jan 2011; glide path to NIS 0.0555 in 2014
  - 7 MVNO licenses already granted, commercial launch expected in mid-2011
  - Introduction of 1-2 additional MNOs
  - National roaming
  - Changes to contract cancellation fees likely to limit operators' ability to reduce churn

- Arrangement Law draft calls for increase of royalty rate for fixed-line, mobile and pay-TV operators from 1% in 2010 to 2% in 2011, and to 2.5% in 2012-2013

ISP, International long distance

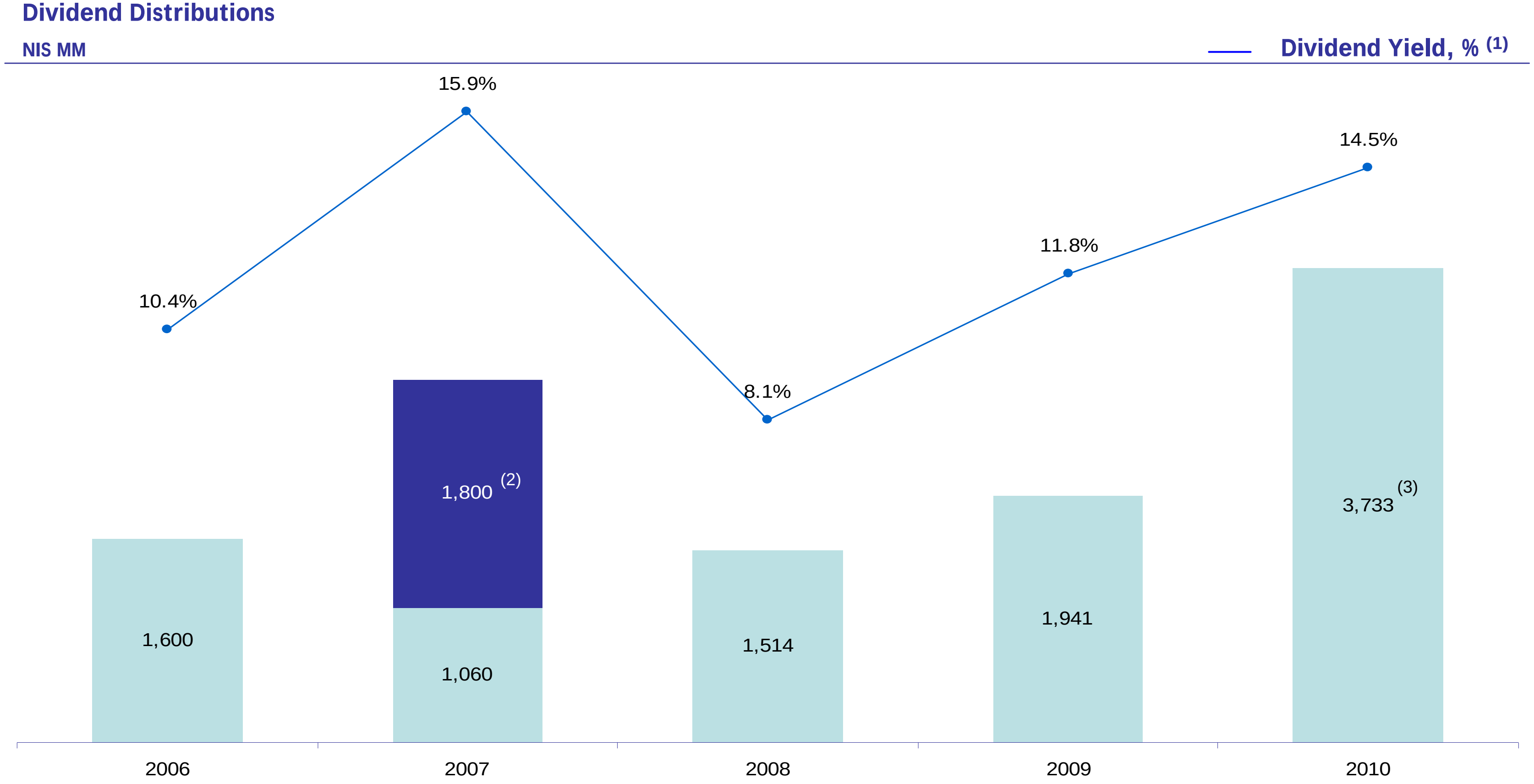
- MoC promotes the entrance of new competitors into ISP and ILD segments
- Merger between Partner and 012 Smile is pending regulatory approval

Pay-TV

- Expected introduction of 'narrow package' by pay-TV operators, which may be permitted to offer advertising in the future

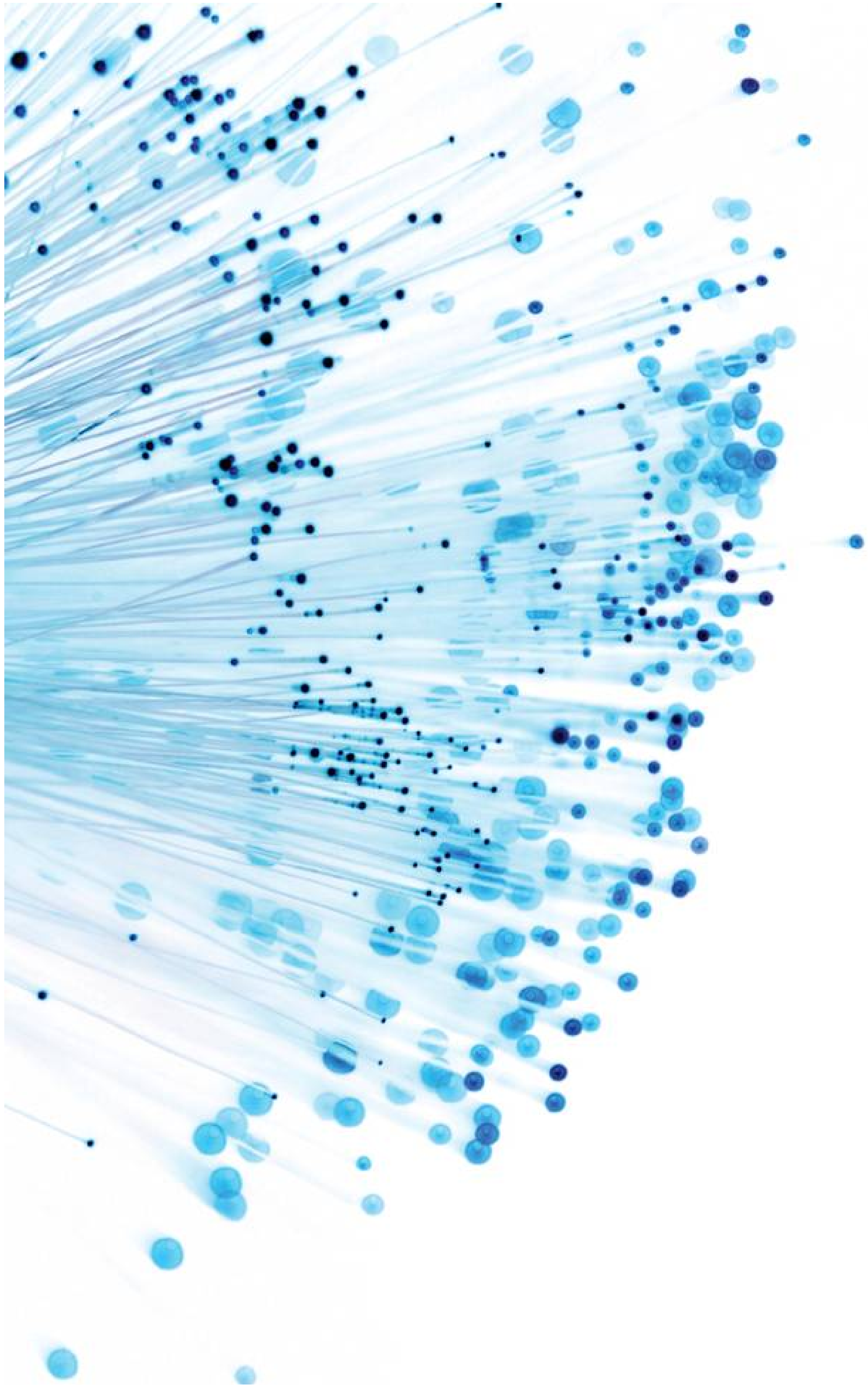
Shareholder Remuneration

Attractive shareholder remuneration while maintaining full financial flexibility



Source Bezeq

1. Calculated as regular and special dividends paid during the fiscal year, divided by the market capitalization as of December 31 of the previous year
2. Special dividend paid in February 2007
3. NIS 2.45bn paid in May 2010 representing H2-09 earnings (inc. one-time gain from yes' deconsolidation of NIS 1.5bn), and NIS 1.28bn paid Oct 7, 2010 representing H1-10 earnings.



Bezeq

Fixed-Line

Bezeq Fixed-Line Overview

The leading fixed-line services operator in Israel

1. Long standing presence in most Israeli households
2. Superior customer service
3. Broadband Internet access, data, transmission and VAS as revenue drivers
4. Undisputable leader in the business segment
5. Continued focus on efficiency gains and cost reduction
6. NGN deployment to promote new applications and enhance cost structure

bezeq

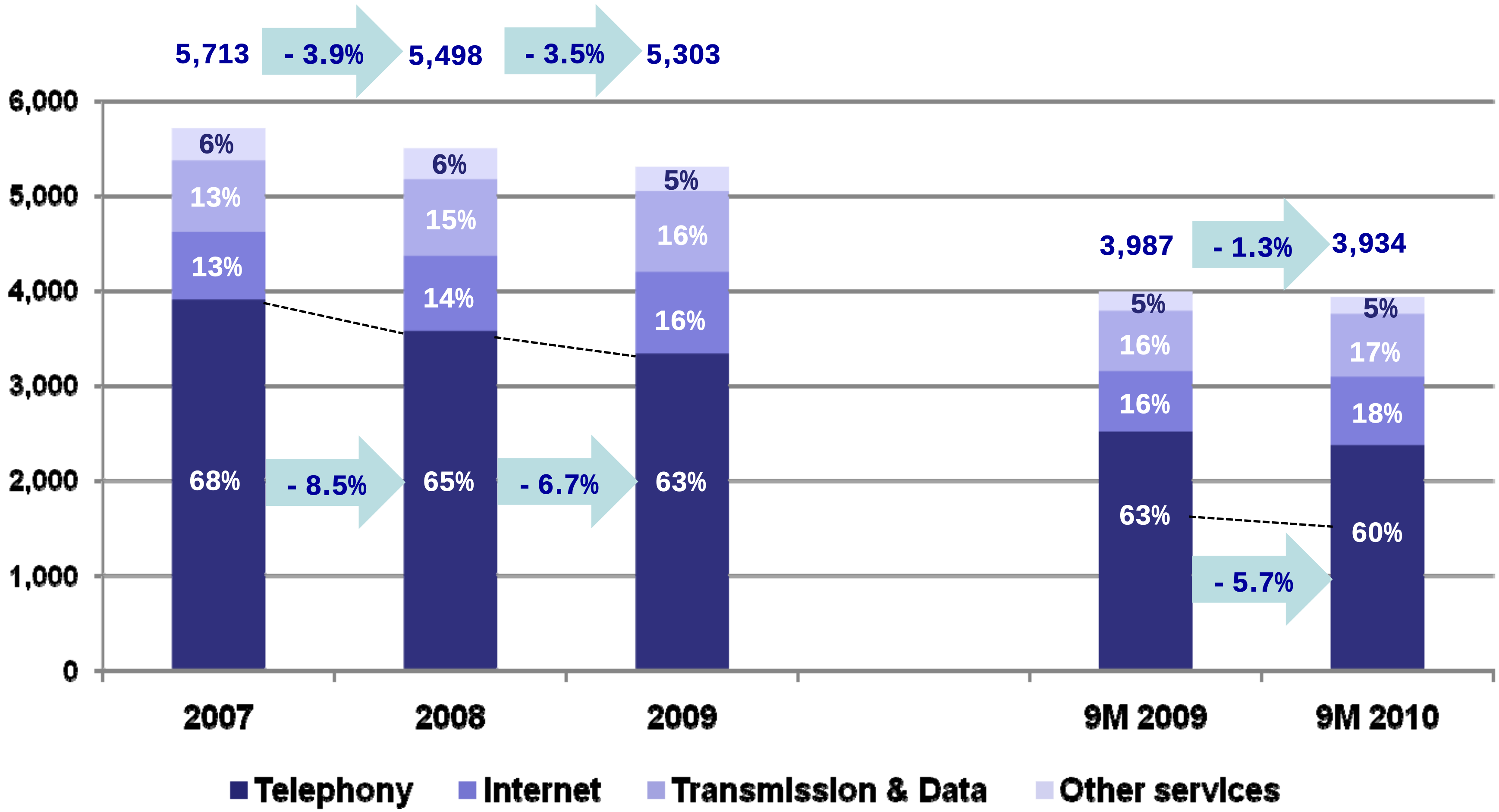
Bezeq Fixed-Line Q3 2010 Highlights

- Succesful continued implementation of cost efficiencies leads to significant profitability gains
  - EBITDA reached a record NIS 727MM, up 7.7% YoY, for an EBITDA margin of 55.0%
    - EBITDA included the positive impact of higher YoY gains from ongoing real estate and copper disposals
  - Focus on cost rationalization resulted in 10% YoY decline in total operating costs
  - Anticipated revenue decline limited to only 1.5%, or just 0.3% YoY when excluding mobile interconnect fees
- NGN rollout generates operational benefits as subscribers demand higher value access packages
  - Broadband Internet ARPU increased 9.7% YoY to a record NIS 79, led by bandwidth upgrades and VAS
  - Bezeq is on track to achieve 50% coverage of Israeli households by year-end 2010 and over 80% by 2012
    - ~30% penetration of NGN tariff plans among Bezeq's broadband Internet customers with NGN access
    - Average broadband Internet bandwidth increased 52% YoY to 3.8 Mbps
    - 29% of broadband Internet subscribers benefit from at least 5 Mbps, as compared to 11% a year ago
- Capex increased 30.9% YoY to NIS 250MM, as capex-to-sales expands to 18.9% vs. 14.2% in Q3-09

