Press Release

BEZEQ GROUP REPORTS 2010 FINANCIAL RESULTS

Double digit growth in key profitability metrics

Shaul Elovitch "2010 marks another record performance for Bezeq with full year revenues reaching an all-time high"

- ***Revenues in 2010 increased 4.1% year-over-year to a record NIS 12.0 billion***
- ***Net profit attributable to shareholders in 2010 of NIS 2.4 billion***
- ***EBITDA in 2010 increased 15.6% year-over-year to NIS 5.2 billion, for a consolidated EBITDA margin of 43.0%***
- ***Free cash flow in 2010 totaled NIS 2.2 billion, in line with the year ago***

Tel Aviv, Israel – March 8, 2011 – Bezeq - The Israel Telecommunication Corp., Ltd. (TASE: BEZQ), Israel's leading telecommunications provider, announced today its financial results for the fourth quarter of 2010 and full year ended December 31, 2010. Details regarding the investor conference call and webcast to be held today are included later in this press release.[1]

Bezeq Group's full-year 2010 financial highlights (as compared to full year 2009):

- **Revenues**: NIS 12.0 billion, an increase of 4.1%.
- **Operating profit**: NIS 3.7 billion, an increase of 26.0%.
- **Net profit attributable to shareholders from continuing operations:** NIS 2.4 billion, up 13.3%.
- **Earnings per diluted share from continuing operations**: NIS 0.90, up 12.5%.
- **EBITDA**: NIS 5.2 billion, an increase of 15.6%.
- **EBITDA margin**: 43.0% of revenues, as compared to 38.7%.
- **Free cash flow**:[2] NIS 2.2 billion, a decline of 0.2%.
- **Net debt-to-EBITDA**: 1.04, as compared to 0.76.
- **Capex to sales:** 13.7%, as compared to 13.1%

[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 December 31, 2007, except for the consolidated balance sheet and statements of cash flow tables at the back of this press release.
[2] Free cash flow is defined as cash flows from operating activities less net capex payments.

Dividend Announcement

The Company's Board of Directors recommended a distribution of a cash dividend to shareholders of NIS 1.163 billion, or approximately NIS 0.43 per share, which represents 100% of the net profit attributable to shareholders for the second half of 2010. The dividend, which is subject to shareholder approval, would be payable on May 19, 2011 to shareholders of record as of May 4, 2011.

Management Review

Shaul Elovitch, Bezeq Chairman, stated, "I am delighted to head up an extremely talented management team and to be part of the Bezeq organization. 2010 marks another record performance for Bezeq with full year revenues reaching an all-time high, driving double-digit improvements in operating profit, net profit attributable to shareholders from continuing operations and EBITDA. Our success on these fronts is built on the development and deployment of strategic infrastructures to provide innovative communications, media and entertainment services. Our strategic focus reflects the convergence of the communications and media markets for the benefit of consumer and business customers alike."

"We are pleased with our broad based financial and operational achievements in 2010. Going forward, new and pending regulation, additional competition in our already highly competitive market segments and continuing changes in technology and consumer behavior will be our major challenges. Critical to addressing these challenges is our ability to meet the changing needs of our customers. This is reflected in our focus on identifying strategic technological avenues to support further growth such as enhancing our broadband and media service offerings, investing in advanced network infrastructures and the introduction of advanced customer equipment," concluded Mr. Elovitch.

Alan Gelman, Chief Financial Officer and Deputy CEO of Bezeq, commented, "Based on the strength of our core business, robust balance sheet and solid cash flows, our Board of Directors and shareholders have approved a capital distribution to shareholders totaling NIS 3 billion to be paid in six equal, semi-annual payments during 2011 to 2013. The proposed capital reduction plan, which is subject to court approval, is in addition to our regular dividend policy of distributing 100% of the net profit attributable to shareholders on a semi-annual basis. In line with this policy, in 2010 we returned in excess of NIS 3.7 billion in cash dividends to our shareholders for an effective dividend yield of 14.5%.

As we look ahead to our 2011 consolidated results and the challenges facing us including new and pending regulation as well as increased competition, we remain focused on extending our leadership position as the largest provider of communications solutions and services in Israel. We currently project that despite the expected decrease in Bezeq Group revenues resulting from the reduction of cellular interconnect rates, we expect 2011 net profit and EBITDA to be similar to 2010 levels, before the impact of a NIS 281.5 million provision for employee retirement, which is expected to be recorded in the first quarter of 2011, and an anticipated NIS 120 million expense resulting from the new employee stock option plan, which is expected to be recorded over the course of 2011.

We continue to invest in our Next Generation Network (NGN) and expect to expand our coverage to reach close to 85% of Israeli households by the end of 2011. Gross capital expenditures in 2011 are projected to be 5% to 10% higher than in 2010, primarily due to Bezeq International's deployment of a submarine cable that, upon its completion, is expected to significantly enhance the group's internet bandwidth capacity and connectivity to the world wide web. We are considering the possibility of purchasing real estate that will serve as the Group's headquarters, replacing leased properties. If the Group decides on this alternative, its gross capital expenditures in 2011 would increase by an additional 5% to 10%.

Lastly, we intend to raise debt in the coming months and have secured a one-year commitment from an Israeli banking institution for long-term credit in the amount of NIS 1.5 billion. We also announced our intention to file a shelf registration with the Israel Securities Authority," concluded Mr. Gelman.

