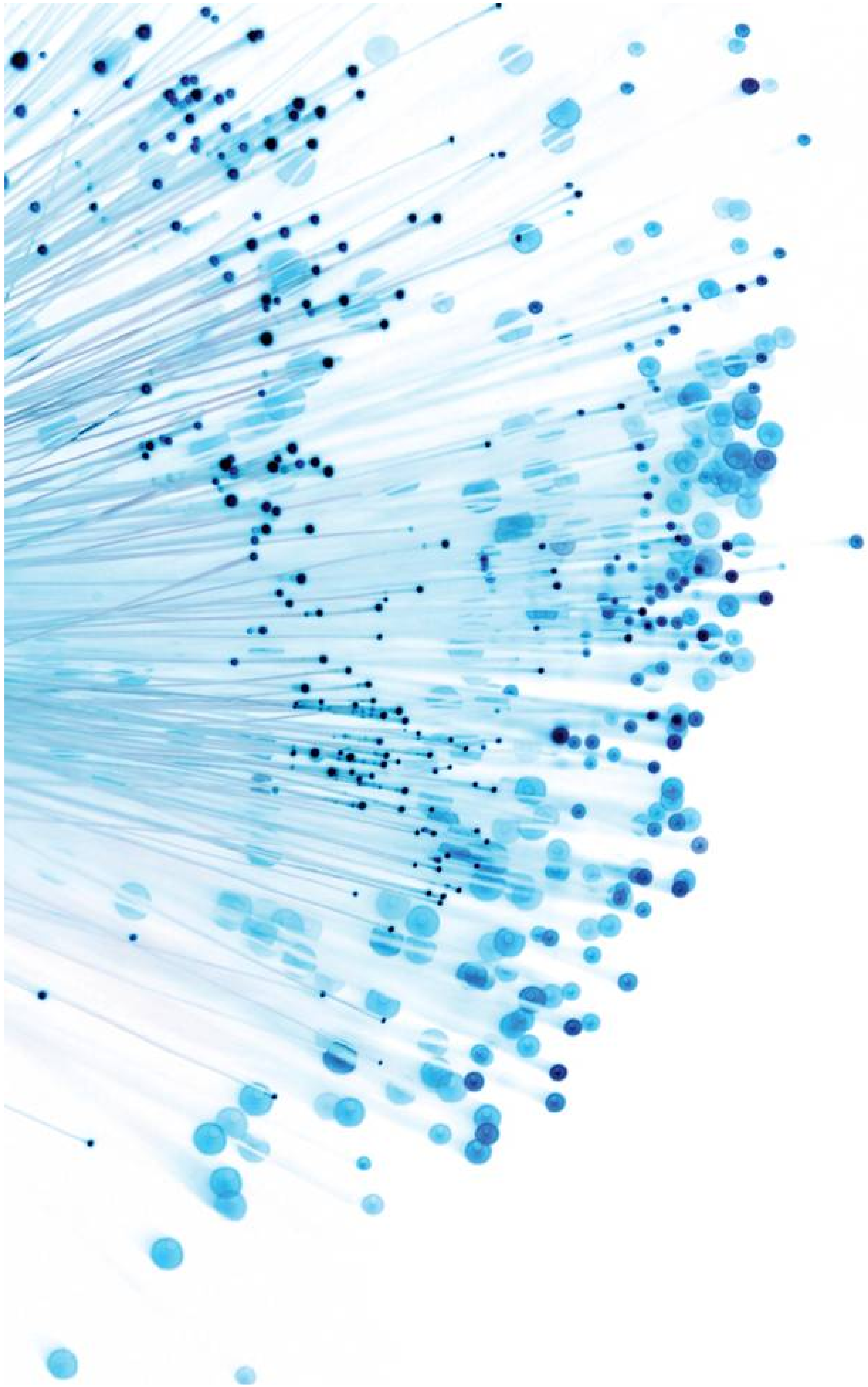
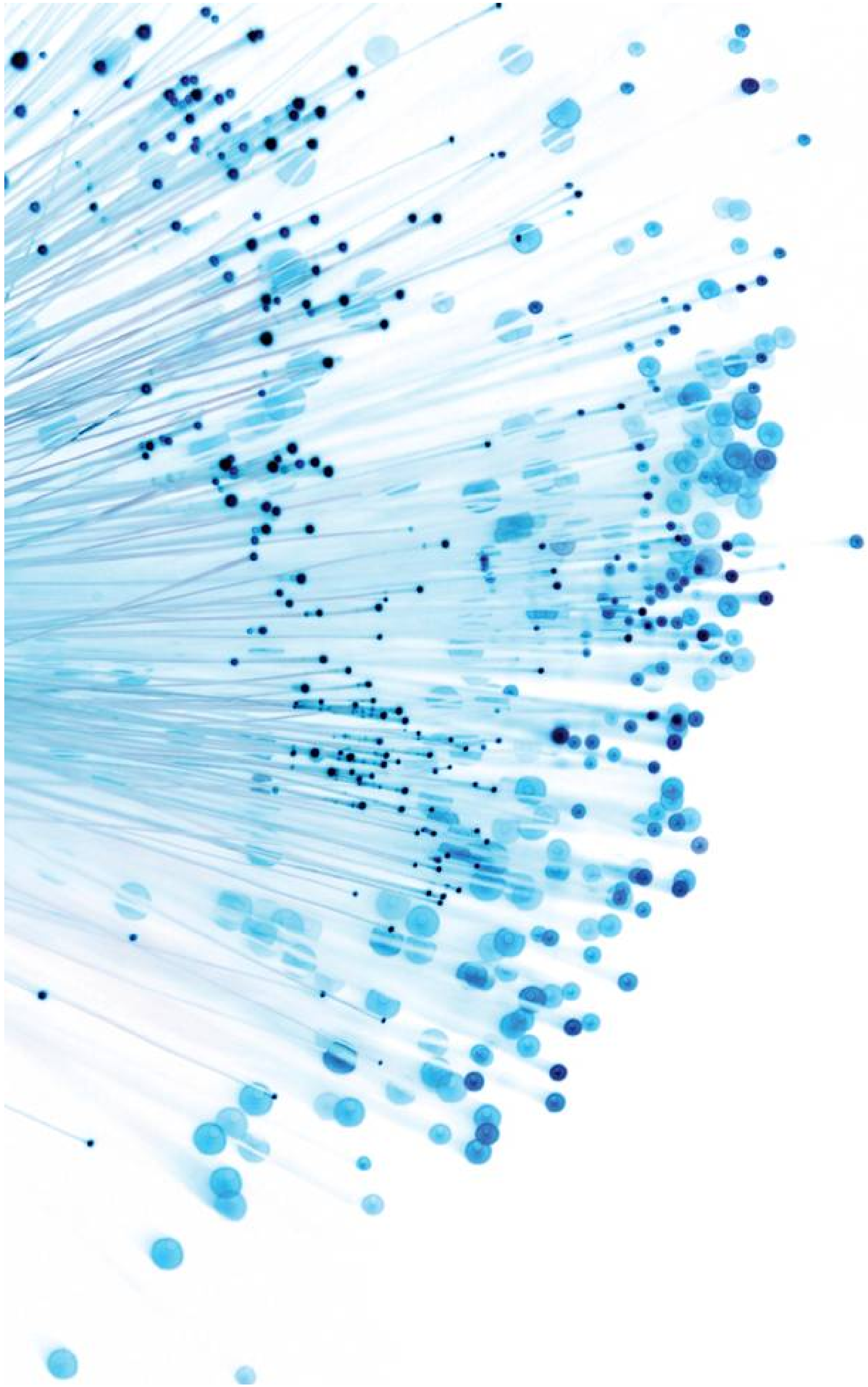


First Quarter 2010 Results

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 & technologically advanced 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)	100%
Fixed-Line	**Bezeq Int'l**	**Pelephone**	**yes**	**Bezeq on line**
Fixed-line telephony, broadband infrastructure, data & transmission	ILD, ISP, enterprise solutions, voice-over-broadband	Mobile telephony and data	Pay-TV (DTH)	Call centre services
Q1-10 Rev. NIS 1.30bn	Q1-10 Rev. NIS 343MM	Q1-10 Rev. NIS 1.39bn	Q1-10 Rev. NIS 391MM	Q1-10 Rev. NIS 19MM
Contribution 42.4%	Contribution 11.5%	Contribution 45.6%		Contribution 0.5%

Bezeq Int'l — 44.99% (4) — **Walla!** Internet portal — Q1-10 Rev. NIS 40MM

[dashed box] Traded on TASE

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 6.5% of the outstanding shares of Bezeq.
3. Following a Supreme Court decision which prevents Bezeq from getting control of yes, as of August 21st, 2009, Bezeq ceased consolidating yes' financial results and started accounting for its investment in yes according to the equity method.
4. Bezeq International transferred an additional 9,902,467 Walla! shares to a trustee who will hold them in a blind trust.

Bezeq Group Q1 2010 Highlights

- Solid performance across the Bezeq Group results in revenue and profitability growth
  - Operating profit reaches NIS 874MM, up 9.4% YoY
  - Net profit to shareholders reaches NIS 642m, up 5.6% YoY
  - EBITDA reaches NIS 1.22bn, up 4.0% YoY; EBITDA margin remains robust at 41.7% (41.9% in Q1-09)
- Revenues grew 4.4% YoY to NIS 2.92bn, despite intense competition in all market segments
  - Continued, above-industry revenue growth at Pelephone reflects HSPA network success
  - Bezeq Fixed-Line's revenues declined only 1.7% YoY, or just 1% when adjusting for interconnect fees
- Investments – Ongoing migration onto HSPA network and NGN network rollout
  - ~32% of Pelephone's subscribers on the HSPA network (~900k subscribers as of early May 2010)
  - ~25% of Israeli households connected to the NGN (~580k connected subscribers as of early May 2010)
  - Further investment in Walla!, a leading Israeli internet portal
- Decline in operating and free cash flow mainly due to timing differences in working capital
  - Operating cash flow reaches NIS 806MM, down 28.9%; FCF declines 41.7% to NIS 452MM on stable capex

Operating Segments' Performance in Q1 2010

Solid, balanced YoY performance across the Bezeq Group

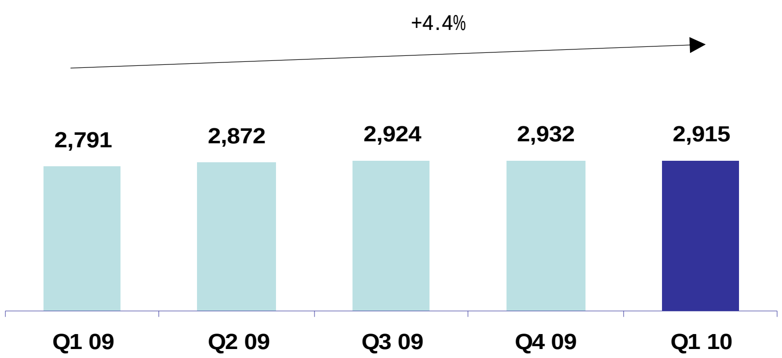
Change in Q1-10 vs. Q1-09	Bezeq Fixed-Line	Pelephone	Bezeq Int'l	yes	Bezeq Group
Revenues	-1.7%	+10.1%	+5.7%	+2.0%	+4.4%
Operating profit	+12.1%	+6.6%	+2.3%	-11.0%	+9.4%
EBITDA	+1.9%	+6.8%	+5.5%	+0.0%	+4.0%
EBITDA Margin [1]	+1.7 p.p.	-1.1 p.p.	-0.1 p.p.	-0.6 p.p.	-0.2 p.p.
Net profit	+7.1%	+12.6%	+5.4%	n.m. [2]	+5.6%
Free cash flow	-24.9%	+14.2%	-63.4%	+106.9%	-41.7%

1. Year-over-year change presented in percentage points.
2. yes recorded a net loss of NIS 8MM in Q1-10 vs. a net loss of NIS 1MM in Q1-09.

