Press Release

BEZEQ GROUP REPORTS SECOND QUARTER 2009 FINANCIAL RESULTS

Second quarter net profit attributable to shareholders increased 19% year-over-year to NIS 541 million, on record revenues of NIS 3.25 billion

Second quarter EBITDA increased to a record NIS 1.31 billion, up 6% year-over-year

Board of Directors recommends a cash dividend to shareholders of NIS 1.15 billion and adopts a formal dividend distribution policy

Management raises Bezeq's full year 2009 financial guidance forecast

Tel Aviv, Israel – August 5, 2009 – Bezeq - The Israel Telecommunication Corp., Limited (TASE: BEZQ), Israel's leading telecommunications provider, announced today its financial results for the second quarter of 2009 and the six months ended June 30, 2009. Details regarding today's investor conference call and web cast are included later in this press release.

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

- Revenues of NIS 3.25 billion, up 5.2% compared to the prior year period.
- Operating profit of NIS 876 million, up 7.6% compared to the prior year period.
- Net profit attributable to shareholders of NIS 541 million, up 18.6% compared to the prior year period.
- Earnings per basic and diluted shares amounted to NIS 0.21 and NIS 0.20 respectively, compared to NIS 0.17 per basic and diluted shares for the prior year period.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled NIS 1.31 billion, up 5.9% compared to the prior year period; EBITDA margin was 40.3% compared to 40.1% in the prior year period.
- Free cash flow totaled NIS 383 million, down 4.5% year-over-year. [1] Six month year-to-date free cash flow increased 66.2% to NIS 1.19 billion.

The Company's Board of Directors has recommended the distribution of a cash dividend to shareholders of NIS 1,149 million, or approximately NIS 0.43 per share. The dividend is payable on October 5th, 2009 to shareholders of record as of September 22nd, 2009.

The Board of Directors of the Company has also adopted a dividend distribution policy, whereby the Company will distribute to its shareholders, on a semi-annual basis, cash dividends amounting to

[1] Free cash flow is defined as cash flow from operating activities less net capital investments, plus dividend received.

100% of the net profit (attributable to the shareholders of the Company) recorded for the previous six-month period, based on the consolidated financial statements of the Company.

The implementation of this dividend policy is subject to Israeli law, including the distribution tests set forth in the Companies Law (1999), and is also subject to the Board of Directors' assessment of the Company's ability to meet its current and expected obligations, in consideration of its projected cash flows, activities and commitments, cash balances, future plans and financial position, as they may be from time to time. Each dividend distribution will be subject to the approval of the general meeting of shareholders of the Company, pursuant to the Company's bylaws.

Segment Highlights:

- **Bezeq Fixed-Line**: The Fixed-Line segment generated an impressive EBITDA margin of 48.5% and managed to mitigate the anticipated decline in revenues from traditional telephony to only 2.7% year-over-year, or 2.1% when adjusting for mobile interconnect fees – in turn outperforming the market share loss in residential access lines. Second quarter operating profit totaled NIS 434 million, a decline of 1.8% year-over-year, while general and operating costs decreased by NIS 38 million, or 8.5%. Second quarter 2009 EBITDA totaled NIS 639 million, down 2.1% year-over-year. The decline in second quarter operating profit and EBITDA were attributable to the absence of real estate disposals in the current quarter. Bezeq's ADSL broadband Internet subscriber base increased 3.5% year-over-year to 1.02 million subscribers as of June 30, 2009, while Bezeq continued to upgrade its ADSL subscriber base, with 56% of its customers enjoying bandwidths of at least 2 megabits per second versus 37% a year ago. ADSL average revenue per user (ARPU) increased 4.5% year-over-year to NIS 69. The Fixed-Line segment continued the rollout of its new ultra-fast IP-based NGN infrastructure, which is currently connected to approximately 180,000 customers.

