Press Release

BEZEQ GROUP REPORTS FULL-YEAR 2009 FINANCIAL RESULTS [1]

Net profit attributable to shareholders for 2009 rose 121.5% to a record NIS 3.60 billion

Net profit attributable to shareholders from continuing operations for 2009 increased 21.1% to a record NIS 2.16 billion

EBITDA for 2009 increased 8.8% year-over-year to a record NIS 4.46 billion, for a consolidated EBITDA margin of 38.7%

Revenue for 2009 increased 4.6% year-over-year to a record NIS 11.52 billion

Tel Aviv, Israel – March 3, 2010 – Bezeq - The Israel Telecommunication Corp., Limited (TASE: BEZQ), Israel's leading telecommunications provider, announced today its financial results for the fourth quarter and full-year 2009, ended December 31, 2009. Details regarding today's investor conference call and web cast are included later in this press release.

Bezeq Group's Full-Year 2009 Financial Highlights:

- Record revenues of NIS 11.52 billion, up 4.6% compared to the prior year period.
- Record operating profit of NIS 2.97 billion, up 12.6% compared to the prior year period.
- Record net profit attributable to shareholders of NIS 3.60 billion, including a one-time gain of NIS 1.54 billion from the deconsolidation of yes, compared to NIS 1.63 billion a year ago.
- Record net profit attributable to shareholders from continuing operations totaled NIS 2.16 billion, up 21.1% versus the prior year period.
- Earnings per diluted share amounted to NIS 1.34, of which NIS 0.80 was from continuing operations, compared to NIS 0.61 per diluted shares for the prior year period.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled a record NIS 4.46 billion, up 8.8% compared to the prior year period; the EBITDA margin increased to 38.7% from 37.2% in 2008.
- Free cash flow totaled a record NIS 2.22 billion, up 30.6% year-over-year.[2]
- Fourth quarter and full-year 2009 results include a previously announced provision related to Bezeq Fixed-Line's early retirement program totaling NIS 267 million. Full-year 2008

[1] Unless otherwise stated, all consolidated profit and loss and cash flow figures in this press release are adjusted to reflect the deconsolidation of yes as of January 1st, 2008, except for the financial statement tables at the back of this press release.

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

results included a net provision for early retirement of NIS 165 million, of which NIS 174 million was recorded in the fourth quarter of 2008.

Dividend Announcement

The Company's Board of Directors today announced its recommendation to distribute a cash dividend to shareholders of NIS 2.453 billion, or approximately NIS 0.92 per share, which represents 100% of the net profit attributable to shareholders for the second half of 2009. The dividend, which is subject to shareholder approval, would be payable on May 3rd, 2010 to shareholders of record as of April 15th, 2010.

Segment Highlights:

- **Bezeq Fixed-Line**: The fixed-line segment generated a full-year EBITDA margin of 43.7% and continued to actively and successfully mitigate the decline in revenues from traditional telephony. Fixed-line revenues declined only 3.5% compared to 2008, or just 2.7% when adjusting for mobile interconnect fees. Full-year operating profit increased 3.3% for the year to NIS 1.52 billion as EBITDA was in line with the year ago period at NIS 2.32 billion, despite the increased provision for early retirement and a highly competitive market. Bezeq's broadband Internet subscriber base increased 3.0% in 2009 to 1.04 million subscribers as of December 31, 2009. Bezeq continued to upgrade its ADSL subscriber base, with 64% of its customers enjoying bandwidths of at least 2 megabits per second versus 48% a year ago. Broadband Internet average revenue per user (ARPU) increased 4.5% in 2009 to NIS 70. Bezeq continued the rollout of its advanced fiber optic, all IP-based NGN infrastructure, which as of year-end 2009 connected approximately 374,000 customers.

- **Pelephone**: Pelephone, the cellular operations segment, delivered outstanding results in 2009, driven by the launch of its new High-Speed GSM (HSPA) cellular network. Pelephone recorded full-year 2009 revenue of NIS 5.38 billion, up 14.1% versus a year ago. Robust top-line growth translated into healthy double-digit gains across all profitability metrics including operating profit, net profit and EBITDA. Active subscribers totaled approximately 2.77 million as of December 31, 2009, an increase of 4.4% year-over-year, including an Israeli industry high 1.53 million 3G subscribers, an increase of 33.0% year-over-year. Pelephone's HSPA subscribers totaled approximately 676,000 as of the end of 2009, representing over 24% of its total subscriber base. As of today, the HSPA subscriber base totals approximately 800,000. Segment ARPU increased 4.8% in 2009 as HSPA subscribers registered higher revenues from data, content, VAS and roaming.

- **Bezeq International**: Bezeq International, Israel's leading supplier of broadband ISP services, generated full-year 2009 revenues of NIS 1.32 billion, up 0.9% versus the year ago. Full-year 2009 operating profit, net profit and EBITDA all registered solid year-over-year growth, while the EBITDA margin improved to 26.2%. Key segment cash flow metrics registered impressive gains, with operating cash flow rising 95.7% to NIS 320 million and free cash flow rising 268.8% to NIS 205 million. The launch of Bezeq International's new "PRIVATE NGN" offering and voice-over-broadband (VOB) services in 2009 are aimed at enhancing the customer experience as well as driving new sources of revenue growth.