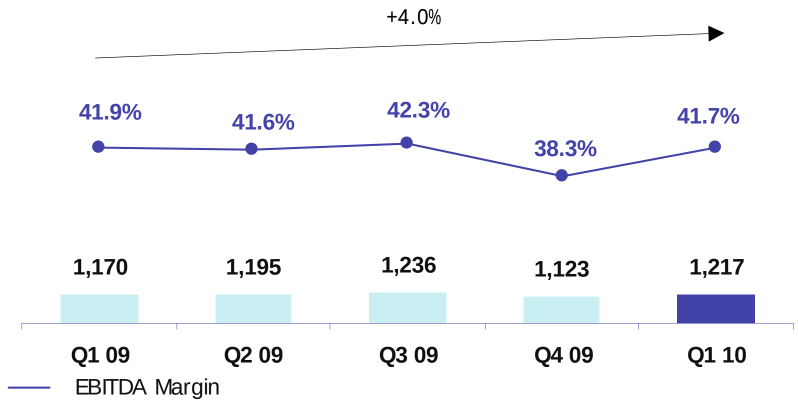
Bezeq Group Quarterly Financial Performance (1)

Robust revenue growth drives solid EBITDA and net profit expansion

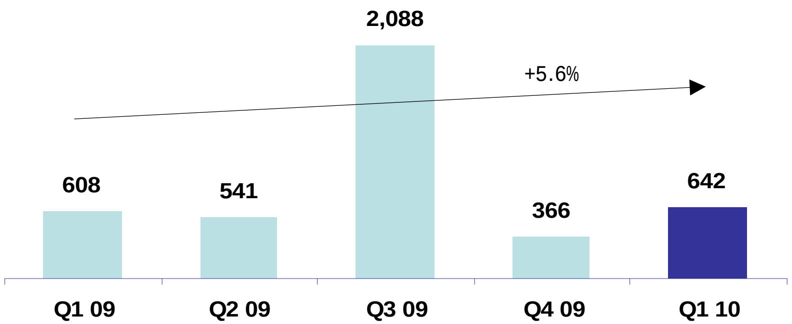
Group Revenue
NIS MM



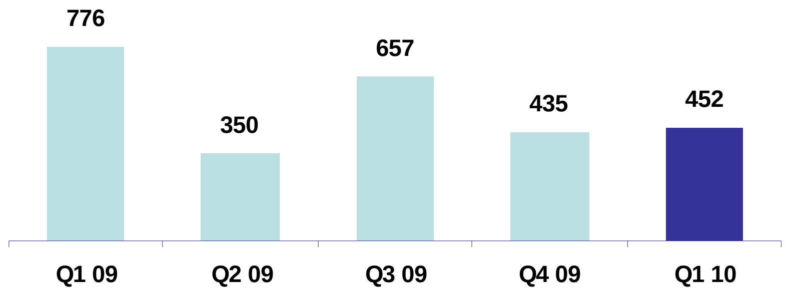
Group EBITDA (2)
NIS MM



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



Group Free Cash Flow (4)
NIS MM



1. Pro-forma excluding yes' financial results
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 appoints committee to evaluate Bezeq's tariff structure and wholesale tariff regime for fixed-line operators; recommendations are due in 2011
- MoC is expected to publish license changes to Bezeq and its subsidiaries that will allow for the offering of bundled services (3-play)
- Bezeq's market share in fixed-line telephony as of Dec 2009 (based on MoC's latest available normalized revenue data):
  - Consumer segment: 75.7%
  - Business segment: 83.9%

Mobile

- MoC is considering a significant reduction in mobile termination rates
- MVNO regulations published (Jan 2010)
- Regulatory framework is likely to favor MIRS and/or 5th MNO aiming to increase competition in mobile market

ISP, International long distance

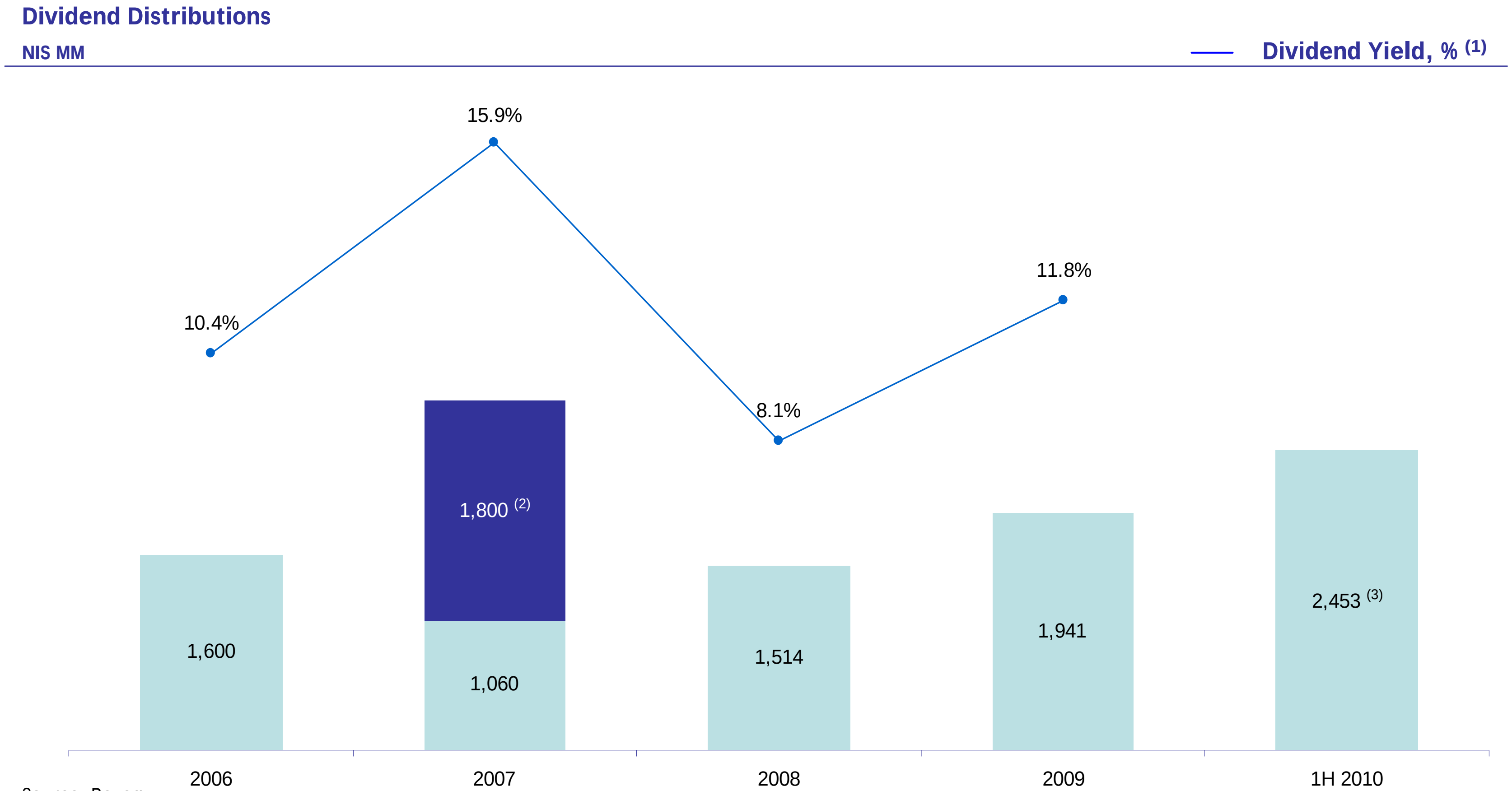
- Bezeq's fixed-line competitor HOT Telecommunication Systems Ltd. is likely to get ISP license

Pay-TV

- Introduction of DTT in August 2009 and expected introduction of 'narrow package' may have negative implications for pay-TV operators, which in turn may be granted permission to offer advertising in the future

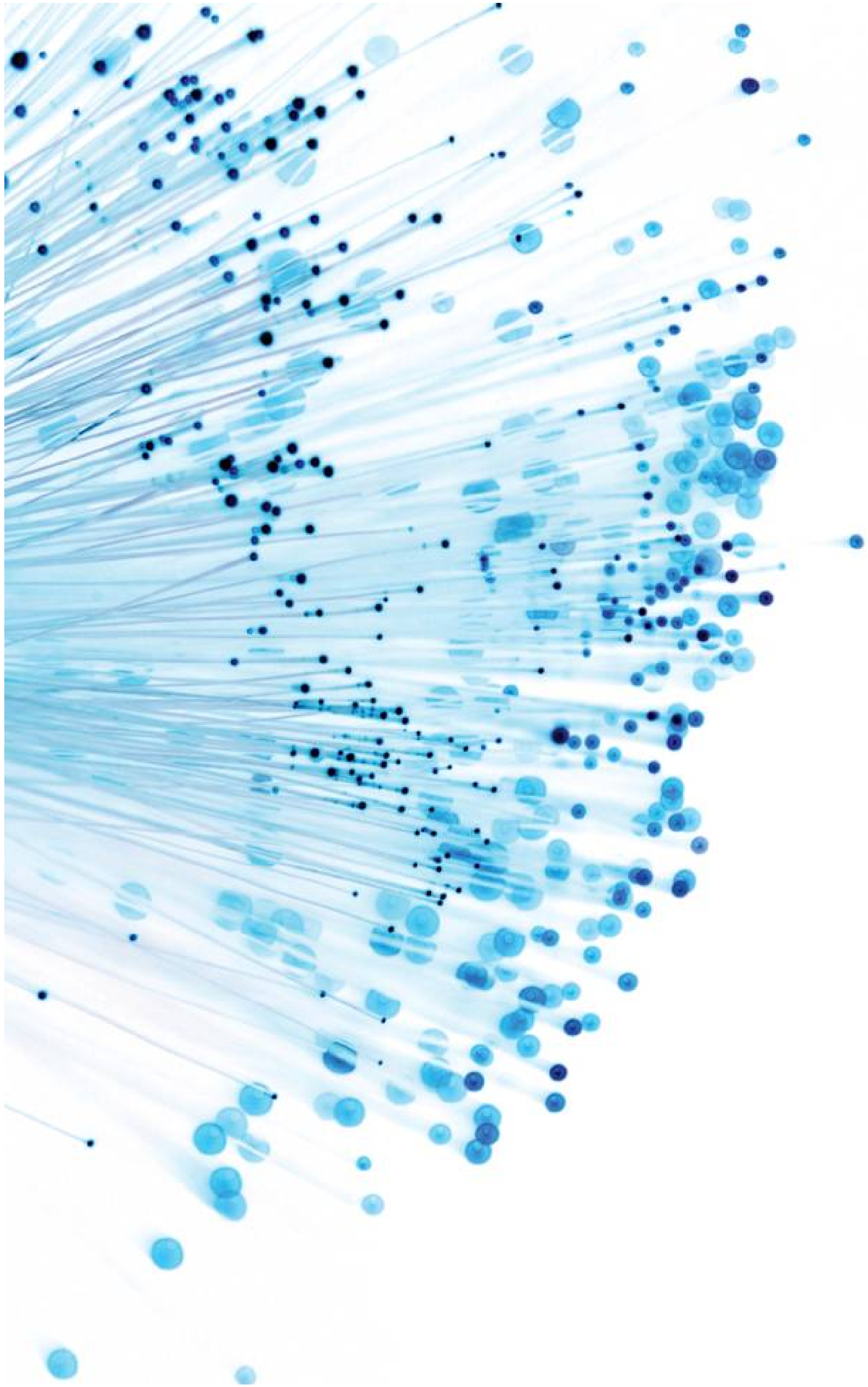
Shareholder Remuneration

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. Dividend paid on May 3, 2010. This dividend represents the net profit to shareholders for the second half of 2009, which included a one-time gain of NIS 1,538MM as a result of the deconsolidation of yes.



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, 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

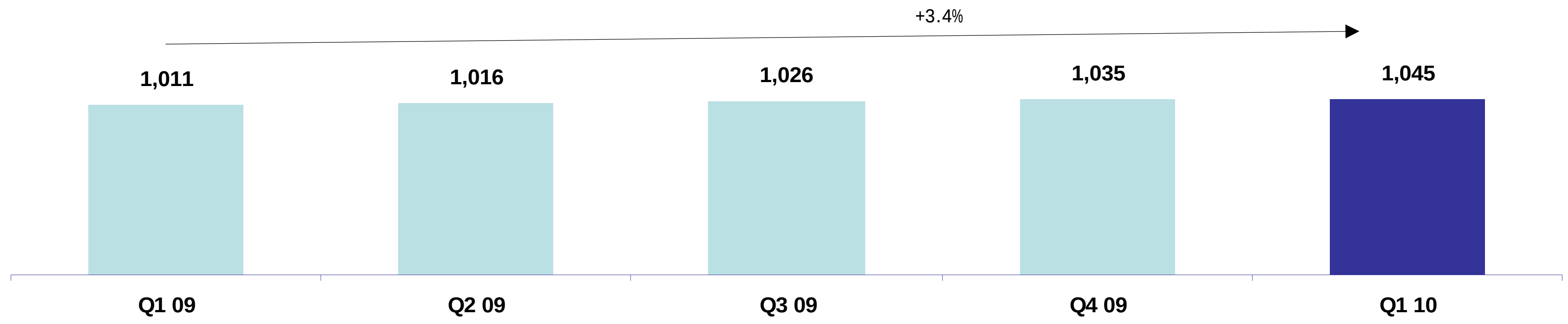
Bezeq Fixed-Line Q1 2010 Highlights

- EBITDA margin of 50.6% puts Bezeq at the top of its developed markets' telecom peer group
  - EBITDA grew 1.9% YoY despite 1.7% YoY revenue decline
  - Improved profitability driven by continued efficiencies across the Company
  - Total operating and general expenses decreased 6.7% YoY
  - Salary expenses, including capitalization of network projects, were flat YoY
  - Operating cash flow declined 38% YoY to NIS 393MM due to timing differences in working capital
- Continued NGN rollout begins to impact Internet ARPU
  - ~580k Bezeq customers connected to the NGN (as of early May 2010), representing ~25% of Israeli households
    - Over 10% of the connected customers have already joined NGN tariff plans
  - Internet ARPU increased 10.3% YoY to NIS 75, led by bandwidth upgrades and value-added services
- Growth areas such as Internet access, data & transmission services almost completely offset telephony revenue erosion
  - Bezeq Fixed-Line's revenues decline only 1.0% YoY when adjusting for mobile interconnect fees
  - Revenues from Internet, data & transmission services grew to NIS 459MM, up 10.9% YoY