- **Pelephone**: Pelephone, the cellular operations segment, delivered record quarterly revenues of NIS 1.35 billion, reflecting 13.3% year-over-year growth, as the segment completed its first full quarter operating its new High-Speed GSM (HSPA) cellular network. Pelephone achieved double-digit year-over-year quarterly growth in operating profit (+20.7%), net profit (+29.4%) and EBITDA (+19.2%), reaching the highest EBITDA margin (35.1%) in several years. Active subscribers totaled approximately 2.7 million as of June 30, 2009, an increase of 2.2% year-over-year, including a record 1.31 million 3G subscribers, an increase of 33.8% year-over-year. Pelephone already has approximately 340,000 subscribers on its new HSPA network. Segment minutes of use (MOU) and ARPU both experienced sequential performance gains as new HSPA subscribers contributed data usage profiles consistent with those of higher value customer segments.

- **Bezeq International**: Bezeq International, Israel's leading supplier of broadband ISP services, posted second quarter 2009 revenues of NIS 327 million, in-line with the year ago period. Second quarter operating profit, net profit and EBITDA all improved year-over-year and posted double-digit sequential growth rates, while the EBITDA margin reached a record high 27.0%. Free cash flow improved to NIS 62 million compared to NIS 20 million for the year ago period.

- **yes**: The yes multi-channel pay-TV segment posted revenue of NIS 376 million as subscribers increased to 562,000, up 2% year-over-year. The launch of the yes MaxHD service during the quarter resulted in 13,000 yes MaxHD upgrade customers. While segment revenue declined 1% year-over-year due to the termination of an Internet access distribution agreement with Bezeq Fixed-Line, second quarter operating profit, net loss and EBITDA (30.5% EBITDA margin) all posted year-over-year performance gains. Segment operating cash flow increased 188.5% to NIS 93 million year-over-year and free cash flow rose to NIS 33 million versus negative free cash flow in the year ago period.

Shlomo Rodav, Chairman of the Board of Bezeq, stated, "Our outstanding second quarter financial results complete an exceptional first half performance, as we continue to improve our financial results while making the strategic investments in advanced network infrastructures, both in our fixed-line and cellular segments. These investments are providing platforms for future growth and further cost efficiencies. Our new High-Speed GSM (HSPA) cellular network completed its first full quarter of operations and today we already have approximately 340,000 customers on our new network. In addition, we are making excellent progress on the deployment of our new ultra-fast IP-based NGN infrastructure, which is already connected to approximately 180,000 customers. With the NGN rollout we are leading Israel into a new era of ultra-high-speed Internet and establishing the benchmark for Internet performance with the highest bandwidth available in Israel, and setting the stage for advanced Internet and communications services, as well as an unprecedented customer experience," concluded Mr. Rodav.

Alan Gelman, Chief Financial Officer and Deputy Chief Executive Officer of Bezeq, commented, "Our record top-line performance and the positive impact of our ongoing cost efficiency measures have translated into solid year-over-year improvements in all key profitability metrics. These financial performance gains and robust year-to-date cash flows have allowed us to continue to create value for our shareholders. During the second quarter, Bezeq distributed cash dividends to shareholders totaling NIS 792 million, and yesterday recommended an additional dividend distribution of NIS 1,149 million, for an aggregate, year-to-date total of NIS 1,941 million, or NIS 0.73 per share in cash dividends in 2009.

"As we continue to execute amid a challenging and evolving regulatory framework, our strategic focus on next generation and value added communications solutions is helping us mitigate these impacts on our group-wide businesses. We are extremely pleased with our second quarter 2009 operational and financial achievements and believe we are taking the right steps to deliver on our upwardly revised guidance calling to full-year revenue, net profit, EBITDA, and operating cash flow above 2008 levels," concluded Mr. Gelman.

