



Press Release

BEZEQ GROUP REPORTS RECORD FIRST QUARTER 2009 FINANCIAL RESULTS

First quarter net profit attributable to shareholders increased 48% year-over-year to a record NIS 608 million, on record revenues of NIS 3.16 billion

First quarter EBITDA increased 18% year-over-year to a record NIS 1.29 billion

First quarter free cash flow rises 157% to a record NIS 804 million

Tel Aviv, Israel – May 20, 2009 – Bezeq - The Israel Telecommunication Corp., Limited (TASE: BEZQ), Israel's leading telecommunications provider, announced today its financial results for the first quarter 2009 period ended March 31, 2009. Details regarding today's investor conference call and web cast are included later in this press release.

Bezeq Group's First Quarter 2009 Financial Highlights (consolidated results):

- Revenues of NIS 3.16 billion, up 2.0% compared to the prior year period.
- Operating profit of NIS 866 million, up 30.4% compared to the prior year period.
- Net profit attributable to shareholders of NIS 608 million, up 47.9% compared to the prior year period.
- Earnings per basic and diluted shares amounted to NIS 0.23, compared to NIS 0.15 per basic and diluted shares for the prior year period.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled NIS 1.29 billion, up 18.0% compared to the prior year period; EBITDA margin was 40.8% compared to 35.3% in prior year period.
- Capital expenditures-related payments in the quarter totaled NIS 471 million, up 28.7% year-over-year, primarily due to the ongoing deployment of Bezeq's Next Generation Network (NGN) and the roll-out of Pelephone's new HSPA network.
- Free cash flow totaled NIS 804 million, up 156.9% year-over-year.

In addition, Pelephone, the Bezeq Group's cellular operations segment, announced today that it already has over 200,000 subscribers on its new, advanced High-Speed GSM (HSPA) network.

As previously announced, Bezeq will distribute a cash dividend to shareholders of NIS 792 million, or approximately NIS 0.30 per share, on May 24th, 2009 to shareholders of record as of May 11th, 2009.



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Segment Highlights:

- **Bezeq Fixed-Line:** First quarter 2009 segment results were highlighted by ongoing streamlining and cost efficiency initiatives which helped drive double-digit year-over-year increases in operating profit and EBITDA, both of which established new quarterly record highs; EBITDA margin reached an impressive 48.9%. First quarter 2009 ADSL subscriber lines grew 4.2% year-over-year with an ADSL ARPU of NIS 68, up sequentially and in line with the year ago period. In addition, Bezeq Fixed-Line made progress on the operational deployment and customer conversions to its new ultra-fast IP-based NGN network, aiming to reach a meaningful part of Israeli households by 2010.
- **Pelephone:** Pelephone, the cellular operations segment, delivered record quarterly revenues of NIS 1.27 billion, reflecting 7.8% year-over-year growth. Double-digit growth in quarterly operating profit, net profit and EBITDA (34.9% EBITDA margin) set new record highs for each of these key profitability metrics. Pelephone's new High-Speed GSM (HSPA) network, which was commercially launched in February 2009, currently has over 200,000 subscribers. The High-Speed GSM (HSPA) network is central to Pelephone's commitment to access higher value segments of the mobile communications market.
- **Bezeq International:** Bezeq International, Israel's leading supplier of Internet services and International direct dialing (IDD), posted first quarter 2009 revenues of NIS 324 million, up 3.4% year-over-year, driven by higher sales of core services including broadband Internet. First quarter operating profit, net profit and EBITDA (24.6% EBITDA margin) all posted solid performance gains. Free cash flow improved to NIS 62 million during the quarter compared to a negative cash flow of NIS 20 million for the year ago period.
- **yes:** The multi-channel pay-TV segment posted record revenue of NIS 384 million, driven by a 2.0% year-over-year increase in subscribers to 560,000. yes also made dramatic improvements in profitability during the first quarter of 2009, with operating profit of NIS 66 million. Excluding the impact of financing costs to shareholders, yes generated a net profit of NIS 40 million as compared to a net loss of NIS 14 million in the year ago period. First quarter EBITDA totaled NIS 122 million, up 33.9% year-over-year, reflecting an EBITDA margin of 31.9%. yes' free cash flow increased to NIS 29 million in the first quarter as compared to NIS 5 million in the year ago period.