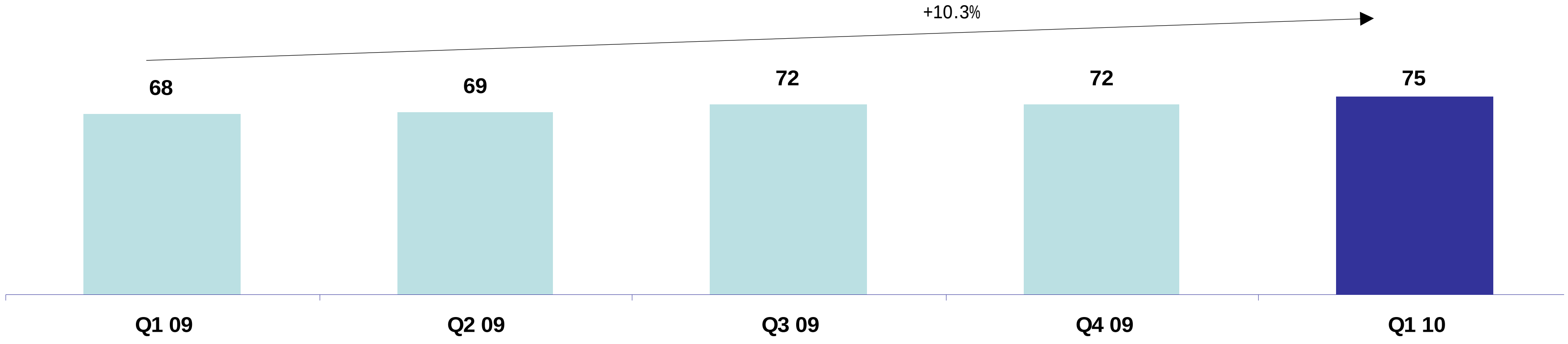
Broadband KPIs

Double-digit YoY ARPU growth driven by focused management and upgrade of subscriber base

ADSL Lines
’000



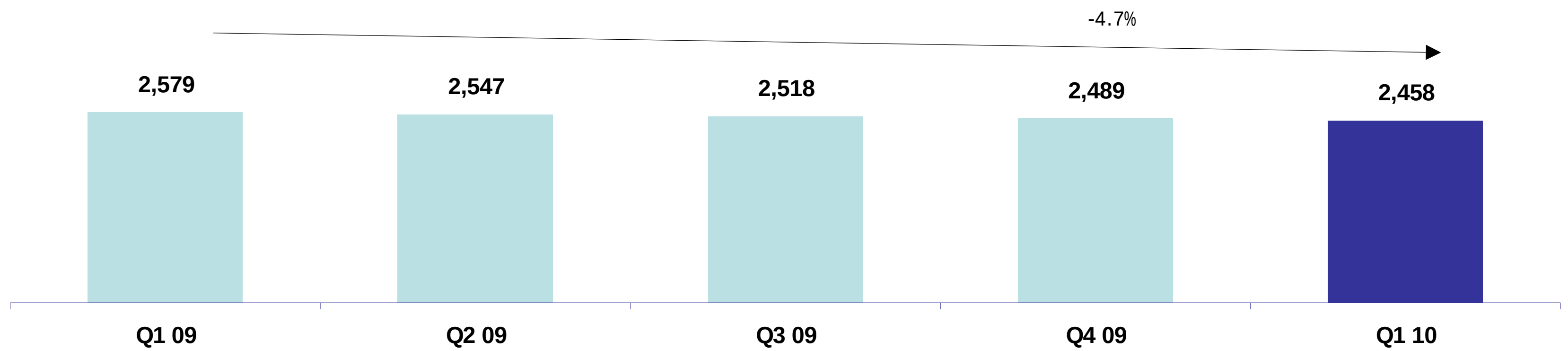
Broadband Internet ARPU
NIS/Month



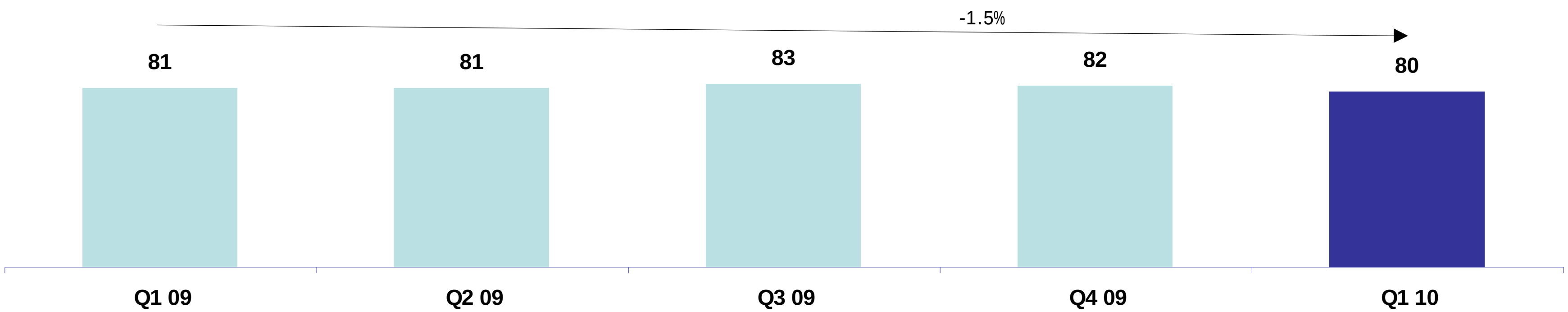
Domestic Telephony KPIs

Stable access line loss rate and ARPL

Access Lines
’000



ARPL (1)
NIS/Month

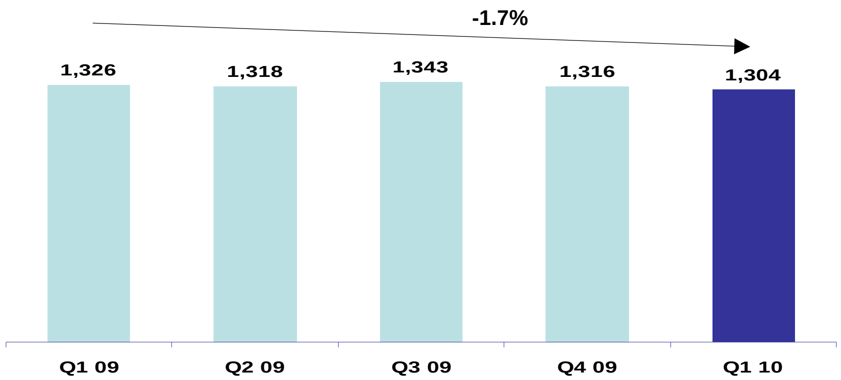


1. Not including revenues from data communications and transmission services, internet services, services to communications providers, and contract and other services.

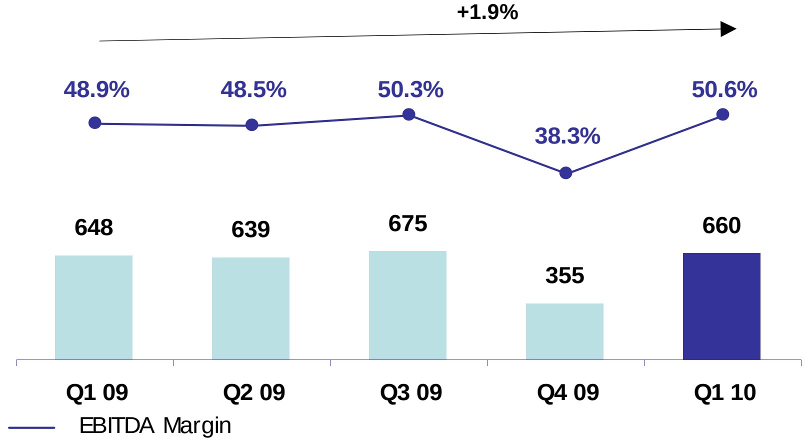
Bezeq Fixed-Line Financial Performance

Best-in-class EBITDA margin, high capex levels, and 25% YoY decline in FCF due to timing differences

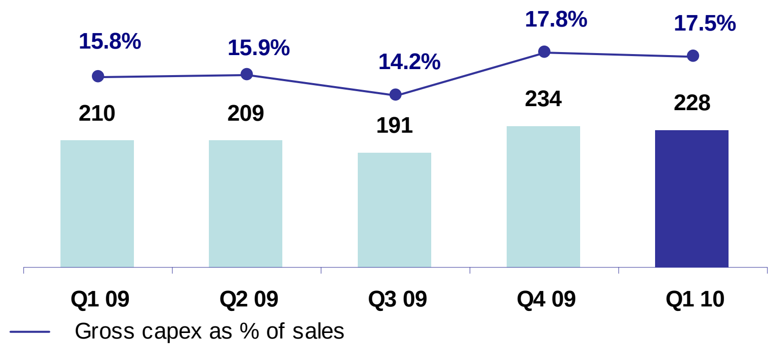
Fixed-Line Revenue
NIS MM



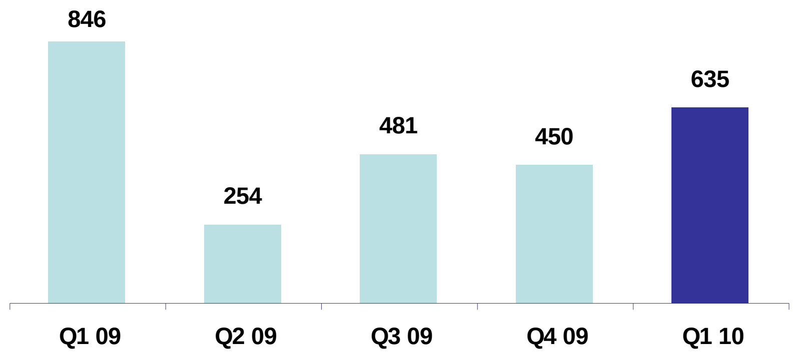
Fixed-Line EBITDA
NIS MM



Fixed-Line Gross Capex
NIS MM



Fixed-Line Free Cash Flow [1]
NIS MM



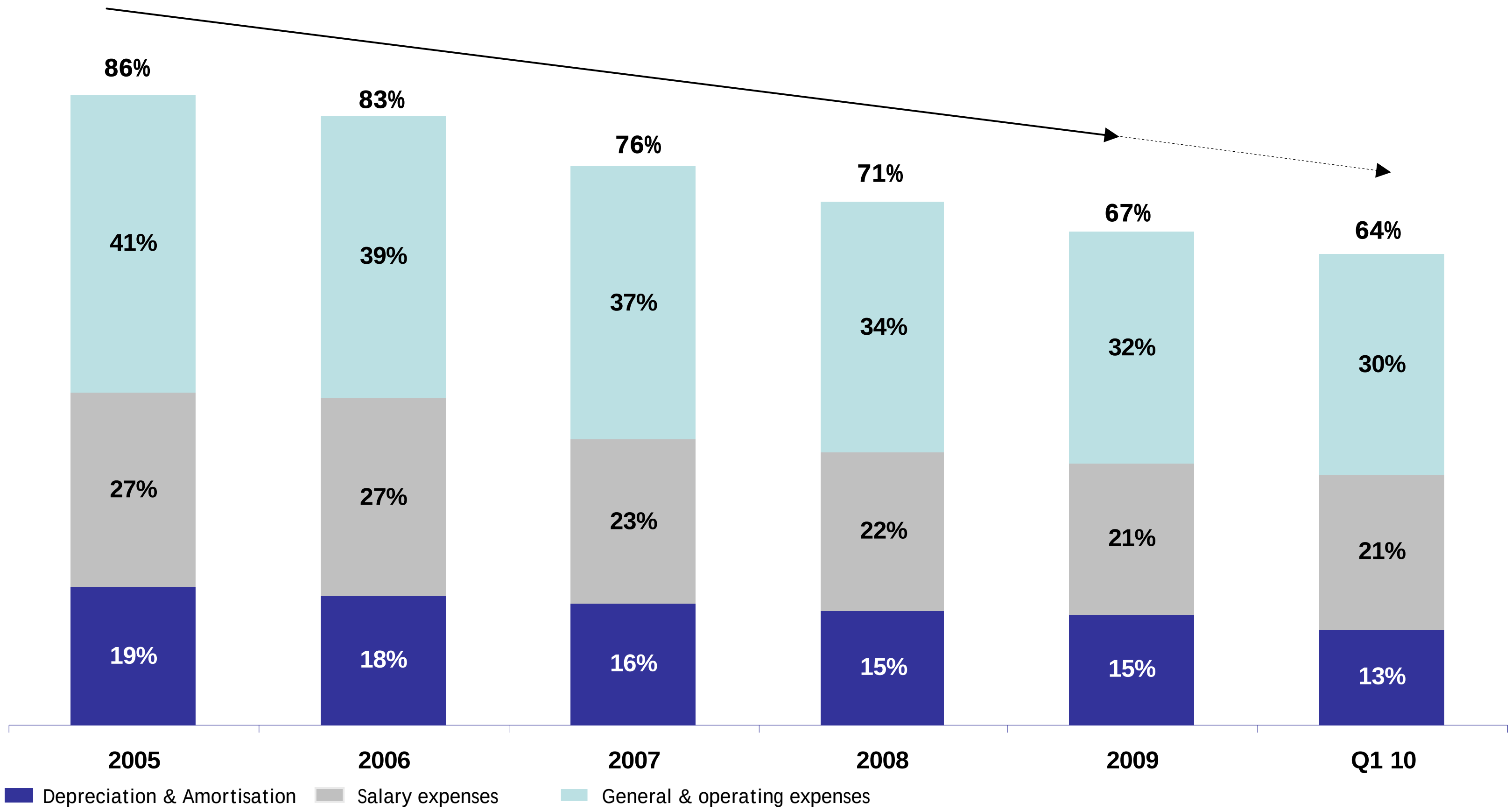
1. Free cash flow defined as cash flow from operations - net capex + dividends received