Bezeq Group (consolidated) Results

Bezeq Group (consolidated) [1]	Q4 2010 [2]	Q4 2009	Change	2010 [2]	2009	Change
	(NIS millions)			*(NIS millions)*		
Revenues	3,058	2,932	4.3%	11,987	11,519	4.1%
Operating profit	901	480	87.7%	3,744	2,972	26.0%
EBITDA	1,269	856	48.2%	5,153	4,457	15.6%
EBITDA margin	41.5%	29.2%		43.0%	38.7%	
Net profit attributable to Company shareholders	575	366	57.1%	2,443	3,603	-32.2%
Diluted EPS (NIS)	0.21	0.12	75.0%	0.90	1.34	-32.9%
Cash flow from operating activities	748	785	-4.7%	3,696	3,655	1.1%
Capex payments, net [3]	439	352	24.6%	1,491	1,445	3.2%
Free cash flow [4]	309	433	-28.6%	2,205	2,210	-0.2%
Net debt/EBITDA (end of period) [5]	1.04	0.76		1.04	0.76	
Net debt/shareholders' equity (end of period)	1.00	0.52		1.00	0.52	

[1] As of August 21, 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 December 31, 2007.

[2] Bezeq Group results reflect the consolidation of Walla! as of April 25, 2010.

[3] Capex data reflects payments related to capex and are based on the cash flow statements.

[4] Free cash flow is defined as cash flows from operating activities less net capex payments.

[5] EBITDA in this calculation refers to the trailing twelve months.

Bezeq Group revenues for 2010 totaled a record NIS 12.0 billion, up 4.1% from NIS 11.5 billion in 2009. Revenue growth was driven by higher revenues at Pelephone, Bezeq International and the initial consolidation of the Walla!, and was partially offset by a 0.8% decline in Bezeq Fixed-Line's revenues. Fourth quarter 2010 group revenues totaled NIS 3.1 billion, an increase of 4.3% versus the year ago quarter.

In the second quarter, Bezeq began consolidating the results of Walla!, a leading Israeli Internet portal serving a community of more than 5 million monthly users in Israel and abroad.

Fourth quarter and full year 2009 operating profit, net profit, and EBITDA were impacted by a NIS 267 million provision for employee retirement recorded in Q4 2009 versus a NIS 36 million provision recorded in 2010 of which only NIS 5 million was recorded in the fourth quarter. Subsequent to year-end the Company announced a plan to early retire up to 260 employees at an estimated cost of NIS 281.5 million. The provision for these expenses will be recorded in the first quarter of 2011.

Operating profit for the Company increased 26.0% to NIS 3.7 billion in 2010 as compared to the full year 2009. The improvement in operating profit delivered a 31.2% operating margin and was driven primarily by the lower provision for early retirement, higher total revenues, the positive impact of ongoing cost reduction initiatives, and incremental capital gains from the ongoing disposal of real estate and copper during the year.

Net profit attributable to Bezeq shareholders from continuing operations in 2010 amounted to NIS 2.4 billion, up 13.3% as compared to the full year 2009, when excluding a one-time gain of NIS 1.5 billion related to the deconsolidation of yes in the third quarter of 2009.

The Company's EBITDA for 2010 increased 15.6% to NIS 5.2 billion (EBITDA margin 43.0%) as compared to 2009 (EBITDA margin 38.7%). EBITDA in the fourth quarter of 2010 increased 48.2% to NIS 1.3 billion (41.5% EBITDA margin) versus the year ago quarter (29.2% EBITDA margin).

Cash flow from operating activities in 2010 rose 1.1% year-over-year to NIS 3.7 billion versus the full year 2009.

Gross capital expenditures in 2010 amounted to NIS 1.6 billion, an increase of 9.3% as compared to the full year 2009. This rise was primarily related to the ongoing rollout of the Fixed-Line segment's NGN infrastructure. The 2010 consolidated capex-to-sales ratio was 13.7%, as compared with 13.1% for the full year 2009.

Free cash flow in 2010 declined 0.2% to NIS 2.2 billion as compared to the full year 2009.

As of December 31, 2010, the Company's consolidated financial debt was NIS 5.7 billion, compared with NIS 4.1 billion as of December 31, 2009. The year-over-year increase in the financial debt was primarily related to Bezeq raising new debt totaling NIS 2.6 billion during the second and third quarters of 2010, through new loans from Israeli banks with an average duration of 4.7 years. These increases were partially offset by the repayment of debentures and loans by Bezeq and Pelephone. As of year-end 2010, the Company's net debt-to-EBITDA ratio was 1.04, as compared to 0.76 at year-end 2009.

Bezeq Fixed-Line Results

- Fixed-Line revenues in 2010 of NIS 5.3 billion declined 0.8% year-over-year. Fourth quarter revenues in 2010 reversed the decreasing trend and were up 1.0% compared to the year ago quarter, primarily due to an increase in revenues from broadband internet and data communications which offset the decline in telephony revenues.
- Net profit in 2010 increased 28.8% to a record NIS 1.4 billion as compared to 2009.
- EBITDA in 2010 increased 18.0% to NIS 2.7 billion. Full year 2010 EBITDA margin reached 51.9% (43.7% in 2009).
- Free cash flow in 2010 declined 14.7% to NIS 1.2 billion, primarily due to increased capital expenditures relating to the NGN network.
- Bezeq's advanced fiber-to-the-cabinet NGN rollout is on track to reach over 85% of Israeli households by the end of 2011.
- Broadband Internet ARPU increased 8.7% in 2010 to NIS 75, including NIS 78 in the fourth quarter, as subscribers continue to upgrade to higher access bandwidths.

