



BEZEQ GROUP REPORTS THIRD QUARTER 2008 FINANCIAL RESULTS

Net profit attributable to shareholders increased 81.2% year-over-year to a record NIS 462 million, on record revenues of NIS 3.16 billion

EBITDA increased 19.6% year-over-year to a record NIS 1.25 billion

Free cash flow increased 30.9% year-over-year to NIS 653 million

Tel Aviv, Israel – November 25, 2008 – Bezeq The Israel Telecommunication Corp., Limited (TASE: BEZQ), Israel's leading telecommunications provider, announced today its financial results for the third quarter 2008, the period ended September 30, 2008. Details regarding today's investor conference call and web cast are included later in this press release.

Bezeq Group Third Quarter 2008 Financial Highlights:

- Revenues of NIS 3.16 billion, up 0.6% compared to the prior year period.
- Operating profit totaled NIS 822 million, up 37.9% compared to the prior year period.
- Net profit attributable to shareholders totaled NIS 462 million, up 81.2% compared to the prior year period.
- Earnings per basic and diluted shares amounted to NIS 0.18 and NIS 0.17, respectively, compared to NIS 0.10 and NIS 0.09, respectively, for the prior year period.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled NIS 1.25 billion, up 19.6% compared to the prior year period.
- EBITDA margin was 39.4% compared to 33.2% in prior year period.
- Gross capital expenditures totaled NIS 595 million, up 79.2% year-over-year.
- Free cash flow totaled NIS 653 million, an increase of 30.9% year-over-year and an increase of 57.0% sequentially.

Divisional Highlights:

- **Bezeq Fixed-Line:** Fixed-Line segment results were highlighted by a 29.1% year-over-year increase in operating profit to NIS 422 million, and a 13.0% increase in EBITDA to NIS 636 million. Segment EBITDA margin totaled 45.8% for the quarter. Improved profitability continued to be driven by the positive impact of streamlining and efficiency efforts that have begun to yield significant benefits to the segment and Group.
- **Pelephone:** Pelephone's mobile operations delivered double-digit year-over-year growth in operating profit, net profit and EBITDA, as revenues rose 0.9%. EBITDA reached NIS 422 million, yielding an EBITDA margin of 34.8%. Results were driven by the strength of Pelephone's 3G subscriber growth (1.07 million total 3G subscribers as of September 30, 2008), which helped push total cellular subscribers up to approximately 2.70 million, an increase of 5.4% year-over-year, and by lower subscriber acquisition costs.
- **Bezeq International:** Operating profit increased 9.3% year-over-year to NIS 59 million and net profit increased 12.8% to NIS 44 million, driven by higher sales of core segment services including broadband Internet, outgoing international calls, as well as the



Press Release

continued strength in demand for enterprise integration solutions. EBITDA reached NIS 79 million, up 5.3% year-over-year, reflecting an EBITDA margin of 24.0%.

- **yes:** Multi-channel pay-TV revenue increased 4.2% year-over-year to NIS 375 million driven by a 2.7% improvement in ARPU to NIS 226 and a 2.0% increase in subscribers to 556,000. EBITDA reached NIS 111 million, up 79.0% year-over-year, reflecting an EBITDA margin of 29.6%.

Shlomo Rodav, Chairman of the Board of Bezeq, stated, "Our record third quarter group financial results reflect our successful execution across operating segments and reaffirm Bezeq's position as Israel's leading communications provider. Bezeq's performance was driven by year-over-year revenue growth in our Pelephone, Bezeq International and yes business segments while our Fixed-Line segment outperformed by reporting revenues roughly in line with the year ago period, when excluding the impact of cellular interconnect fees. Our streamlining and cost efficiency measures implemented in our Fixed-Line business continued to yield measurable improvements in our cost structure, helping drive record Group operating profit, net profit and EBITDA results," concluded Mr. Rodav.

Alan Gelman, Chief Financial Officer and Deputy CEO of Bezeq, commented, "Based on our solid financial results in the third quarter, Bezeq generated its strongest free cash flow performance in almost two years. The strength of our operating cash flows and balance sheet provide a strong foundation for us to execute on our network investments while, if and when decided by the board of directors, continuing to return value to our shareholders through periodic dividend distributions. We continue to position Bezeq for future growth by investing in several key communications infrastructure developments, including our HSPA cellular network which is expected to become operational during the first quarter of 2009, and the initial development of our Next Generation Network (NGN) where we are currently working to complete our two initial district deployments.