Bezeq Fixed-Line Cost Structure Development

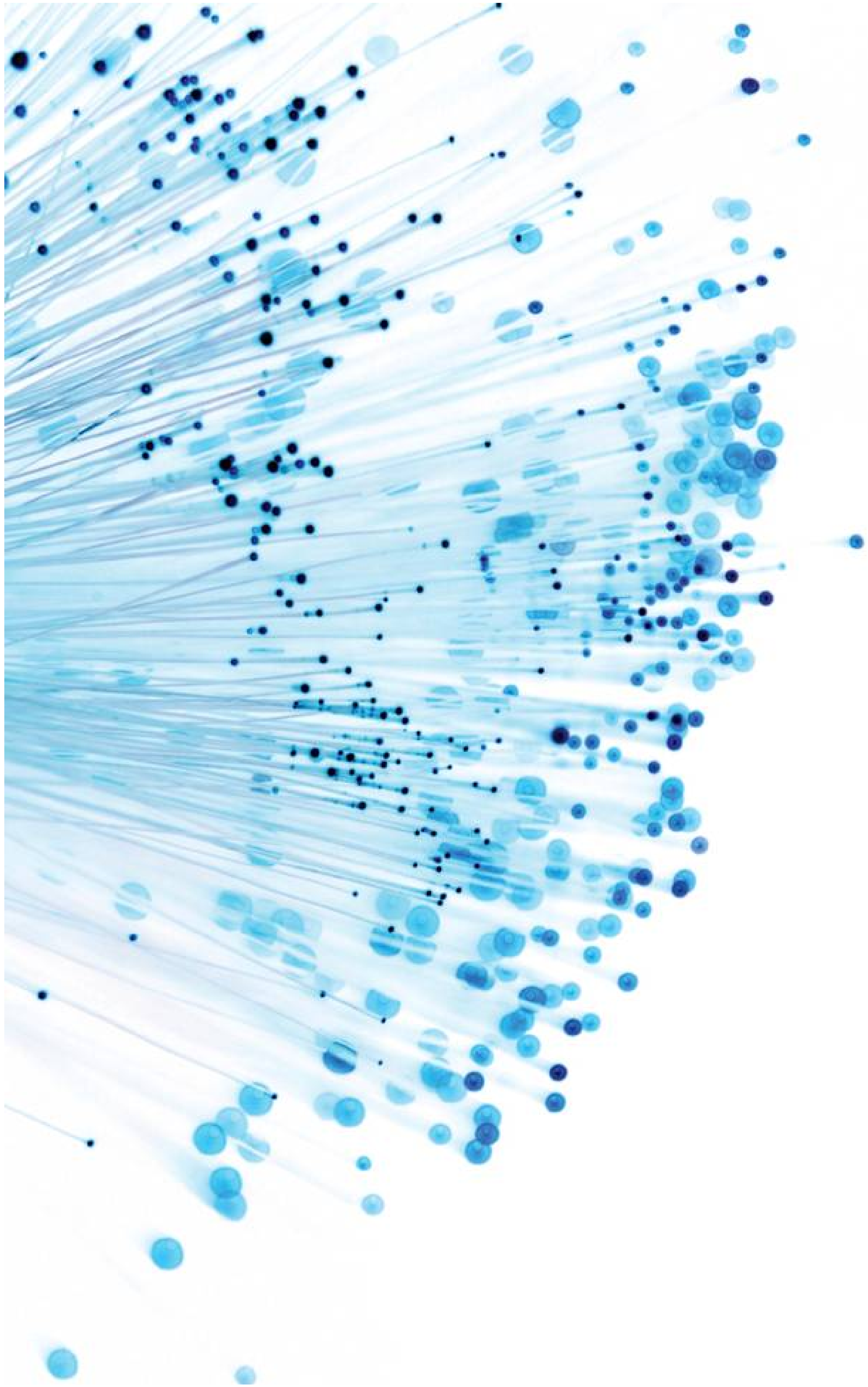
Continued reduction of the cost base supports high profitability levels

Cost Structure (1)

% of revenues



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



pelephone

pelephone

Pelephone Overview

A strong player in the Israeli mobile communications market with upside potential

1. First in Israel to offer mobile communication services
2. 3G subscriber leader
3. New HSPA network successfully launched in January 2009
4. Technology migration as catalyst for market share and revenue gains
5. Potential for growth and margin upside

pelephone

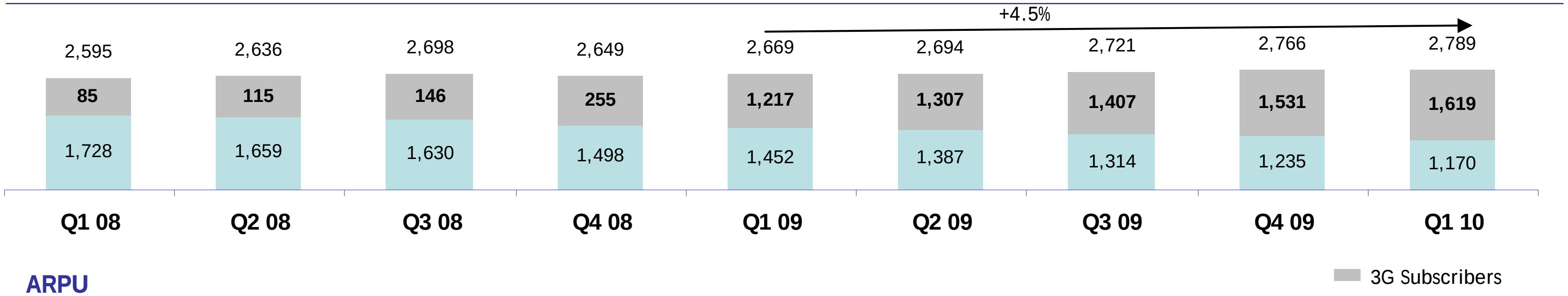
Pelephone Q1 2010 Highlights

- HSPA network momentum delivers above-industry growth and strong operating performance
  - Total revenues reach NIS 1.39bn, up 10.1% YoY; service revenues increased 8.6% YoY
  - EBITDA increases 6.8% YoY to NIS 471MM, for a 33.8% EBITDA margin (34.9% in Q1-09)
  - Net profit reaches a record NIS 259MM, up 12.6% YoY, for an 18.6% net profit margin
  - Approx. 900k subscribers on new network as of early May 2010 – about 32% of Pelephone's subscribers
- Non-voice revenues drive rapid growth from cellular services
  - Revenues from data, content and VAS reach an industry-high 22.6% of cellular service revenues
  - Continued improvement in ARPU to NIS 133 vs. NIS 128 in Q1-09, as HSPA subscribers contribute higher ARPU
  - MOU increased 4.0% YoY to 336 minutes driven by higher usage by HSPA subscribers
  - Sustained gross margins from handset sales
- Solid cash flow performance despite working capital requirements to support HSPA expansion
  - Operating cash flow declines 6.7% YoY to NIS 350MM due to working capital changes
  - Capex-to-sales ratio declines to 7.9% vs. 13.0% in Q1-09, leading to 14.2% YoY growth in FCF to NIS 258MM

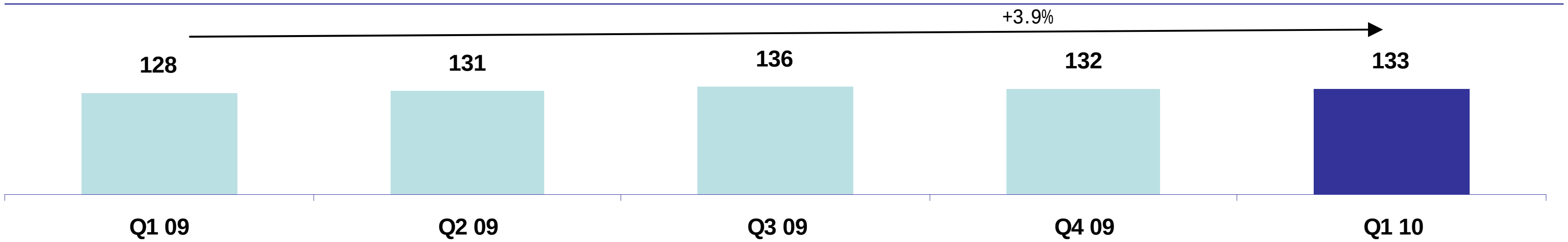
Pelephone KPIs

HSPA network success is reflected in subscriber growth and accretive changes in usage profile

Subscribers
’000

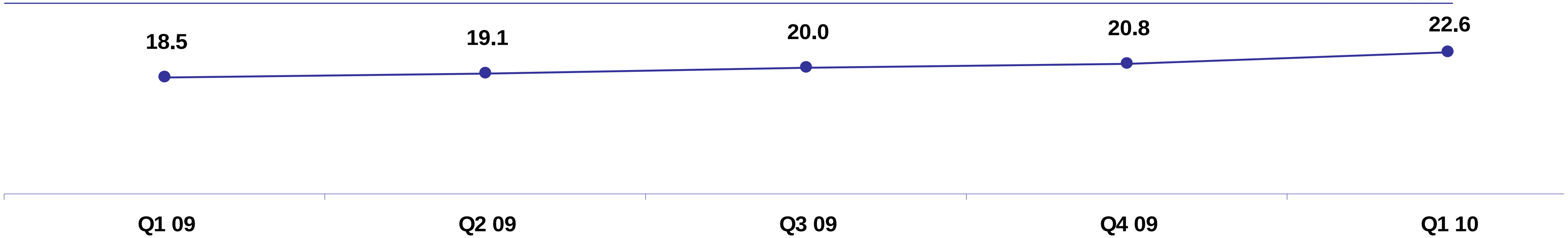


ARPU
NIS/Month



Data, Content and VAS Revenue as a Percentage of Cellular Service Revenue [1]
%

YoY change: +4.1 p.p.

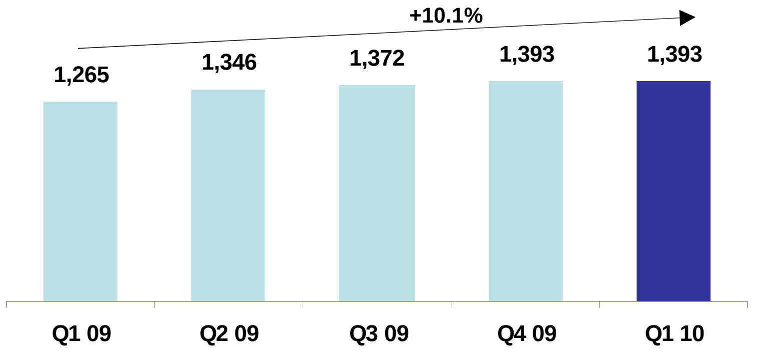


1. Includes telephony and data services but excludes sale of equipments and equipment services

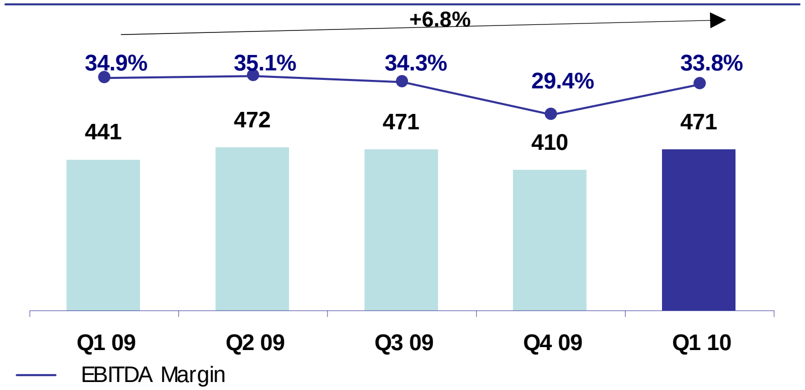
Pelephone Financial Performance

Above-industry revenue growth combined with end of capex cycle result in robust FCF growth