Bezeq Fixed-Line Revenue Analysis

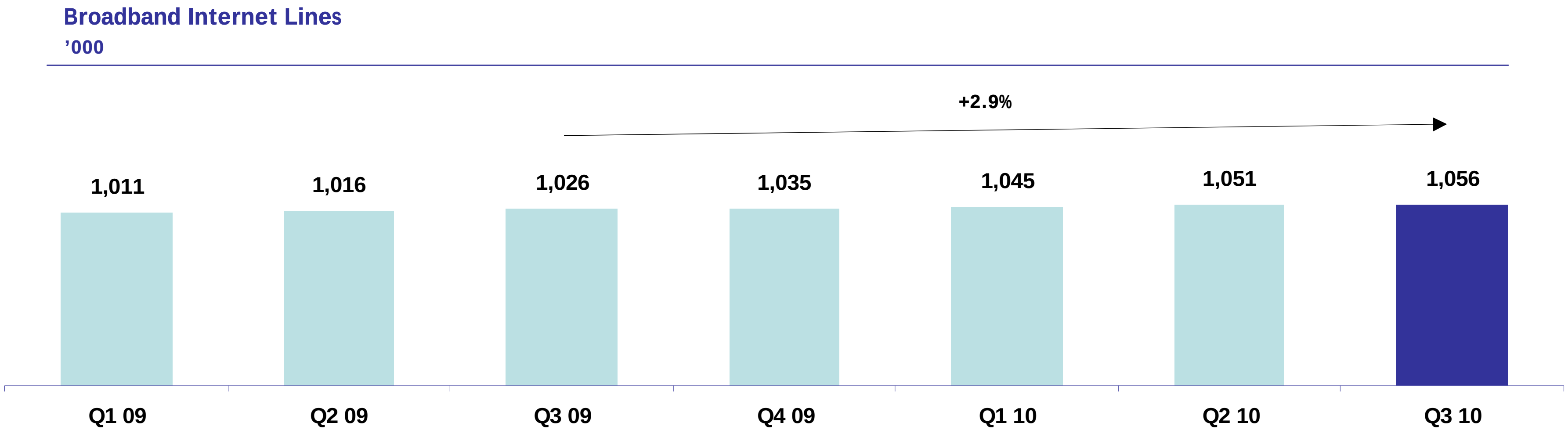
Mitigating telephony revenue erosion by growing broadband Internet, data & transmission services

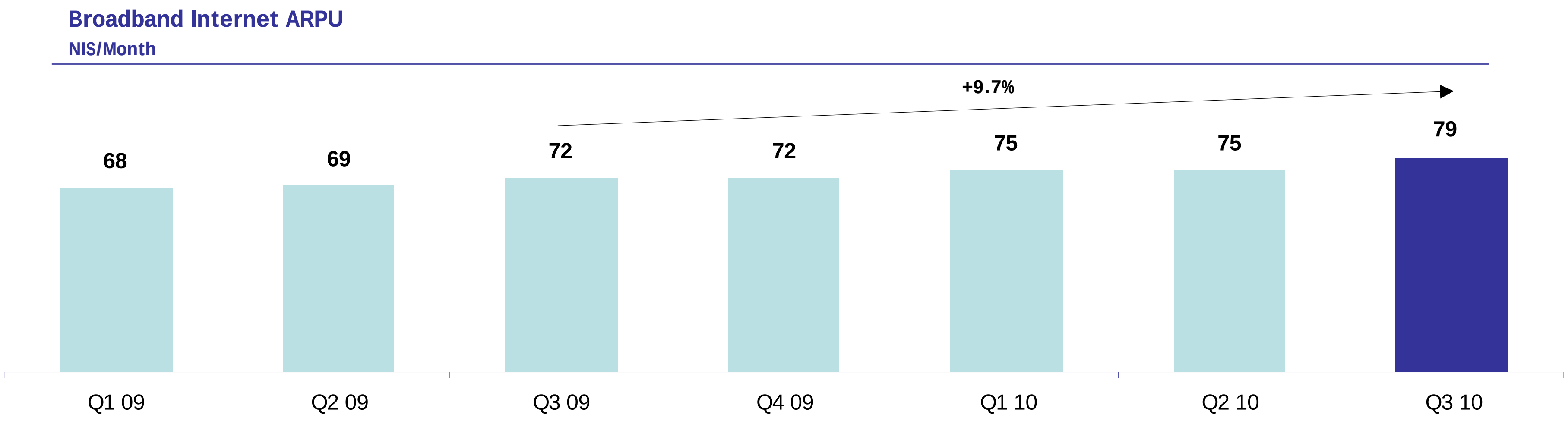
Fixed Line Revenue
NIS MM



Broadband KPIs

NGN rollout generates higher broadband Internet demand, resulting in higher value access packages

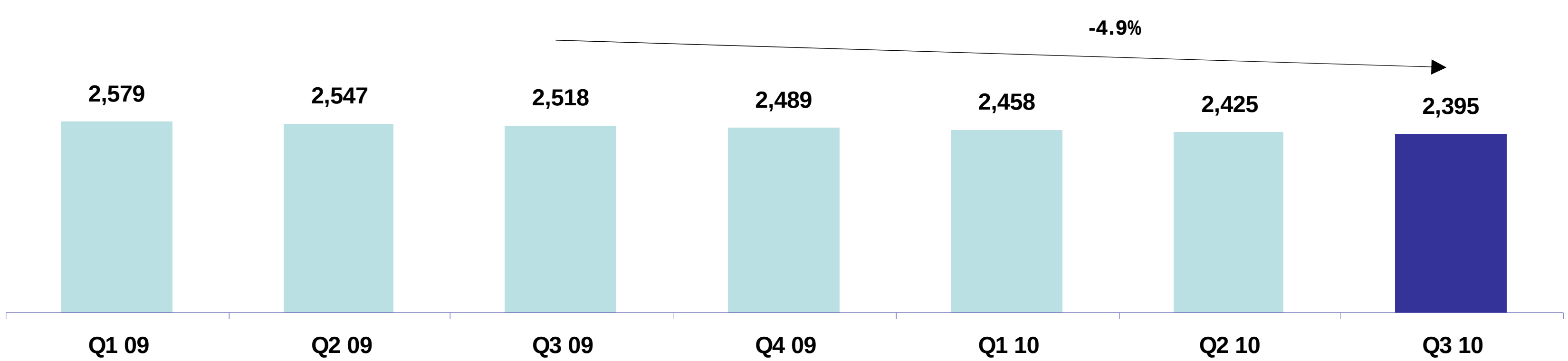




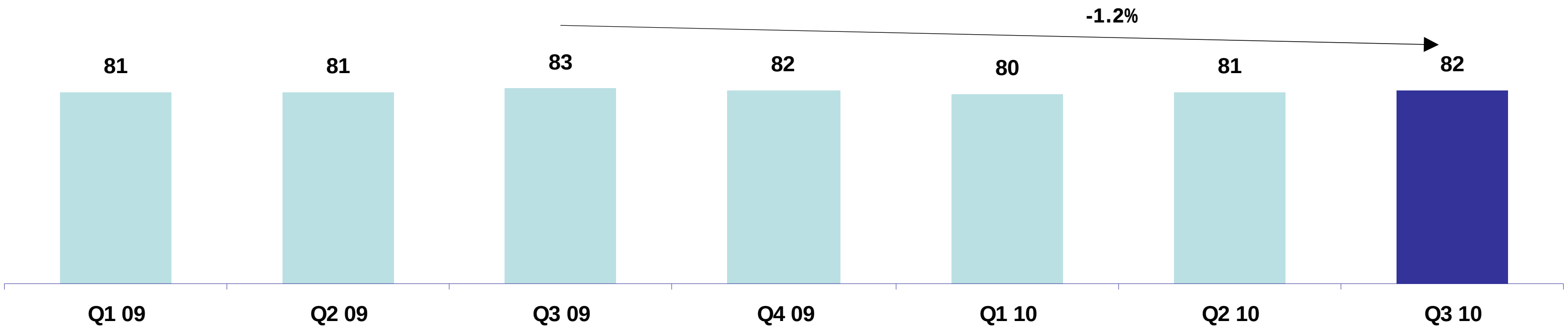
Domestic Telephony KPIs

Traditional telephony lines attrition continues, but at a stable rate

Access Lines
’000



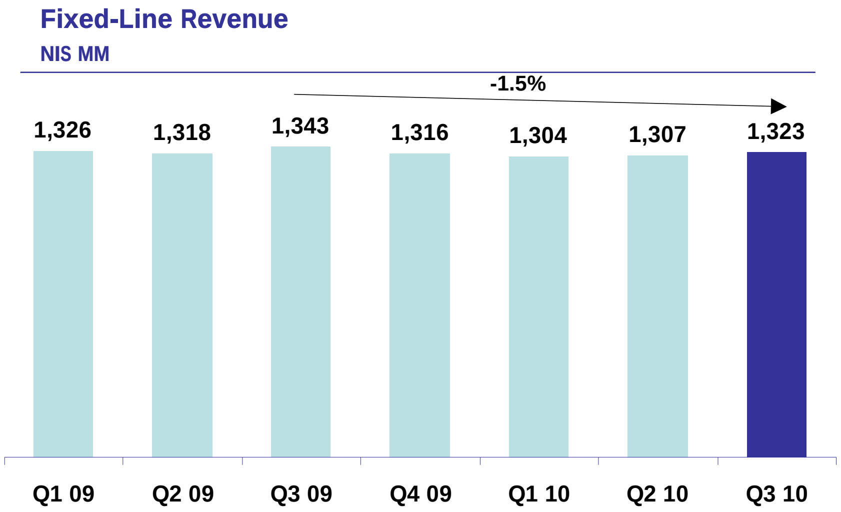
ARPL [1]
NIS/Month

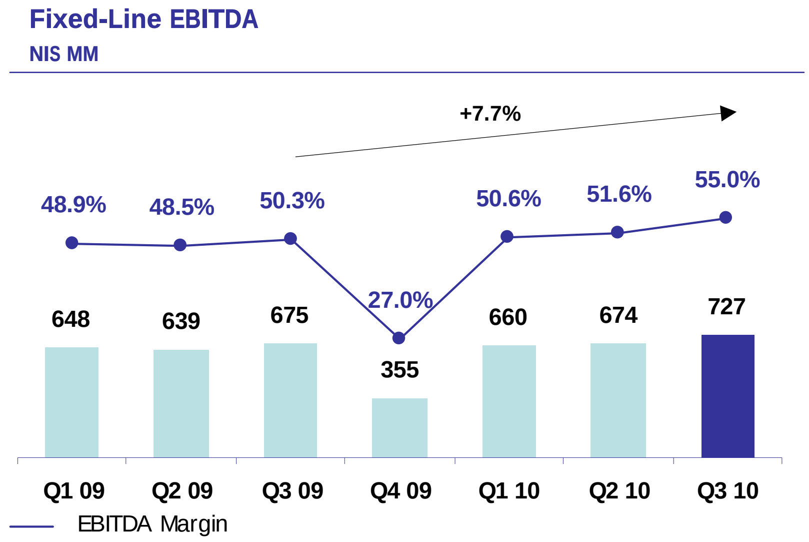


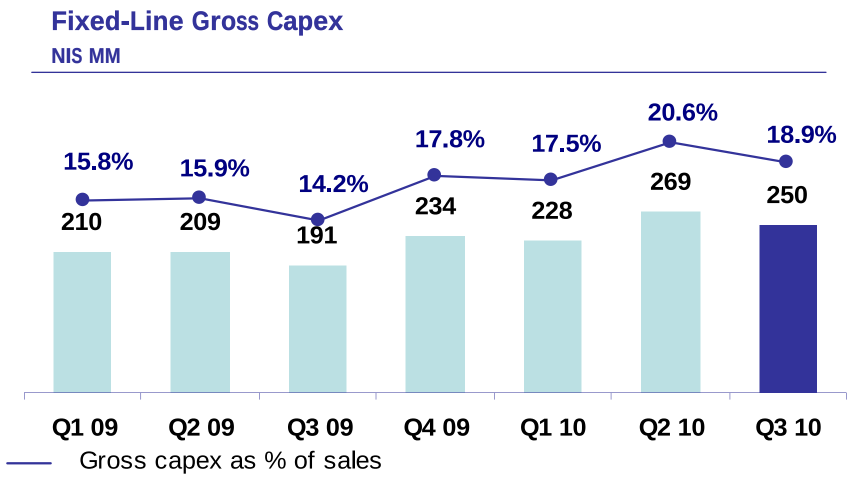
1. Not including revenues from data communications and transmission services, internet services, services to communications providers, and contract and other services.