Shlomo Rodav, Chairman of the Board of Bezeq, stated, "The Bezeq Group kicked off 2009 with a strong first quarter performance. Top line revenues set a new quarterly record of NIS 3.16 billion, complemented by sharp improvements in profitability across all business segments as well as record operating and free cash flow levels. Higher first quarter revenues were driven by improved sales in our Pelephone, Bezeq International and yes business segments as well as healthy growth in sales of high-speed broadband, data and transmission services in our Fixed-Line segment. The strength of our comprehensive portfolio of consumer and business communications offerings continues to serve us well as our strategic positioning in key growth segments of these markets more than offset the anticipated decline in revenue associated with traditional telephony access lines.

"The Bezeq Group's success in leveraging across-the-board streamlining and cost efficiency measures was directly evident in the material performance gains in all key profitability metrics. Our record quarterly operating profit, net profit and EBITDA results stand as a testament to the successful execution and dedication of the entire team at Bezeq and its subsidiaries. These results are particularly impressive in light of the weak economic environment, a highly competitive sector



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landscape as well as the challenges associated with the development and launch of the new High-Speed GSM (HSPA) and NGN platforms.

“During the quarter Pelephone successfully launched its new High-Speed GSM (HSPA) network and we are very pleased with our progress on this front to date in terms of migrating as well as adding initial subscribers. As of today we already have over 200,000 subscribers on our new High-Speed GSM (HSPA) network. The first quarter also marked the operational deployment of our IP-based NGN infrastructure. We are adding new customers to the NGN each week and aim to serve a meaningful part of Israeli households with ultra-fast Internet service of up to 50 megabits as well as the most advanced telephony services during 2010.

“On the regulatory front we look forward to working with the recently appointed Minister of Communications and are currently awaiting final approval from regulators regarding our revised operating licenses which would allow for the bundling of Bezeq triple-play services,” concluded Mr. Rodav.

Alan Gelman, Chief Financial Officer and Deputy CEO of Bezeq, commented, “Our ability to execute on our strategic and financial objectives during the quarter allowed the Bezeq Group to significantly improve cash flows, further strengthen our balance sheet and most importantly continue to deliver value to our shareholders through dividend distributions. During the first quarter of 2009 the Group essentially doubled operating cash flow and increased free cash flow by over 150% year-over-year.

“As a result of our strong cash management, streamlining and cost efficiency measures, the Bezeq Group ended the first quarter with cash and short-term investments of NIS 1.74 billion. Cost savings during the quarter amounted to a 4.7% year-over-year reduction in consolidated salaries and operating and general expenses (combined), primarily related to efficiency measures implemented by Bezeq Fixed-Line and yes. The strength of our balance sheet places us in a position of strength as we navigate the current economic downturn. Overall, we are extremely pleased with our first quarter performance and believe we have set a strong foundation for the remainder of 2009.

“Based on the strength of our first quarter results the Bezeq Group is incrementally raising its full-year 2009 financial guidance, though we are closely monitoring current economic conditions and continue to remain vigilant with regards to any potential impact on our business,” concluded Mr. Gelman.



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Bezeq Group (Consolidated) Results

Bezeq Group (Consolidated)	Q1 2009	Q1 2008	Change
	<i>(NIS millions)</i>		
Revenues	3,162	3,100	2.0%
Operating profit	866	664	30.4%
EBITDA	1,290	1,093	18.0%
EBITDA margin	40.8%	35.3%	15.7%
Net profit attributable to shareholders of the Company	608	411	47.9%
Diluted EPS (NIS)	0.23	0.15	53.3%
Cash flow from operating activities	1,224	618	98.1%
Capex, net	420	305	37.7%
Free cash flow	804	313	156.9%
Net debt/EBITDA (end of period)	0.96	1.19	
Net debt/shareholders' equity (end of period)	0.84	0.99	

The Bezeq Group's revenues for the first quarter of 2009 were a record NIS 3.16 billion, up 2.0% from NIS 3.10 billion reported for the first quarter of 2008. Revenue growth was primarily driven by the strength of the Pelephone cellular segment, complemented by year-over-year growth in the Bezeq International and yes multi-channel television segments. Increased revenues in these segments were partially mitigated by an anticipated decrease in the domestic Fixed-Line business segment. The Fixed-Line segment did however continue to experience solid growth in high speed Internet, data and transmission communications services which partially offset the anticipated decline in revenue associated with fixed-line telephony.