- **yes**[3]: Effective August 21, 2009, the yes multi-channel pay-TV segment's financial results are no longer consolidated in the Bezeq group-level financial statements. yes' revenues for the full-year increased 1.2% year-over-year to NIS 1.53 billion as subscribers increased 2.0% year-over-year to 571,000. Full-year 2009 operating profit increased 40.1% year-over-year to NIS 248 million with a corresponding 13.0% rise in EBITDA to NIS 482 million (31.5% EBITDA margin). Segment operating cash flow increased 18.1% to NIS 410 million for the full-year 2009 as free cash flow surged 36.2% to NIS 149 million versus the year ago period. Yesterday yes launched a new video-on-demand (VOD) service to customers, providing another important value-added offering for the business.

Shlomo Rodav, Chairman of the Board of Bezeq, stated, "In 2009 the entire Bezeq team executed successfully on its major strategic goals. The strong performance was driven by the deployment of leading edge communications infrastructures as well as advanced services in our Pelephone and Bezeq Fixed-Line segments, combined with a focused approach toward ongoing cost efficiency measures. Our full-year revenue growth was led by our Pelephone cellular segment which, driven by the successful launch of our HSPA network, delivered double-digit revenue growth.

"Bezeq Fixed-Line continues to successfully deploy its new, all IP-based fiber optic NGN infrastructure (FTTC), and remains on track to expand NGN coverage to 50% of Israeli households by year-end 2010 and reach 80% of households by 2012. Our strategy focuses on positioning Bezeq at the heart of the customer's total communications experience by leveraging the NGN platform to provide high-speed Internet infrastructure, wireless home networks, as well as value-added services. Today, over 500,000 customers are connected to Bezeq wireless home networks, leading to 70% of all wireless networks in Israel operated by Bezeq. This and other strategic initiatives are helping Bezeq successfully mitigate the erosion of traditional fixed-line telephony revenues. Overall, Bezeq is strengthening its position as the leading communications provider in Israel by delivering customers new services, improved technology and higher quality," concluded Mr. Rodav.

Alan Gelman, Chief Financial Officer and Deputy CEO of Bezeq, commented, "2009 marked an exceptional year for Bezeq's shareholders. Free cash flow set a new record, growing 31% year-over-year and in accordance with our stated dividend policy of distributing cash dividends amounting to 100% of the net profit attributable to shareholders of the Company on a semi-annual basis, we distributed cash dividends totaling NIS 1.94 billion, or NIS 0.73 per share, for an effective dividend yield of 11.8% in 2009.[4] Building on this impressive track record for shareholder remuneration, we announced today a dividend to shareholders totaling NIS 2.45 billion, or approximately NIS 0.92 per share.

"As we look out to 2010, we see opportunities to build on our impressive 2009 performance in terms of growth and profitability, as we increasingly leverage the value of our NGN and HSPA networks and deliver our customers a more compelling value proposition, as well as continue to drive further operating efficiencies across the organization," concluded Mr. Gelman.

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[3] Following the deconsolidation of yes from the Bezeq Group financial results as of August 21st, 2009, and pursuant to accepted IFRS accounting practices, the Consolidated Statements of Income for the fourth quarter and the full-year 2009 do not consolidate yes' financial results. yes' results from January 1st through August 20th, 2009, are accounted for as results from discontinued operations. The Consolidated Statements of Income for the 2008 comparative periods have been re-presented to reflect the deconsolidation of yes. However, the Consolidated Balance Sheet, Changes in Equity and Cash Flows Statements for the 2008 comparative periods have not been re-presented.

[4] Based on the closing share price as of December 31st, 2008.

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Bezeq Group (Consolidated) Results

Bezeq Group (Consolidated) *	Q4 2009	Q4 2008	Change	2009	2008	Change
	(NIS millions)			(NIS millions)		
Revenues	2,932	2,701	8.6%	11,519	11,015	4.6%
Operating profit	480	452	6.2%	2,972	2,640	12.6%
EBITDA	856	816	4.9%	4,457	4,098	8.8%
EBITDA margin	29.2%	30.2%		38.7%	37.2%	
Net profit attributable to shareholders of the company	366	298	22.8%	3,603	1,627	121.5%
Diluted EPS (NIS)	0.12	0.12	0.0%	1.34	0.61	119.7%
Cash flow from operating activities	786	693	13.5%	3,655	3,068	19.1%
Capex, net	352	313	12.5%	1,445	1,384	4.4%
Free cash flow	435	380	14.3%	2,216	1,697	30.6%
Net debt/EBITDA (end of period) **				0.76	0.86	
Net debt/shareholders' equity (end of period)				0.52	0.75	

* As of August 21st, 2009, the Company ceased consolidating yes' financial statements and started accounting for its investment in yes according to the equity method. In this table all figures reflect the de-consolidation of yes as of January 1st, 2008.