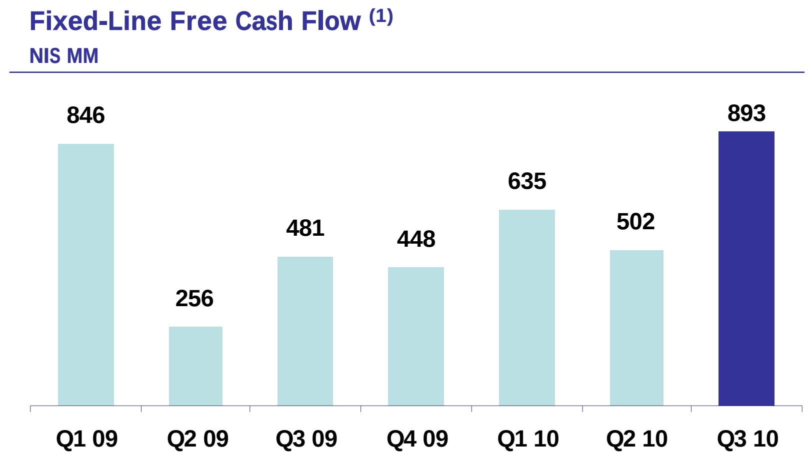
Bezeq Fixed-Line Financial Performance

EBITDA growth and EBITDA margin expansion reflect focus on productivity and cost control









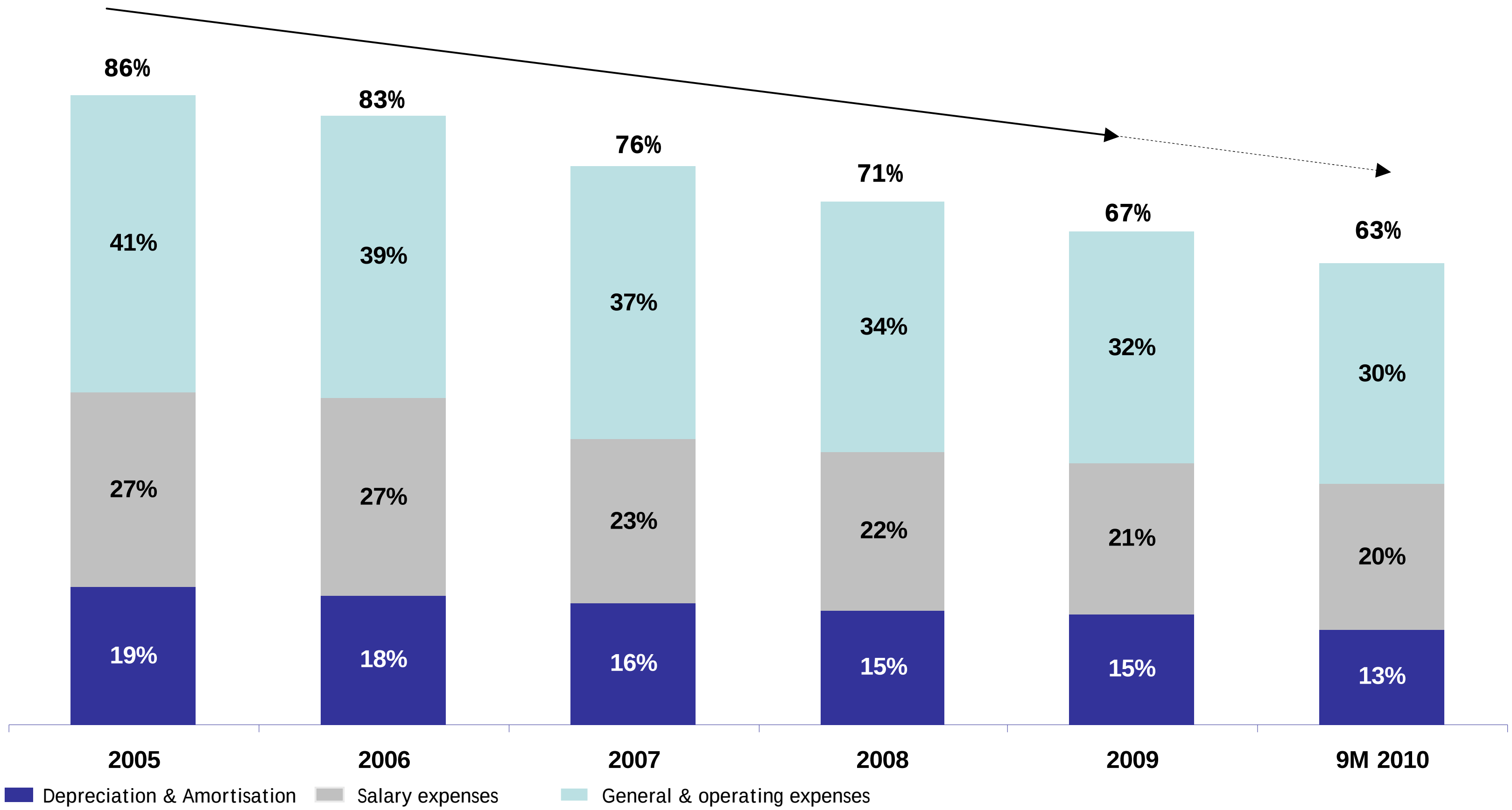
1. Free cash flow defined as cash flow from operations - net capex + dividends received

Bezeq Fixed-Line Cost Structure Development

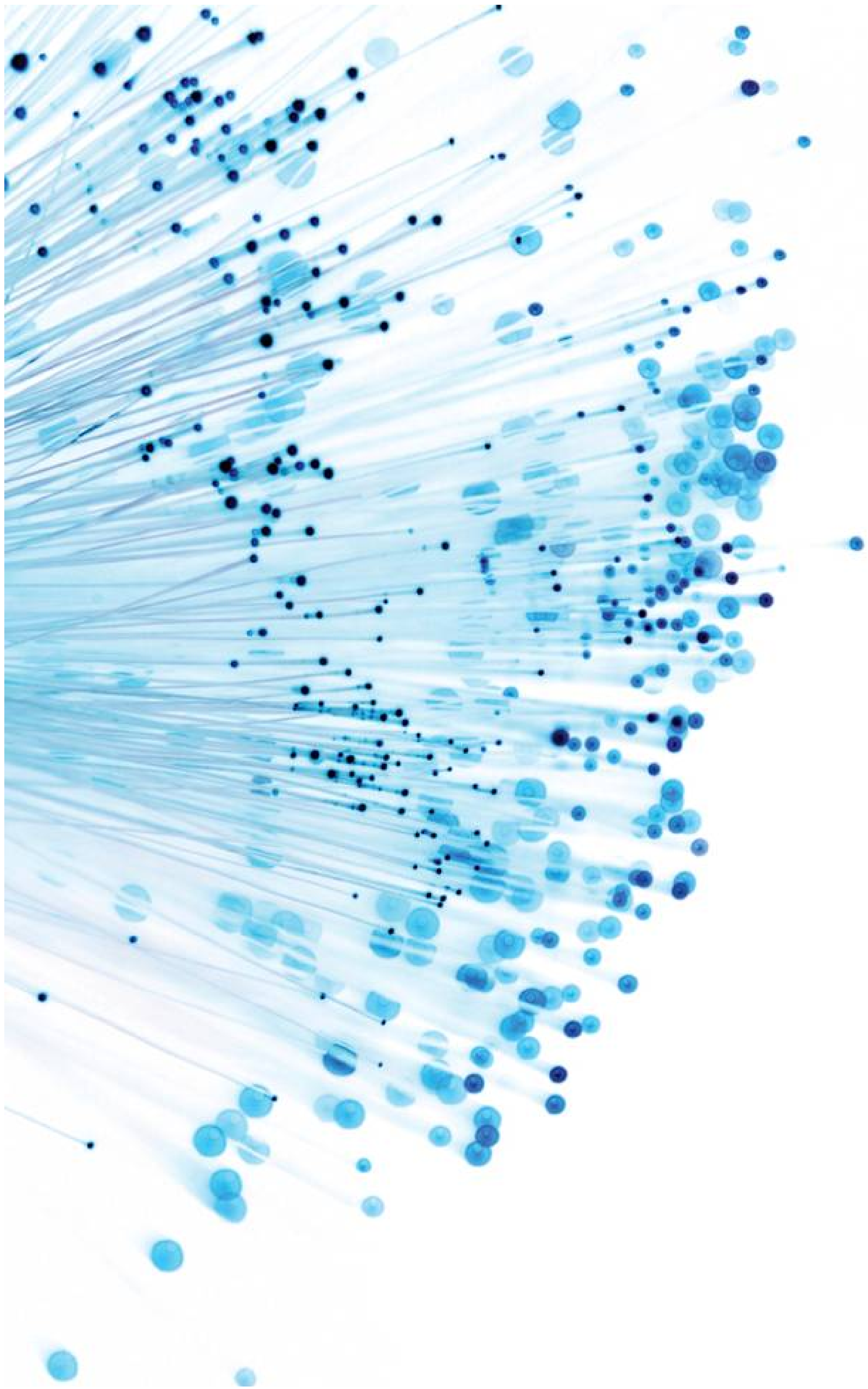
NGN deployment reflects potential for further increase in operational leverage

Cost Structure (1)

% of revenues



1. Excluding capital gains/losses, early retirement-related provisions and other expenses/income.



pelephone

Pelephone Overview

A strong player in the Israeli mobile communications market

1. First in Israel to offer mobile communication services

2. 3G subscriber leader; #1 in data as % of cellular service revenues

3. New HSPA network successfully launched in 2009

4. Technology migration as catalyst for market share and revenue gains

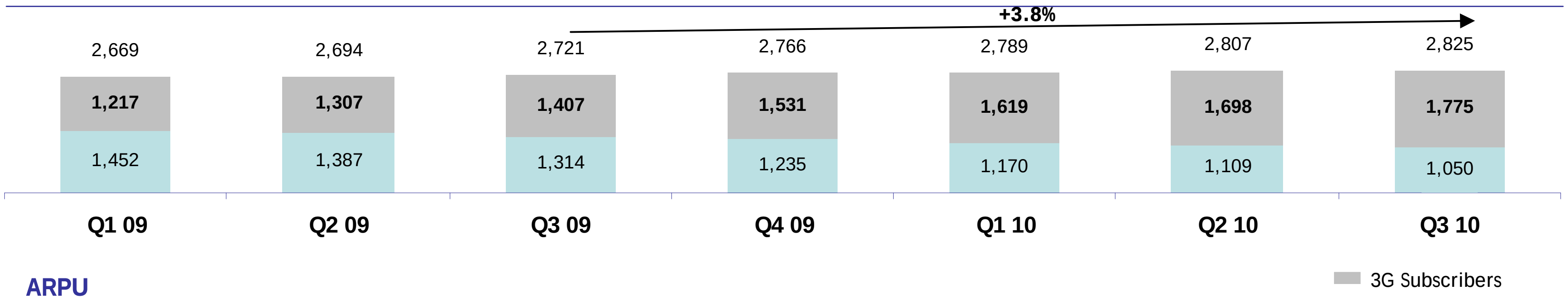
Pelephone Q3 2010 Highlights

- HSPA network strategy yields significant operational benefits
  - Total revenues grew 5.1% YoY to NIS 1.44bn; service revenues grew 5.3% YoY, led by higher data, VAS, roaming
  - EBITDA increased 7.2% YoY to NIS 505MM, for a 35.0% EBITDA margin (34.3% in Q3-09)
  - Operating and net profit grew 12.7% and 3.5% YoY to NIS 356MM and NIS239MM, respectively
  - These profitability gains more than offset the negative impact of a one-time NIS 75MM charge related to royalties claimed by the State of Israel for the period Jan 1994 – Feb 1996
- Higher usage profile on HSPA network translates into improved ARPU and MOU
  - 41% of Pelephone's subscribers were on the HSPA network as of Sep 30, 2010 (~1,160k HSPA subscribers)
  - Revenues from data, VAS and content reached an Israeli inudstry high 24.5% of cellular service revenues
  - ARPU reached NIS 137 vs. NIS 136 in Q3-09, despite a lower amount of business days in Q3-10
  - MOU increased to 347 minutes, up 2.4% YoY
- Continued revenue growth and profitability gains led to record operating and free cash flows
  - OCF reached NIS 400MM, up 1.3% YoY
  - FCF increased 20.9% YoY to NIS 301MM, as capex-related payments declined substantially YoY to NIS 99MM

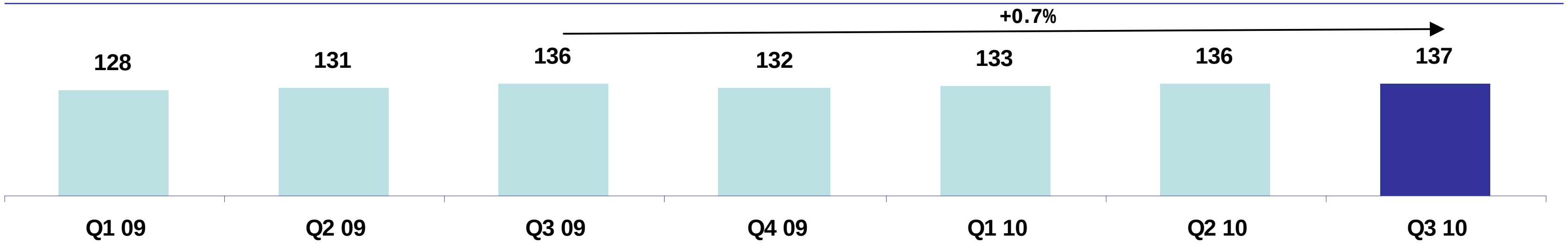
Pelephone KPIs

Growth in usage of data, VAS, content and roaming services drives improved ARPU and profits

Subscribers
'000

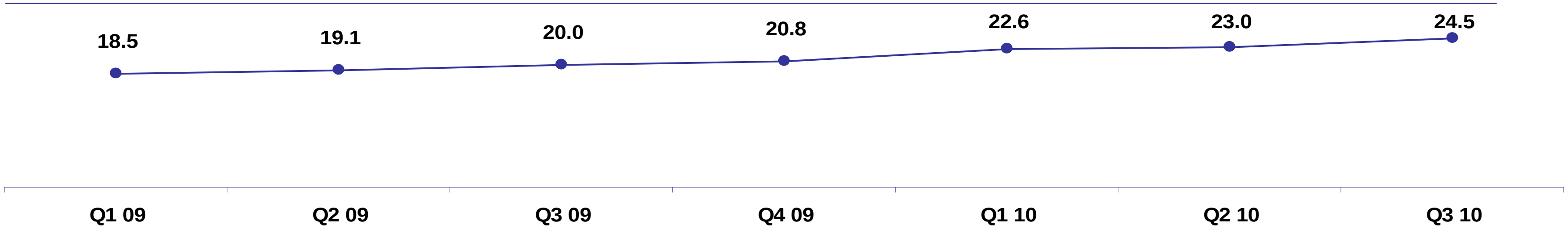


ARPU
NIS/Month



Data, VAS, and content revenue as a percentage of cellular service revenue [(1)]
%

YoY change: +4.5 p.p.

