



## BEZEQ GROUP REPORTS FIRST QUARTER 2008 FINANCIAL RESULTS

***NIS 398 million in net profit attributable to shareholders as revenue  
increases year-over-year to NIS 3.10 billion***

**Tel Aviv, Israel – May 22, 2008** – Bezeq The Israel Telecommunication Corp., Limited (TASE: BEZQ), Israel's leading telecommunications provider, announced today its financial results for the first quarter 2008, the period ended March 31, 2008. Details regarding today's investor conference call and web cast are included later in this press release.

### **Bezeq Group First Quarter 2008 Financial Highlights:**

- Revenues of NIS 3.10 billion, up 0.4% compared to the prior year period.
- Operating profit totaled NIS 664 million, up 1.1% compared to the prior year period.
- Net profit attributable to shareholders totaled NIS 398 million, down 0.3% compared to the prior year period.
- Earnings per basic and diluted share amounted to NIS 0.15, same as earnings per basic and diluted share for the first quarter of 2007.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled NIS 1.09 billion, down 0.5% compared to the prior year period..
- EBITDA margin was 35.3% compared to 35.5% in prior year period.
- Net capital expenditures totaled NIS 305 million, up 40.6% year-over-year.
- Free cash flow from operating activities totaled NIS 332 million, a decline of 48.8% year-over-year, an increase of 41.9% sequentially.

### **Divisional Highlights:**

- **Bezeq Fixed-Line:** Driven by 18.8% and 6.6% year-over-year increases in revenues from high-speed Internet and data communications services, respectively, Bezeq Fixed-Line ended the first full quarter of number portability with flat revenues, when adjusted for interconnect fees transferred to cellular companies. Non-adjusted revenues decreased 2.4% year-over-year. ADSL subscriber lines grew 6.4% year-over-year and reached a record 970,000 as ADSL average revenue per user (ARPU) increased 1.2% to NIS 58.1 over the same period.
- **Telephone:** Operating profit, net profit and EBITDA performance improved year-over-year on a 2.3% rise in revenue, driven by the strength of Telephone's 3G subscriber growth (867,000 total 3G subscribers as of March 31 and approximately 900,000 as of today) which helped push total cellular subscribers up to approximately 2.60 million year-over-year, an increase of 4.7%.
- **Bezeq International:** Operating profit increased 7.8% to NIS 55 million and net profit increased 16.7% to NIS 42 million driven by continued focus and enhanced profitability in core businesses such as broadband Internet services, international calls, and enterprise solutions.



## Press Release

- **yes:** Multi-channel pay-TV revenue increased 7.6% year-over-year to NIS 381 million driven by a 6.0% improvement in ARPU to NIS 231 and a 1.3% increase in subscribers to 549,000.

Shlomo Rodav, Chairman of the Board of Bezeq, stated, "We begin 2008 with a solid first quarter performance, including our strongest first quarter revenues ever, driven by record sales of high speed Internet and data services as well as higher sales in our Pelephone and yes business segments. These gains more than offset the decline in revenue within fixed-line telephony. Our cellular services business segment reached approximately 900,000 3G subscribers (as of today), about 35% of Pelephone's subscriber base. While number portability contributed to the sequential decline in our Bezeq Fixed-Line subscriber lines, Pelephone has recorded the most net portable subscriber additions since the implementation of mobile number portability as of last December. Looking ahead, we are moving forward with our HSPA cellular infrastructure deployment as this investment reflects our dedication to improving customer choice and the customer experience, as well as enhancing this segment's profitability.

"Overall we continue to make excellent progress towards our long-term strategy of migrating our business from one focused primarily on communications infrastructure access to a provider of high value, customized communications products and services. In this respect, and among other related initiatives, we recently launched our new advanced data center providing an ultra-modern facility aimed at offering server hosting solutions and other advanced data solutions for the business sector. We believe this customer focused strategy, and the investments we continue to make in our infrastructure, provide a strong foundation for the future. As we await the advent of a more visible regulatory environment with regards to the development of the communications sector, we believe we are independently taking the appropriate steps to help ensure we continue to develop and deploy a leading edge portfolio of consumer and business focused solutions," concluded Mr. Rodav.