Operating profit for the Bezeq Group increased 30.4% in 2009 to NIS 866 million, up from NIS 664 million in the first quarter of 2008, driven primarily by ongoing cost reduction initiatives in Bezeq's major operating segments, as well as increased total revenues.

Net profit attributable to Bezeq shareholders for the first quarter of 2009 amounted to NIS 608 million, up 47.9% from a net profit of NIS 411 million for the first quarter of 2008.

The Bezeq Group's EBITDA for the first quarter of 2009 totaled a record NIS 1.29 billion (40.8% EBITDA margin), up 18.0% as compared to the first quarter of 2008 EBITDA of NIS 1.09 billion (35.3% EBITDA margin).

Cash paid for net capital expenditures in the first quarter of 2009 amounted to NIS 420 million, an increase of 37.7% as compared to NIS 305 million in the first quarter of 2008. This increase primarily stemmed from payments related to the ongoing deployment of Bezeq Fixed-Line's NGN and payments related to Pelephone's HSPA network which was launched in the first quarter.

Free cash flow for the Bezeq Group totaled NIS 804 million for the first quarter of 2009, an increase of 156.9% compared to the prior year period. The rise in free cash flow was primarily the result of significantly higher cash flows from operations, which was mainly driven by profitability and working capital improvements across the operating segments, and to a lesser extent by timing differences.

As of March 31, 2009, the Bezeq Group's net financial debt was NIS 4.54 billion, compared with NIS 4.94 billion as of March 31, 2008. The decrease in the net financial debt was primarily related to the repayment of loans and debentures in the various business segments.



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Bezeq Fixed-Line Results

Bezeq Fixed-Line	Q1 2009	Q1 2008	Change
	<i>(NIS millions)</i>		
Revenues	1,326	1,408	-5.8%
Operating profit	437	368	18.8%
EBITDA	648	586	10.6%
EBITDA margin	48.9%	41.6%	
Capex, net	190	98	93.9%
Number of active subscriber lines at end of period (thousands)	2,579	2,711	-4.9%
Average monthly revenue per line (NIS) *	81	84	-3.6%
Number of outgoing usage minutes (millions)	3,121	3,511	-11.1%
Number of incoming usage minutes (millions)	1,654	1,673	-1.1%
Number of ADSL subscribers at end of period (thousands)	1,011	970	4.2%
Average monthly revenue per ADSL subscriber (NIS)	68	68	0.0%

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

In the first quarter of 2009, Bezeq Fixed-Line generated its highest operating profit and EBITDA levels and margins since the company's privatization in 2005. Improved profitability was driven by the company's ongoing success in reducing operating costs, offset in part by the impact of a 5.8% decline in Fixed-Line revenue year-over-year. Fixed-Line operating profit in the first quarter of 2009 totaled NIS 437 million, an increase of 18.8% from the first quarter of 2008, as total operating costs declined by NIS 151 million, or 14.5%, driven by a 13.7% decline in interconnect expenses, a 12.0% reduction in salary expense and the positive impact from the ongoing implementation of initiatives to reduce operating costs.

The Fixed-Line segment posted first quarter 2009 EBITDA of NIS 648 million (48.9% EBITDA margin), up 10.6% from EBITDA of NIS 586 million (41.6% EBITDA margin) in the first quarter of 2008. First quarter 2009 results included a NIS 20 million pre-tax gain related to the sale of real estate to be made redundant by the NGN network.

The 5.8% decline in revenues was, as anticipated, primarily due to a decrease in the number of traditional access lines and call traffic as well as a decrease in interconnect fees to the cellular networks. When adjusted for revenues from cellular airtime collected by Bezeq Fixed-Line and paid to the cellular companies, Fixed-Line segment revenues totaled NIS 1.12 billion, representing a decline of only 3.9% as compared to the prior year period. The Fixed-Line segment experienced solid revenue growth associated with its high-speed Internet (ADSL) services as well as higher levels of revenue from data and transmission communications. These factors continue to demonstrate the Fixed-Line business' ability to mitigate the decline in legacy telephony revenues, through growing sales of advanced services and solutions offered to the consumer and business markets.