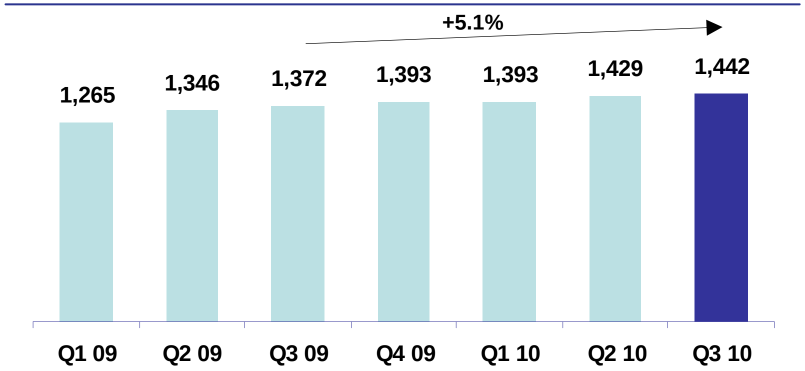


1. Includes telephony and data services but excludes sale of equipments and equipment services

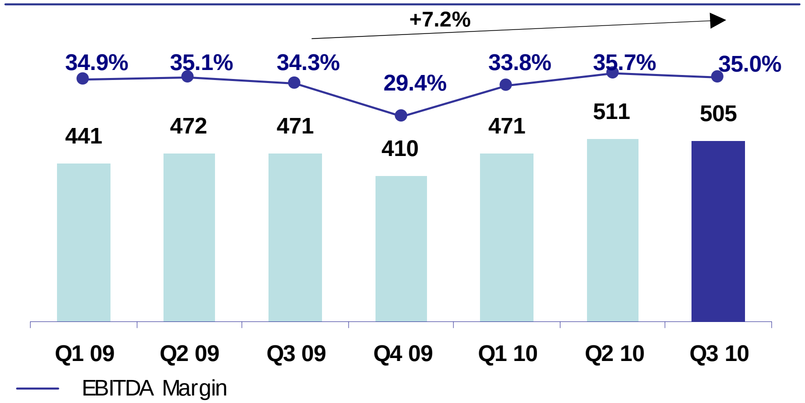
Pelephone Financial Performance

HSPA network success delivers strong YoY performance across all key financial metrics

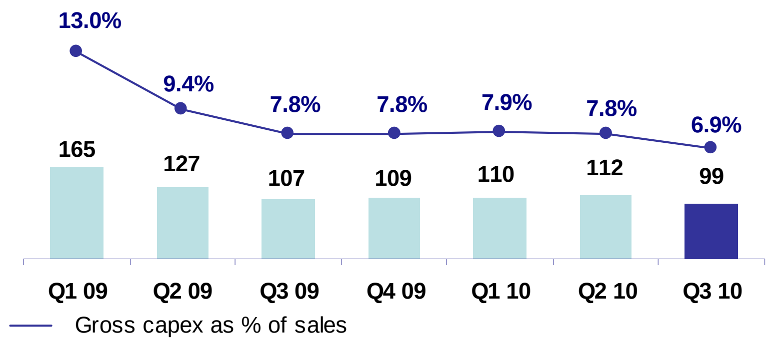
Pelephone Revenue
NIS MM



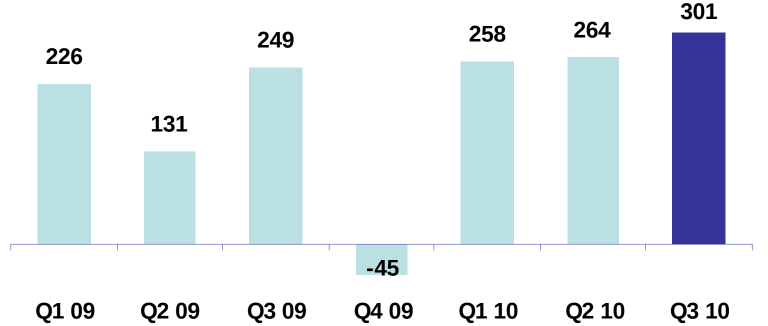
Pelephone EBITDA (1)
NIS MM



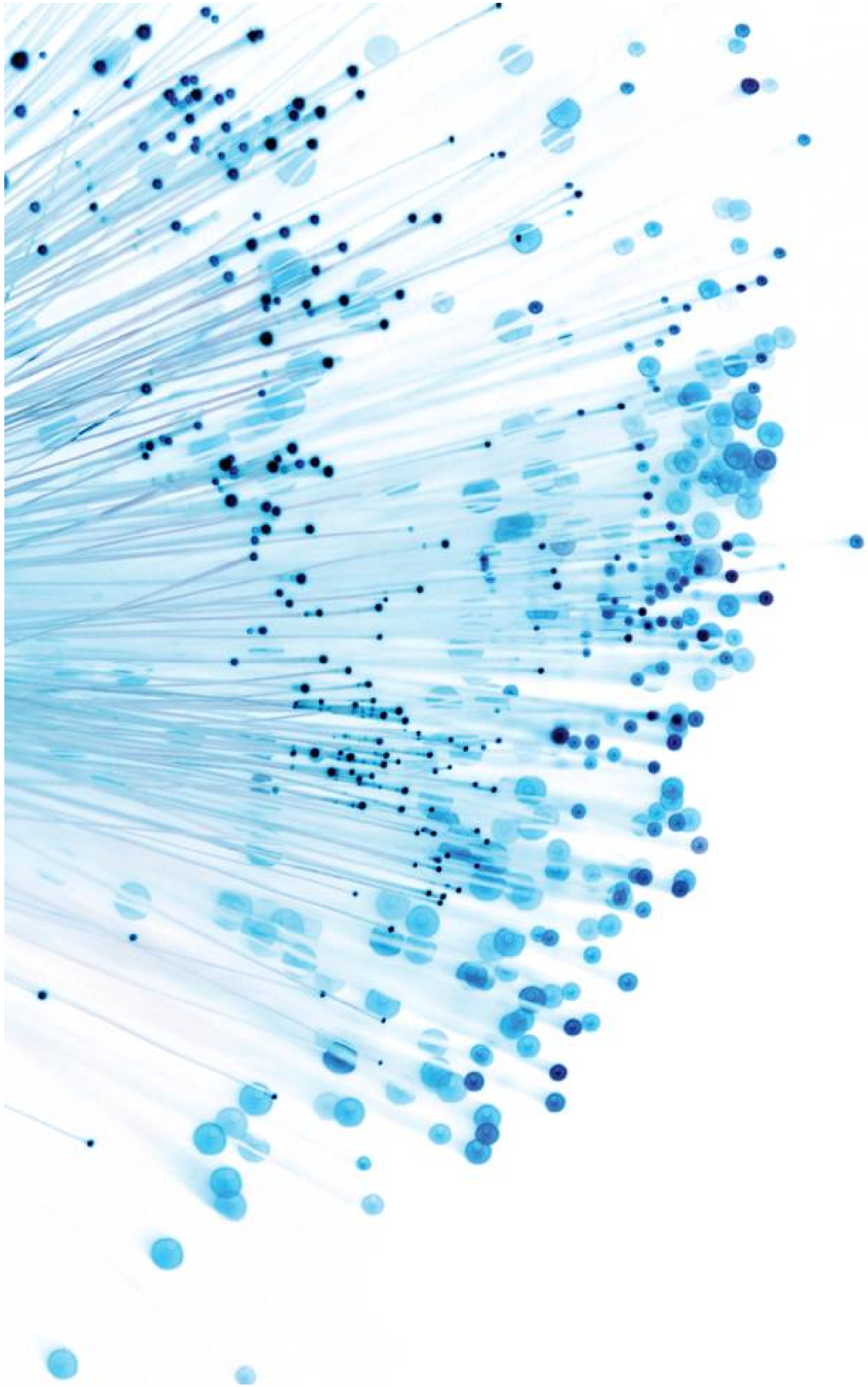
Pelephone Gross Capex
NIS MM



Pelephone Free Cash Flow
NIS MM



1. Q3 2010 EBITDA reflects NIS 26MM of a charge related to royalties claimed by the State of Israel for the period January 1994-February 1996.



Bezeq International

Bezeq International Overview

A leader in the ISP and ILD market segments in Israel with growing operations in the ICT market

1. The ISP leader with 36% market share
2. Broad residential and business customer base
3. Largest scope of services and products
4. Reputation for service quality
5. Growth opportunities in ICT and in services to foreign operators
6. Entrepreneurial spirit and non-unionized employee base

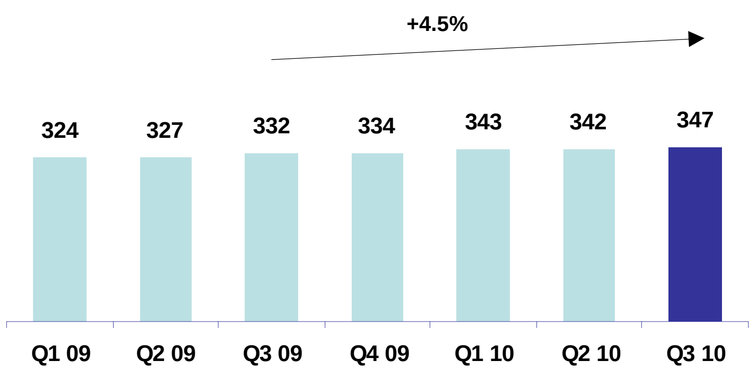
Bezeq International Q3 2010 Highlights

- Continued revenue growth combined with solid profitability
  - Revenues reached NIS 347MM, up 4.5% YoY, driven by growth in ICT, ISP and hubbing activities
    - Continued erosion in revenues from ILD and PBX segments
  - Key profit measures grew approx. 5-6% YoY, and benefited from a gain from the sale of Walla! to Bezeq
  - EBITDA reached NIS 93MM, for a 26.8% EBITDA margin (26.4% in Q3-09)
- Continued leadership in highly competitive ISP segment and rapid expansion of ICT business
  - Bezeq International combines #1 position in the ISP market with highest profitability among competitors
  - Successful bids in major ICT tenders confirms Bezeq Int'l's position and strategy in this growing space
  - New investment in submarine cable will significantly enhance customers' communications and media experience - and Israel's international data communications capacity
- Stable cash flow generation
  - OCF reached NIS 75MM, down 8.4% YoY, due to working capital changes
  - FCF of NIS 45MM vs. NIS 48MM in Q3-09; second consecutive quarter of sequential FCF expansion

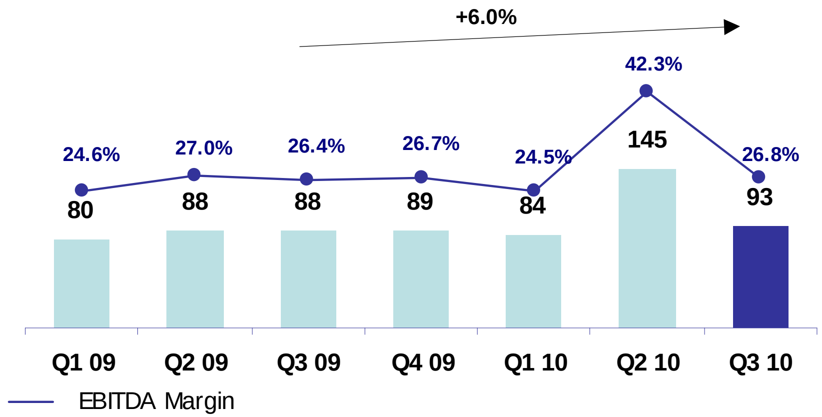
Bezeq International Financial Performance