** EBITDA in this calculation refers to the trailing twelve months

The Bezeq Group's revenues for the full-year 2009 were a record NIS 11.52 billion, up 4.6% from NIS 11.02 billion reported for the full-year 2008. Revenue growth was driven by a 14.1% full-year increase in the Company's Pelephone cellular business and a modest 0.9% rise in the Bezeq International business, partially offset by a decline in the domestic fixed-line communications segment of 3.5%. Within the fixed-line segment, continued growth in high-speed Internet, data communications and transmission supported by the roll-out of Bezeq's NGN infrastructure mitigated the decline in revenue associated with fixed-line telephony. Bezeq Group revenues for the fourth quarter of 2009 were NIS 2.93 billion, up an impressive 8.6% from NIS 2.70 billion for the year ago period, highlighting the fourth consecutive quarter of sequential revenue growth. Quarterly revenue growth was also driven by double-digit year-over-year growth of the Pelephone cellular segment which rose 22.4% versus the year ago, more than offsetting the 2.4% and 1.0% declines in Bezeq Fixed-Line's and Bezeq International's revenues, respectively, versus the fourth quarter of 2008.

Operating profit for the Company increased 12.6% for the full-year 2009 to a record NIS 2.97 billion, up from NIS 2.64 billion in 2008. Fourth quarter 2009 operating profit increased 6.2% to NIS 480 million, up from NIS 452 million in the fourth quarter of 2008. Full-year and fourth quarter improvements in operating profit were driven primarily by higher total revenues and the positive impact of ongoing cost reduction initiatives.

Net profit attributable to Bezeq shareholders for the full-year 2009 increased 121.5% year-over-year to NIS 3.60 billion, including a one-time gain of NIS 1.54 billion following the deconsolidation of yes recorded in the third quarter of 2009. Excluding this one-time gain, full-year 2009 net profit attributable to shareholders from continuing operations increased 21.1% year-over-year to NIS 2.16 billion. Net profit attributable to Bezeq shareholders for the fourth quarter of 2009 increased 22.8% year-over-year to NIS 366 million compared to NIS 298 million in the fourth quarter of 2008.

The Company's EBITDA for the full-year 2009 totaled a record NIS 4.46 billion (38.7% EBITDA margin), up 8.8% as compared to NIS 4.10 billion (37.2% EBITDA margin) for the full-year 2008.

EBITDA for the fourth quarter of 2009 totaled NIS 856 million (29.2% EBITDA margin), up 4.9% as compared to EBITDA of NIS 816 million (30.2% EBITDA margin) in the fourth quarter of 2008.

Fourth quarter 2009 operating profit, net profit attributable to shareholders and EBITDA were all impacted by a higher provision for Bezeq Fixed-Line's early retirement program, which totaled NIS 267 million in 2009 versus a net provision of NIS 165 million in the year ago period, of which NIS 174 million was recorded in the fourth quarter of 2008.

Cash flow from operating activities increased 19.1% in 2009 to NIS 3.66 billion, as compared to NIS 3.07 billion in 2008. This increase resulted from substantial operating cash flow improvements at Bezeq Fixed-Line and Bezeq International, partially offset by a 12.7% decline at Pelephone. The decline at Pelephone was mainly due to working capital changes as a result of higher year-end account receivables and inventory levels, as it added subscribers to its new HSPA network, as well as increased income tax payments resulting from it using up its net tax loss carry-forwards. Fourth quarter 2009 operating cash flow increased to NIS 786 million, up 13.5% as compared to the fourth quarter of 2008.

Cash paid for net capital expenditures in 2009 amounted to NIS 1.45 billion, an increase of 4.4% as compared to 2008. Cash paid for net capital expenditures in the fourth quarter of 2009 amounted to NIS 352 million, an increase of 12.5% as compared to the fourth quarter of 2008, stemming primarily from higher payments related to the deployment of the NGN infrastructure by Bezeq, which was partially offset by substantially lower outlays made by Pelephone following the successful deployment of its HSPA cellular infrastructure, which was ramping up in 2008.

Free cash flow for the Company totaled a record NIS 2.22 billion for the full-year 2009, an increase of 30.6% compared to the prior year, primarily as a result of significantly higher cash flows from operations. Fourth quarter 2009 free cash flow increased to NIS 435 million, up 14.3% as compared to the fourth quarter of 2008.

As of December 31, 2009, the Company's consolidated financial debt was NIS 4.14 billion, compared with NIS 4.36 billion as of December 31, 2008 (excluding yes' debt to financial institutions). The decrease in the financial debt was primarily related to the repayment of debentures and loans by Bezeq Fixed-Line and Pelephone, offset by new loans taken by Bezeq.