The number of customers subscribing to Bezeq's ADSL Internet service increased 4.2% year-over-year to over 1.01 million subscribers as of March 31, 2009, while Bezeq continued to upgrade its ADSL subscriber base, with 52% of its customers enjoying bandwidths of at least 2 MB, as compared to 37% as of the end of the prior year period. The growth in Bezeq's ADSL customer base helped offset a 4.9% decline in total telephony access lines during the quarter which totaled 2.58 million as of March 31, 2009.



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ADSL ARPU was NIS 68 in the first quarter of 2009, in line with the prior year period. Fixed-line telephony ARPL declined 3.6% in first quarter of 2009 to NIS 81 as compared to NIS 84 in the prior year period.

Progress continues to be made with regards to the ongoing deployment of the NGN infrastructure, which provides Bezeq's customers with dramatic improvements in Internet access speeds, enhances Bezeq's technological preparedness to compete in an increasingly converged communications market, and provides an important platform upon which to build out additional value-added services, increase operating efficiencies and improve future segment profitability. During the first quarter, Bezeq continued with the modular NGN deployment as it moves towards expanding its coverage to reach a meaningful part of Israeli households during 2010.

Pelephone Results

Pelephone	Q1 2009	Q1 2008	Change
	<i>(NIS millions)</i>		
Revenues	1,265	1,173	7.8%
Operating profit	302	215	40.5%
EBITDA	441	344	28.2%
EBITDA margin	34.9%	29.3%	
Net profit	230	163	41.1%
Cash flows from operating activities	375	256	46.5%
Capex, net	149	102	46.1%
Free cash flow	226	154	46.8%
Number of subscribers at end of period (millions)	2,669	2,595	2.9%
Average revenue per user (ARPU, NIS)	128	126	1.6%
Average monthly minutes of use per subscriber (MOU)	323	355	-9.0%

Pelephone, the Bezeq Group's cellular segment, experienced a very strong first quarter with record results across its top and bottom line financial performance metrics, including double-digit percentage improvements in operating profit, net profit, EBITDA and free cash flow.

Pelephone successfully launched its new HSPA network infrastructure during the quarter, as scheduled. The new network, which is central to Pelephone's commitment to access higher value segments of the mobile communications market, already has 200,000 subscribers, with MOU, ARPU and data usage profiles consistent with those of higher value segments, and positions Pelephone as a premier cellular service provider for consumer as well as business customers. Pelephone's active subscribers totaled 2.67 million as of March 31, 2009, an increase of 2.9% year-over-year.

Revenues in the first quarter of 2009, totaled a record NIS 1.27 billion, a 7.8% increase from revenues of NIS 1.17 billion in the prior year period. Revenues were driven primarily by a rise in sales of a wider range of new handset equipment, as well as higher subscriber levels and increased sales of data, value-added and content services. In the first quarter of 2009, Pelephone saw stronger revenues from handset sales, as it began offering advanced handset equipment from a range of manufacturers previously unavailable to its existing and new subscribers.

Revenues from data, value-added and content services constituted a record 18.5% of Pelephone's revenues from cellular services for the first quarter of 2009, compared to 15.0% in the first quarter of 2008 and 18.4% in the fourth quarter of 2008.



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Pelephone's ARPU for the first quarter increased 1.6% year-over-year and 4.9% sequentially to NIS 128. Minutes of use (MOU) declined 9.0% year-over-year and 3.6% sequentially to 323 minutes, mainly as a result of the transition to billing per second as opposed to billing per 12-second intervals previously. ARPU and MOU for the first quarter of 2009 include the effect of the reduction of 92,000 dormant subscribers from the active subscriber base as of December 31, 2008. The inclusion of the effect of the subscriber reduction in the comparative periods would have increased ARPU and MOU for those periods by approximately 1% to 3%.

Net profit for Pelephone in the first quarter of 2009 totaled NIS 230 million, an increase of 41.1% compared to NIS 163 million in the first quarter of 2008. Net profit benefited mainly from improved margins on handset sales, higher revenue from data, value-added and content services and a 10.6% decrease in year-over-year segment salary expense. These gains were mitigated by a 7.8% increase in depreciation and amortization expenses related to additional depreciation, as well as higher marketing expenses and increased maintenance costs associated with the operation of the new HSPA network alongside the existing CDMA cellular network.

Pelephone posted first quarter 2009 EBITDA of NIS 441 million (34.9% EBITDA margin), an increase of 28.2% compared to NIS 344 million (29.3% EBITDA margin) for the first quarter of 2008.