Bezeq Group (Consolidated) Results

Bezeq Group (Consolidated)	Q2 2009	Q2 2008	Change	H1 2009	H1 2008	Change
	(NIS millions)			(NIS millions)		
Revenues	3,246	3,086	5.2%	6,408	6,186	3.6%
Operating profit	876	814	7.6%	1,742	1,483	17.5%
EBITDA	1,309	1,236	5.9%	2,599	2,334	11.4%
EBITDA margin	40.3%	40.1%		40.6%	37.7%	
Net profit attributable to shareholders of the company	541	456	18.6%	1,149	867	32.5%
Diluted EPS (NIS)	0.20	0.17	17.6%	0.43	0.32	34.4%
Cash flow from operating activities	808	759	6.5%	2,032	1,377	47.6%
Capex, net	430	360	19.4%	850	665	27.8%
Free cash flow	383	401	-4.5%	1,187	714	66.2%
Net debt/EBITDA (end of period) *				1.05	1.25	
Net debt/shareholders' equity (end of period)				0.97	1.16	

* EBITDA in this calculation refers to trailing twelve months

The Bezeq Group's revenues for the second quarter 2009 were a record NIS 3.25 billion, up 5.2% from NIS 3.09 billion reported for the year ago period, marking the strongest quarterly top line growth in more than three years. Robust revenue growth was primarily driven by the strength of the Pelephone cellular segment, which more than offset the decline in traditional fixed-line telephony. Bezeq International's revenues were stable year-over-year and the yes multi-channel television segment recorded a modest reduction in revenues. The anticipated decline in revenue associated with fixed-line telephony continues to be mitigated by solid growth in high speed Internet and data communications services within the Fixed-Line business segment.

Operating profit for the company increased 7.6% in the second quarter of 2009 to NIS 876 million, up from NIS 814 million in the second quarter of 2008, driven primarily by ongoing cost reduction initiatives in Bezeq's major operating segments, a 9% reduction in overall salary expense, as well as increased total revenues.

Net profit attributable to Bezeq shareholders for the second quarter of 2009 amounted to NIS 541 million, up 18.6% from a net profit of NIS 456 million for the second quarter of 2008.

The company's EBITDA for the second quarter of 2009 totaled a record NIS 1.31 billion (40.3% EBITDA margin), up 5.9% as compared to the second quarter of 2008 EBITDA of NIS 1.24 billion (40.1% EBITDA margin).

Cash paid for net capital expenditures in the second quarter of 2009 amounted to NIS 430 million, an increase of 19.4% as compared to the NIS 360 million in the year ago period. This increase stemmed primarily from investments in the ongoing deployment of Bezeq Fixed-Line's NGN and payments related to Pelephone's HSPA cellular infrastructure.

Free cash flow for the company totaled NIS 383 million for the second quarter of 2009, a decrease of 4.5% compared to the prior year period. The decline in free cash flow was primarily the result of the aforementioned capex increase. In the first half of 2009, free cash flow generation expanded by NIS 473 million to NIS 1.19 billion, an increase of 66.2%.

As of June 30, 2009, the company's net financial debt was NIS 5.03 billion, compared with NIS 5.48 billion as of June 30, 2008. The decrease in the net financial debt was primarily related to the repayment of loans and debentures in the various business segments.

Bezeq Fixed-Line Results

Bezeq Fixed-Line	Q2 2009	Q2 2008*	Change	H1 2009	H1 2008*	Change
	(NIS millions)			*(NIS millions)*		
Revenues	1,318	1,354	-2.7%	2,644	2,762	-4.3%
Operating profit	434	442	-1.8%	871	815	6.9%
EBITDA	639	653	-2.1%	1,287	1,244	3.5%
EBITDA margin	48.5%	48.2%		48.7%	45.0%	
Capex, net	183	107	71.0%	371	205	81.0%
Number of active subscriber lines (end of period, in thousands)	2,547	2,681	-5.0%	2,547	2,681	-5.0%
Average monthly revenue per line (NIS) **	81.0	82.0	-1.2%	81.1	83.0	-2.3%
Number of outgoing usage minutes (millions)	3,014	3,346	-9.9%	6,135	6,857	-10.5%
Number of incoming usage minutes (millions)	1,664	1,651	0.8%	3,318	3,324	-0.2%
Number of ADSL subscribers (end of period, in thousands)	1,016	982	3.5%	1,016	982	3.5%
Average monthly revenue per ADSL subscriber (NIS)	69	66	4.5%	69	67	2.2%

* In the first half of 2008, NIS 19 million related to a provision for early-retirement, which previously appeared as other operating expenses (income), were reclassified to financing expenses, as follows: NIS 5 million in Q1-08, and NIS 14 million in Q2-08.