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Bezeq Fixed-Line Results

Bezeq Fixed-Line	Q4 2009	Q4 2008*	Change	2009	2008*	Change
	(NIS millions)			(NIS millions)		
Revenues	1,316	1,348	-2.4%	5,303	5,498	-3.5%
Operating profit	161	232	-30.6%	1,523	1,475	3.3%
EBITDA	355	441	-19.5%	2,317	2,327	-0.4%
EBITDA margin	27.0%	32.7%		43.7%	42.3%	
Cash flows from operating activities				2,219	1,691	31.2%
Capex, net	212	123	72.4%	767	472	62.5%
Free cash flow **				2,030	1,521	33.5%
Number of active subscriber lines (end of period, in thousands)	2,489	2,615	-4.8%	2,489	2,615	-4.8%
Average monthly revenue per line (NIS) ***	82	82	0.0%	82	83	-1.2%
Number of outgoing usage minutes (millions)	2,964	3,154	-6.0%	12,196	13,439	-9.2%
Number of incoming usage minutes (millions)	1,674	1,648	1.6%	6,718	6,691	0.4%
Number of ADSL subscribers (end of period, in thousands)	1,035	1,005	3.0%	1,035	1,005	3.0%
Average monthly revenue per ADSL subscriber (NIS)	72	67	7.5%	70	67	4.5%

* In 2008, NIS 25 million related to a provision for early-retirement, which was recorded as other operating expenses (income), were reclassified to financing expenses and allocated to their respective quarters.

** Free cash flow is defined as cash flows from operating activities, plus dividend received, minus net capex payments.

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

In 2009, Bezeq Fixed-Line launched the rollout of its ultra-fast IP-based fiber optic NGN infrastructure. The NGN enhances Bezeq's technological preparedness to compete in an increasingly converged communications market, and reaffirms Bezeq's position as Israel's leading provider of innovative communications offerings. Beyond providing a superior customer experience, the NGN provides an important platform upon which Bezeq can develop and deploy new value-added services, increase operating efficiencies and improve future segment profitability.

As of the end of 2009, Bezeq Fixed-Line had already connected approximately 374,000 customers to the new network. Bezeq's goal is to expand NGN coverage to 50% of Israeli households by year-end 2010 and reach about 80% of households by 2012.

Despite 2009 market share declines of 6 percentage points in the consumer segment (from 81.7% to 75.7%) and 4.1 percentage points in the business segment (from 88.0% to 83.9%),[5] Bezeq Fixed-Line continued to mitigate the year-over-year decline in revenues to only 3.5% for the full-year, and 2.4% for the fourth quarter of 2009, outperforming the market share loss over the same periods. Moreover, when adjusting for mobile interconnect fees, the revenue decline was limited to only 2.7% and 2.2% for the full-year and fourth quarter periods, respectively. Full-year and fourth quarter 2009 results benefited from solid revenue growth associated with high-speed Internet (ADSL) services as well as higher revenues from data communications and transmission services, which combined to partially offset the decrease in voice revenues resulting from fewer lines, lower call traffic, and lower interconnect fees.

[5] According to the Ministry of Communications.

As previously announced, the Company's Board of Directors approved a plan for the early retirement of approximately 171 Bezeq Fixed-Line employees in 2010, as well as an additional cost allocation towards the completion of the 2009 early retirement plan, at a total cost of NIS 267 million, which was recognized as a provision in the Company's fourth quarter 2009 financial statements. This planned reduction in Bezeq Fixed-Line's workforce falls under the second phase of the Company's December 2006 labor agreement and compares to a net provision for early retirement of NIS 165 million in 2008, of which NIS 174 million was recorded in the fourth quarter. Full-year 2009 and fourth quarter 2009 financial results of Bezeq Fixed-Line also include capital gains from real estate disposals in the amounts of NIS 64 million and NIS 15 million, respectively.

Bezeq Fixed-Line's operating profit for the full-year 2009 increased 3.3% to NIS 1.52 billion, up from NIS 1.48 billion in 2008. Operating and general expenses for the year declined by 9.8%, driven by a decline in interconnect expenses transferred to cellular operators and the continued implementation of efficiency measures. The 9.0% decline in salary expenses includes the attribution of certain salary expenses to capital investments, including the deployment of the NGN. Fourth quarter 2009 operating profit declined 30.6% to NIS 161 million compared to the fourth quarter of 2008, primarily as a result of the impact of the larger provision for the Company's early retirement program in the 2009 period as compared to the 2008 fourth quarter provision.

The ongoing successful implementation of cost efficiency measures across the fixed-line segment resulted in full-year 2009 EBITDA of NIS 2.32 billion, for a 43.7% EBITDA margin, similar to the 2008 EBITDA level and an improvement over the 2008 42.3% EBITDA margin. This result was achieved in spite of the increase in provisions for early retirement in 2009. When adjusting EBITDA for the early retirement provisions, Bezeq Fixed-Line improved its EBITDA by 3.7% year-over-year.

The number of customers subscribing to Bezeq's ADSL Internet service increased 3.0% for the fourth quarter and full-year periods to approximately 1.04 million subscribers as of December 31, 2009, reaffirming Bezeq Fixed-Line as the leader in broadband access services in Israel. Bezeq continued to upgrade its ADSL subscriber base, with 64% of its customers enjoying bandwidths of at least 2 megabits per second, as compared to 48% a year ago.