Revenue growth, stable profitability and sequential FCF expansion

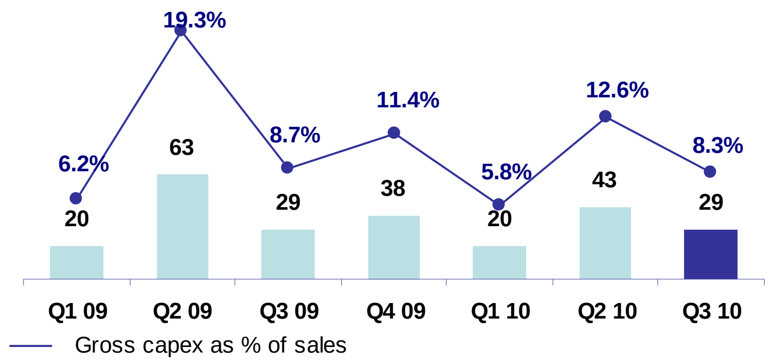
Bezeq International Revenue [1]
NIS MM



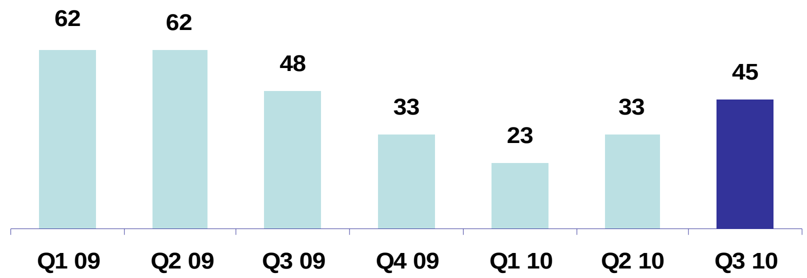
Bezeq International EBITDA [1]
NIS MM



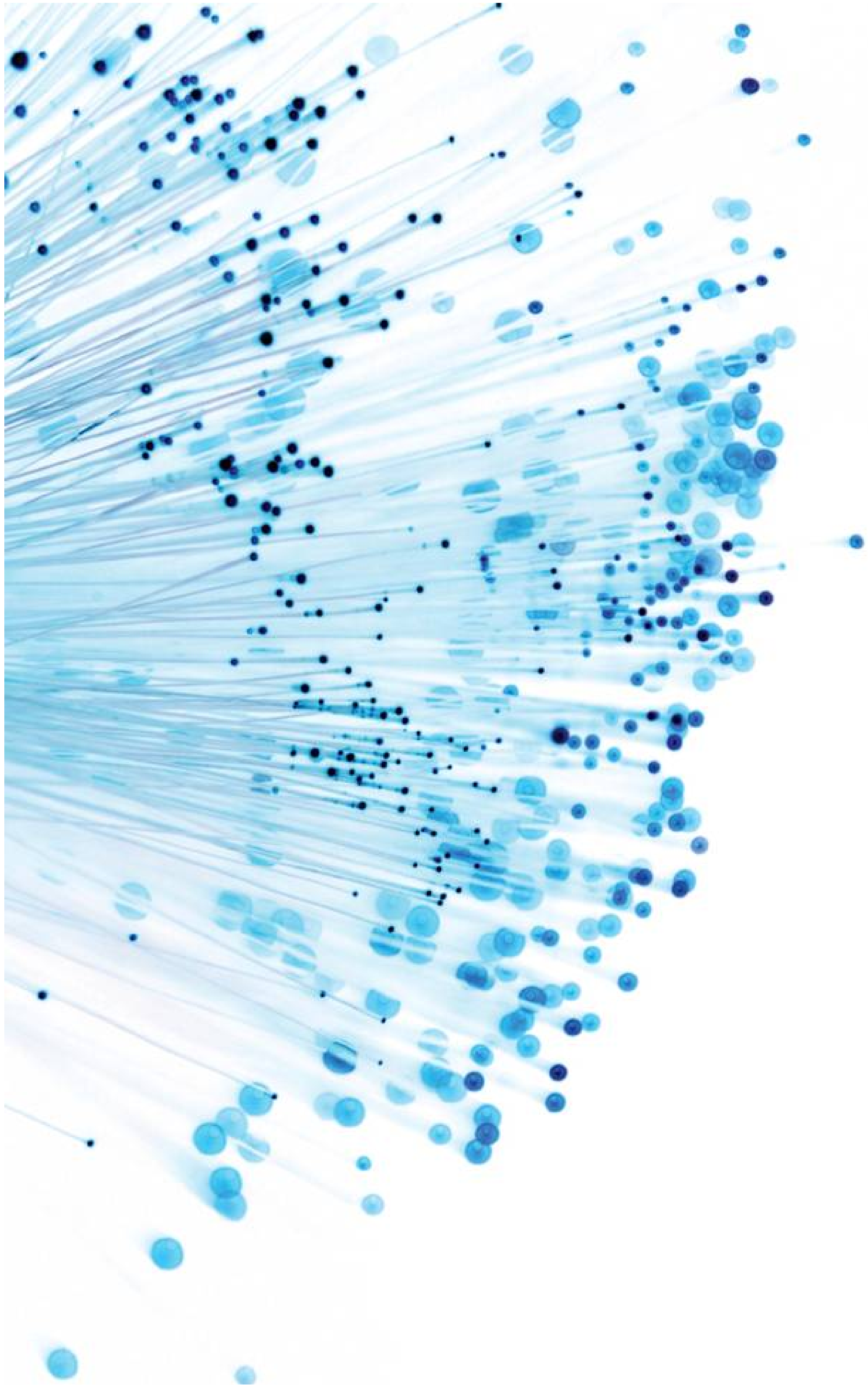
Bezeq International Gross Capex [1]
NIS MM



Bezeq International Free Cash Flow [1] [2]
NIS MM



1. Excludes Walla!'s financials, but includes a one-time profit from the consolidation of Walla! in Q2-10 and another profit in Q3-10 from the sale of Walla! to Bezeq.
2. Free cash flow defined as cash flow from operations - net capex + dividends received



yes.

yes Overview

The premium pay-TV operator in Israel

1. Satellite/fixed-line-based multi-channel pay-TV operator
2. Premium channels and exclusive programming
3. 575,000 subscribers - ~40% market share
4. The leader in PVR and HD, now also offering IP-based VOD
5. Superior customer service in pay-TV industry

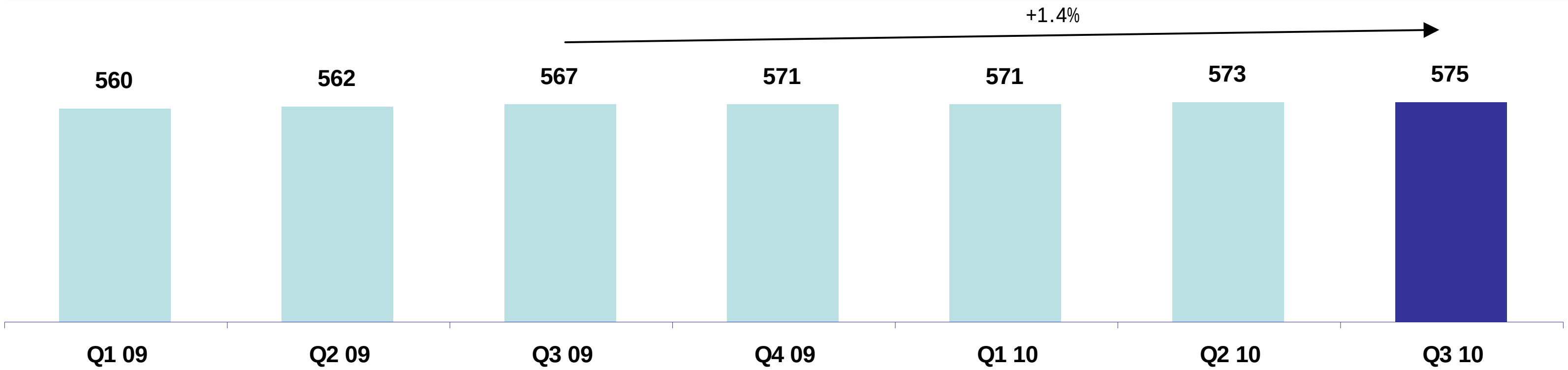
yes Q3 2010 Highlights

- Solid revenue growth combined with double-digit operating profit and EBITDA expansion
  - Revenues reached NIS 395MM, up 3.9% YoY, driven mainly by growth of advanced pay-TV services
    - Total subscribers increased 1.4% YoY to approx. 575,000
  - EBITDA reached NIS 140MM, up 16.7% YoY, for a record EBITDA margin of 35.3% (31.4% in Q3-09)
  - Net loss declined to NIS 78MM from NIS 88MM in Q3-09
    - Profit before financing expenses to shareholders of NIS 18MM vs. NIS 16MM in Q3-09
- Successful introduction of VOD offering contributes to ARPU improvement
  - ARPU grew 2.2% YoY to NIS 229 as yes increased sales of VAS such as yes Max, yes MaxHD, and IP-based VOD
  - Initial marketing of triple-play bundles with Bezeq and Bezeq International
- Free cash flow expansion
  - OCF declined 6.6% YoY to NIS 126MM
  - FCF increased 30.7% YoY to NIS 63MM, on lower capex-related payments

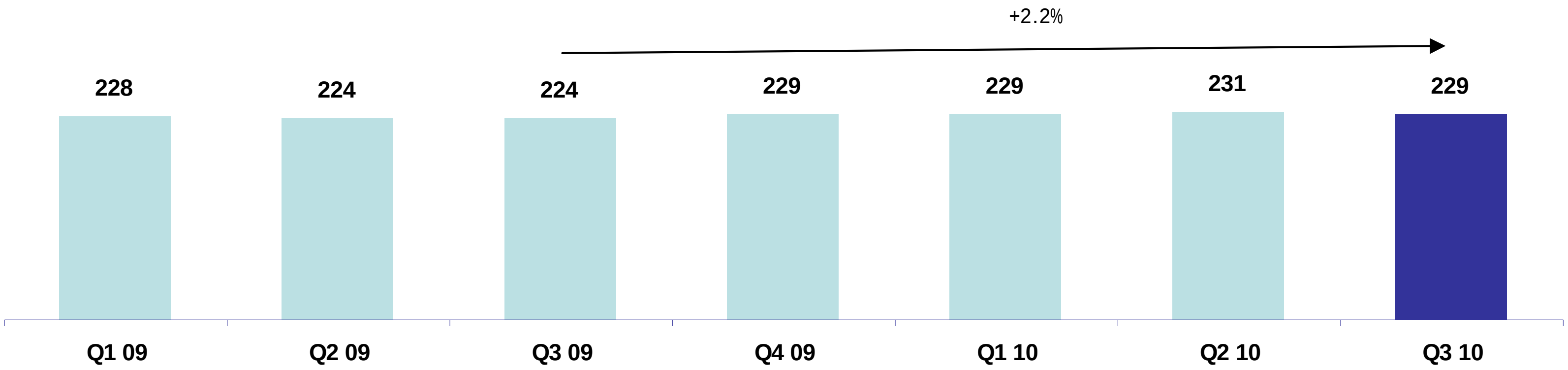
yes KPIs

yes manages to increase subscriber base and ARPU, despite a contracting pay-TV market