"While we are continuing to actively monitor the global and local economic environment, we saw no material impact from the recent economic and financial events on our business in the third quarter of 2008. We continue to expect Group-wide full-year 2008 revenues to remain stable and margins to improve as compared to 2007," concluded Mr. Gelman.



Press Release

Bezeq Group Consolidated Results

Bezeq Group (Consolidated)	Q3 2008	Q3 2007	Change	Q1-Q3 2008	Q1-Q3 2007	Change
	(NIS millions)			(NIS millions)		
Revenues	3,159	3,139	0.6%	9,345	9,280	0.7%
Operating profit	822	596	37.9%	2,286	1,823	25.4%
EBITDA	1,245	1,041	19.6%	3,560	3,146	13.2%
EBITDA margin	39.4%	33.2%		38.1%	33.9%	
Net profit attributable to shareholders of the company	462	255	81.2%	1,329	1,015	30.9%
Diluted EPS (NIS)	0.17	0.09	88.9%	0.50	0.38	31.6%
Cash flow from operating activities	1,234	814	51.6%	2,647	2,376	11.4%
Capex, net	581	315	84.4%	1,246	713	74.8%
Free cash flow	653	499	30.9%	1,401	1,664	-15.8%
Net debt/EBITDA (end of period) *	1.10	1.34				
Net debt/shareholders' equity (end of period)	1.13	1.13				

* EBITDA in this calculation refers to trailing twelve months

Bezeq Group's revenues for the third quarter of 2008 were NIS 3.16 billion, up 0.6% from NIS 3.14 billion reported for the third quarter of 2007. Higher revenues were driven by increased sales in Telephone cellular and yes multi-channel television segments, which were partially offset by a decrease in the domestic Fixed-Line communications segment. Continued growth in high speed Internet and data communications services at Bezeq's Fixed-Line segment mitigated the anticipated decline in revenue associated with fixed-line telephony.

Operating profit for the Group increased 37.9% year-over-year to NIS 822 million, up from NIS 596 million in the year ago period, and was driven mainly by cost reduction, lower cellular subscriber acquisition cost, and streamlining initiatives in our major operating segments.

The Group's earnings before interest, taxes, depreciation and amortization (EBITDA) for the third quarter of 2008 were approximately NIS 1.25 billion (39.4% EBITDA margin), up 19.6% as compared to the third quarter of 2007 (33.2% EBITDA margin).

Net profit attributed to Bezeq shareholders amounted to NIS 462 million in the third quarter of 2008, up 81.2% compared with the NIS 255 million reported in the third quarter of 2007.

Net capital expenditures amounted to NIS 581 million in the third quarter of 2008, an increase of 84.4% compared to the third quarter of 2007, mainly due to the ongoing deployment of Telephone's HSPA network, as compared to the same period of 2007.

The Bezeq Group's free cash flow totaled NIS 653 million in the third quarter of 2008, an increase of 30.9% compared to the third quarter of 2007. The increase in free cash flow was primarily the result of significantly higher cash flows from operations, which were partially offset by the anticipated increase in net capital expenditures. The increase in operating cash flow was mainly driven by working capital improvements in our Fixed-Line segment.

As of September 30, 2008, the Group's net financial debt was NIS 4.96 billion, compared with NIS 4.79 billion as of September 30, 2007.



Press Release

Bezeq Fixed-Line Results

Bezeq Fixed-Line	<u>Q3 2008</u>	<u>Q3 2007</u>	<u>Change</u>	<u>Q1-Q3 2008</u>	<u>Q1-Q3 2007</u>	<u>Change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	1,388	1,425	-2.6%	4,150	4,260	-2.6%
Operating profit	422	327	29.1%	1,218	939	29.7%
EBITDA	636	563	13.0%	1,861	1,648	12.9%
EBITDA margin	45.8%	39.5%		44.8%	38.7%	
Capex, net	144	133	8.3%	349	233	49.8%
Number of active subscriber lines (end of period, in thousands)	2,645	2,767	-4.4%	2,645	2,767	-4.4%
Average monthly revenue per line (NIS) *	84.3	85.9	-1.9%	83.3	86.6	-3.8%
Number of outgoing usage minutes (millions)	3,425	3,760	-8.9%	10,282	11,216	-8.3%
Number of incoming usage minutes (millions)	1,708	1,651	3.5%	5,036	4,749	6.0%
Number of ADSL subscribers (end of period, in thousands)	994	942	5.5%	994	942	5.5%
Average monthly revenue per ADSL subscriber (NIS)	67.3	63.5	6.0%	67.4	62.3	8.1%

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

Bezeq Fixed-Line's primary objectives remain to compensate for the predictable erosion in domestic telephony revenues with growing revenues from broadband Internet and value-added services, and solutions for the business segment, as well as reducing costs. While revenues posted a modest decline year-over-year, the segment posted significant improvements in operating profit and EBITDA.