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Bezeq Fixed-Line	Q4 2010	Q4 2009	Change	2010	2009	Change
	(NIS millions)			*(NIS millions)*		
Revenues	1,329	1,316	1.0%	5,263	5,303	-0.8%
Operating profit	494	161	206.8%	2,043	1,523	34.1%
EBITDA	672	355	89.3%	2,733	2,317	18.0%
EBITDA margin	50.6%	27.0%		51.9%	43.7%	
Net profit [1]	340	136	150.0%	1,426	1,107	28.8%
Cash flows from operating activities	540	651	-17.1%	2,140	2,220	-3.6%
Capex payments, net [2]	259	211	22.7%	900	767	17.3%
Free cash flow [3]	281	440	-36.1%	1,240	1,453	-14.7%
Number of active subscriber lines (end of period, in thousands) [4]	2,365	2,489	-5.0%	2,365	2,489	-5.0%
Average monthly revenue per line (NIS) [5]	83	82	1.2%	81	82	-1.2%
Number of outgoing usage minutes (millions)	2,668	2,964	-10.0%	10,883	12,196	-10.8%
Number of incoming usage minutes (millions)	1,644	1,674	-1.8%	6,547	6,718	-2.5%
Number of broadband internet subscribers (end of period, in thousands)	1,066	1,035	3.0%	1,066	1,035	3.0%
Average monthly revenue per broadband internet subscriber (NIS) [6]	78	70	11.4%	75	69	8.7%
NGN subscribers as % of total internet subscribers covered by NGN network	34%	12%		34%	12%	
Average broadband speed per subscriber (end of period, Mbps)	4.3	2.7	59.3%	4.3	2.7	59.3%

[1] Excluding share in profits/losses of equity-accounted investees.

[2] Capex data reflects payments related to capex and are based on the cash flow statements.

[3] Free cash flow is defined as cash flows from operating activities less net capex payments.

[4] Inactive subscribers are those whose lines have been physically disconnected (except for a subscriber in the first three months of collection proceedings).

[5] Not including revenues from data communications and transmissions services, internet services, services to communications providers, and contract and other services.

[6] Total revenue from Internet services excluding revenue from business directory services, divided by average internet subscribers. Until September 30, 2010, ARPU included revenue from business directory services. In view of the change in the definition of Internet services for calculating ARPU, the data in respect of the period to September 30, 2010 (inclusive) was recalculated and is shown in the table according to the new definition.

Avi Gabbay, CEO of Bezeq, commented, “In 2010 the NGN established itself as the primary growth driver for the Company. The higher value customer relationships generated by our NGN deployment, combined with ongoing efficiency measures, were key factors in Bezeq Fixed-Line reporting strong full year segment operating profit, net profit and EBITDA. The continued successful rollout of our NGN significantly enhanced broadband Internet access. Our deployment is now on track to cover 85% of Israeli households by the end of 2011. As a result, the average broadband bandwidth per customer increased 59.3% as of year-end 2010, with 34% of broadband Internet subscribers upgrading to NGN bandwidth of 10 megabits per second and higher. The ongoing NGN deployment is driving growth in broadband Internet access, data communications and transmission services, which are mitigating the decline in traditional fixed-line telephony revenues."

In 2010 Bezeq Fixed-Line successfully mitigated the decline in revenues to only 0.8% versus 2009 as segment revenues totaled NIS 5.3 billion in 2010. The Fixed-Line segment recorded higher levels of revenues from broadband Internet, data communications and transmission services, which almost completely offset the decrease in voice revenues resulting from fewer lines, lower call traffic, and slightly lower interconnect fees. When adjusting for mobile interconnect fees, 2010 revenues were in line versus the full year 2009. Fourth quarter 2010 revenues increased 1.0% to NIS 1.3 billion versus the year ago period.

Fourth quarter and full year 2009 operating profit, net profit, and EBITDA for the Fixed-Line segment were impacted by a NIS 267 million provision for employee retirement recorded in Q4 2009 versus a NIS 36 million provision recorded in 2010 of which only NIS 5 million was recorded in the fourth quarter. Subsequent to year-end the Company announced a plan to early retire up to 260 employees at an estimated cost of NIS 281.5 million. The provision for these expenses will be recorded in the first quarter of 2011.

Bezeq Fixed-Line's operating profit for 2010 increased 34.1% to NIS 2.0 billion versus 2009. This improvement was due to the lower provision for early retirement as well as a result of the continued rationalization of the cost structure, as total operating costs declined 14.8% year-over-year to NIS 3.2 billion. Fourth quarter 2010 operating profit more than doubled to NIS 494 million compared to the year ago quarter. Lower total costs in 2010 were a result of 4.8% and 13.1% year-over-year reductions in operating and general expenses and in depreciation and amortization, respectively, and were also positively impacted by an increase in other income which derived primarily from gains from the disposal of real estate and sale of copper assets.

Net profit for 2010 totaled a record NIS 1.4 billion, up 28.8% over the full year 2009. Fourth quarter 2010 net profit increased 150.0% to NIS 340 million compared to the year ago quarter.