Subscribers
'000, end of period

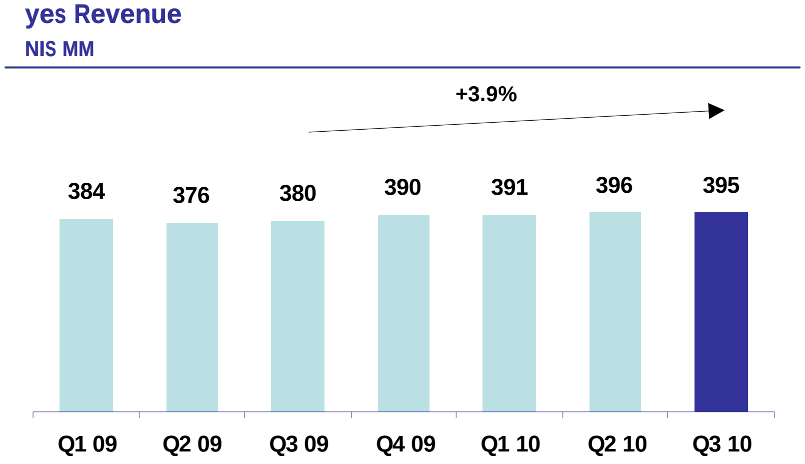


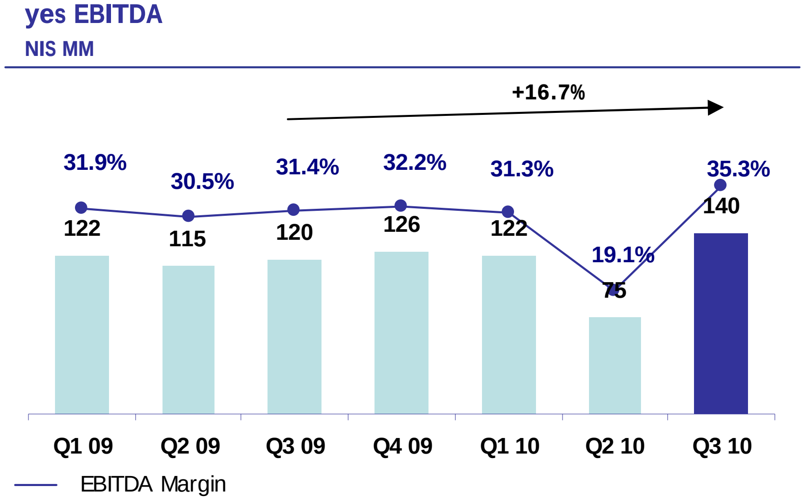
ARPU
NIS/Month, avg per quarter

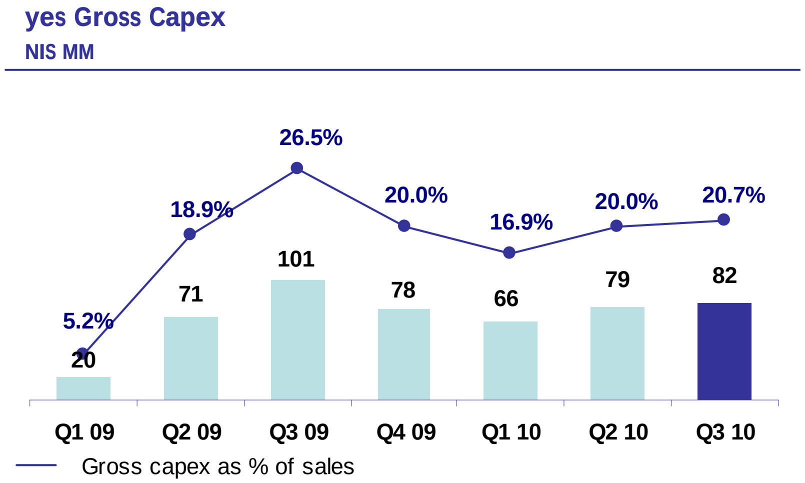


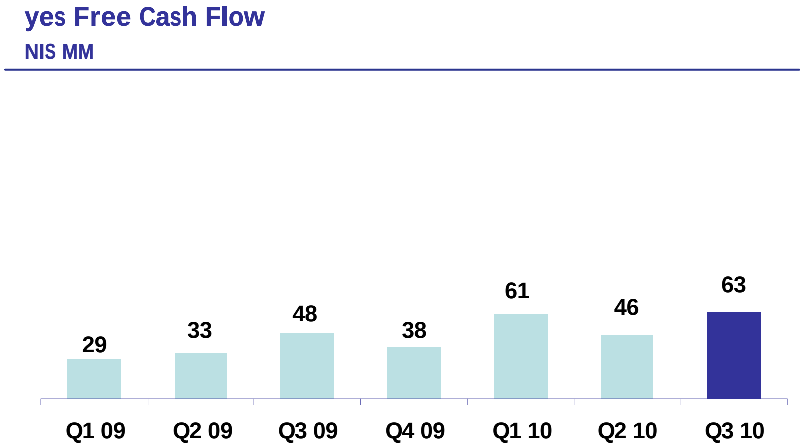
yes Financial Performance

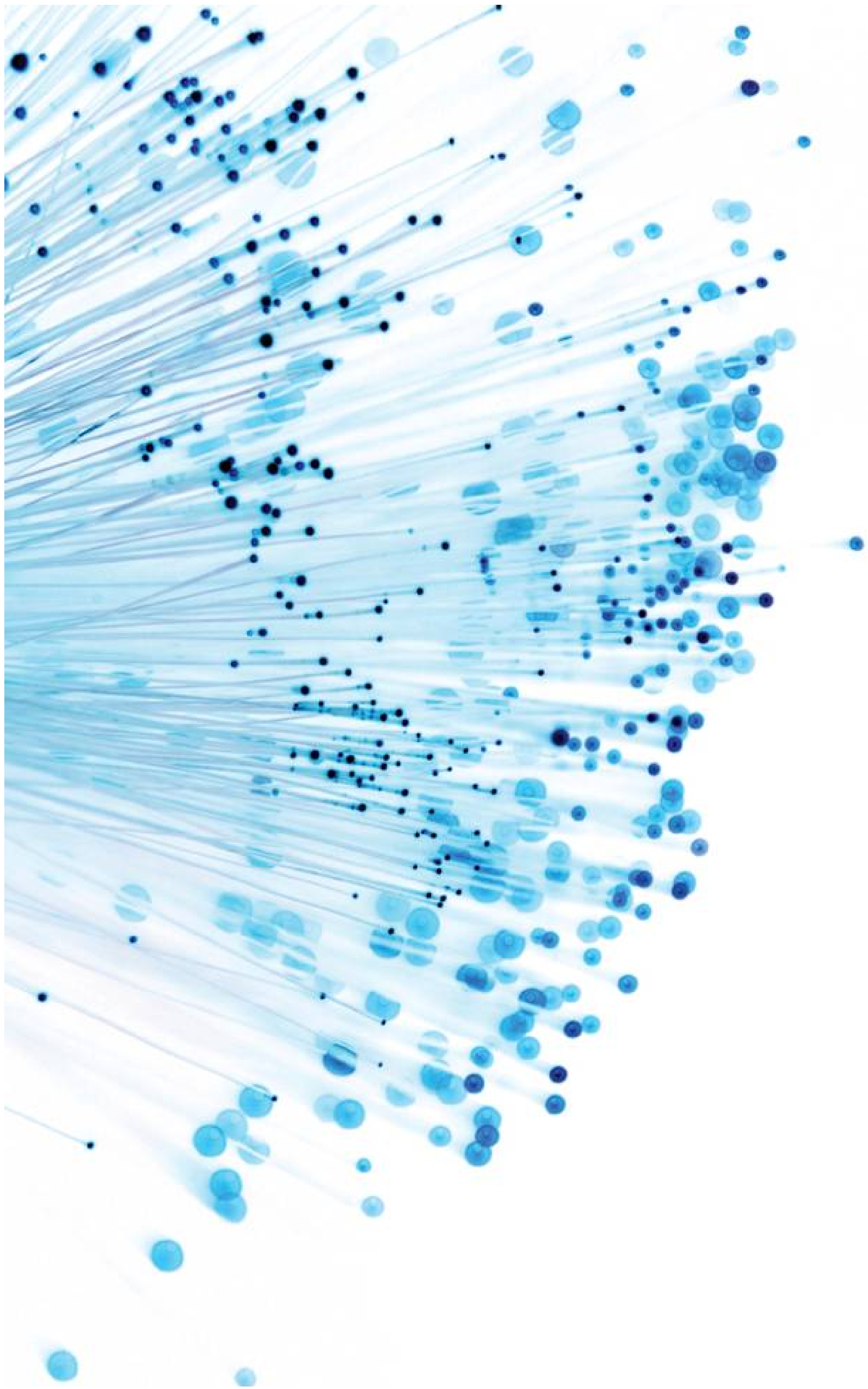
Operating improvements reflected in key financial metrics











walla!

walla!

Walla! Overview

1. The most popular Israeli Internet portal

2. ~1.1 million daily unique users (UU); 2.5 million weekly UU; and over 5 million monthly UU

3. Mail, video, original & 3rd party content, applications & info services; social networks; #1 e-commerce site

4. Acquired Yad-2, market leader in online ads for auto, real estate & used goods; 4% of total domestic online advertising market

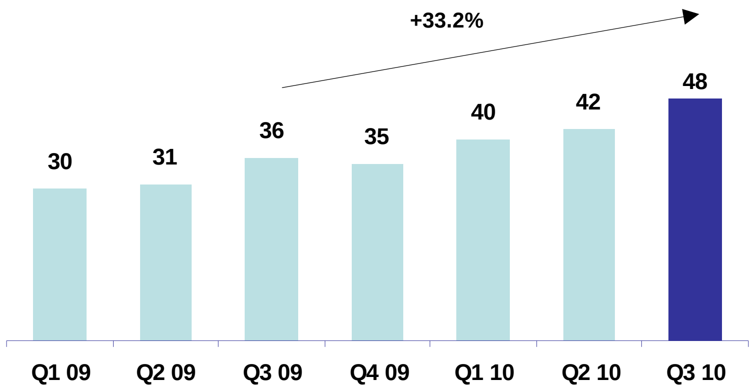
5. 29% of Israeli online advertising display market; 14% of total domestic online advertising market (excluding Yad-2)

6. Service platforms include PC, On/Off Deck, cellular, mobile Internet and iPhone applications

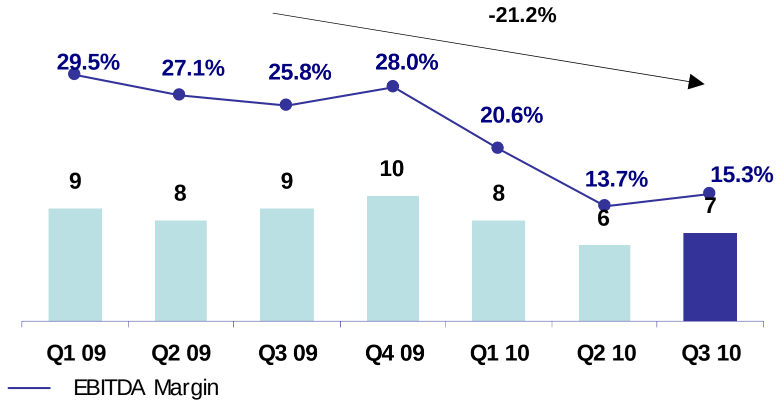
walla!