Revenue from fixed-line domestic communications declined 2.6% to NIS 1.39 billion in the third quarter of 2008 compared to NIS 1.43 billion in the third quarter of 2007. The decrease in Fixed-Line revenue was mainly due to a decrease in interconnect fees to the cellular networks as well as a decrease in the number of lines due to increased competition, a reduction in call traffic and a decrease in tariffs. The decrease in revenue was moderated mainly by higher levels of revenues generated from subscriber growth in high-speed Internet access services (ADSL) and from sales of home networks, as well as an increase in data communication services.

When adjusted for revenues from cellular airtime collected by Bezeq and paid to the cellular companies, Bezeq Fixed-Line's revenues reached NIS 1.16 billion, roughly stable year-over-year. This continues to demonstrate Bezeq's ability to compensate for the decline in legacy telephony revenues through growing advanced services and solutions offered to the consumer and business markets.

The number of customers subscribing to Bezeq's high-speed Internet service (ADSL) rose 5.5% year-over-year to 994,000 as of September 30, 2008. Bezeq continued to upgrade its ADSL subscriber base, with 38% of it already enjoying bandwidths of at least 2.5 MB, as compared to 17% in the prior year period.

The growth in Bezeq's ADSL customer base helped offset a 4.4% decline in total telephony access lines during the same period which totaled 2.65 million as of September 30, 2008. The pace of decline in telephony access lines slowed to 36,000 lines during the third quarter of 2008, down from a quarterly average of 40,000 lines lost during the first half of 2008.



Press Release

ADSL ARPU in the third quarter was NIS 67.3, up 6.0% from the prior year period, while fixed-line telephony ARPL declined 1.9% year-over-year to NIS 84.3.

Bezeq's Fixed-Line segment posted positive EBITDA of NIS 636 million (45.8% EBITDA margin) in the third quarter of 2008, compared to NIS 563 million (39.5% EBITDA margin) in the third quarter of 2007. This significant improvement was driven by an 11.9% decline in salary expense, and an 8.8% reduction in general and operating expenses. These performance gains reflect the ongoing success of cost-cutting and efficiency measures that have been taken in this segment over the past year.

During the third quarter the company initiated its Next Generation Network (NGN) project, including two operational district deployments. Bezeq's NGN will provide broadband download speeds of up to 50 MB and innovative value-added services, and will allow for the achievement of further efficiencies in our operating structure. The fiber-to-the-curb (FTTC) project is being deployed on a modular basis, and the Company will evaluate the continuation of each stage on an annual basis.

Telephone Results

Telephone	Q3 2008	Q3 2007	Change	Q1-Q3 2008	Q1-Q3 2007	Change
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	1,214	1,203	0.9%	3,575	3,502	2.1%
Operating profit	293	219	33.8%	774	672	15.2%
EBITDA	422	340	24.1%	1,162	1,025	13.4%
EBITDA margin	34.8%	28.3%		32.5%	29.3%	
Net profit	211	154	37.0%	554	482	14.9%
Cash flows from operating activities	386	392	-1.5%	1,001	997	0.4%
Capex, net	350	81	332.1%	633	259	144.4%
Free cash flow	36	311	-88.4%	368	738	-50.1%
Number of subscribers (end of period, in millions)	2.698	2.560	5.4%	2.698	2.560	5.4%
Average revenue per user (ARPU, NIS)	129	135	-4.4%	128	132	-3.3%
Average monthly minutes of use per subscriber (MOU)	359	363	-1.1%	357	352	1.4%

Telephone generated double-digit percentage improvements year-over-year in operating profit, net profit and EBITDA performance driven by higher revenues resulting from subscriber growth, higher revenues related to data, content and value added services, and lower subscriber acquisition costs.