EBITDA increased 18.0% in 2010 to NIS 2.7 billion (51.9% EBITDA margin) versus 2009 (EBITDA margin 43.7%). EBITDA in the fourth quarter of 2010 increased 89.3% to NIS 672 million (50.6% EBITDA margin) versus the year ago quarter (27.0% EBITDA margin).

Bezeq Fixed-Line extended its position as the leader in broadband access services in Israel as the number of customers subscribing to Bezeq's broadband Internet service increased 3.0% in 2010 to approximately 1.07 million subscribers as of December 31, 2010. The successful rollout of the NGN infrastructure across the country drove subscriber upgrades, as the average bandwidth increased 59.3% year-over-year to 4.3 megabits per second (Mbps).

Broadband Internet average revenue per user (ARPU) for 2010 increased 8.7% year-over-year to NIS 75, reaching NIS 78 in the fourth quarter of 2010. Increased levels of broadband Internet ARPU are primarily due to bandwidth upgrades. Fixed-line telephony average revenue per line (ARPL) for 2010 was NIS 81, down 1.2%, versus 2009 while fourth quarter 2010 ARPL increased 1.2% sequentially to NIS 83.

Bezeq Fixed-Line's 2010 operating cash flow declined 3.6% year-over-year to NIS 2.1 billion, primarily due to changes in employee benefits and working capital timing differences. Gross capital expenditures for 2010 reached NIS 1.0 billion, up 23.3% over 2009, representing a full year capex-to-sales ratio of 19.8%, as compared to 15.9% for the full year 2009. The aforementioned increases reflect higher levels of capital expenditures related to the ongoing deployment of the NGN infrastructure.

Free cash flow generated by the Fixed-Line segment for 2010 totaled NIS 1.2 billion, down 14.7% versus 2009, primarily as a result of increased capital expenditures relating to the NGN network.

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Pelephone Results

- Record net profit of NIS 1.0 billion, up 18.1% from 2009.

- Pelephone generated record revenue in 2010 of NIS 5.7 billion, up 6.6%, driven by increased usage of data, content, value-added services (VAS), roaming services and increased revenues from equipment sales. Service revenues in 2010 increased 6.9% to NIS 4.6 billion.

- EBITDA increased 10.6% in 2010 to NIS 2.0 billion for a full year EBITDA margin of 34.6% (33.4% in 2009).

- The ongoing transition of subscribers to Pelephone's new HSPA network and advanced smartphone handsets are generating higher value customer relationships which helped drive year-over-year improvements in Pelephone's operating profit, net profit, EBITDA as well as operating and free cash flow. ARPU increased 2.3% to NIS 135 for the full year 2010. Data, VAS, and content revenues constituted 23.8% of cellular service revenue, including a record 25.0% in the fourth quarter of 2010. Revenues from data, VAS and content services excluding SMS, grew 34% in 2010 to approximately NIS 725 million.

- Subscribers totaled 2.86 million as of December 31, 2010, an increase of 3.3% year-over-year (91,000 net subscriber additions). Fourth quarter 2010 subscribers increased 1.1% sequentially (32,000 net subscriber additions).

- Pelephone's year-end subscriber base included approximately 1.3 million HSPA subscribers, representing approximately 46.4% of Pelephone's total subscribers.

Pelephone	Q4 2010	Q4 2009	Change	2010	2009	Change
	(NIS millions)			*(NIS millions)*		
Revenues	1,468	1,393	5.4%	5,732	5,376	6.6%
Operating profit	343	251	36.7%	1,383	1,190	16.2%
EBITDA	497	410	21.2%	1,984	1,794	10.6%
EBITDA margin	33.9%	29.4%		34.6%	33.4%	
Net profit	268	181	48.1%	1,033	875	18.1%
Cash flows from operating activities	91	55	65.5%	1,219	1,115	9.3%
Capex payments, net [1]	92	101	-8.9%	397	555	-28.5%
Free cash flow [2]	-1	-45	-97.8%	822	560	46.8%
Total subscribers (end of period, in thousands) [3]	2,857	2,766	3.3%	2,857	2,766	3.3%
HSPA subscribers (end of period, in thousands)	1,325	676	96.0%	1,325	676	96.0%
Average revenue per user (ARPU, NIS) [4]	134	132	1.5%	135	132	2.3%
Average monthly minutes of use per subscriber (MOU) [5]	364	339	7.4%	349	333	4.8%
Data, VAS and content as % of total cellular service revenues	25.0%	20.8%		23.8%	19.6%	
Churn rate (%) [6]	3.9%	3.4%		15.3%	13.8%	

[1] Capex data reflects payments related to capex and are based on the cash flow statements.

[2] Free cash flow is defined as cash flows from operating activities less net capex payments.

[3] Subscriber data excludes inactive subscribers connected to Pelephone's services for six months or more. An inactive subscriber is one who in the past six months has not received or made at least one call or who has not paid for Pelephone's services.

[4] Average monthly revenue per subscriber is calculated by dividing total revenue from cellular services (airtime, usage fees, call completion fees, roaming services, value added services and sundry), repair services and warranty in the period by average active subscribers in the same month

[5] Average monthly use per subscriber (in minutes) is calculated according to a monthly average of total outgoing and incoming minutes in the period, divided by the average total number of subscribers in the same period.

[6] Churn rate is calculated according to the proportion of subscribers who have disconnected from the Company's services and subscribers who have become inactive during the period, out of the total number of average active subscribers during the period.