ADSL average revenue per user (ARPU) for the full-year 2009 increased 4.5% over the prior year period to NIS 70, primarily due to bandwidth upgrades and sales of value-added services and home networks. Fixed-line telephony average revenue per line (ARPL) for the full-year 2009 declined a modest 1.2% to NIS 82 versus the prior year period, primarily as a result of a decrease in interconnect fees to the cellular networks and increased competition.

Bezeq Fixed-Line posted significant improvements in cash flow generation in 2009, increasing operating cash flows by 31.2% to NIS 2.22 billion.

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Pelephone Results

Pelephone	Q4 2009	Q4 2008	Change	2009	2008	Change
	(NIS millions)			*(NIS millions)*		
Revenues	1,393	1,138	22.4%	5,376	4,713	14.1%
Operating profit	251	159	57.9%	1,190	933	27.5%
EBITDA	410	294	39.5%	1,794	1,456	23.2%
EBITDA margin	29.4%	25.8%		33.4%	30.9%	
Net profit	181	128	41.4%	875	682	28.3%
Cash flows from operating activities	55	298	-81.5%	1,115	1,277	-12.7%
Capex, net	101	162	-37.7%	555	795	-30.2%
Free cash flow	-46	136	n.m.	560	482	16.2%
Number of subscribers (end of period, in millions)	2.766	2.649	4.4%	2.766	2.649	4.4%
Average revenue per user (ARPU, NIS)	132	122	8.2%	132	126	4.8%
Average monthly minutes of use per subscriber (MOU)	339	335	1.2%	333	352	-5.4%

Pelephone, Bezeq's cellular segment, had a strong 2009 benefiting from the success of its High-Speed GSM (HSPA) network, which was launched in February, 2009. The continuing migration of Pelephone's customer base from CDMA to HSPA is driving higher levels of segment revenues as well as a material increase in ARPU. Pelephone recorded double-digit improvements in all full-year and quarterly segment profitability measures, even as the segment incurred increased costs associated with the transition to the new network and operating dual networks.

Pelephone's active subscribers totaled approximately 2.77 million as of December 31, 2009, an increase of 4.4% in the fourth quarter and full-year 2009 periods. 3G subscribers totaled 1.53 million subscribers as of year-end, an increase of 33.0% year-over-year. The new HSPA network, which is central to Pelephone's commitment to access higher value segments of the mobile communications market, had approximately 676,000 subscribers as of year-end 2009, accounting for over 24% of Pelephone's total subscriber base. As of today, the HSPA subscriber base has further increased to approximately 800,000.

Revenues for the full-year 2009 increased 14.1% to NIS 5.38 billion as compared to the year ago period. Fourth quarter 2009 revenues increased 22.4% to NIS 1.39 billion versus the year ago quarter. Revenues were driven primarily by the successful continuing migration of the customer base from CDMA to HSPA, which resulted in increased revenues from handset sales as well as from data, content, value-added services and roaming, which contributed to ARPU growth. Revenues from data, content and value-added services constituted a record 20.8% of Pelephone's revenues from cellular services for the fourth quarter of 2009, compared to 18.4% for the fourth quarter a year ago.

Pelephone's ARPU for the full-year 2009 increased 4.8% to NIS 132, while Pelephone ARPU for the fourth quarter of 2009 increased 8.2% to NIS 132 versus the fourth quarter of 2008. The full-year and quarterly improvements in ARPU were primarily related to the rise in data, content, value-added services and roaming revenues on the new HSPA network. Average minutes of use (MOU) for the full-year 2009 declined 5.4% to 333 minutes, though the quarterly MOU numbers trended higher throughout 2009. Fourth quarter 2009 MOU was 339 minutes, up 1.2% from the fourth quarter of 2008 and in line sequentially. 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 for the full-year 2009 increased 28.3% year-over-year to NIS 875 million. Net profit benefited mainly from higher revenues, improved margins on handset sales and increased levels of data, content and value-added services. These gains were mitigated by a 15.3% increase in depreciation and amortization expenses related to the depreciation of the HSPA network, which began in 2009, as well as increased costs associated with the operation and marketing of the new HSPA network alongside the existing CDMA cellular network. Fourth quarter 2009 net profit increased 41.4% to NIS 181 million as compared to the fourth quarter of 2008.

Pelephone generated record full-year 2009 EBITDA of NIS 1.79 billion (33.4% EBITDA margin), an increase of 23.2% as compared to 2008 (30.9% EBITDA margin). Fourth quarter 2009 EBITDA was NIS 410 million (29.4% EBITDA margin), an increase of 39.5% compared to the fourth quarter of 2008 (25.8% EBITDA margin). The sequential decline in quarterly EBITDA primarily reflects the impact of lower margins on handset sales, as well as seasonally lower revenues from cellular services and higher marketing expenses.

Pelephone's cash flow from operating activities for the full-year 2009 totaled NIS 1.12 billion, a decline of 12.7% compared to the full-year 2008, primarily related to the increase in account receivables, inventory and income tax payments resulting from it using up its net tax loss carry-forwards. Free cash flow for the full-year 2009 increased 16.2% to NIS 560 million compared to the full-year 2008, as capital expenditure outlays were substantially lower as compared to the prior year following the successful deployment of the HSPA cellular infrastructure early in 2009.