Alan Gelman, Chief Financial Officer and Deputy CEO of Bezeq, commented, "During the first quarter we made significant progress in terms of reducing our operating costs as well as headcount through our ongoing corporate streamlining and operating efficiency initiatives. While these gains were partially offset by higher financing costs during the quarter we delivered improved operating profit, stable net profit attributable to shareholders and a solid 35.3% EBITDA margin.

"The pending sale of our satellite communications operations reflects our focus on our core business segments and further streamlines our operations. Going forward we remain dedicated to improving our operating costs and bottom line profitability, rewarding our shareholders through the competitive payment of dividends and maintaining full financial flexibility to support Bezeq's position as Israel's leading telecommunications provider," concluded Mr. Gelman.



# Press Release

## Bezeq Group Consolidated Results

<b>Bezeq Group (Consolidated)</b>	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>Change</b>
	<i>(NIS millions)</i>		
Revenues	3,100	3,089	0.4%
Operating profit	664	657	1.1%
EBITDA	1,093	1,098	-0.5%
EBITDA margin	35.3%	35.5%	-0.8%
Net profit attributable to shareholders of the company	398	399	-0.3%
Diluted EPS (NIS)	0.15	0.15	0.0%
Cash flow from operating activities	637	865	-26.4%
Capex, net	305	217	40.6%
Free cash flow	332	648	-48.8%
Net debt/EBITDA (end of period)	1.15	1.42	
Net debt/shareholders' equity (end of period)	0.95	1.16	

Bezeq Group's revenues for the first quarter of 2008 were NIS 3.10 billion, up from NIS 3.09 billion reported for the first quarter of 2007. Higher revenues were driven by increased sales of high speed Internet service as well as higher sales in Pelephone and yes which more than offset the decline in revenue within the Company's fixed-line telephony and Bezeq International offerings.

Operating profit for the Group increased 1.1% year-over-year to NIS 664 million up from NIS 657 in the year ago period based on the Group's cost reduction and streamlining initiatives and higher revenues.

The Group's earnings before interest, taxes, depreciation and amortization (EBITDA) for the first quarter 2008 was approximately NIS 1.09 billion (35.3% EBITDA margin), down modestly as compared to the first quarter of 2007 (35.5% EBITDA margin).

Net profit attributed to Bezeq shareholders amounted to NIS 398 million in the first quarter of 2008, roughly in line with the NIS 399 million reported in the first quarter of 2007.

Net capital expenditures amounted to NIS 305 million in the first quarter of 2008, an increase of 40.6% compared to the first quarter of 2007, mainly due to the ongoing deployment of Pelephone's HSPA network.

The Bezeq Group's free cash flow totaled NIS 332 million in the first quarter of 2008, a decrease of 48.8% compared to the first quarter of 2007. The decline in free cash flow was primarily the result of higher capital expenditures, an increase in trade receivables, as well as lower cash flow from operations mainly due to payments made in relation to early retirement as per the December 2006 labor agreement. The increase in trade receivables was primarily due to the transition from advanced billing of fixed monthly fees to retroactive billing.

As of March 31, 2008, the Group's net financial debt was NIS 4.71 billion, compared with NIS 5.04 billion as of March 31, 2007.



# Press Release

## Bezeq Fixed-Line Results

<b>Bezeq Fixed-Line</b>	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>Change</b>
	<i>(NIS millions)</i>		
Revenues	1,408	1,442	-2.4%
Operating profit	368	369	-0.3%
EBITDA	586	606	-3.3%
EBITDA margin	41.6%	42.0%	
Capex, net	124	95	30.5%
Number of active subscriber lines at end of period (thousands)	2,713	2,797	-3.0%
Average monthly revenue per line (NIS) *	84.9	88.3	-3.9%
Number of outgoing usage minutes (millions)	3,594	3,914	-8.2%
Number of incoming usage minutes (millions) **	1,182	1,045	13.1%
Number of ADSL subscribers at end of period (thousands)	970	912	6.4%
Average monthly revenue per ADSL subscriber (NIS)	58.1	57.4	1.2%

\* Not including revenues from data communications and transmission services, services to communications providers, and contract and other work. This item has been updated going back to 1.1.2006 in order to present nominal figures instead of normalized ones.