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

In the second quarter of 2009, Bezeq Fixed-Line managed to mitigate the anticipated decline in revenues to only 2.7% year-over-year, thus outperforming the market share loss in residential access lines over the same period. According to the latest data from the Ministry of Communications, as of April 2009 Bezeq's market share in the consumer segment stood at 79.9%, as compared to 85.7% a year ago. This achievement, which resulted from solid revenue growth associated with high-speed Internet (ADSL) services as well as higher revenues from data communications and transmission services, combined with the continued successful implementation of cost-cutting measures across the organization, resulted in an impressive EBITDA margin of 48.5%.

Bezeq Fixed-Line's operating profit in the second quarter of 2009 totaled NIS 434 million, a decline of 1.8% as compared to the second quarter of 2008, resulting from the absence of real estate disposals in the second quarter of 2009. General and operating expenses declined by NIS 38 million, or 8.5%, mainly driven by a 17.1% reduction in operating expenses as a result of the ongoing implementation of efficiency measures, as well as a 6% decline in interconnect expenses transferred to mobile operators. The 12.0% decline in salary expenses includes the attribution of certain salary expenses to capital investments.

The Fixed-Line segment posted second quarter 2009 EBITDA of NIS 639 million (48.5% EBITDA margin), as compared to NIS 653 million (48.2% EBITDA margin) in the second quarter of 2008.

Again, this decline was attributable to the absence of real estate disposals in the second quarter of 2009. Bezeq Fixed-Line contributed approximately 50% of the Group's consolidated EBITDA.

The Fixed-Line segment continued the rollout of its new ultra-fast IP-based NGN infrastructure. The NGN 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. Bezeq continues to forecast the expansion of NGN coverage reaching a meaningful part of Israeli households during 2010. Bezeq Fixed-Line has already connected approximately 180,000 customers to the new network.

The number of customers subscribing to Bezeq's ADSL Internet service increased 3.5% year-over-year to 1.02 million subscribers as of June 30, 2009 giving Bezeq Fixed-Line a market-leading 60% share of broadband access services in Israel. Bezeq continued to upgrade its ADSL subscriber base, with 56% of its customers enjoying bandwidths of at least 2 megabits per second, as compared to 37% as of the end of 2008.

ADSL ARPU was NIS 69 in the second quarter of 2009, an increase of 4.5% over the prior year period, driven primarily by increased tariffs, customer bandwidth upgrades and the sales of home networks. Fixed-line telephony ARPL was NIS 81 in the second quarter of 2009, down a modest 1.2% as compared to NIS 82 in the prior year period.

Pelephone Results

Pelephone	Q2 2009	Q2 2008	Change	H1 2009	H1 2008	Change
	(NIS millions)			*(NIS millions)*		
Revenues	1,346	1,188	13.3%	2,611	2,361	10.6%
Operating profit	321	266	20.7%	623	481	29.5%
EBITDA	472	396	19.2%	913	740	23.4%
EBITDA margin	35.1%	33.3%		35.0%	31.3%	
Net profit	233	180	29.4%	463	343	35.0%
Cash flows from operating activities	290	344	-15.7%	665	600	10.8%
Capex, net	159	181	-12.2%	308	283	8.8%
Free cash flow	131	163	-19.6%	357	317	12.6%
Number of subscribers (end of period, in millions)	2.694	2.636	2.2%	2.694	2.636	2.2%
Average revenue per user (ARPU, NIS)	131	128	2.3%	130	127	2.0%
Average monthly minutes of use per subscriber (MOU)	329	358	-8.1%	326	357	-8.6%

Pelephone, Bezeq's cellular segment, experienced an exceptionally strong second quarter with record revenue as the segment completed its first full quarter of operations with the new HSPA network nationally deployed. Record quarterly revenues translated into double-digit year-over-year growth rates in all profitability measures, even as the segment incurred increased costs associated with operating dual networks.