Bezeq International Results

Bezeq International	Q4 2009	Q4 2008	Change	2009	2008	Change
	(NIS millions)			*(NIS millions)*		
Revenues	334	337	-1.0%	1,318	1,306	0.9%
Operating profit	67	65	2.4%	261	242	8.0%
EBITDA	89	85	5.1%	345	322	7.3%
EBITDA margin	26.7%	25.2%		26.2%	24.6%	
Net profit	49	46	7.9%	200	178	12.1%
Cash flows from operating activities	72	73	-1.4%	320	163	95.7%
Capex, net	39	26	48.0%	120	118	1.6%
Free cash flow *	33	47	-29.4%	205	56	268.8%

* Free cash flow is defined as cash flows from operating activities, plus dividend received, minus net capex payments.

Bezeq International, Israel's leading provider of broadband ISP services, generated full-year 2009 revenues of NIS 1.32 billion, up 0.9% from the full-year 2008. The increase in full-year revenues was related primarily to higher sales of Internet services, including an increase in the number of broadband subscribers, an increase in call routing between international operators (hubbing), offset by a decline in revenue from outgoing calls due to decreasing traffic in the market. Fourth quarter 2009 revenues declined 1.0% to NIS 334 million, compared to the fourth quarter of 2008.

Bezeq International generated a net profit for the full-year 2009 of NIS 200 million, up 12.1% as compared to the full-year 2008. Fourth quarter 2009 net profit totaled NIS 49 million, an increase of

7.9% compared to the fourth quarter of 2008. The increase in profitability came as a result of the strength of the core ISP business as well as a continued focus on cost control.

Bezeq International generated full-year 2009 EBITDA of NIS 345 million (26.2% EBITDA margin), an increase of 7.3% compared to NIS 322 million (24.6% EBITDA margin) for the full-year 2008. Fourth quarter 2009 EBITDA totaled NIS 89 million (26.7% EBITDA margin), an increase of 5.1% compared to NIS 85 million (25.2% EBITDA margin) for the fourth quarter of 2008.

Bezeq International turned in solid improvements in its full-year 2009 key cash flow metrics. Full-year 2009 operating cash flow increased 95.7% to NIS 320 million versus the full-year 2008, mainly due to the successful implementation of working capital improvements. As a result, full-year 2009 free cash flow increased 268.8% to NIS 205 million versus the full-year 2008.

yes Results

yes	Q4 2009	Q4 2008	Change	2009	2008	Change
	(NIS millions)			*(NIS millions)*		
Revenues	390	376	3.7%	1,530	1,513	1.2%
Operating profit	63	55	13.0%	248	177	40.1%
EBITDA	126	121	3.8%	482	427	13.0%
EBITDA margin	32.2%	32.2%		31.5%	28.2%	
Net loss	(38)	(17)	115.2%	(222)	(265)	-16.0%
Cash flows from operating activities	91	133	-32.0%	410	347	18.1%
Capex, net *	52	63	-16.4%	261	238	9.7%
Free cash flow	38	71	-45.9%	149	109	36.2%
Number of subscribers (end of period, in thousands)	571	560	2.0%	571	560	2.0%
Average revenue per user (ARPU, NIS)	229	225	1.8%	226	228	-0.9%

* Including subscriber acquisition costs

As previously announced, the yes multi-channel pay-TV business ceased to be consolidated into the Bezeq Group's financial statements as of August 21, 2009. As a result, and pursuant to accepted IFRS accounting practices, the Bezeq Group accounts for its investment in yes using the equity method at the fair value of its investment in yes from that date.

yes posted solid results in 2009, as full-year revenue increased 1.2% to NIS 1.53 billion compared to the full-year 2008, as yes increased its overall market share in the multi-channel television sector. The rise in revenue was primarily due to increased sales of advanced services such as yesMAX and MaxHD, premium channels as well as an increase in the number of total subscribers. Revenues for the fourth quarter of 2009 increased 3.7% to NIS 390 million compared to the fourth quarter of 2008.

Total yes subscribers increased 2.0% year-over-year to 571,000 subscribers as of December 31, 2009, up 11,000 subscribers from the year ago period and up 4,000 subscribers in the most recently completed quarter. Yesterday yes launched a new video-on-demand (VOD) service to customers, providing an important value-added offering for the business. Full-year 2009 segment ARPU experienced a 0.9% year-over-year decline to NIS 226, primarily due to the termination of an Internet access distribution agreement with Bezeq Fixed-Line. If revenues associated with the terminated Internet agreement were excluded, ARPU would have increased 1.6% year-over-year.

yes' full-year 2009 operating profit totaled NIS 248 million, up 40.1% as compared to the full-year 2008, for an operating margin of 16.2% as compared to 11.7% in 2008. Fourth quarter 2009 operating profit increased 13.0% to NIS 63 million as compared to the fourth quarter of 2008.

yes net loss for the year 2009 declined 16.0% year-over-year to NIS 222 million. Excluding the impact of financing costs to shareholders, yes generated an annual net profit of NIS 80 million in 2009, as compared to break-even in 2008. Fourth quarter 2009 net loss increased to NIS 38 million from NIS 17 million in the fourth quarter of 2008.

yes generated full-year 2009 EBITDA of NIS 482 million (31.5% EBITDA margin), up 13.0% as compared to full-year 2008 EBITDA of NIS 427 million (28.2% EBITDA margin). Fourth quarter 2009 EBITDA rose 3.8% to NIS 126 million (32.2% EBITDA margin), compared to EBITDA of NIS 121 million (32.2% EBITDA margin) for the fourth quarter of 2008.