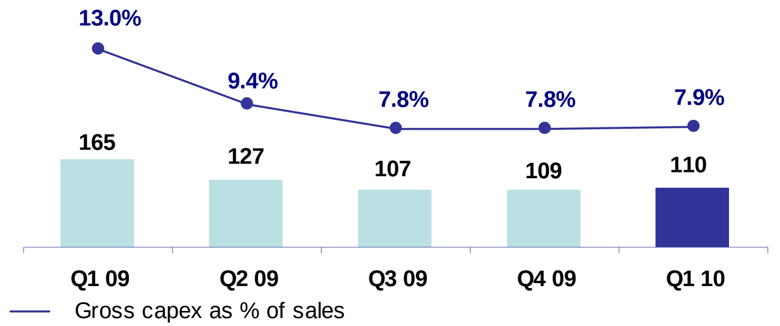
Pelephone Revenue
NIS MM



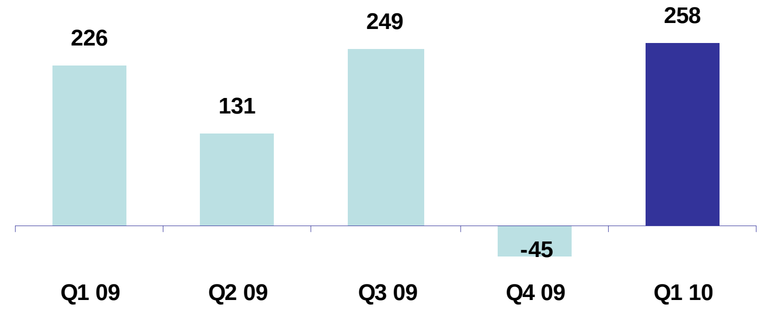
Pelephone EBITDA
NIS MM

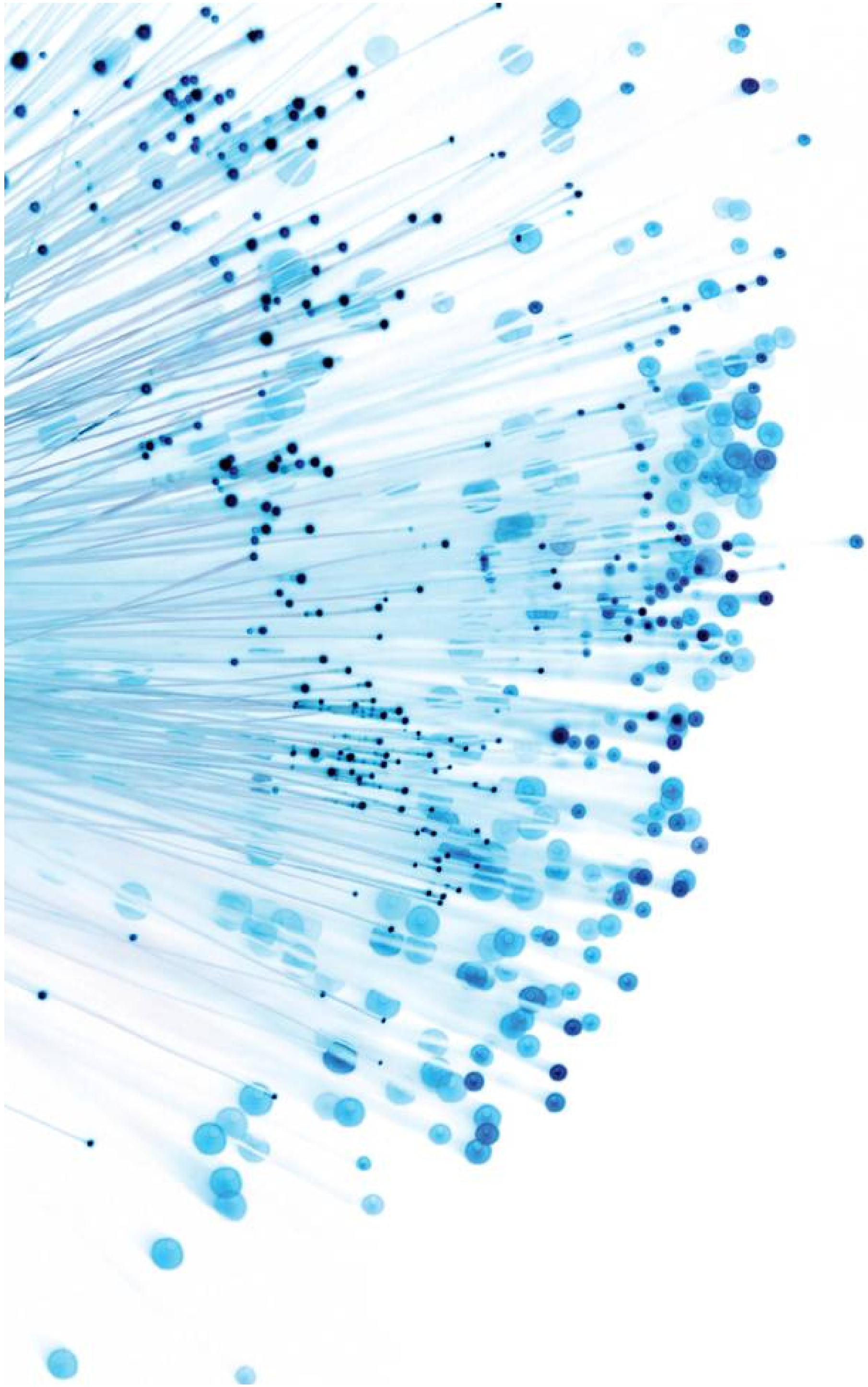


Pelephone Gross Capex
NIS MM



Pelephone Free Cash Flow
NIS MM





Bezeq
International

Bezeq International Overview

A leader in the ISP and IDD markets in Israel with growing operations in the Enterprise 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

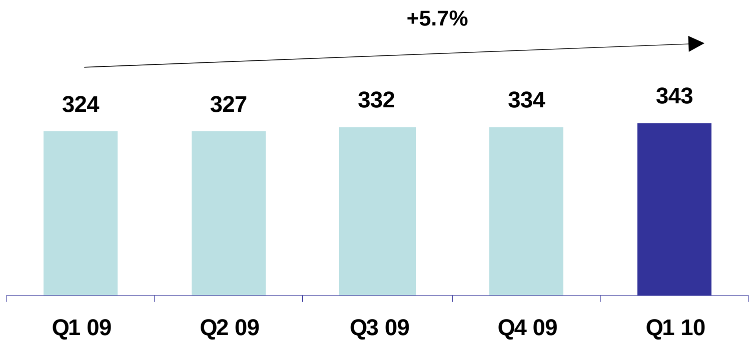
Bezeq International Q1 2010 Highlights

- Focus on core ISP and growing ICT segments deliver solid growth in revenues and profits
  - Revenues grew 5.7% YoY to NIS 343MM; this is the highest YoY revenue growth since 2007
    - Change in revenue mix reflects increased success in ICT and continued contraction in ILD, PBX areas
  - Operating profit was NIS 62MM, up 2.3% YoY, as operating costs grew 7% to support business expansion
  - EBITDA increased 5.5% YoY to NIS 84MM; stable EBITDA margin at 24.5%
  - Net profit reached NIS 46MM, up 5.4% YoY
- Bezeq International combines leading ISP segment positioning with growing presence in ICT
  - Sustained, leading market share in ISP segment (~36%)
  - Bezeq International takes advantage of comprehensive business customer base to offer integrated data and communications solutions to the enterprise market
- Increased working capital and capex outlays result in lower quarterly free cash flows
  - Operating cash flow declined 28.8% YoY to NIS 59MM; FCF reached NIS 23MM, down 63.4% YoY

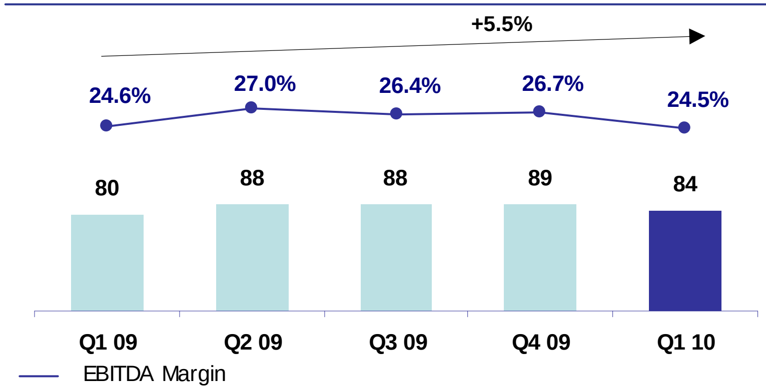
Bezeq International Financial Performance

Solid revenue and EBITDA growth combined with lower FCF

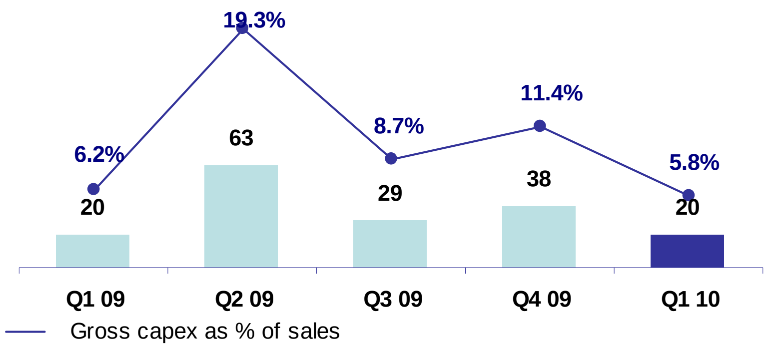
Bezeq International Revenue
NIS MM



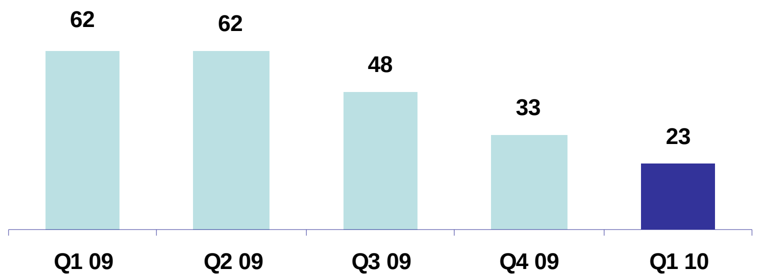
Bezeq International EBITDA
NIS MM



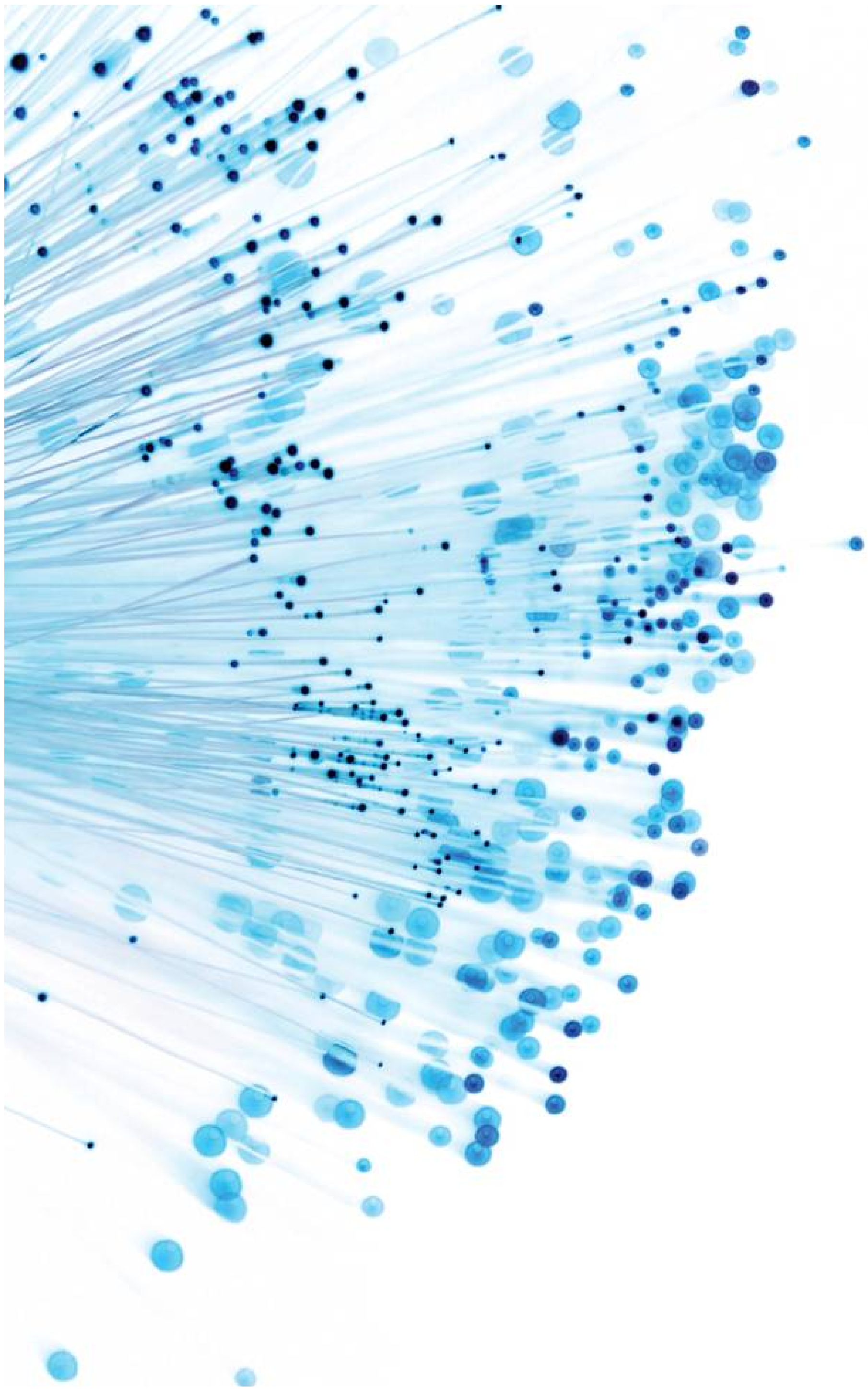
Bezeq International Gross Capex
NIS MM



Bezeq International Free Cash Flow [(1)]
NIS MM



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



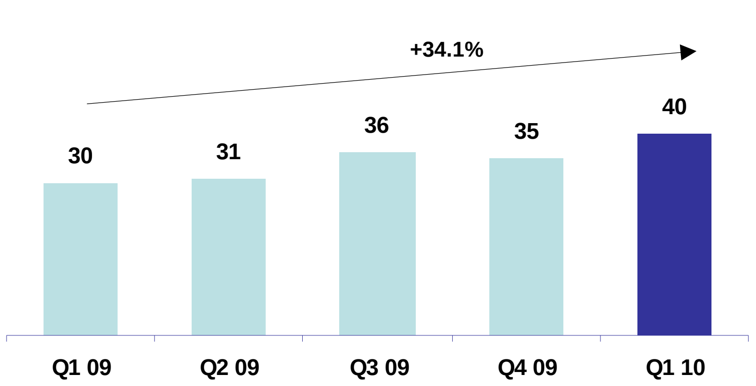
walla!