Bezeq International Results

Bezeq International	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>Change</u>
	<i>(NIS millions)</i>		
Revenues	324	314	3.4%
Operating profit	60	55	9.9%
EBITDA	80	75	6.7%
EBITDA margin	24.6%	23.8%	
Net profit	44	42	6.3%
Cash flows from operating activities	84	8	1013.3%
Capex, net	21	28	-22.2%
Free cash flow	62	(20)	n.m.

Bezeq International, Israel's leading supplier of Internet services and international direct dialing (IDD), posted first quarter 2009 revenues of NIS 324 million, up 3.4% compared to NIS 314 million in the first quarter of 2008. Revenues were driven by increased levels of sales in the Internet service provider (ISP) area which experienced a rise in the number of broadband customers. Gains in these areas were partially offset by a decline in revenues from international minute traffic, as well as lower PBX sales activity.

Bezeq International generated a net profit of NIS 44 million in the first quarter of 2009, an increase of 6.3% compared to a net profit of NIS 42 million in year ago period. The increase in profitability came as a result of growth in the core ISP business as well as continued focus on cost control.

Bezeq International posted first quarter 2009 EBITDA of NIS 80 million (24.6% EBITDA margin), an increase of 6.7% compared to EBITDA of NIS 75 million (23.8% EBITDA margin) for the first quarter of 2008.



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Bezeq International experienced a sharp improvement in operating and free cash flow year-over-year, reaching NIS 84 million and NIS 62 million, respectively, due to the positive impact of segment working capital changes.

yes Results

yes	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>Change</u>
	<i>(NIS millions)</i>		
Revenues	384	381	0.6%
Operating profit	66	27	146.3%
EBITDA	122	92	33.9%
EBITDA margin	31.9%	24.0%	
Net profit	(1)	(66)	-98.2%
Cash flows from operating activities	91	84	7.8%
Capex, net *	61	79	-22.7%
Free cash flow	29	5	523.4%
Number of subscribers (end of period, in thousands)	560	549	2.0%
Average revenue per user (ARPU, NIS)	228	231	-1.3%

* Including subscriber acquisition costs

Yes, the multi-channel pay-TV segment, posted record revenue while generating dramatic improvements in segment profitability during the first quarter of 2009, despite operating in a highly penetrated market. Operating profit reached a record NIS 66 million, for a 17.2% operating margin as compared to 7.0% in the prior year period.

Revenue from the yes multi-channel pay-TV segment during the first quarter of 2009 increased to a record NIS 384 million, up 0.6% year-over-year. The first quarter rise in revenue was primarily related to a 2.0% year-over-year net increase in subscribers as well as higher sales of advanced content services, YESmax and HD services. ARPU experienced a 1.3% decline to NIS 228 for the quarter.

Net loss declined to NIS 1 million, essentially breakeven in the first quarter of 2009 versus a net loss of NIS 66 million in the year ago period, supported by the positive impact of ongoing cost reduction measures as well as a decrease in financing expenses as the cost of servicing CPI-linked debt declined as a result of negative CPI data. Excluding the impact of financing costs to shareholders, yes generated a net profit of NIS 40 million as compared to a net loss of NIS 14 million in the year ago period.

yes posted EBITDA of NIS 122 million (31.9% EBITDA margin) for the first quarter of 2009, an increase of 33.9% over EBITDA of NIS 92 million (24.0% EBITDA margin) for the year ago period.

yes grew its customer base by 2.0% to 560,000 subscribers as of March 31, 2009, up 11,000 subscribers from the year ago period and in-line sequentially. On a sequential basis, increased customer subscriptions during the quarter were partially offset by higher customer churn linked to the expiration of special subscription agreements associated with changes in consumer laws.



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Outlook

Building on the incremental visibility following the close of the first quarter of 2009, which included materially stronger financial performance as compared to the corresponding quarter in 2008, and taking into consideration the current economic environment, the Bezeq Group is raising its outlook for 2009 and currently anticipates achieving revenues, net profit, EBITDA, and operating cash flows in line with those of the Bezeq Group's full-year 2008 performance levels.

The Bezeq Group is not changing its outlook for gross capital expenditures, which will still be close to the 2008 level.