Pelephone’s active subscribers totaled approximately 2.7 million as of June 30, 2009, an increase of 2.2% year-over-year including a record 1.31 million 3G subscribers, an increase of 33.8% year-over-year. The new HSPA network, which is central to Pelephone’s commitment to access higher value segments of the mobile communications market and positions Pelephone as a premier cellular service provider for consumer as well as business customers, already has approximately 340,000 subscribers – accounting for over 12% of Pelephone’s total subscriber base. Segment MOU and ARPU both experienced sequential performance gains as subscribers on the HSPA network contributed data usage profiles consistent with those of higher value customer segments. Preparations also progressed during the quarter to position Pelephone for the launch of the Apple iPhone handset later this year.

Revenues in the second quarter of 2009 totaled a record NIS 1.35 billion, a 13.3% increase from revenues of NIS 1.19 billion in the prior year period. Revenues were driven primarily by strong sales of premium handsets related to customer upgrades to the new HSPA cellular network, increased subscriber levels, as well as increased sales of data, content and value-added services. Revenues from data, content and value-added services constituted a record 19.2% of Pelephone’s revenues from cellular services for the second quarter of 2009, compared to 15.5% for the previous year period and 18.5% for the first quarter of 2009.

Pelephone’s ARPU for the second quarter increased 2.3% year-over-year and sequentially to NIS 131, primarily due to the rise in data, content and value-added services as the HSPA network was fully operational throughout the quarter. MOU increased 1.9% sequentially and declined 8.1% year-over-year to 329 minutes. The year-over-year comparison of ARPU and MOU were influenced by the reduction of approximately 92,000 dormant subscribers at the end of 2008 and the transition to billing per second as opposed to billing per 12-second intervals which was implemented in January of 2009.

Net profit for Pelephone in the second quarter of 2009 totaled NIS 233 million, an increase of 29.4% as compared to NIS 180 million in the second quarter of 2008. Net profit benefited mainly from higher revenues from data, content and value-added services, and from improved margins on handset sales, as well as a 7.5% decrease in year-over-year segment salary expenses. These gains were mitigated by a 16.2% increase in depreciation and amortization expenses related to the start of depreciation of the HSPA network in 2009, as well as increased maintenance costs associated with the operation of the new HSPA network alongside the existing CDMA cellular network.

Pelephone posted second quarter 2009 EBITDA of NIS 472 million (35.1% EBITDA margin), an increase of 19.2% compared to NIS 396 million (33.3% EBITDA margin) for the second quarter of 2008.

Pelephone’s cash flow from operating activities in the second quarter of 2009 totaled NIS 290 million, a decline of 15.7% compared to NIS 344 million in the second quarter of 2008. This decline was due mainly to changes in working capital, primarily in accounts receivable.

In early July, 2009, Israeli credit rating agency S&P Maalot upwardly revised Pelephone's domestic corporate credit rating by two notches to ‘AA+’, with a Stable Outlook. The revision reflects S&P Maalot's assessment that Pelephone will continue to be of strategic value to Bezeq, will maintain a firm profitability level, and will generate significant cash flows in the future.

Press Release

Bezeq International Results

Bezeq International	Q2 2009	Q2 2008	Change	H1 2009	H1 2008	Change
	(NIS millions)			*(NIS millions)*		
Revenues	327	326	0.3%	651	640	1.8%
Operating profit	68	63	8.0%	128	117	8.9%
EBITDA	88	83	6.5%	168	158	6.6%
EBITDA margin	27.0%	25.4%		25.8%	24.6%	
Net profit	56	47	18.6%	100	89	12.8%
Cash flows from operating activities	83	51	62.4%	166	58	184.3%
Capex, net	26	31	-15.6%	47	58	-18.7%
Free cash flow	62	20	207.8%	124	0	n.m.