Walla! Overview

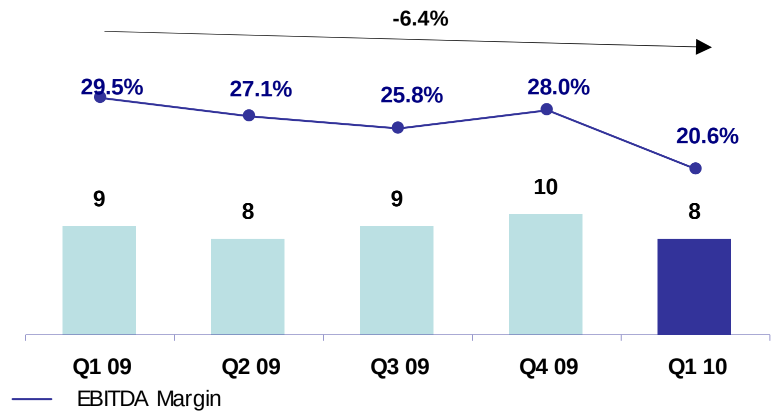
1. One of Israel's most popular Internet portals
2. ~2.5 million unique weekly users and over 5 million unique monthly users
3. Mail, content, applications, info and e-commerce services
4. 29% of Israeli portals market; 14% of domestic online advertising market
5. Service platforms include cellular and video content over Internet

Walla! Financial Performance

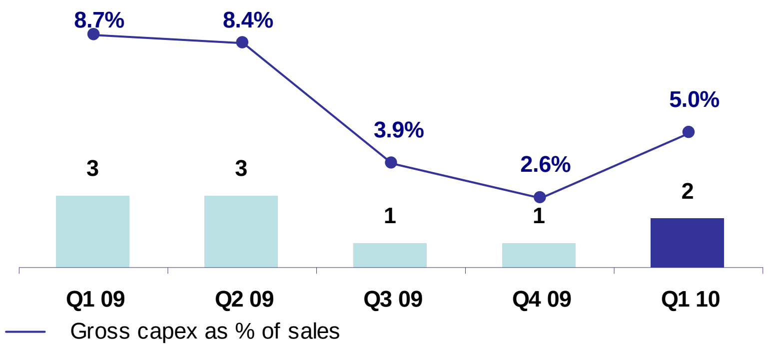
Walla! Revenue
NIS MM



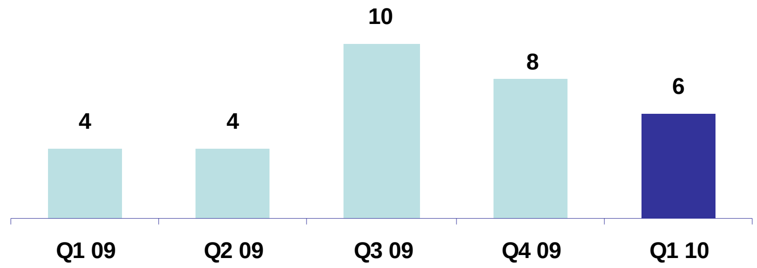
Walla! EBITDA
NIS MM

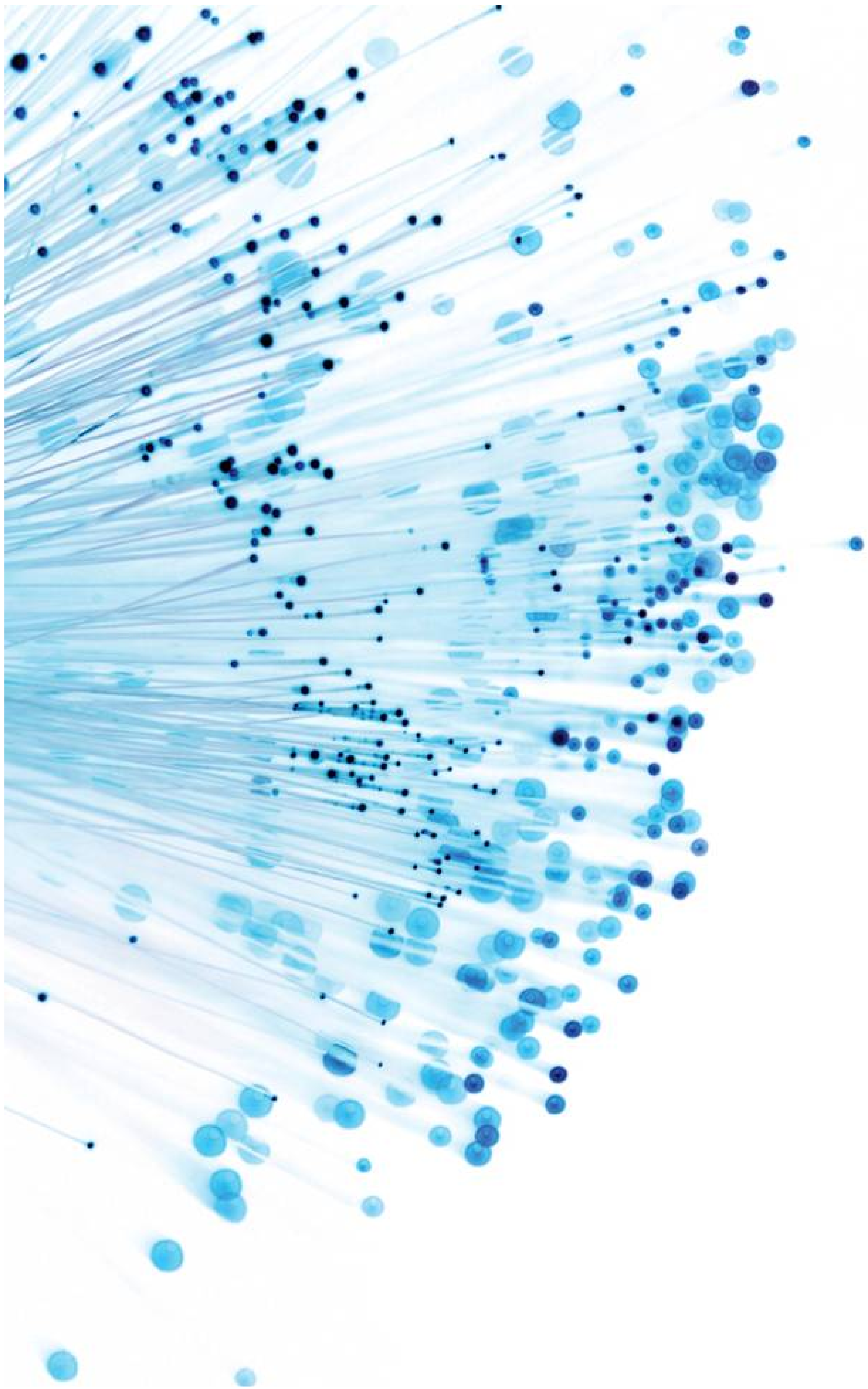


Walla! Gross Capex
NIS MM



Walla! Free Cash Flow
NIS MM





yes.

yes Overview

The premium pay-TV operator in Israel

1. Satellite-based multi-channel pay-TV operator
2. Premium channels and exclusive programming
3. 571,000 subscribers - 41% market share
4. The leader in PVR and HD, now also offering IP-based VOD
5. Superior customer service in pay-TV industry

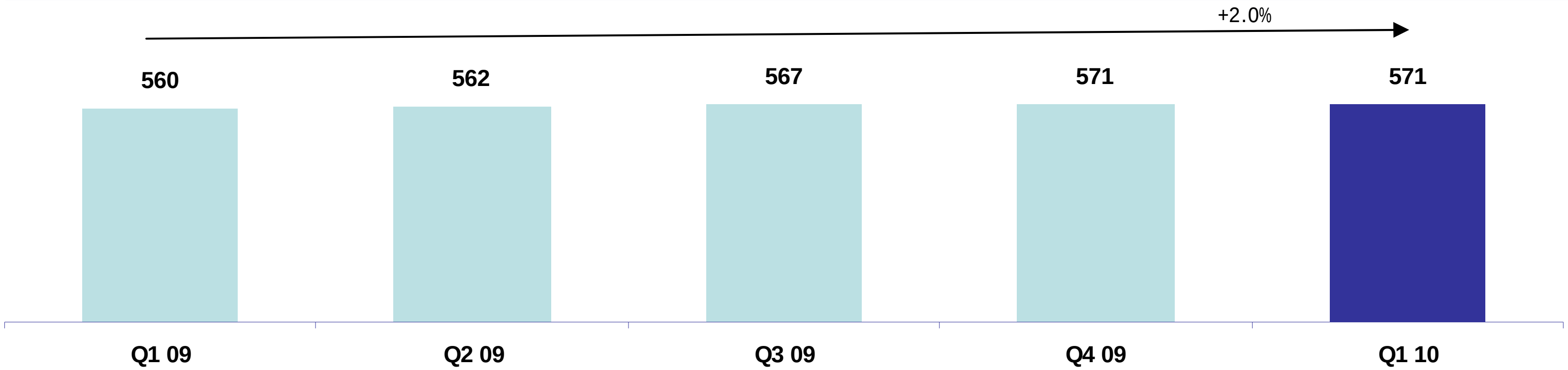
yes Q1 2010 Highlights

- Stable operating performance
  - Revenues reach NIS 391MM, up 2.0% YoY, on 2.0% higher subscriber levels
  - Stable EBITDA at NIS 122MM; EBITDA margin of 31.3% vs. 31.9% in Q1-09
  - Net loss of NIS 8MM vs. NIS 1MM in Q1-09
- yes' superior market perception is key in a highly penetrated market
  - Launch of IP-based VOD service (YESMax Total) provides key value-added offering to yes' customers
  - Pay-TV market faces increasing competition from DTT
- Continued improvements in cash flow generation
  - Operating cash flow grew 33.8% YoY to NIS 121MM, while FCF reached NIS 61MM, up 106.9% YoY
- Credit rating upgrade
  - S&P Ma'alot upgraded yes' domestic credit rating to BBB from BBB-, and put rating on positive credit watch