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Conference Call & Web Cast Information

The Bezeq Group will conduct a conference call hosted by Mr. Shlomo Rodav, Bezeq Chairman and Mr. Alan Gelman, Bezeq Chief Financial Officer and Deputy CEO, on Wednesday, May 20, 2009, at 4:00 PM Israel Time / 9:00 AM Eastern Time. Participants are invited to join the live conference call by dialing:

International Phone Number: + 972-3-918-0609
Israel Phone Number: 03-918-0609

A live webcast of the conference call will be available on the investor relations section of the Bezeq corporate website at www.bezeq.co.il. Please visit the website at least 15 minutes early to register for the webcast and download any necessary audio software.

A webcast replay will be made available on the investor relations section of the Bezeq corporate website. An automated telephone replay will also be available approximately three hours after the completion of the live call through Wednesday, May 27, 2009. Participants are invited to listen to the conference call replay by dialing:

International Phone Number: + 972-3-925-5928
Israel Phone Number: 03-925-5928

About Bezeq - The Israel Telecommunication Corp.

Bezeq is Israel's leading telecommunications service provider. Established in 1984, the Company has led Israel into the new era of communications, based on the most advanced technologies and services. Bezeq and its subsidiaries offer the full range of communications services including domestic, international and cellular phone services; Internet, ADSL, and other data communications; satellite-based multi-channel TV; and corporate networks.

For more information about Bezeq please visit the corporate website at www.bezeq.co.il.

This press release contains general data and information as well as forward looking statements about Bezeq. Such statements 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. These forward-looking statements are made only as of the date hereof and the company assumes no obligation to update any forward-looking statement. 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 the Corporation, including the risk factors that are characteristic of its operations, and developments in the general environment, and external factors and the regulation that affects the Corporation's operations.

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"Bezeq" The Israel Telecommunication Corp., Limited Consolidated Income Statements

	For the three months ended March 31,		For the year ended December 31,
	2009	2008	2008
	(Unaudited) NIS millions	(Unaudited) NIS millions	(Audited) NIS millions
Revenue	3,162	3,100	12,407
Costs and expenses			
Depreciation and amortization	424	429	1,703
Salary	557	616	2,354
Operating and general expenses (Note 8)	1,335	1,370	5,437
Other operating expenses (income), net	(20)	21	96
	2,296	2,436	9,590
Operating income	866	664	2,817
Financing expenses			
Financing expenses	115	161	747
Financing income	(78)	(61)	(166)
Financing costs, net	37	100	581
Profit after finance expenses	829	564	2,236
Share in profits of equity-accounted investees	2	1	5
Profit before income tax	831	565	2,241
Income tax	222	180	720
Profit for the period	609	385	1,521
Attributable to:			
The shareholders of the Company	608	411*	1,627
Non-controlling interest	1	(26)*	(106)
Profit for the period	609	385	1,521
Earnings per share			
Basic earnings per share (in NIS)	0.23	0.15	0.62
Diluted earnings per share (in NIS)	0.23	0.15	0.61

* Reclassified



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"Bezeq" The Israel Telecommunication Corp., Limited Consolidated Balance Sheets

	<u>March 31, 2009</u> <u>(Unaudited)</u> <u>NIS millions</u>	<u>March 31, 2008</u> <u>(Unaudited)</u> <u>NIS millions</u>	<u>December 31, 2008</u> <u>(Audited)</u> <u>NIS millions</u>
Assets			
Cash and cash equivalents	1,702	1,283	786
Investments, including derivatives	37	317	33
Trade receivables	2,390	2,480	2,373
Other receivables	234	245	211
Inventory	188	238	158
Current tax assets	-	28	-
Assets classified as held for sale	43	20	34
Total current assets	4,594	4,611	3,595
Investments, including derivatives	192	227	187
Trade receivables	637	562	576
Broadcasting rights, net of rights exercised	288	271	253
Property, plant and equipment	6,066	5,981	6,036
Intangible assets	2,664	2,495	2,674
Deferred and other expenses	398	376	411
Investments in equity-accounted investees	34	39	32
Deferred tax assets	503	626*	550*
Total non-current assets	10,782	10,577	10,719
Total assets	15,376	15,188	14,314

* Reclassified



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"Bezeq" The Israel Telecommunication Corp., Limited Consolidated Balance Sheets (continued)