Gil Sharon, CEO of Pelephone, commented, “The focus on data and strengthening Pelephone's comparative advantage in that area have led to accelerated growth in revenues this year. Thanks to continued investments in surfing and data in the new network, I believe we will be able to grow further in this segment in the years to come.

In a world of Smartphones, where speed is the name of the game, many customers are choosing to switch to the Pelephone network for the better surfing experience it affords. Only recently, an international survey by Speedtest found that surfing on the iPhone in Pelephone's network is the fastest in the world. Last May, we also upgraded the data network to a download speed of up to 21 megabits per second, and data communication bandwidth was increased in the network so that Pelephone's customers enjoy the fastest surfing both on Smartphones and on laptops," said Sharon.

Sharon added "At the end of 2010, the company signed agreements with a number of virtual operators (MVNOs), such as Free Telecom and Rami Levy, and a cooperation agreement with Hamashbir 365. These agreements are part of our growth-focused business strategy. Cooperation with entities with marketing and distribution abilities will enable us to keep growing in a changing market and to reach more customers, while maximizing the capabilities of Pelephone's advanced network."

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Revenues for Pelephone increased 6.6% in 2010 to a record NIS 5.7 billion versus 2009. Fourth quarter 2010 revenues were a record 1.47 million, up 5.4% year-over-year.

Service revenues in 2010 increased 6.9% to NIS 4.6 billion versus the year ago and increased 5.4% in the fourth quarter of 2010 to NIS 1.1 billion versus the year ago period. The increase in service revenues was primarily driven by increased usage of data, content, VAS, and roaming, all of which contributed to ARPU and MOU growth.

Equipment revenues in 2010 increased 5.5% to NIS 1.2 billion versus the year ago and increased 5.2% in the fourth quarter of 2010 to NIS 323 million versus the year ago period. The increase in equipment revenues was primarily driven by increased prices of handsets.

Pelephone's subscribers totaled a record 2.86 million as of December 31, 2010, an increase of 3.3% versus the year ago period (91,000 net subscriber additions). Fourth quarter 2010 subscribers increased 1.1% sequentially (32,000 net subscriber additions). The new HSPA network, which is central to Pelephone's commitment to access higher value segments of the mobile communications market, had approximately 1.3 million subscribers as of December 31, 2010, accounting for about 46.4% of Pelephone's total subscriber base. Fourth quarter 2010 HSPA subscriber additions totaled 165,000, up 14.2% sequentially.

Revenues from data, VAS and content services were NIS 1.0 billion in 2010 constituting 23.8% of Pelephone's revenues from cellular services, including a record 25.0% in the fourth quarter of 2010, compared to 19.6% for 2009 and 20.8% for the fourth quarter 2009. Revenues from data, VAS and content services excluding SMS, grew 34% in 2010 to approximately NIS 725 million. Pelephone's ARPU for 2010 increased 2.3% year-over-year to NIS 135 versus NIS 132 for 2009. Fourth quarter 2010 segment ARPU increased 1.5% to NIS 134. Average minutes of use (MOU) for 2010 increased 4.8% year-over-year to 349 minutes and increased 7.4% in the fourth quarter of 2010 to 364 minutes versus the year ago quarter.

Net profit for Pelephone increased to a record NIS 1.0 billion in 2010, up 18.1% year-over-year while net profit in the fourth quarter of 2010 increased 48.1% to NIS 268 million versus the year ago quarter. Net profit for both periods benefited mainly from higher revenues from data, VAS, content, and roaming services.

Pelephone generated EBITDA in 2010 of NIS 2.0 billion (34.6% EBITDA margin), an increase of 10.6% compared to 2009 (33.4% EBITDA margin). EBITDA in the fourth quarter of 2010 increased 21.2% to NIS 497 million (33.9% EBITDA margin) versus the year ago quarter (29.4% EBITDA margin).

Pelephone's cash flow from operations for 2010 totaled NIS 1.2 billion, an increase of 9.3% compared to 2009. Free cash flow for 2010 increased 46.8% year-over-year to NIS 822 million, as the increase in operating cash flow was combined with lower capital expenditures-related payments following the successful deployment of the HSPA cellular infrastructure early in 2009. Pelephone's capex-to-sales ratio for 2010 was 7.5%, as compared to 9.4% for 2009.

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Bezeq International Results

- Israel's leading supplier of broadband ISP services recorded revenues of NIS 1.4 billion in 2010, up 4.8%, driven by higher revenues from internet services, Information & Communications Technologies (ICT) solutions and hubbing activites.
- Full year 2010 operating and net profit registered increases of 22.6% and 26.6% to NIS 320 million and NIS 253 million, respectively, primarily due to a one-time profit of NIS 62 million recorded in the second and third quarters of 2010 relating to the consolidation and subsequent sale of Walla!,
- EBITDA increased 20.0% to NIS 414 million in 2010 for an EBITDA margin of 30.0%.
- Free cash flow declined year-over-year primarily as a result of increased working capital requirements as well as an increase in capital expenditures relating to Bezeq International's investment in a submarine cable and in customer equipment.

Bezeq International	Q4 2010	Q4 2009	Change	2010 [1]	2009	Change
	(NIS millions)			*(NIS millions)*		
Revenues	350	334	4.8%	1,380	1,318	4.8%
Operating profit	65	67	-1.5%	320	261	22.6%
EBITDA	90	89	1.0%	414	345	20.0%
EBITDA margin	25.7%	26.7%		30.0%	26.2%	
Net profit	46	49	-6.1%	253	200	26.6%
Cash flows from operating activities	92	72	27.3%	292	320	-8.8%
Capex payments, net [2]	80	39	106.2%	180	120	50.0%
Free cash flow [3]	12	33	-64.9%	112	200	-43.9%

[1] 2010 results exclude Walla!'s financials, but include a one-time profit from the consolidation of Walla! recorded in Q2-10, and another small profit in Q3-10 from the sale of Walla! to Bezeq.