Walla! Financial Performance

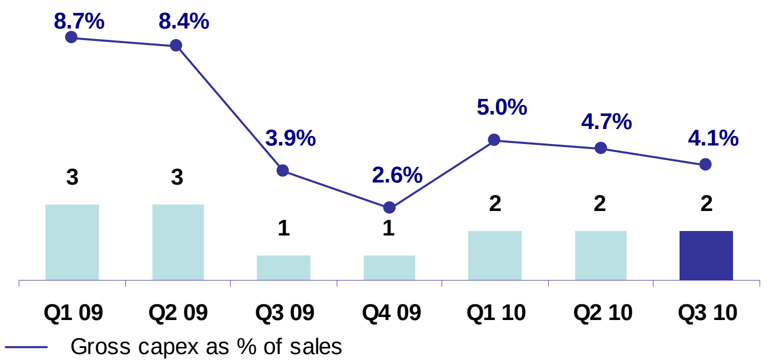
Walla! Revenue
NIS MM



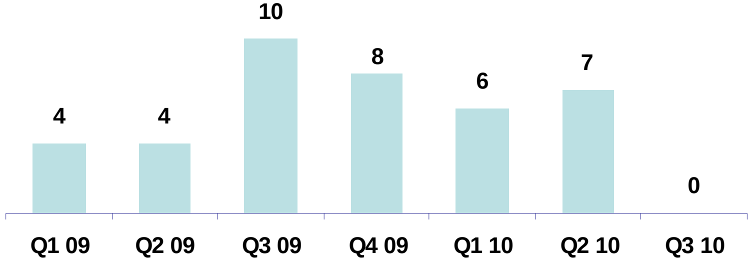
Walla! EBITDA
NIS MM

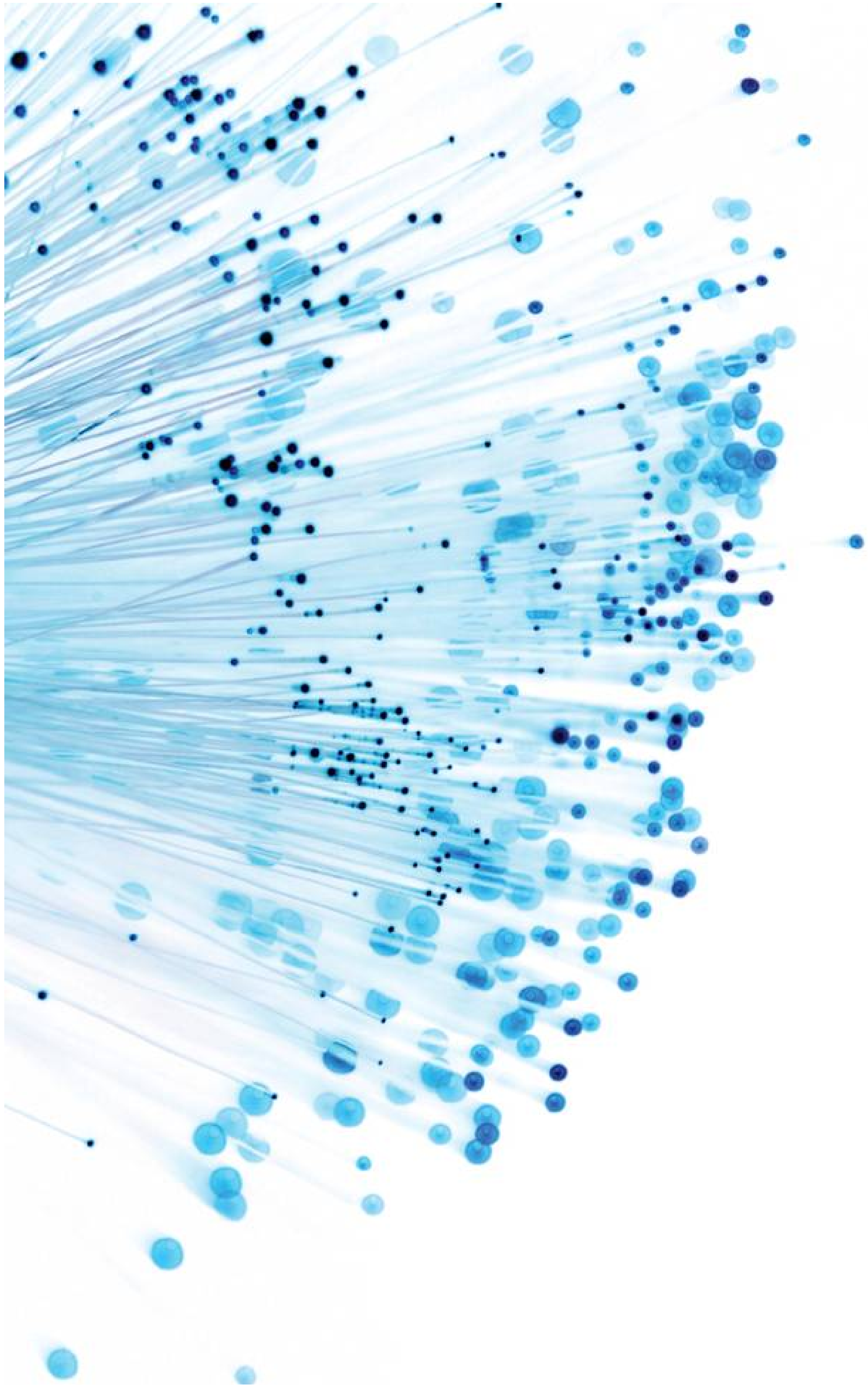


Walla! Gross Capex
NIS MM



Walla! Free Cash Flow
NIS MM





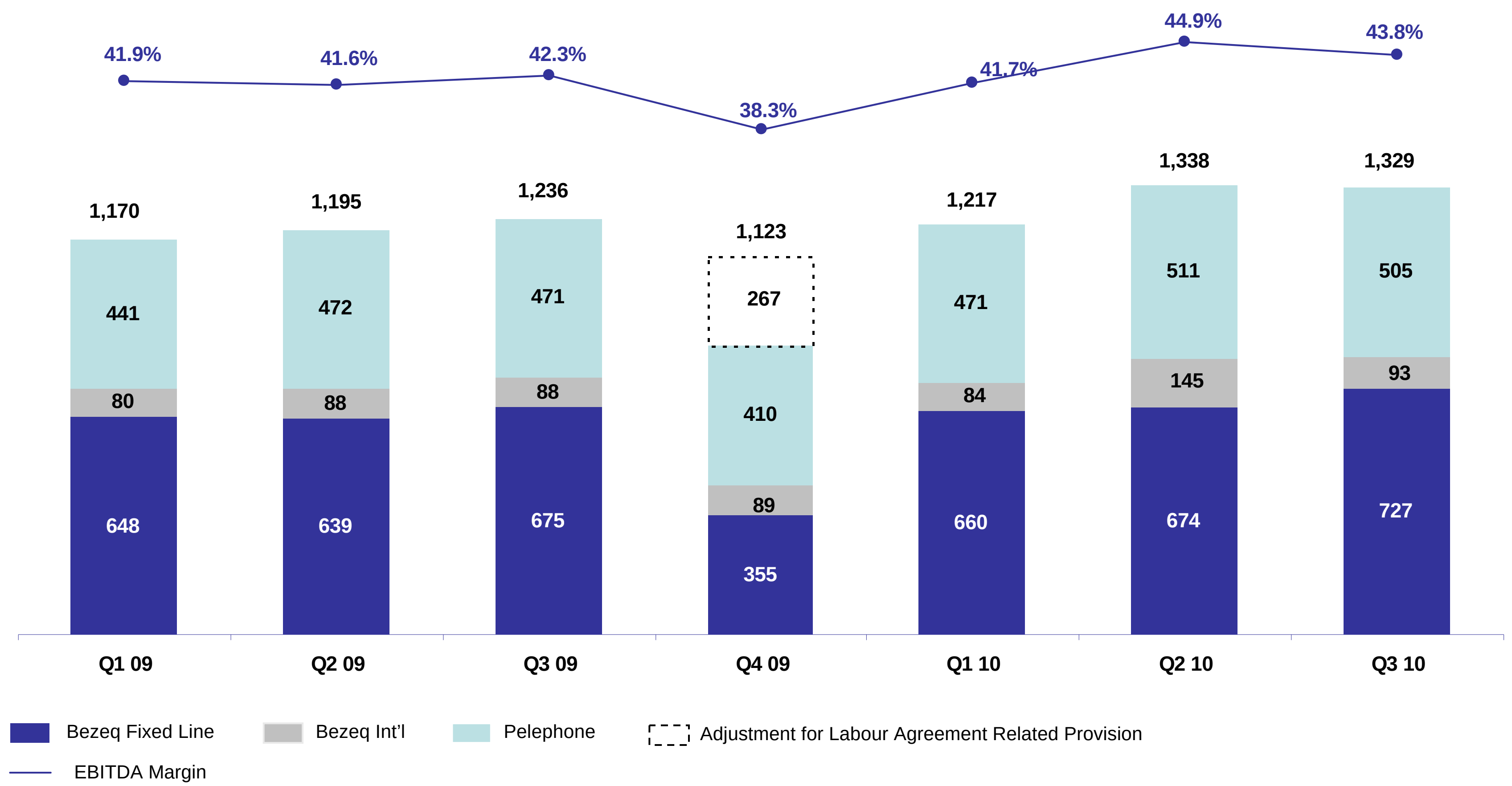
Bezeq Group

Financial Review

EBITDA Development

EBITDA and EBITDA margin expansion positions Bezeq among the top global telecom performers

Group EBITDA (1) (2)
NIS MM



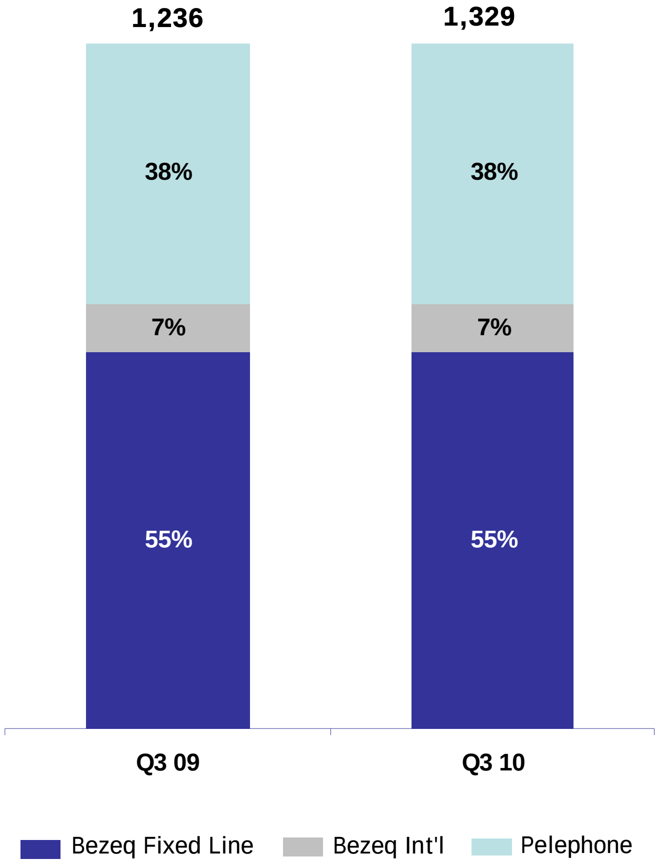
1. Pro-forma excluding yes' results.
2. Bezeq Group's EBITDA reflects consolidation of Walla! as of April 25, 2010; Bezeq International's Q2-10 includes a one-time profit of NIS 57MM from increased ownership in Walla!, also reflected in the Bezeq Group total; Bezeq International's Q3-10 includes a small profit from the sale of Walla! to Bezeq, which is not reflected at the group level.

EBITDA Mix and Margins

Secular YoY EBITDA margin improvement at major operating segments

Subsidiaries' Contribution to Group EBITDA (1) (2) (3)

NIS MM



EBITDA Margin per Business Segment

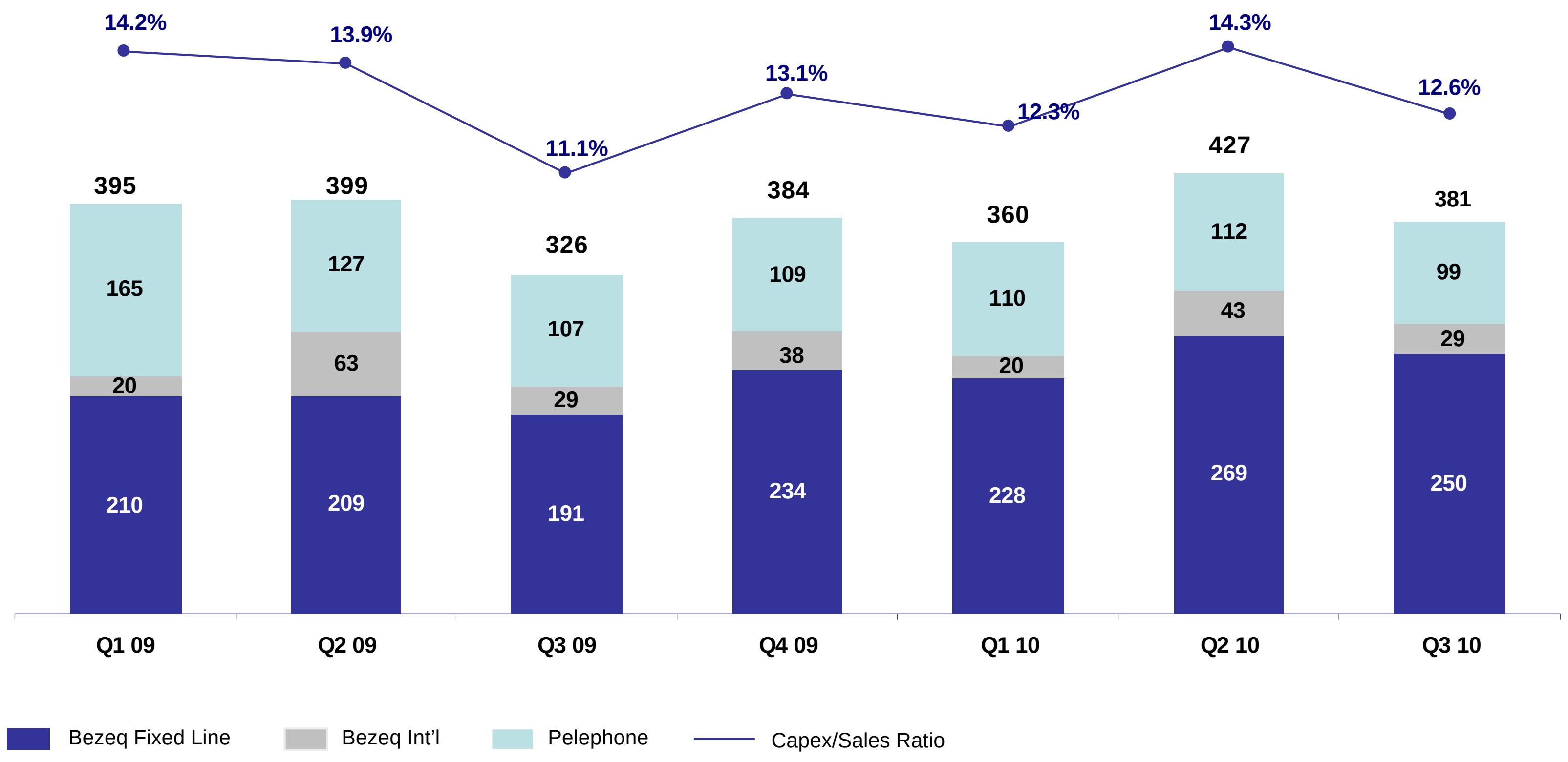
	Q3 09	Q3 10	Change (p.p.)
Bezeq Fixed-Line	50.3%	**55.0%**	**+4.7 p.p.**
Bezeq International	26.4%	**26.8%**	**+0.4 p.p.**
Pelephone (3)	34.3%	**35.0%**	**+0.7 p.p.**
Bezeq Group (2) (exc. yes)	42.3%	**43.8%**	**+1.5 p.p.**
yes	31.4%	**35.3%**	**+3.9 p.p.**

1. Pro-forma excluding yes' results.
2. Bezeq Group's Q3-10 reflects consolidation of Walla! as of April 25, 2010.
3. Pelephone's Q3-10 EBITDA reflects NIS 26MM of a charge related to royalties claimed by the State of Israel for the period January 1994-February 1996.