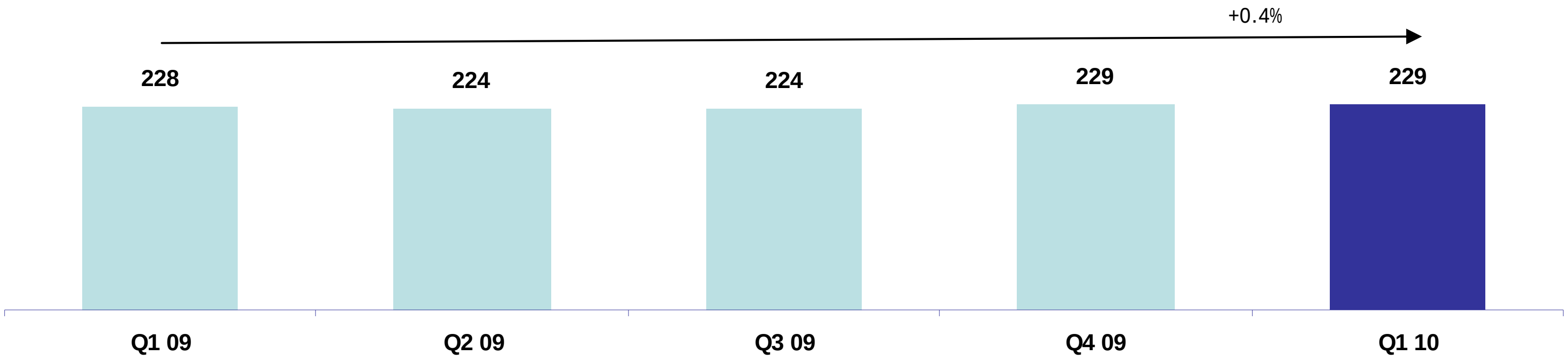
yes KPIs

Stable metrics reflect yes' resilience despite contracting pay-TV market

Subscribers
'000, end of period



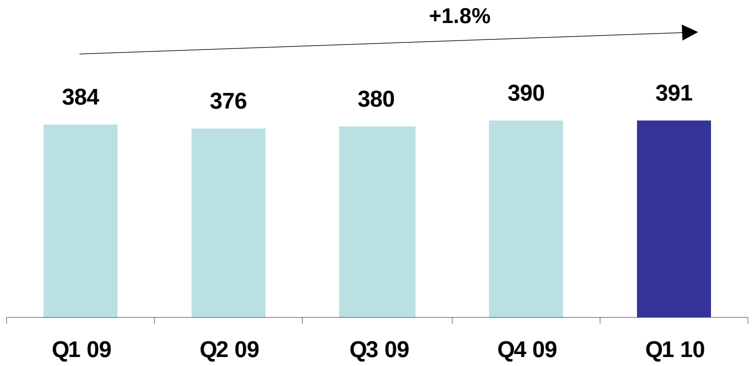
ARPU
NIS/Month, avg per quarter



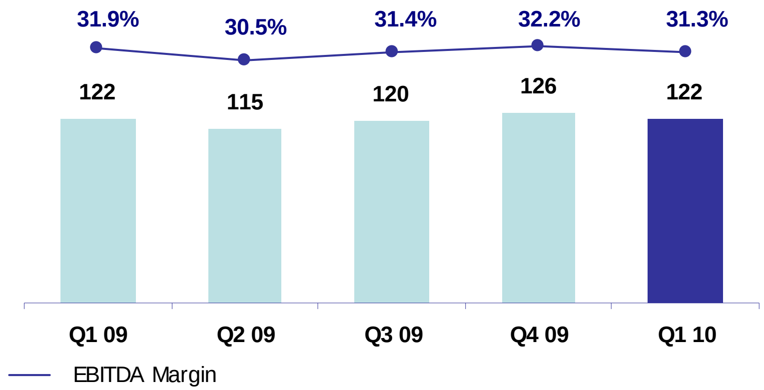
yes Financial Performance

Revenue growth, stable EBITDA and improved cash flow generation

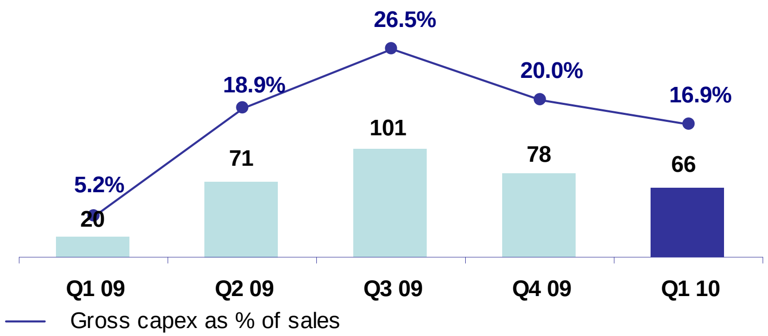
yes Revenue
NIS MM



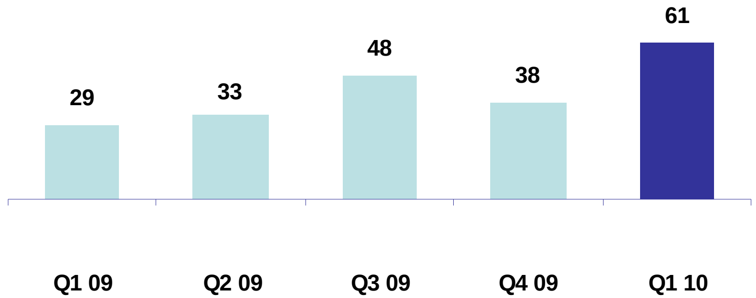
yes EBITDA
NIS MM

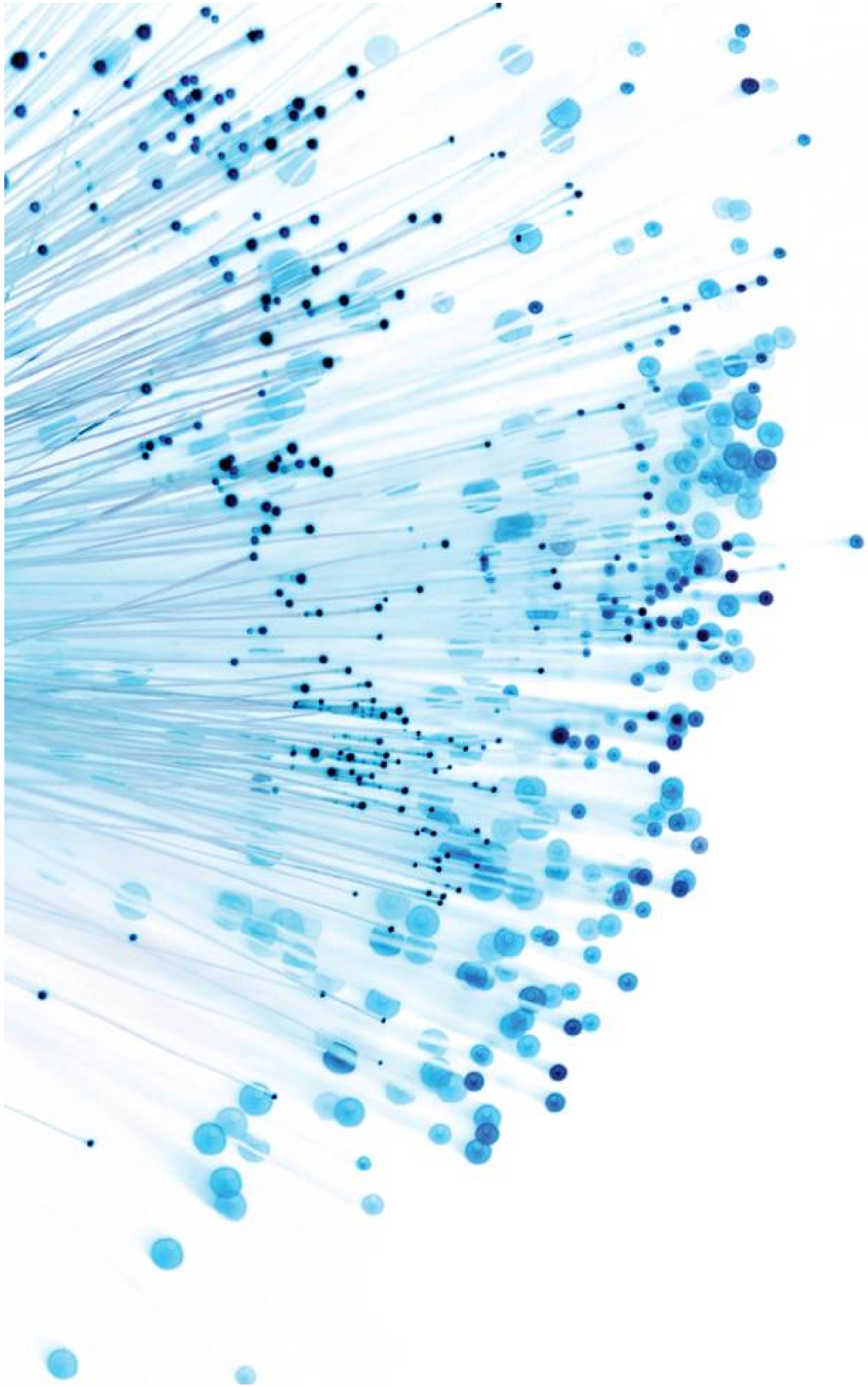


yes Gross Capex
NIS MM



yes Free Cash Flow
NIS MM



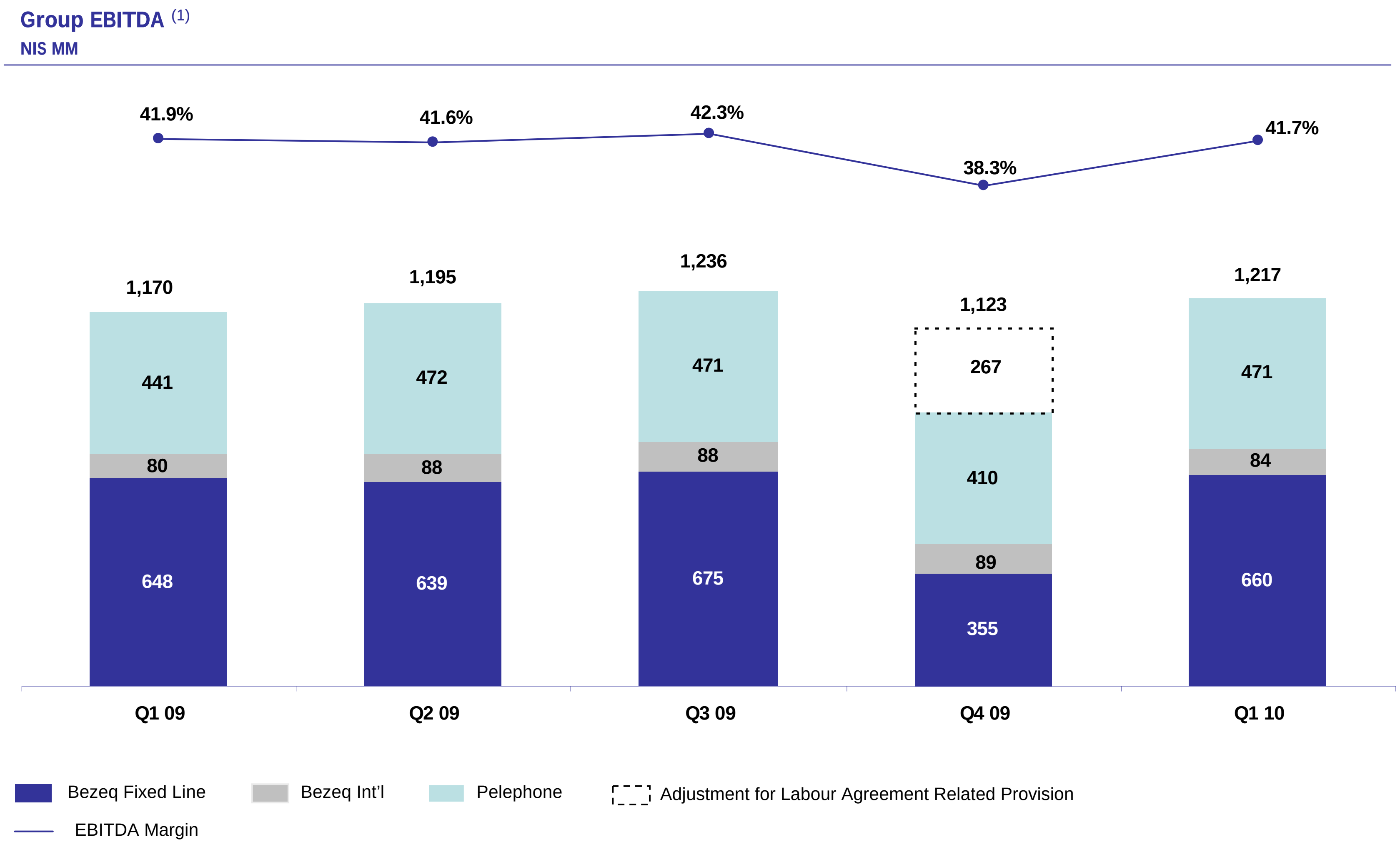


Bezeq Group

Financial Review

EBITDA Development

Key segments achieved YoY EBITDA expansion

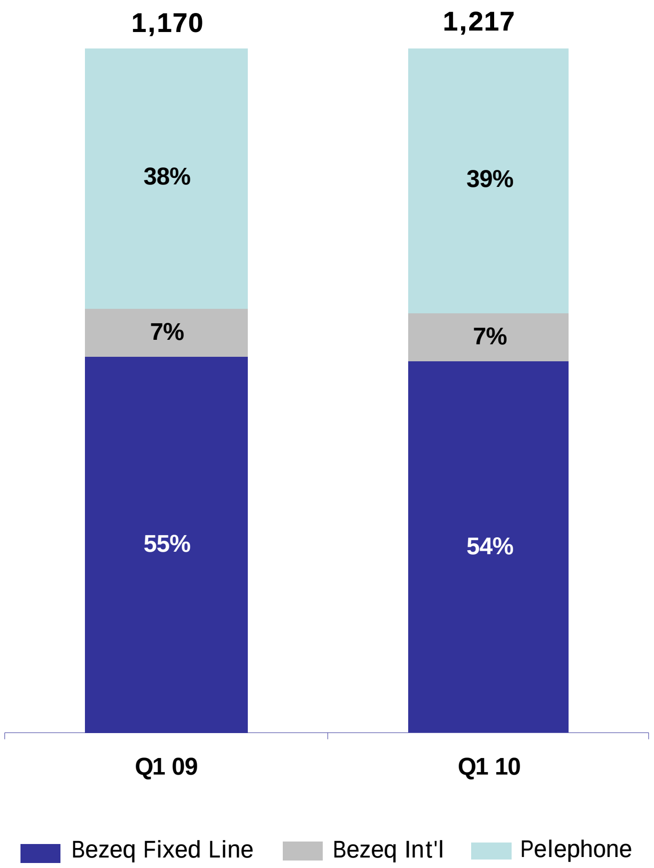


1. Pro-forma excluding yes' results

EBITDA Mix and Margins

Group EBITDA margin slightly down despite significant improvement at Bezeq Fixed-Line

Subsidiaries' Contribution to Group EBITDA [1]
NIS MM



1. Pro-forma excluding yes' results

EBITDA Margin per Business Segment

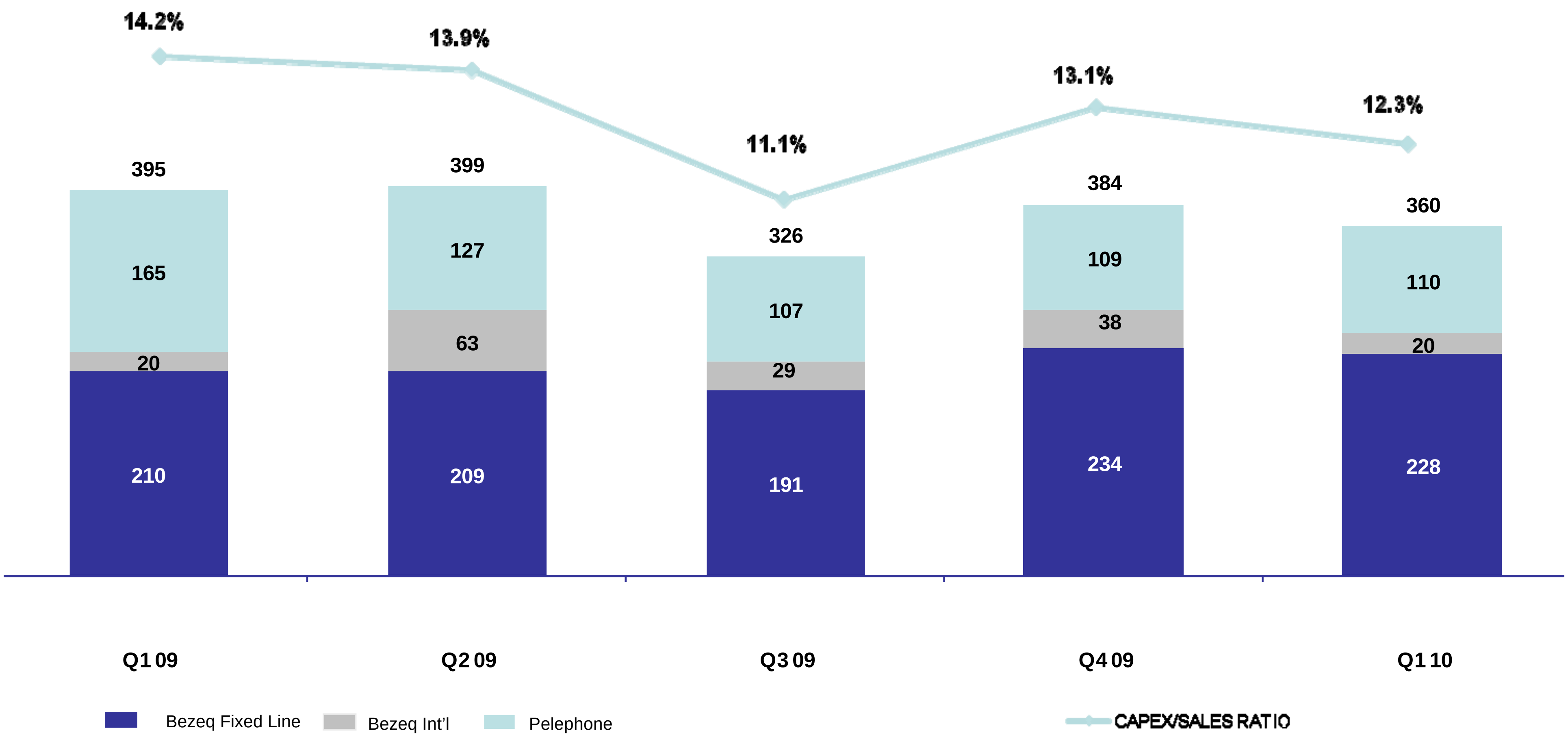
	Q1 09	Q1 10	Change (p.p.)
Bezeq Fixed-Line	48.9%	**50.6%**	**+1.7 p.p.**
Bezeq International	24.6%	**24.5%**	**-0.1 p.p.**
Pelephone	34.9%	**33.8%**	**-1.1 p.p.**
Bezeq Group (exc. yes)	41.9%	**41.7%**	**-0.2 p.p.**
yes	31.9%	**31.3%**	**-0.6 p.p.**