Segment cash flow metrics for the yes segment delivered a strong performance in 2009 with operating cash flows rising 18.1% to NIS 410 million versus the year ago period and free cash flow rising 36.2% to NIS 149 million as compared with 2008.

2010 Outlook

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. This forecast 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 and will mainly reflect continuing investment in Bezeq's Next Generation Network (NGN), expanding its coverage to reach approximately 50% of Israeli households by the end of 2010, and slightly lower capital expenditures at Pelephone, which successfully completed and launched its High-Speed GSM (HSPA) network in early 2009.

The aforementioned guidance for the full-year 2010 is based on the anticipated Bezeq Group consolidated financial performance, which following the deconsolidation of yes financials as of August 21st, 2009, excludes the financial contribution of yes from both the 2009 and 2010 full-year periods.

Other Developments

On October 25, 2009 the Company was notified that its controlling shareholder, Ap.Sb.Ar. Holdings Ltd., entered into an agreement with 012 Smile Communications Ltd., for the sale of all of its ordinary shares of the Company, which comprised approximately 30.6% of the issued and paid up share capital of the Company on that date. The completion of the transaction is subject to certain conditions mainly relating to the receipt of regulatory approvals, no later than April 25, 2010.

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, on Wednesday, March 3, 2010, 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 Tuesday, March 9, 2010. Participants are invited to listen to the conference call replay by dialing:

International Phone Number:+ 972-3-925-5921
Israel Phone Number: 03-925-5921

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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Press Release

"Bezeq" The Israel Telecommunication Corp., Limited
Condensed Consolidated Income Statements as of December 31

	2009 NIS millions	2008* NIS millions	2007* NIS millions
Continuing operations			
Revenue	**11,519**	11,015	11,136
Costs and expenses			
Depreciation and amortization	**1,485**	1,458	1,509
Salaries	**1,990**	2,161	2,192
General and operating expenses	**4,871**	4,660	5,075
Other operating expenses - net	**201**	96	39
	8,547	8,375	8,815
Operating profit	**2,972**	2,640	2,321
Finance income (expenses)			
Finance expenses	**(398)**	(494)	(616)
Finance income	**429**	354	434
Finance income (expenses), net	**31**	(140)	(182)
Profit after finance income (expenses), net	**3,003**	2,500	2,139
Share in profits (losses) of equity-accounted investees	**(34)**	5	6
Profit before income tax	**2,969**	2,505	2,145
Income tax	**807**	719	666
Profit for the year from continuing operations	**2,162**	1,786	1,479
Discontinued operations			
Profit (loss) for the year from discontinued operations	**1,379**	(265)	(118)
Profit for the year	**3,541**	1,521	1,361
Attributable to:			
Shareholders of the Company			
Profit for the year from continuing operations	**2,157**	1,781	1,398
Profit (loss) for the year from discontinued operations	**1,446**	(154)	(68)
	3,603	1,627	1,330
Non-controlling interests			
Profit from continuing operations	**5**	5	81
Loss from discontinued operations	**(67)**	(111)	(50)
	(62)	(106)	31
Profit for the year	**3,541**	1,521	1,361

* Restated due to discontinued operations

"Bezeq" The Israel Telecommunication Corp., Limited
Condensed Consolidated Income Statements as of December 31 (Continued)

	2009 NIS millions	2008* NIS millions	2007* NIS millions
Earnings per share			
Basic earnings per share (in NIS)			
Profit from continuing operations	**0.82**	0.68	0.54
Profit (loss) from discontinued operations	**0.55**	(0.06)	(0.03)
	1.37	0.62	0.51
Diluted earnings per share (in NIS)			
Profit from continuing operations	**0.80**	0.68	0.53
Profit (loss) from discontinued operations	**0.54**	(0.07)	(0.03)
	1.34	0.61	0.50

* Restated due to discontinued operations

Press Release

"Bezeq" The Israel Telecommunication Corp., Limited
Consolidated Balance Sheets as of December 31