[2] Capex data reflects payments related to capex and are based on the cash flow statements.

[3] Free cash flow is defined as cash flows from operating activities less net capex payments.

Isaac Benbenisti, CEO of Bezeq International, commented, “In 2010 Bezeq International extended its position as Israel's leading provider of broadband ISP services. Our record full year revenues in 2010, benefited from the continued leadership in the broadband ISP segment combined with the ongoing successful penetration into the enterprise market through the offering of ICT solutions. We have also commenced with the preparations for the installation of the submarine cable infrastructure announced during the third quarter.”

Revenues grew 4.8% in 2010 to a record NIS 1.4 billion, as a result of higher sales of internet services alongside growth in the field of ICT solutions, as well as an increase in hubbing revenues, all of which combined to offset a decline in international long distance revenues. Revenues in the fourth quarter of 2010 increased 4.8% year-over-year to NIS 350 million.

Operating profit for Bezeq International increased 22.6% in 2010 to NIS 320 million versus 2009 primarily due to a one-time profit of NIS 62 million recorded in the second and third quarters of 2010 relating to the consolidation and subsequent sale of Walla!. Operating profit in the fourth quarter of 2010 decreased 1.5% to NIS 65 million versus the year ago quarter.

Net profit for Bezeq International increased 26.6% in 2010 to NIS 253 million versus the year ago while net profit in the fourth quarter of 2010 declined 6.1% to NIS 46 million versus the year ago period.

EBITDA for Bezeq International increased 20.0% to NIS 414 million (30.0% EBITDA margin) versus 2009 (EBITDA margin 26.2%). EBITDA in the fourth quarter of 2010 increased 1.0% to NIS 90 million (25.7% EBITDA margin) versus the year ago quarter (26.7% EBITDA margin).

Operating cash flow in 2010 declined 8.8% to NIS 292 million versus 2009, mainly due to increased working capital requirements during the year. Free cash flow in 2010 declined 43.9% to NIS 112 million as compared to 2009, driven by an increase in capital expenditures relating to Bezeq International's investment in a submarine cable and in customer equipment.

yes Results

- Revenues increased 3.4% to NIS 1.6 billion in 2010, driven mainly by the expansion of advanced paid services such as yes Max (PVR service), yes MaxHD, and VOD service yes MaxTOTAL, as well as an increase in the number of total subscribers.

- Sales of advanced services drove a 1.8% increase in segment ARPU in 2010 to NIS 230.

- Operating profit declined 28.2% to NIS 178 million in 2010, net loss increased 41.0% to NIS 314 million, while EBITDA declined 4.0% to NIS 463 million for an EBITDA margin of 29.3% (31.5% full year 2009). Operating results in 2010 were affected negatively by a provision for retroactive royalties claimed by ACUM.

- Segment operating cash flow increased 19.2% to NIS 488 million while free cash flow increased 41.8% to NIS 211 million.

- Total yes subscribers increased 1.2% in 2010 to approximately 578,000.

yes	Q4 2010	Q4 2009	Change	2010 [1]	2009	Change
	(NIS millions)			*(NIS millions)*		
Revenues	400	390	2.6%	1,583	1,530	3.4%
Operating profit	41	63	-35.1%	178	248	-28.2%
EBITDA	126	126		463	482	-4.0%
EBITDA margin	31.4%	32.2%		29.3%	31.5%	
Net loss	(84)	(38)	123.5%	(314)	(222)	41.0%
Cash flows from operating activities	131	91	45.0%	488	410	19.2%
Capex payments, net [2]	90	52	71.4%	277	261	6.2%
Free cash flow [3]	42	38	8.8%	211	149	41.8%
Number of subscribers (end of period, in thousands)[4]	578	571	1.2%	578	571	1.2%
Average revenue per user (ARPU, NIS) [5]	231	229	0.9%	230	226	1.8%

[1] 2010 results include a provision related to retroactive royalties claimed by ACUM in Q2-10.

[2] Including subscriber acquisition costs. Capex data reflects payments related to capex and are based on the cash flow statements.

[3] Free cash flow is defined as cash flows from operating activities less net capex payments.

[4] Subscriber – one household or small business customer. For a business customer with numerous intake points or decoders (such as a hotel, kibbutz or gym), the number of subscribers is calculated by dividing the total payment received from the business customer by the average revenue from a small business customer.

[5] ARPU includes total yes revenues (content and equipment, premium channels, technical services, advanced services, one-time sales of content, revenue from channels, internet and others) divided by average subscribers for the period.

Ron Eilon, CEO of yes, commented, “Our top line growth in the fourth quarter and full year 2010 results reflect the successful ramp of our advanced paid services such as yes Max (PVR service), yes MaxHD, and VOD service yes MaxTOTAL, as well as an increase in the number of total subscribers, despite a highly competitive market environment. These advances also helped drive an increase in yes' ARPU to NIS 231 in the fourth quarter 2010. Looking forward we look to continue to leverage advanced, value added service offerings in order to improve the segments long-term profitability."