Bezeq International, Israel's leading provider of broadband ISP services, posted second quarter 2009 revenues of NIS 327 million, up 0.3% compared to NIS 326 million in the second quarter of 2008. Revenues benefited mainly from higher levels of sales activity in the Internet service provider (ISP) area due to a rise in the number of broadband customers, bandwidth upgrades and value-added services, as well as from increased hubbing activity. Conversely, there were revenue declines from outgoing call minutes traffic, as well as from sales of private exchanges (PBX), resulting in part from the macroeconomic environment. As Bezeq International maintained its leadership position in Internet services, it continues to invest in the development of enhanced business services, hosting and integration solutions as a platform to support future growth with a broader range of differentiated offerings.

Bezeq International generated a net profit of NIS 56 million in the second quarter of 2009, an increase of 18.6% compared to a net profit of NIS 47 million in the year ago period. The increase in profitability came as a result of the strength of the core ISP business as well as continued focus on cost control.

Bezeq International posted second quarter 2009 EBITDA of NIS 88 million for a record 27.0% EBITDA margin; EBITDA increased 6.5% compared to NIS 83 million (25.4% EBITDA margin) for the second quarter of 2008.

Bezeq International reported solid improvements in operating and free cash flow year-over-year, reaching NIS 83 million and NIS 62 million, respectively, mainly due to the positive impact of segment working capital changes.

yes Results

yes	Q2 2009	Q2 2008	Change	H1 2009	H1 2008	Change
	(NIS millions)			(NIS millions)		
Revenues	376	380	-1.0%	760	761	-0.2%
Operating profit	59	43	38.8%	125	69	80.2%
EBITDA	115	103	11.1%	237	195	21.8%
EBITDA margin	30.5%	27.2%		31.2%	25.6%	
Net profit	(95)	(99)	-4.2%	(96)	(165)	-41.6%
Cash flows from operating activities	93	32	188.5%	184	116	58.0%
Capex, net *	60	40	51.5%	121	119	2.0%
Free cash flow	33	(7)	n.m.	63	(2)	n.m.
Number of subscribers (end of period, in thousands)	562	551	2.0%	562	551	2.0%
Average revenue per user (ARPU, NIS)	224	230	-2.6%	226	231	-2.0%

* Including subscriber acquisition costs

yes, the multi-channel pay-TV segment, posted a solid performance in the second quarter of 2009, as reflected by double-digit, year-over-year growth in operating profit (+38.8%) and EBITDA (+11.1%).

yes' revenue declined a modest 1.0% year-over-year to NIS 376 million, due to the termination of an Internet access distribution agreement with Bezeq Fixed-Line. When excluding revenues generated by this agreement, yes' pay-TV revenues increased 3%, driven by growth of advanced services as well as from an increase in the number of subscribers.

Second quarter 2009 ARPU experienced a 2.6% year-over-year decline to NIS 224. If revenues associated with the terminated Internet agreement were excluded, year-over-year yes segment ARPU would have increased slightly.

yes segment operating profit reached NIS 59 million, up 38.8% year-over-year, for a 15.7% operating margin as compared to 11.2% in the prior year period.

Net loss declined to NIS 95 million, versus a net loss of NIS 99 million in the year ago period. Excluding the impact of financing costs to shareholders, yes generated a net loss of NIS 5 million as compared to a net loss of NIS 15 million in the year ago period.

yes posted EBITDA of NIS 115 million (30.5% EBITDA margin) for the second quarter of 2009, an increase of 11.1% over EBITDA of NIS 103 million (27.2% EBITDA margin) for the year ago period.

Bezeq's yes multi-channel pay-TV segment launched its yes MaxHD television service during the second quarter of 2009, providing upgrade subscribers DVR services capable of simultaneously recording two shows in High Definition. yes ended the quarter with 13,000 yes MaxHD subscribers, and grew its total customer base by 2.0% year-over-year to 562,000 subscribers as of June 30, 2009, up 11,000 subscribers from the year ago period and up 2,000 subscribers sequentially.

Outlook

Based upon the Bezeq Group's financial performance for the first half of 2009, which was materially stronger than the corresponding period in 2008, and considering the improved visibility of the economic environment, the Bezeq Group is raising its outlook for 2009 and now anticipates achieving revenues, net profit, EBITDA and operating cash flows above those for the full-year 2008 results.