Capex Development

Capex-to-sales ratio declines to 12.3% from 14.2% in Q1-10 and 13.1% in FY 2009

Group Gross Capex (1)

NIS MM

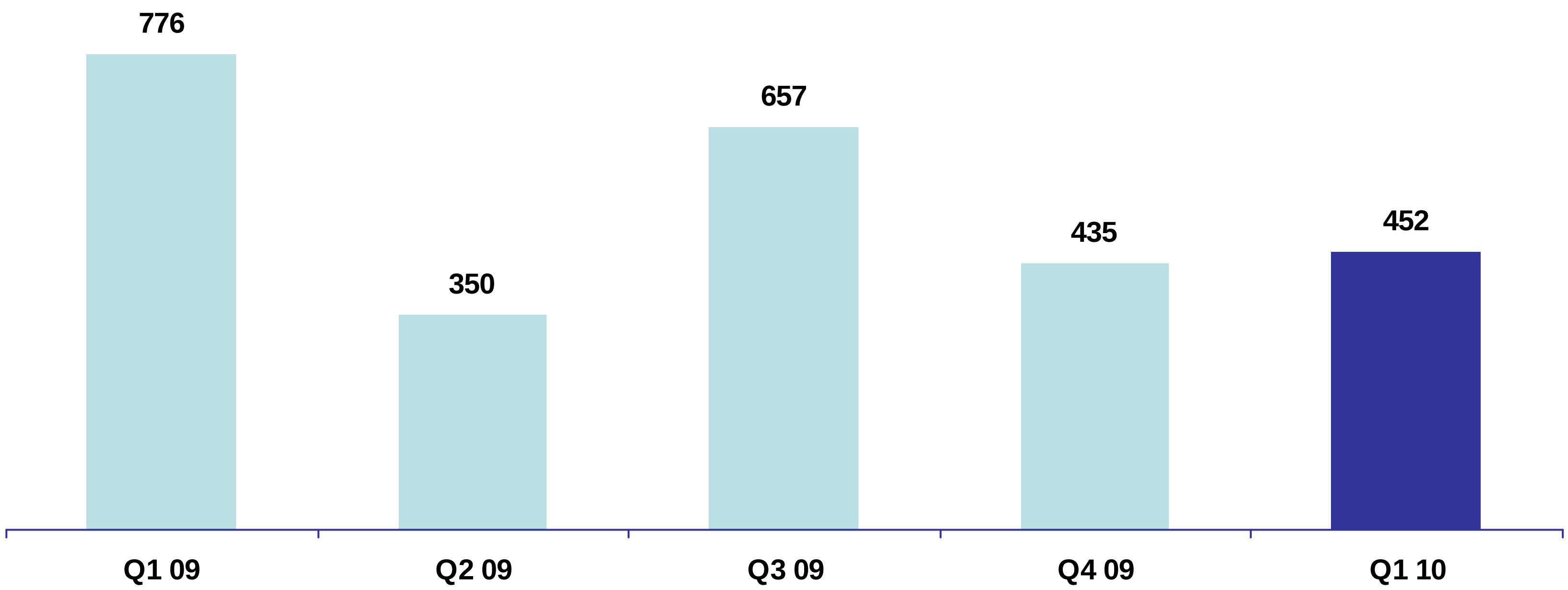


1. Pro-forma excluding yes' results

Free Cash Flow Development

Cash flow volatility mainly reflects working capital and capex outlays timing

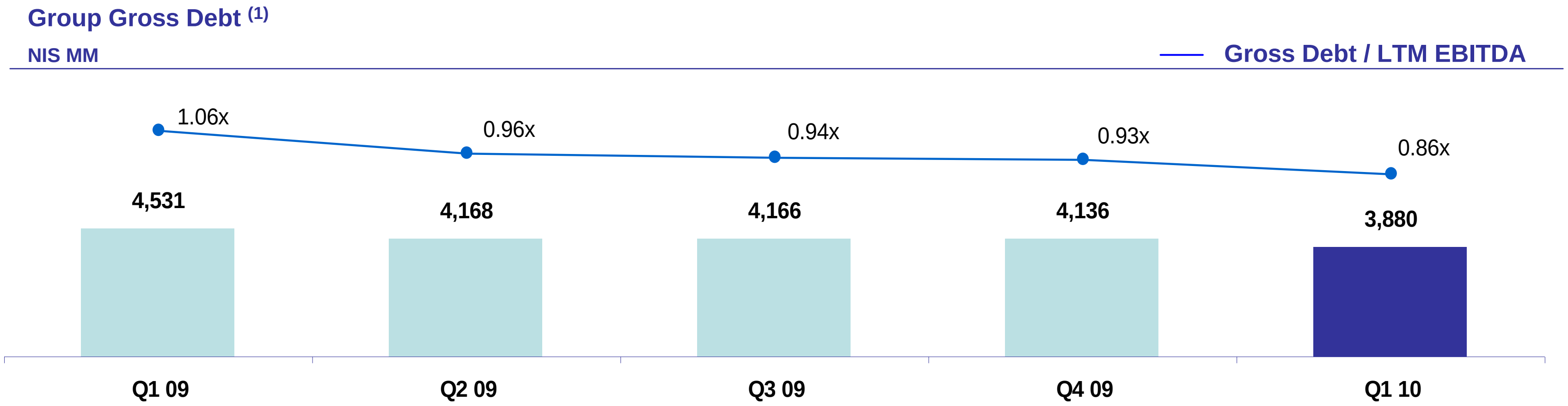
Group Free Cash Flow (1) (2)
NIS MM

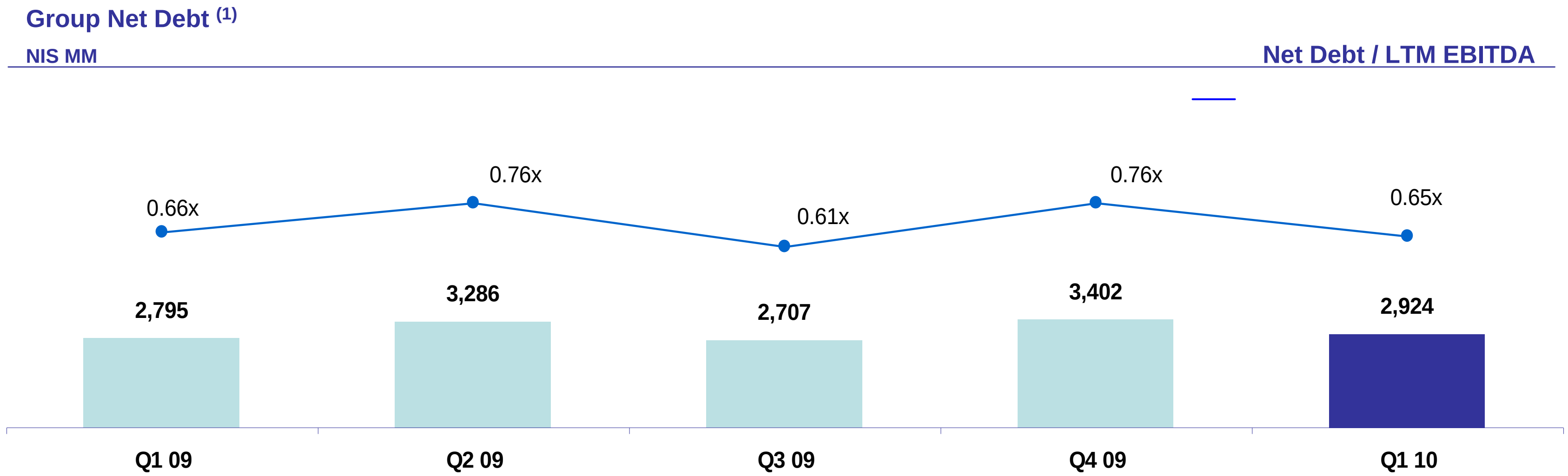


1. Pro-forma excluding yes' results
2. Free cash flow defined as cash flow from operations - net capex + dividends received

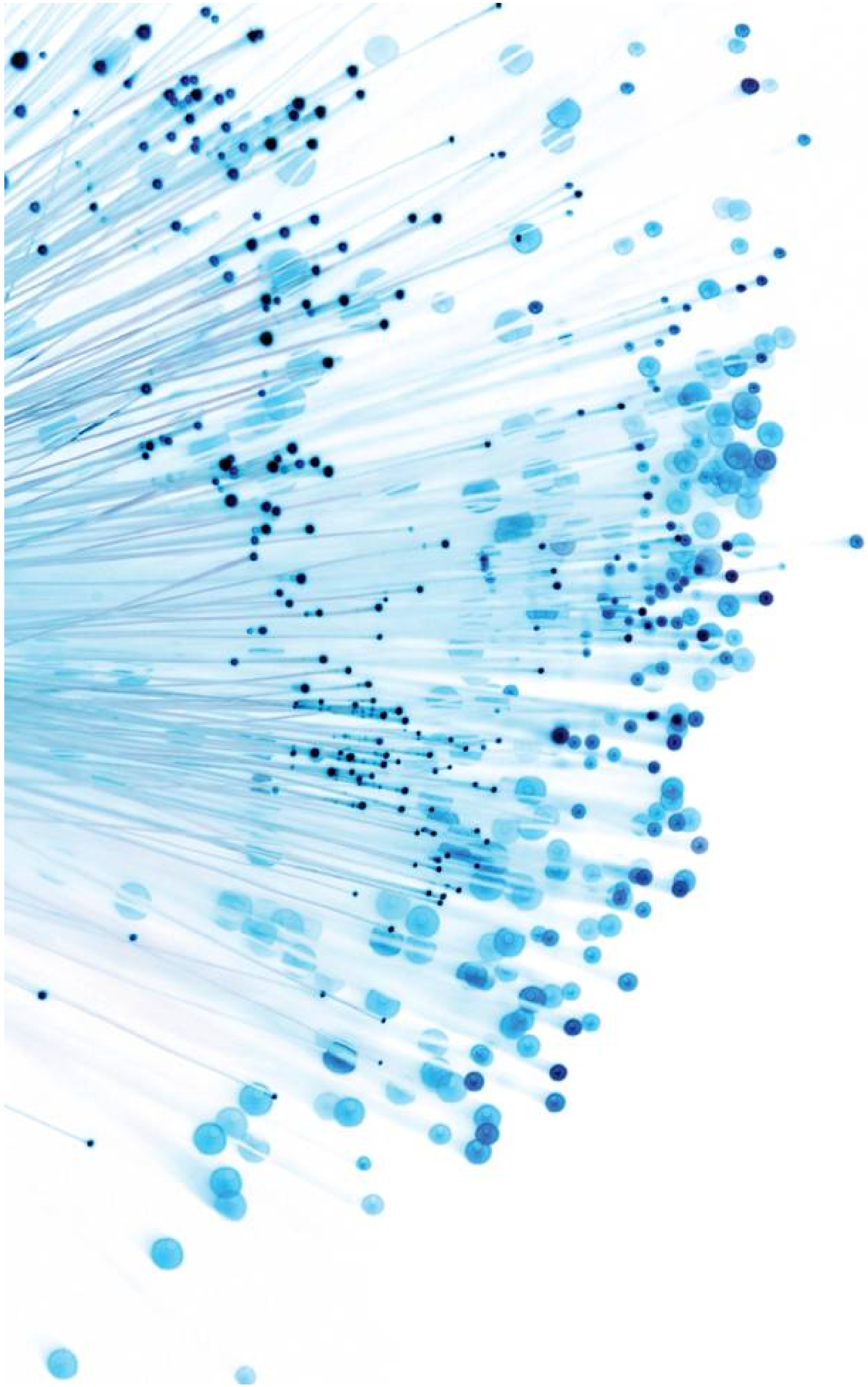
Group Financial Profile

Strong financial profile, prudent financial policy





1. Pro-forma excluding yes' results



Thank You

For additional information,
please visit our website:

www.bezeq.co.il