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, 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' full year 2010 revenues increased 3.4% year-over-year to NIS 1.6 billion. Fourth quarter 2010 revenues increased 2.6% year-over-year to NIS 400 million. Revenue growth was primarily driven by higher sales of advanced paid services such as yes Max (PVR service), yes MaxHD, and VOD service yes MaxTOTAL, as well as an increase in the number of total subscribers.

yes' 2010 operating profit declined 28.2% to NIS 178 million, primarily due to a one-time provision recorded in the second quarter of 2010, relating to royalties claimed by ACUM, a non-profit organization which administers proprietary music rights. In addition, there was an increase in depreciation expense. Fourth quarter 2010 operating profit declined 35.1% to NIS 41 million as compared to the fourth quarter of 2009.

Net loss in 2010 increased 41.0% year-over-year to NIS 314 million. Fourth quarter 2010 net loss increased 123.5% to NIS 84 million as compared to the fourth quarter of 2009.

EBITDA in 2010 declined 4.0% to NIS 463 million in 2010 (EBITDA margin of 29.3%) versus 2009 (EBITDA margin 31.5%). Fourth quarter 2010 EBITDA of NIS 126 million (EBITDA margin 31.4%) was unchanged versus the year ago quarter (32.2% EBITDA margin).

yes' operating cash flow in 2010 increased 19.2% year-over-year to NIS 488 million, while free cash flow increased 41.8% to NIS 211 million. The improvement in segment free cash flow was primarily attributable to working capital changes.

yes' subscribers increased 1.2% in 2010 to 578,000 subscribers as of December 31, 2010, up 7,000 subscribers from the year ago period. Fourth quarter 2010 subscribers increased by 3,000 subscribers versus the sequential quarter.

Segment ARPU in 2010 increased 1.8% year-over-year to NIS 230.

Conference Call & Web Cast Information

Bezeq will conduct a conference call hosted by Mr. Shaul Elovitch, Bezeq Chairman and Mr. Alan Gelman, Bezeq Chief Financial Officer and Deputy CEO, on Tuesday, March 8, 2011, 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 Monday, March 14, 2011. Participants are invited to listen to the conference call replay by dialing:

International Phone Number: + 972-3-925-5901
Israel Phone Number: 03-925-5901

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; broadband Internet, 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.

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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.*

This press release contains partial information from the public reports of Bezeq under the Israeli Securities Law 5728-1968 (the "Securities Law"), which reports can be accessed at the Israeli Securities Authority's website, www.magna.isa.gov.il. A review of this presentation is not a substitute for a review of the detailed reports of Bezeq under the Securities Law and is not meant to replace or qualify them; rather, the presentation is prepared merely for the convenience of the reader, with the understanding that the detailed reports are being reviewed simultaneously. No representation is made as to the accuracy or completeness of the information contained herein.

This press release does not constitute an offer or invitation to purchase or subscribe for any securities, and neither this presentation nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

Investor Relations Contact:
Mr. Naftali Sternlicht
Bezeq
Phone: +972-2-539-5441
Email: ir@bezeq.co.il

Media Relations Contact:
Mr. Guy Hadass
Bezeq
Phone: +972-3-626-2600
Email: dover@bezeq.co.il

Press Release

"Bezeq" The Israel Telecommunication Corp., Limited
Condensed Consolidated Income Statements for the Year Ended December 31

	2010	2009	2008
	NIS millions	NIS millions	NIS millions
Continuing operations			
Revenue	**11,987**	11,519	11,015
Costs and expenses			
Depreciation and amortization	**1,409**	1,485	1,458
Salaries	**2,024**	1,990	2,161
General and operating expenses	**5,026**	4,871	4,660
Other operating expenses (income), net	**(216)**	201	96
	8,243	8,547	8,375
Operating profit	**3,744**	2,972	2,640
Finance income (expenses)			
Finance expenses	**391**	398	494
Finance income	**(282)**	(429)	(354)
Finance expenses (income), net	**109**	(31)	140
Profit after financing expenses (income), net	**3,635**	3,003	2,500
Share of profits (losses) of equity accounted investees	**(261)**	(34)	5
Profit before income tax	**3,374**	2,969	2,505
Income tax	**932**	807	719
Profit for the year from continuing operations	**2,442**	2,162	1,786
Discontinued operations			
Profit (loss) for the year from discontinued operations	**-**	1,379	(265)
Profit for the year	**2,442**	3,541	1,521
Attributable to:			
Company shareholders			
Profit for the year from continuing operations	**2,443**	2,157	1,781
Profit (loss) for the year from discontinued operations	**-**	1,446	(154)
	2,443	3,603	1,627
Non-controlling interests			
Profit from continuing operations	**(1)**	5	5
Loss from discontinued operations	**-**	(67)	(111)
	(1)	(62)	(106)
Profit for the year	**2,442**	3,541	1,521

Bezeq" The Israel Telecommunication Corp., Limited
Condensed Consolidated Income Statements for the Year Ended December 31 (Continued)

	2010	2009	2008
	NIS millions	NIS millions	NIS millions
Earnings per share			
Basic earnings per share (NIS)			
Profit from continuing operations	**0.91**	0.82	0.68
Profit (loss) from discontinued operations	**-**	0.55	(0.06)
	0.91	1.37	0.62
Diluted earnings per share (NIS)			
Profit from continuing operations	**0.90**	0.80	0.68
Profit (loss) from discontinued operations	**-**	0.54	(0.07)
	0.90	1.34	0.61