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

Press Release

Conference Call & Web Cast Information

Bezeq will conduct a conference call hosted by Mr. Shlomo Rodav, Bezeq Chairman and Mr. Alan Gelman, Bezeq Chief Financial Officer and Deputy CEO, today Wednesday, August 5, 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: + 972-3-918-0610
Israel Phone Number: 03-918-0610

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 Tuesday, August 11, 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

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2009	2008	2009	2008	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenue	**6,408**	6,186	**3,246**	3,086	12,407
Costs and expenses					
Depreciation and amortization	**857**	851	**433**	422	1,703
Salary	**1,091**	1,201	**534**	585	2,354
Operating and general expenses	**2,734**	2,683	**1,399**	1,313	5,437
Other operating expenses (income), net	**(16)**	(32)**	**4**	(48)**	96
	4,666	4,703	**2,370**	2,272	9,590
Operating income	**1,742**	1,483	**876**	814	2,817
Financing expenses					
Financing expenses	**294**	411**	**179**	245**	747
Financing income	**(102)**	(109)	**(24)**	(48)	(166)
Financing expenses, net	**192**	302	**155**	197	581
Profit after financing expenses	**1,550**	1,181	**721**	617	2,236
Share in profits of equity-accounted investees	**4**	2	**2**	1	5
Profit before income tax	**1,554**	1,183	**723**	618	2,241
Income tax	**443**	385	**221**	205	720
Profit for the period	**1,111**	798	**502**	413	1,521
Attributable to:					
Shareholders of the Company	**1,149**	867*	**541**	456*	1,627
Non-controlling interests	**(38)**	(69)*	**(39)**	(43)*	(106)
Profit for the period	**1,111**	798	**502**	413	1,521
Earnings per share					
Basic earnings per share (in NIS)	**0.44**	0.32	**0.21**	0.17	0.62
Diluted earnings per share (in NIS)	**0.43**	0.32	**0.20**	0.17	0.61

* Retrospective application by restatement

** Reclassified

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

	June 30, 2009	June 30, 2008	December 31, 2008
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	**765**	740	786
Investments, including derivatives	**120**	66	33
Trade receivables	**2,458**	2,497	2,373
Other receivables	**193**	233	211
Inventory	**192**	186	158
Current tax assets	**2**	16	-
Assets classified as held for sale	**64**	23	34
Total current assets	**3,794**	3,761	3,595
Investments, including derivatives	**156**	226	187
Trade receivables	**733**	574	576
Broadcasting rights, net of rights exercised	**317**	278	253
Property, plant and equipment	**6,023**	5,971	6,036
Intangible assets	**2,678**	2,668	2,674
Deferred and other expenses	**427**	394	411
Investments in equity-accounted investees	**31**	30	32
Deferred tax assets	**461**	608*	550*
Total non-current assets	**10,826**	10,749	10,719
Total assets	**14,620**	14,510	14,314

* Retrospective application by restatement

Press Release

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

	June 30, 2009	June 30, 2008	December 31, 2008
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Liabilities			
Debentures, loans and borrowings	**1,046**	1,094	1,780
Trade payables	**1,438**	1,450	1,381
Other payables, including derivatives	**769**	742	850
Current tax liabilities	**120**	75	45
Deferred income	**59**	32	62
Provisions	**368**	348	355
Employee benefits	**352**	457*	412*
Total current liabilities	**4,152**	4,198	4,885
Debentures	**3,382**	3,941	3,943
Bank loans	**1,321**	1,102	214
Loans from institutions	**168**	147	158 **
Loans provided by non-controlling interests in a subsidiary	**487**	413	449
Employee benefits	**270**	259	265
Deferred income and others	**17**	13	27**
Provisions	**66**	56	64
Deferred tax liabilities	**62**	74	65
Total non-current liabilities	**5,773**	6,005	5,185
Total liabilities	**9,925**	10,203	10,070
Equity			
Share capital	**6,172**	6,132	6,132
Share premium	**203**	-	-
Reserves	**631**	701	748
Deficit	**(1,808)**	(2,088)*	(2,165)*
Total equity attributable to owners of the Company	**5,198**	4,745	4,715
Non-controlling interests	**(503)**	(438)*	(471)
Total equity	**4,695**	4,307	4,244
Total equity and liabilities	**14,620**	14,510	14,314