CAPEX Development

NGN deployment drives Bezeq Fixed-Line's capex to approx. 2/3 of the group total

Group Gross Capex (1)
NIS MM

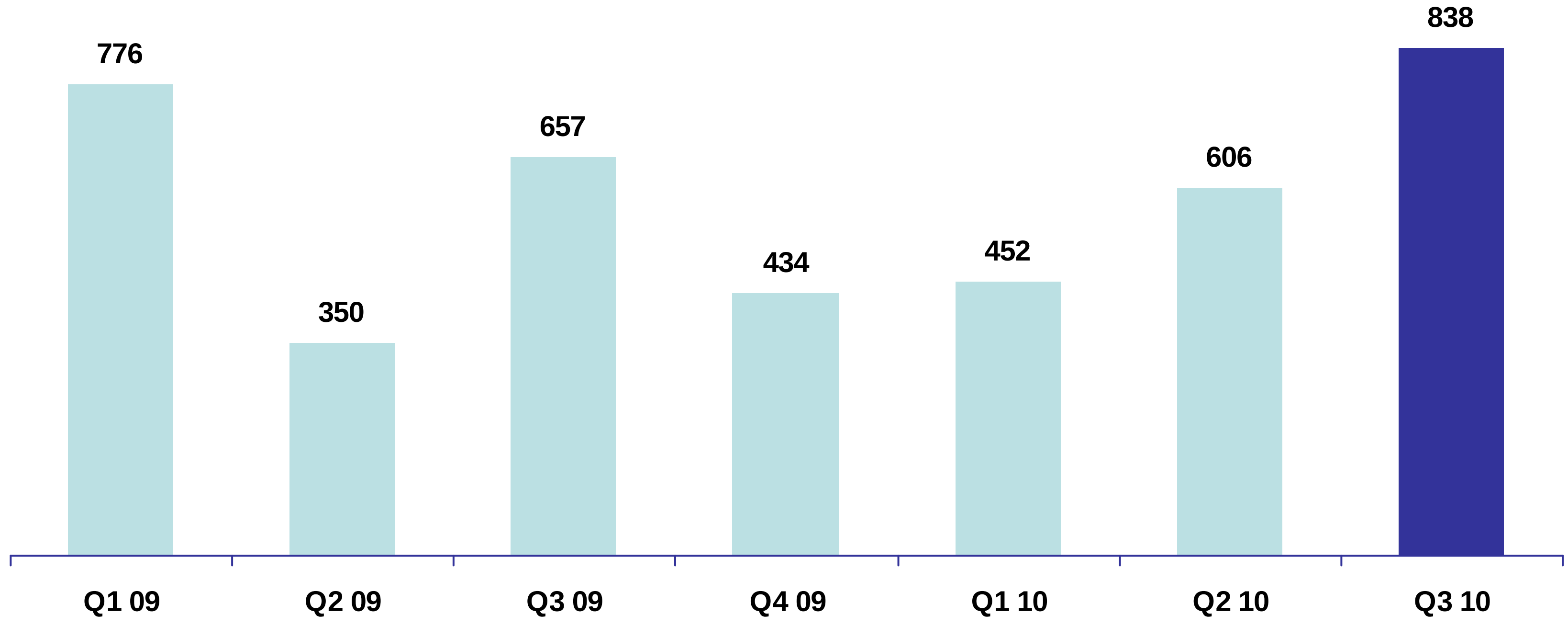


1. Pro-forma excluding yes' results

Free Cash Flow Development

NIS 2.3bn free cash flow in last twelve months

Group Free Cash Flow (1) (2)
NIS MM

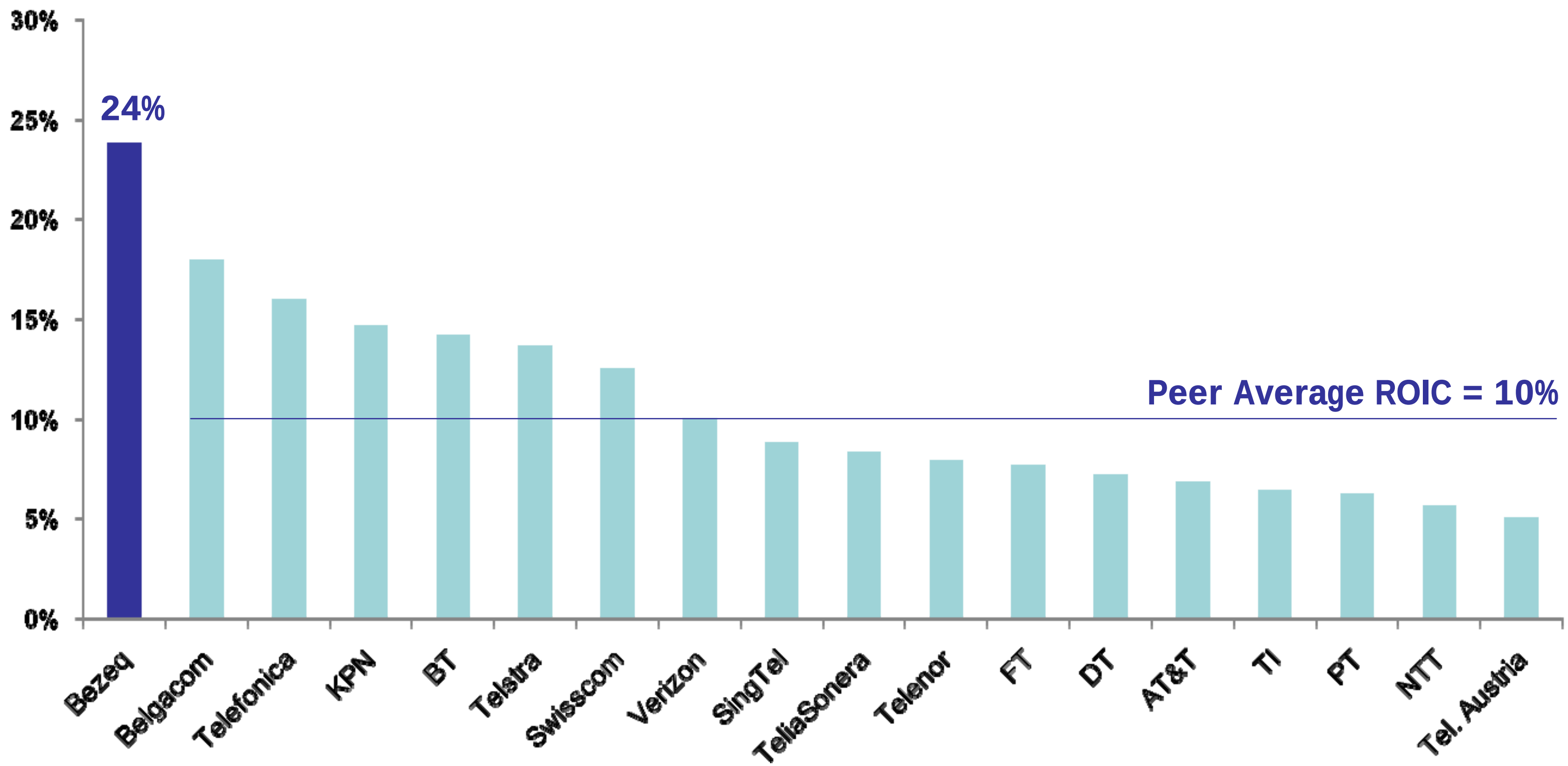


1. Pro-forma excluding yes' results
2. Free cash flow defined as cash flow from operations - net capex + dividends received

ROIC - Bezeq vs Global Peers

Bezeq's return on invested capital stands out despite intensive network investments

Return on Invested Capital (ROIC) (1), 2009

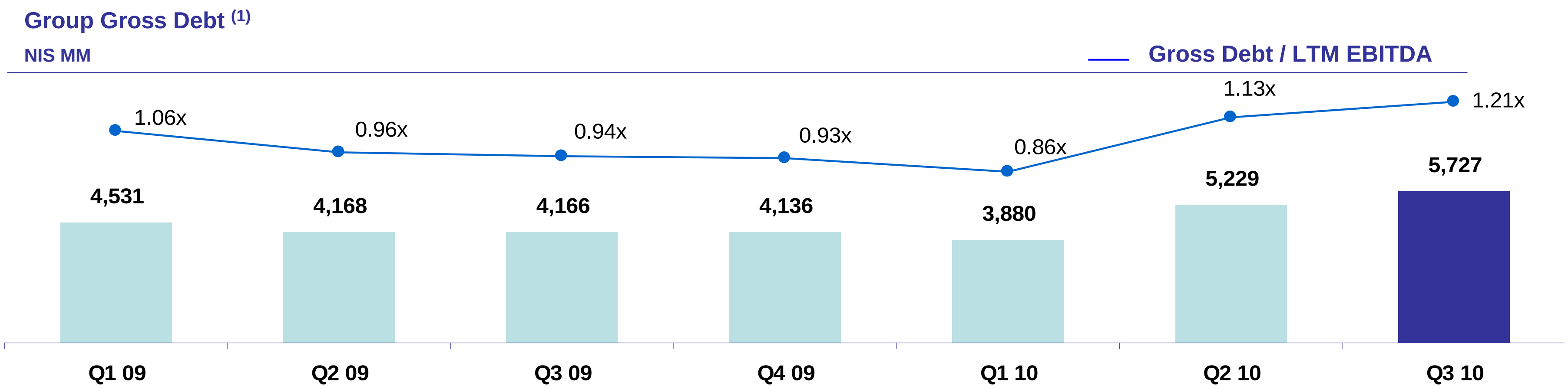


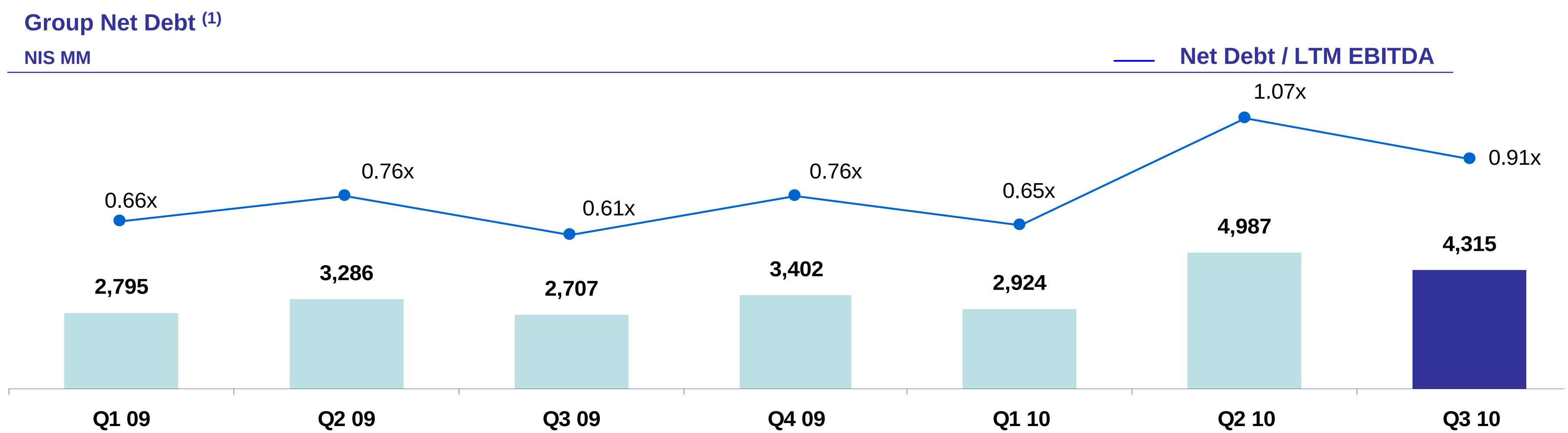
Source: Citi Investment Research and Analysis

1. Return on Invested Capital (ROIC) = Adjusted net operating profit after taxes excluding net interest expense and non-operating items (NOPAT), over total assets less excess cash minus non-interest-bearing short-term liabilities and financial assets (invested capital).

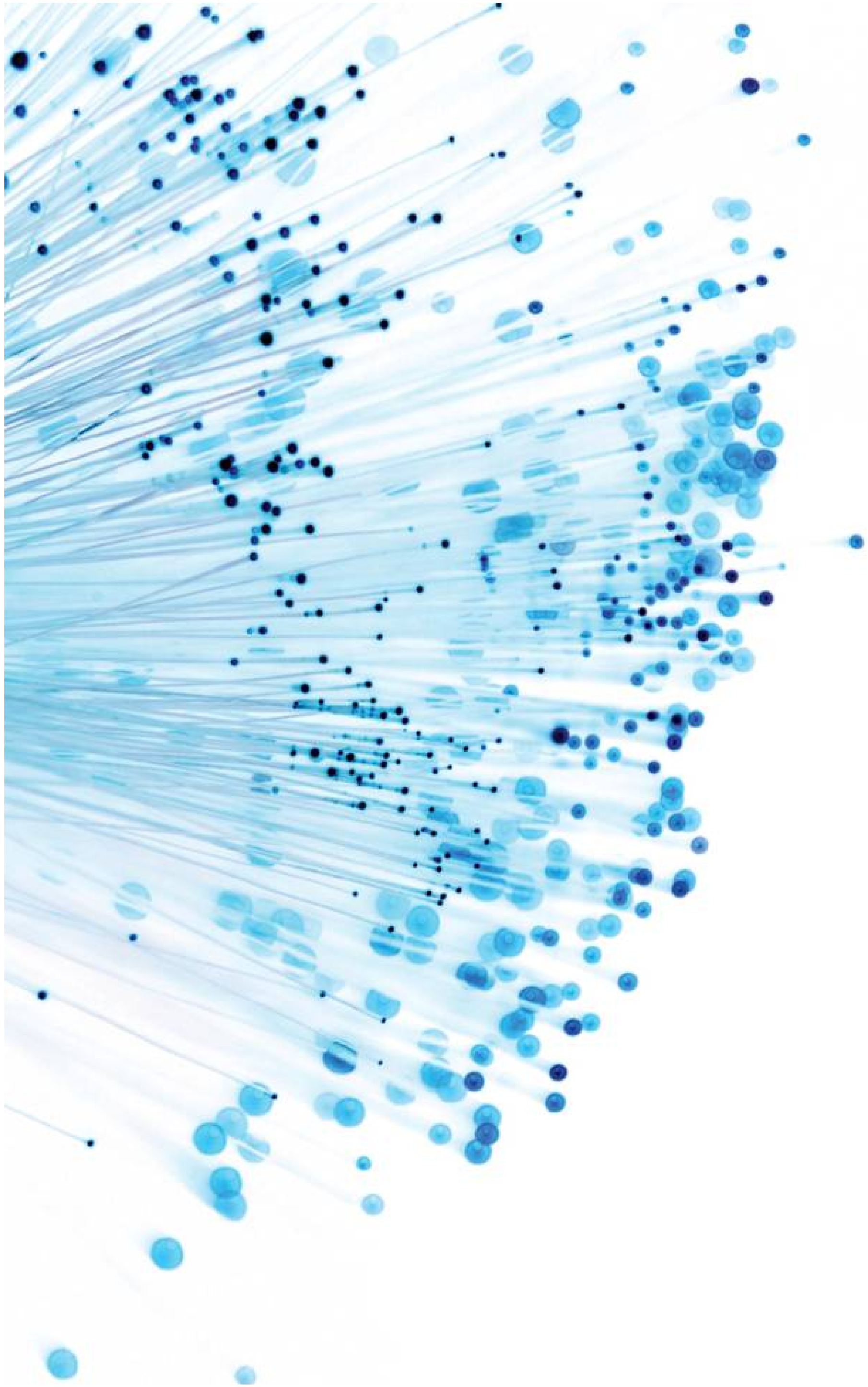
Group Financial Profile

Financial profile remains strong following NIS 2.2bn new debt financing in Q2 and Q3 2010





1.Pro-forma excluding yes' results



Thank You

For additional information,
please visit our website:

www.bezeq.co.il