	2009 NIS millions	2008 NIS millions	2007 NIS millions
Assets			
Cash and cash equivalents	**580**	786	1,203
Investments, including derivatives	**154**	33	389
Trade receivables	**2,491**	2,373	2,403
Other receivables	**171**	211	247
Inventory	**263**	158	203
Current tax assets	**-**	-	11
Assets held for sale	**40**	34	17
Total current assets	**3,699**	3,595	4,473
Investments, including derivatives	**130**	187	233
Trade & other receivables	**887**	576	535
Broadcasting rights, net of rights exercised	**-**	253	243
Property, plant and equipment	**5,303**	6,036	6,064
Intangible assets	**1,885**	2,674	2,526
Deferred and other expenses	**426**	411	367
Investments in equity-accounted investees (mainly loans)	**1,219**	32	37
Deferred tax assets	**392**	*550	*681
Total non-current assets	**10,242**	10,719	10,686
Total assets	**13,941**	14,314	15,159

Press Release

"Bezeq" The Israel Telecommunication Corp., Limited
Consolidated Balance Sheets as of December 31 (continued)

	2009	2008	2007
	NIS millions	NIS millions	NIS millions
Liabilities			
Debentures, loans and borrowings	**862**	1,780	1,913
Trade payables	**1,091**	1,381	1,533
Other payables	**697**	850	745
Current tax liabilities	**118**	45	57
Deferred income	**36**	62	47
Provisions	**380**	355	392
Employee benefits	**505**	*412	*716
Total current liabilities	**3,689**	4,885	5,403
Debentures	**2,716**	3,943	4,420
Bank loans	**558**	214	307
Loans from institutions	**-**	**158	**136
Loans provided by non-controlling interest in a subsidiary	**-**	449	375
Employee benefits	**294**	265	261
Deferred income and others	**5**	**27	**36
Provisions	**71**	64	57
Deferred tax liabilities	**70**	65	-
Total non-current liabilities	**3,714**	5,185	5,592
Total liabilities	**7,403**	10,070	10,995
Total equity attributable to shareholders of the Company	**6,544**	4,715	4,537
Non-controlling interests	**(6)**	(471)	(373)
Total shareholders' equity	**6,538**	4,244	4,164
Total liabilities and shareholders' equity	**13,941**	14,314	15,159

* Retrospective application by restatement
** Reclassified

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Press Release

"Bezeq" The Israel Telecommunication Corp., Limited
Consolidated Statements of Cash Flows as of December 31

	2009	2008	2007
	NIS millions	NIS millions	NIS millions
Cash flows from operating activities			
Profit for the year	**3,541**	1,521	1,361
Adjustments:			
Depreciation	**1,337**	1,394	1,482
Amortization of intangible assets	**266**	289	270
Amortization of deferred and other expenses	**28**	20	17
Profit from deconsolidation of a subsidiary	**(1,538)**	-	-
Share in losses (profits) of equity-accounted investees	**34**	(5)	(6)
Finance expenses, net	**362**	561	373
Capital gain, net	**(64)**	(68)	(88)
Share-based payment transactions	**49**	75	-
Payments to a former senior officer	**-**	-	6
Income tax expenses	**807**	720	672
Proceeds (payment) for disposal of derivative financial instruments, net	**11**	(38)	(9)
Change in inventory	**(114)**	42	(6)
Change in trade receivables	**(584)**	(10)	(437)
Change in other receivables	**37**	(44)	4
Change in other payables	**55**	15	(18)
Change in trade payables	**192**	(225)	36
Change in provisions	**36**	(34)	105
Change in broadcasting rights	**(49)**	(11)	(74)
Change in employee benefits	**115**	(302)	(300)
Change in deferred and other income	**(41)**	50	(11)
Income tax paid, net	**(565)**	(535)	(430)
Net cash flows from operating activities	**3,915**	3,415	2,947
Cash flows for investment activities			
Investment in intangible assets and deferred expenses	**(349)**	(469)	(273)
Proceeds from the sale of property, plant and equipment and deferred expenses	**90**	147	177
Change in current investments, net	**(134)**	321	647
Purchase of property, plant and equipment	**(1,363)**	(1,300)	(973)
Proceeds from realization of investments and long-term loans	**93**	19	66
Purchase of investments and long-term loans	**(4)**	(8)	(8)
Dividend received	**6**	13	3
Interest received	**29**	64	116
Net cash used for investment activities	**(1,632)**	(1,213)	(245)

Press Release

"Bezeq" The Israel Telecommunication Corp., Limited
Consolidated Statements of Cash Flows as of December 31 (continued)

	2009	2008	2007
	NIS millions	NIS millions	NIS millions
Cash flows for financing activities			
Issuance of debentures	-	-	1,814
Loans from banks	400	-	50
Repayment of debentures	(682)	(714)	(1,927)
Repayment of loans	(109)	(148)	(840)
Short-term borrowing, net	48	(50)	(37)
Dividend paid	(1,941)	(1,514)	(2,860)
Interest paid	(354)	(243)	(389)
Receipt for derivatives, net	43	52	77
Dividend paid to non-controlling interest less net funds transferred	(24)	8	-
Proceeds from exercise of options to shares	129	-	-
Net cash used for financing activities	(2,490)	(2,609)	(4,112)
Net decrease in cash and cash equivalents	(207)	(407)	(1,410)
Cash and cash equivalents at January 1	786	1,203	2,632
Exchange rate fluctuations	1	(10)	(19)
Cash and cash equivalents at the end of the year	580	786	1,203