As of September 30, 2008, Telephone had approximately 2.70 million active subscribers, an increase of 5.4% year-over-year, and added 62,000 net subscribers from the second quarter of 2008. Telephone remains the market leader in Israeli 3G subscribers with a record 1.07 million 3G subscribers as of September 30, 2008, representing approximately 40% of all Telephone subscribers. Revenues from data and value added and content services constituted 16.2% of revenues from cellular services in the third quarter, compared to 15.5% in the previous quarter of this year and 12.8% in the year ago period.

Telephone's revenues increased 0.9% year-over-year to NIS 1.21 billion in the third quarter of 2008. The rise is mainly attributable to an increase in the number of subscribers, which was



Press Release

partially offset by a decrease in average revenue per user, mainly due to erosion of tariffs for outgoing calls and a decrease in interconnect fees.

Pelephone posted positive EBITDA of NIS 422 million (34.8% EBITDA margin) in the third quarter of 2008, compared to NIS 340 million (28.3% EBITDA margin) in the third quarter of 2007. Pelephone's net profit in the third quarter of 2008 increased 37.0% year-over-year to NIS 211 million.

During the third quarter Pelephone progressed with the deployment of its new HSPA network infrastructure and currently expects this network to be operational during the first quarter of 2009. The HSPA network initiative is central to Pelephone's commitment to access higher value segments of the mobile communications market.

Bezeq International Results

Bezeq International	Q3 2008	Q3 2007	Change	Q1-Q3 2008	Q1-Q3 2007	Change
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	329	326	0.9%	969	970	-0.1%
Operating profit	59	54	9.3%	176	159	10.7%
EBITDA	79	75	5.3%	236	224	5.4%
EBITDA margin	24.0%	23.0%		24.4%	23.1%	
Net profit	44	39	12.8%	133	115	15.7%
Cash flows from operating activities	42	34	23.5%	101	65	55.4%
Capex, net	33	27	22.2%	92	53	73.6%
Free cash flow	9	7	28.6%	9	12	-25.0%

Bezeq International, Israel's leading supplier of Internet services and direct-dial international calls, posted third quarter 2008 segment revenue of NIS 329 million, up 0.9% compared to the third quarter of 2007. This increase was driven by higher revenue from Bezeq International's core business areas, including Internet broadband service, outgoing international calls and enterprise integration solutions. Gains in these areas were partially offset by a decline in hubbing traffic between foreign operators using Bezeq International's switching equipment.

Bezeq International posted a record EBITDA of NIS 79 million (24.0% EBITDA margin) in the third quarter of 2008, up 5.3% compared to NIS 75 million (23.0% EBITDA margin) in the third quarter of 2007.

Bezeq International generated an operating profit of NIS 59 million and a net profit of NIS 44 million in the third quarter of 2008, up 9.3% and 12.8%, respectively, year-over-year. The increase in profitability came as a result of growth in core business areas, combined with a decrease in general and operating expenses.



Press Release

yes Results

yes	<u>Q3 2008</u>	<u>Q3 2007</u>	<u>Change</u>	<u>Q1-Q3 2008</u>	<u>Q1-Q3 2007</u>	<u>Change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	375	360	4.2%	1,136	1,068	6.4%
Operating profit	52	(4)	<i>n.m.</i>	121	52	132.7%
EBITDA	111	62	79.0%	305	255	19.6%
EBITDA margin	29.6%	17.2%		26.8%	23.9%	
Net profit	(82)	70	<i>n.m.</i>	(247)	(43)	474.4%
Cash flows from operating activities	97	53	83.0%	213	171	24.6%
Capex, net *	56	84	-33.3%	175	174	0.6%
Free cash flow	41	(31)	<i>n.m.</i>	38	(3)	<i>n.m.</i>
Number of subscribers (end of period, in thousands)	556	545	2.0%	556	545	2.0%
Average revenue per user (ARPU, NIS)	226	220	2.7%	229	219	4.7%

* Including subscriber acquisition costs

Revenue from the yes multi-channel pay-TV segment increased 4.2% to NIS 375 million in the third quarter of 2008 from NIS 360 million in the year ago period. The increase in revenue was primarily related to a 2.7% year-over-year increase in ARPU to NIS 226 as well as a 2.0% net increase in subscribers.

yes posted positive EBITDA of NIS 111 million (29.6% EBITDA margin) in the third quarter of 2008 as compared to EBITDA of NIS 62 million (17.2% EBITDA margin) in the third quarter of 2007. As a reminder, during the second half of 2007 yes experienced a temporary reduction in revenues and increase in expenses related to a disruption of broadcasting services.