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

	2010	2009	2008
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	**365**	580	786
Investments, including derivatives	**7**	154	33
Trade receivables	**2,701**	2,491	2,373
Other receivables	**224**	171	211
Inventory	**178**	263	158
Current tax assets	**3**	-	-
Assets classified as held for sale	**29**	40	34
Total current assets	**3,507**	3,699	3,595
Investments, including derivatives	**129**	130	187
Trade and other receivables	**1,114**	887	576
Broadcasting rights, net of rights exercised	**-**	-	253
Property, plant and equipment	**5,610**	*5,428	*6,208
Intangible assets	**2,248**	1,885	2,674
Deferred and other expenses	**292**	*301	*239
Investments in equity-accounted investees (mainly loans)	**1,084**	1,219	32
Deferred tax assets	**254**	392	550
Total non-current assets	**10,731**	10,242	10,719
Total assets	**14,238**	13,941	14,314

* Retrospective application by restatement

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

	2010 NIS millions	2009 NIS millions	2008 NIS millions
Liabilities			
Debentures, loans and borrowings	**949**	862	1,780
Trade payables	**1,061**	1,091	1,381
Other payables, including derivatives	**770**	697	850
Current tax liabilities	**267**	118	45
Deferred income	**33**	36	62
Provisions	**251**	380	355
Employee benefits	**269**	505	412
Total current liabilities	**3,600**	3,689	4,885
Debentures	**1,967**	2,716	3,943
Bank loans	**2,801**	558	214
Loans from institutions	-	-	158
Loans provided by non-controlling interests in a subsidiary	-	-	449
Employee benefits	**305**	294	265
Deferred income and others	**43**	5	27
Provisions	**69**	71	64
Deferred tax liabilities	**83**	70	65
Total non-current liabilities	**5,268**	3,714	5,185
Total liabilities	**8,868**	7,403	10,070
Equity			
Total equity attributable to Company shareholders	**5,327**	6,544	4,715
Non-controlling interests	**43**	(6)	(471)
Total equity	**5,370**	6,538	4,244
Total liabilities and equity	**14,238**	13,941	14,314

"Bezeq" The Israel Telecommunication Corp., Limited
Consolidated Statements of Cash Flows for the Year Ended December 31

	2010	2009	2008
	NIS millions	NIS millions	NIS millions
Cash flows from operating activities			
Profit for the year	**2,442**	3,541	1,521
Adjustments:			
Depreciation	**1,114**	*1,343	*1,401
Amortization of intangible assets	**269**	266	*282
Amortization of deferred and other expenses	**26**	*22	20
Gain on deconsolidation of a subsidiary	**-**	(1,538)	-
Gain from acquisition of control in an investee	**(57)**	-	-
Share of losses (profits) of equity accounted investees	**261**	34	(5)
Finance expenses, net	**113**	362	561
Capital gain, net	**(171)**	(64)	(68)
Expenses (income) in respect of derivatives, net	**12**	-	-
Share-based payments	**35**	49	75
Income tax expenses	**932**	807	719
Proceeds (payment) in respect of derivatives, net	**(2)**	11	(38)
Change in inventory	**84**	(114)	42
Change in trade and other receivables	**(300)**	(546)	(54)
Change in trade and other payables	**(21)**	247	(219)
Change in provisions	**(136)**	36	(34)
Change in broadcasting rights	**-**	(49)	(11)
Change in employee benefits	**(215)**	115	(302)
Change in deferred and other income	-	(41)	50
Income tax paid, net	**(690)**	(565)	(535)
Net cash from operating activities	**3,696**	3,916	3,405
Cash flow used in investing activities			
Investment in intangible assets and deferred expenses	**(343)**	(349)	(469)
Proceeds from the sale of property, plant and equipment and other assets	**131**	90	147
Change in current investments, net	**138**	(134)	321
Purchase of property, plant and equipment	**(1,279)**	(1,363)	(1,300)
Proceeds from disposal of investments and long-term loans	**11**	93	19
Acquisition of investments and long-term loans	**(6)**	(4)	(8)
Business combinations less cash acquired	**(145)**	-	-
Dividends received	-	6	13
Interest received	**9**	29	64
Net cash used in investing activities	**(1,484)**	(1,632)	(1,213)

* Retrospective application by restatement

"Bezeq" The Israel Telecommunication Corp., Limited
Consolidated Statements of Cash Flows for the Year Ended December 31 (Continued)

	2010	2009	2008
	NIS millions	NIS millions	NIS millions
Cash flows used in financing activities			
Bank loans received	**2,670**	400	-
Repayment of debentures	**(697)**	(682)	(714)
Repayment of loans	**(448)**	(109)	(148)
Short-term borrowing, net	**(6)**	48	(50)
Dividends paid	**(3,733)**	(1,941)	(1,514)
Interest paid	**(237)**	(354)	(243)
Proceeds for derivatives, net	**10**	43	52
Dividends paid to non-controlling interests less transfers, net	**2**	(24)	8
Increase of holding in a subsidiary	**(14)**	-	-
Proceeds from exercise of options	**26**	129	-
Net cash used for financing activities	**(2,427)**	(2,490)	(2,609)
Net decrease in cash and cash equivalents	**(215)**	(206)	(417)
Cash and cash equivalents as at January 1	**580**	786	1,203
Cash and cash equivalents at end of year	**365**	580	786