	<u>March 31, 2009</u> <u>(Unaudited)</u> <u>NIS millions</u>	<u>March 31, 2008</u> <u>(Unaudited)</u> <u>NIS millions</u>	<u>December 31, 2008</u> <u>(Audited)</u> <u>NIS millions</u>
Liabilities			
Debentures, loans and borrowings	1,018	1,032	1,780
Trade payables	1,471	1,350	1,381
Other payables, including derivatives	962	866	850
Current tax liabilities	88	33	45
Deferred income	58	19	62
Provisions	358	388	355
Employee benefits	359	632*	412*
Total current liabilities	4,314	4,320	4,885
Debentures	3,711	4,242	3,943
Bank loans	1,391	1,125	214
Loans from institutions	161	140	109
Loans provided by non-controlling interest in a subsidiary	462	389	449
Employee benefits	267	262	265
Deferred income and others	25	52	76
Provisions	70	58	64
Deferred tax liabilities	63	42	65
Total non-current liabilities	6,150	6,310	5,185
Total liabilities	10,464	10,630	10,070
Equity			
Share capital	6,146	6,132	6,132
Share premium	26	-	-
Reserves	762	690	748
Deficit balance	(1,557)	(1,865)*	(2,165)*
Total equity attributable to owners of the Company	5,377	4,957	4,715
Non-controlling interest	(465)	(399)*	(471)
Total equity	4,912	4,558	4,244
Total equity and liabilities	15,376	15,188	14,314

* Reclassified



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"Bezeq" The Israel Telecommunication Corp., Limited Consolidated Statements of Cash Flows

	For the three months ended March 31		For the year ended December 31
	2009	2008	2008
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Cash flows from operating activities			
Net profit for the period	609	385	1,521
Adjustments:			
Depreciation	346	351	1,394
Amortization of intangible assets	72	68	289
Amortization of deferred and other expenses	6	10	20
Equity in profits of equity-accounted investees	(2)	(1)	(5)
Financing costs, net	77	129	561
Capital gain, net	(20)	(1)	(68)
Share-based payment transactions	15	13	75
Income tax expenses	222	180	720
Receipt (payment) for disposal of derivative financial instruments, net	9	(10)	(38)
Change in:			
Inventory	(33)	(37)	42
Trade receivables	(78)	(104)	(10)
Other receivables	(51)	(53)	(44)
Other payables	197	73	15
Trade payables	116	(143)	(225)
Provisions	7	(4)	(34)
Broadcasting rights, net of rights exercised	(34)	(28)	(11)
Employee benefits	(50)	(83)	(302)
Deferred income and others	(46)	1	50
Income tax paid	(138)	(128)	(535)
Net cash flows from operating activities	1,224	618 *	3,415
Cash flows from investment activities			
Investment in intangible assets and deferred expenses	(63)	(59)	(469)
Proceeds from the sale of property, plant and equipment and deferred expenses	51	61	147
Realization of current investments, net	6	57	321
Purchase of property, plant and equipment	(408)	(307)	(1,300)
Proceeds from realization of investments and long-term loans	7	6	19
Purchase of investments and long-term loans	(1)	-	(8)
Investment in an affiliate	-	(1)	-
Dividend received	-	-	13
Interest received	5	19	64
Net cash used for investment activities	(403)	(224)*	(1,213)

* Reclassified



Press Release

"Bezeq" The Israel Telecommunication Corp., Limited Consolidated Statements of Cash Flows (cont'd)

	For the three months ended 31 March		For the year ended December 31
	2009	2008	2008
	(Unaudited) NIS millions	(Unaudited) NIS millions	(Audited) NIS millions
Cash flows from financing activities			
Receipt of loans	400	-	-
Repayment of debentures	(206)	(229)	(714)
Repayment of loans	(31)	(40)	(148)
Short-term borrowing, net	-	12	(50)
Dividend paid	-	-	(1,514)
Interest paid	(110)	(56)	(243)
Receipt for settlement of derivative financial instruments, net	-	4	52
Transfer of funds by non-controlling interest less dividend distributed, net	5	-	8
Proceeds from exercise of employee options	36	-	-
Net cash from (used for) financing activities	94	(309)	(2,609)
Net increase (decrease) in cash and cash equivalents	915	85	(407)
Cash and cash equivalents at the beginning of the period	786	1,203	1,203
Effect of fluctuations in the rate of exchange on cash balances	1	(5)	(10)
Cash and cash equivalents at the end of the period	1,702	1,283	786