The net loss in the third quarter of 2008 totaled NIS 82 million compared to net income of NIS 70 million in the third quarter of 2007. Net income in the year ago period benefited from a NIS 213 million favorable impact related to non-cash financing expenses. Net financing expenses during the third quarter of 2007 were positively influenced by a recalculation of the fair value of shareholders' loans due to the postponement of expected payment dates; as a result, yes recorded net financing income.

yes maintained its 37% market share with 556,000 subscribers as of September 30, 2008, up 11,000 subscribers from the year ago period and up from 551,000 as of June 30, 2008.

Outlook

Based on current business conditions, Bezeq continues to expect Group-wide full-year 2008 revenues to remain stable, reflecting the combination of continued erosion in domestic fixed-line telephony with growth across the rest of the business segments. In addition, the Company expects to continue focusing on reducing costs and expanding margins. Regarding Group level gross capital expenditures, in 2008 the Company is reiterating its forecast for an increase of approximately 50% year-over-year mainly due to the deployment of Pelephone's HSPA network infrastructure as well as the initial stages of the company's NGN project.



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 Tuesday, November 25, 2008, 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 two hours after the completion of the live call through Tuesday, December 2, 2008. 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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Press Release

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

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2008	2007	2008	2007	2007
	(Unaudited) NIS millions	(Unaudited) NIS millions	(Unaudited) NIS millions	(Unaudited) NIS millions	(Audited) NIS millions
Revenues	9,345	9,280	3,159	3,139	12,400
Costs and expenses					
Depreciation and amortisation	1,274	1,323	423	445	1,769
Salary	1,774	1,757	573	597	2,375
Operating and general expenses	4,025	4,307	1,342	1,475	5,841
Other operating expenses (income), net	(14)	70	(1)	26	79
	7,059	7,457	2,337	2,543	10,064
Operating income	2,286	1,823	822	596	2,336
Financing costs					
Financing expenses	617	678*	225	357*	796
Financing income	(148)	(413)*	(39)	(223)*	(487)
Net financing expenses	469	265	186	134	309
Profit after financing expenses	1,817	1,558	636	462	2,027
Equity in profits of investees accounted by the equity method	4	2	2	1	6
Profits before income tax	1,821	1,560	638	463	2,033
Income tax	592	504	207	133	672
Profit for the period	1,229	1,056	431	330	1,361
Attributable to:					
The shareholders of the Company	1,329	1,015	462	255	1,330
Non-controlling interests	(100)	41	(31)	75	31
Profit for the period	1,229	1,056	431	330	1,361
Earnings per share					
Basic earnings per share (in NIS)	0.51	0.39	0.18	0.10	0.51
Diluted earnings per share (in NIS)	0.50	0.38	0.17	0.09	0.50

* Reclassified



Press Release

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

	September 30, 2008	September 30, 2007	December 31, 2007
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	1,198	1,105	1,203
Investments and loans, including derivatives	61	980	389
Trade receivables	2,385	2,290*	2,403
Other receivables	218	192	247
Inventory	159	189	203
Current tax assets	-	13	11
Assets classified as available for sale	19	23	17
Total current assets	4,040	4,792	4,473
Trade and other receivables	584	519*	535
Investments and loans, including derivatives	210	274	233
Broadcasting rights	264	224*	243*
Property, plant and equipment	5,962	6,075	6,064
Intangible assets	2,665	2,526	2,526
Deferred and other expenses	390	363	367
Investments in associates accounted by the equity method	31	33	37
Deferred tax assets	592	743	678
Total non-current assets	10,698	10,757	10,683
Total assets	14,738	15,549	15,156

* Reclassified



Press Release

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

	September 30, 2008	September 30, 2007	December 31, 2007
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Liabilities			
Loans and credit	1,014	1,971	1,913
Trade payables	1,243	1,315	1,533
Other payables, including derivatives	754	771*	745
Current tax liabilities	119	51	57
Deferred income	34	36	47
Provisions	345	358	392
Employee benefits	423	837*	705
Dividend payable	835	760	-
Total current liabilities	4,767	6,099	5,392
Debentures	3,966	4,425	4,420
Obligations to banks	1,084	342	307
Loans from others	154	132	136
Loans provided by the minority in a subsidiary	436	362	375
Employee benefits	253	244	261
Deferred income and others	14	37	36
Provisions	57	53	57
Deferred taxes	73	-	-
Total non-current liabilities	6,037	5,595	5,592
Total liabilities	10,804	11,694	10,984
Shareholders' Equity			
Share capital	6,132	6,132	6,132
Reserves	721	685	681
Deficit	(2,453)	(2,594)	(2,268)
Total equity attributable to shareholders of the Company	4,400	4,223	4,545
Non-controlling interests	(466)	(368)	(373)
Total shareholders' equity	3,934	3,855	4,172
Total shareholders' equity and liabilities	14,738	15,549	15,156