* Retrospective application by restatement

** Reclassified

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

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2009	2008	2009	2008	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from operating activities					
Profit for the period	**1,111**	798	**502**	413	1,521
Adjustments:					
Depreciation	**702**	707	**356**	356	1,394
Amortization of intangible assets	**142**	124	**70**	56	289
Amortization of deferred and other expenses	**13**	20	**7**	10	20
Share in profits of equity-accounted investees	**(4)**	(2)	**(2)**	(1)	(5)
Financing costs, net	**172**	320	**95**	191	561
Capital gain, net	**(24)**	(19)	**(4)**	(18)	(68)
Share-based payment transactions	**28**	35	**13**	22	75
Income tax expenses	**443**	385	**221**	205	720
Proceeds (payment) in respect of disposal of derivative financial instruments, net	**16**	(14)	**7**	(4)	(38)
Change in:					
Inventory	**(39)**	15	**(6)**	52	42
Trade receivables	**(243)**	(132)	**(165)**	(28)	(10)
Other receivables	**(17)**	(14)	**34**	39	(44)
Other payables	**102**	4	**(95)**	(69)	15
Trade payables	**72**	(277)	**(44)**	(134)	(225)
Provisions	**11**	(46)	**4**	(42)	(34)
Broadcasting rights net of rights exercised	**(64)**	(35)	**(30)**	(7)	(11)
Employee benefits	**(55)**	(262)	**(5)**	(179)	(302)
Deferred and other income	**(48)**	(2)	**(2)**	(3)	50
Income tax paid	**(286)**	(228)	**(148)**	(100)	(535)
Net cash flows for operating activities	**2,032**	1,377*	**808**	759*	3,415
Cash flow from investment activities					
Investment in intangible assets and deferred expenses	**(156)**	(135)	**(93)**	(76)	(469)
Proceeds from sale of property, plant and equipment and deferred expenses	**62**	87	**11**	26	147
Change in current investments, net	**(94)**	314	**(100)**	257	321
Purchase of property, plant and equipment	**(756)**	(617)	**(348)**	(310)	(1,300)
Proceeds from realization of investments and long-term loans	**41**	11	**34**	5	19
Purchase of investments and long-term loans	**(3)**	(4)	**(2)**	(4)	(8)
Investment in an affiliate	**-**	(1)	**-**	-	-
Dividend received	**5**	2*	**5**	2*	13
Interest received	**13**	34*	**8**	15*	64
Net cash used for investment activities	**(888)**	(309)	**(485)**	(85)	(1,213)

* Reclassified

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

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2009	2008	2009	2008	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flow from financing activities					
Receipt of loans	**400**	-	**-**	-	-
Repayment of debentures	**(609)**	(627)	**(403)**	(398)	(714)
Repayment of loans	**(62)**	(81)	**(31)**	(41)	(148)
Short-term borrowing, net	**41**	68	**41**	56	(50)
Dividend paid	**(792)**	(679)	**(792)**	(679)	(1,514)
Interest paid	**(258)**	(235)	**(148)**	(179)	(243)
Payment for disposal of derivative financial instruments, net	**11**	29	**11**	25	52
Transfers by non-controlling interests less dividend distributed, net	**6**	4	**1**	4	8
Proceeds from exercise of employee options	**97**	-	**61**		
Net cash used for financing activities	**(1,166)**	(1,521)	**(1,260)**	(1,212)	(2,609)
Net decrease in cash and cash equivalents	**(22)**	(453)	**(937)**	(538)	(407)
Cash and cash equivalents at the beginning of the period	**786**	1,203	**1,702**	1,283	1,203
Effect of exchange rate fluctuations on cash balances	**1**	(10)	**-**	(5)	(10)
Cash and cash equivalents at the end of the period	**765**	740	**765**	740	786