* Reclassified



Press Release

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

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2008	2007	2008	2007	2007
	(Unaudited) NIS millions	(Unaudited) NIS millions	(Unaudited) NIS millions	(Unaudited) NIS millions	(Audited) NIS millions
Cash flows from operating activities					
Profit for the period	1,229	1,056	431	330	1,361
Adjustments:					
Depreciation	1,061	1,116	354	375	1,482
Amortisation of intangible assets	183	191	59	65	270
Amortisation of deferred and other charges	30	16	10	5	17
Loss from decrease in holding in companies accounted by the equity method	-	1	-	1	1
Net financing expenses	537	319*	217	140*	372
Equity in earnings of associates accounted by the equity method	(4)	(2)	(2)	(1)	(6)
Net capital (gain) loss	(21)	(7)	(2)	(2)	(88)
Share-based payment transactions	53	-	18	-	-
Payments to a former senior officer	-	6	-	-	6
Income tax expenses	592	504	207	133	672
Payment in respect of clearance of derivative financial instruments, net	(48)	(4)	(34)	-	(9)
Change in inventory	43	13	28	38	(6)
Change in trade receivables	(31)	(304)	101	(195)	(437)
Change in other receivables	(14)	(26)	-	-	4
Change in other payables	(15)	35*	(19)	(3)*	(18)
Change in suppliers	(280)	(125)	(3)	4	36
Change in provisions	(48)	68	(2)	23	105
Change in broadcasting rights	(21)	(55)	14	(19)	(74)
Change in employee benefits	(289)	(198)*	(27)	(6)*	(300)
Change in deferred and other income	-	(5)*	2	(2)*	(11)
	2,957	2,599	1,352	886	3,377
Interest received	46	100	12	30	116
Dividend received	12	3	10	-	3
Income tax paid	(368)	(326)	(140)	(102)	(430)
Net cash from operating activities	2,647	2,376	1,234	814	3,066

* Reclassified



Press Release

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

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2008	2007	2008	2007	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from investing activities					
Investment in intangible assets and deferred expenses	(385)	(168)	(250)	(61)	(273)
Proceeds from sale of property, plant and equipment and deferred expenses	101	137	14	17	177
Financial assets held for trade, net	314	19	-	11	647
Purchase of property, plant and equipment	(962)	(681)	(345)	(271)	(973)
Proceeds from sale of investments and long-term loans	13	49	2	16	66
Purchase of investments and long-term loans	(6)	-	(2)	-	-
Investment in an associated company	(1)	-	-	-	(8)
Net cash used for investment activities	(926)	(644)	(581)	(288)	(364)
Cash flows from financing activities					
Issue of debentures	-	1,814	-	1,058	1,814
Receipt of loans	-	50	-	-	50
Repayment of debentures	(697)	(1,902)	(70)	(1,805)	(1,927)
Repayment of loans	(112)	(753)	(31)	(605)	(840)
Short-term credit, net	(5)	(56)	(73)	(33)	(37)
Dividends paid	(679)	(2,100)	-	-	(2,860)
Interest paid	(266)	(357)	(31)	(159)	(389)
Receipt in respect of disposal of derivative financial instruments, net	36	67	7	81	77
Injections of non-controlling interests, less dividend distributed, net	7	(4)	3	(4)	-
Net cash used for financing activities	(1,716)	(3,241)	(195)	(1,467)	(4,112)
Net increase (decrease) in cash and cash equivalents					
	5	(1,509)	458	(941)	(1,410)
Cash and cash equivalents at the beginning of the period	1,203	2,632	740	2,063	2,632
Effect of fluctuations in the rate of exchange on cash balances	(10)	(18)	-	(17)	(19)
Cash and cash equivalents at the end of the period	1,198	1,105	1,198	1,105	1,203