\*\* The increase in incoming minutes compared to the corresponding period in 2007 stems from an increase in traffic minutes from domestic carriers in competition with Bezeq.

Bezeq fixed-line's primary objectives remain to compensate for the predictable decline in domestic telephony revenues with growing revenues from broadband Internet and value-added services, and solutions for the business segment, as well as reduce costs. In the first quarter, Bezeq successfully met all of these.

Revenue from fixed-line domestic communications declined 2.4% to NIS 1.41 billion in the first quarter of 2008 compared to NIS 1.44 billion in the first quarter of 2007. However, when adjusted for revenues from cellular airtime collected by Bezeq and paid to the cellular companies, Bezeq Fixed-Line's revenues reached NIS 1.17 billion, roughly unchanged with the first quarter of 2007. This achievement demonstrates Bezeq's resilience in an increasingly competitive environment.

Bezeq set a new record number of customers who subscribe to its high-speed Internet service (ADSL), rising 6.4% year-over-year to 970,000 as of March 31, 2008. The growth in Bezeq's ADSL customer base helped offset a 3.0% decline in total telephony access lines during the same period which totaled 2.71 million as of March 31, 2008. ADSL ARPU in the first quarter was NIS 58.1, up 1.2% from the prior year period, while fixed line voice ARPL fell 3.9% year-over-year to NIS 84.9.

Bezeq's fixed-line segment posted positive EBITDA of NIS 586 million (41.6% EBITDA margin) in the first quarter of 2008, compared to NIS 606 million (42.0% EBITDA margin) in the first quarter of 2007.

The Board of Directors has approved the initiation of comprehensive planning for a Next Generation Network (NGN) and to complete purchasing and installation of soft switches. In conjunction with these efforts, the Board has requested a detailed analysis of these initiatives be presented upon completion for discussion by the Board.



# Press Release

## Telephone Results

Telephone	<u>Q1 2008</u>	<u>Q1 2007</u>	<u>Change</u>
	<i>(NIS millions)</i>		
Revenues	1,173	1,147	2.3%
Operating profit	215	213	0.9%
EBITDA	343	330	3.9%
EBITDA margin	29.2%	28.8%	
Net profit	163	154	5.8%
Cash flows from operating activities	264	359	-26.5%
Capex, net	102	61	67.2%
Free cash flow	162	298	-45.6%
Number of subscribers at end of period (millions)	2,595	2,478	4.7%
Average revenue per user (ARPU, NIS)	126	132	-4.5%
Average monthly minutes of use per subscriber (MOU)	355	344	3.2%

Pelephone improved its operating profit, net profit and EBITDA performance driven by a significant increase in its subscriber base and revenues related to data, content and value added services.

As of March 31, 2008, Pelephone had approximately 2.60 million active subscribers, an increase of 4.7% year-over-year. Pelephone remains the market leader in 3G subscribers with a record 867,000 3G subscribers as of March 31, 2008, representing over 33% of all Pelephone subscribers (and 900,000 as of today, or about 35% of its total subscriber base). Pelephone revenues from data and value added and content services constituted a record 15.0% of revenues from cellular services in the first quarter, compared to approximately 12.0% in the year ago period.

Pelephone's revenues increased 2.3% year-over-year to NIS 1.17 billion in the first quarter of 2008. The increase was due to higher revenue from cellular services, following an increase in content revenue and a 4.7% increase in the annual number of subscribers. The aforementioned factors more than offset lower ARPU due to a decrease in tariffs and the impact of higher customer churn associated with number portability in the first quarter of 2008.

Pelephone posted positive EBITDA of NIS 343 million (29.2% EBITDA margin) in the first quarter of 2008, compared to NIS 330 million (28.8% EBITDA margin) in the first quarter of 2007. Pelephone's net profit in the first quarter of 2008 increased 5.8% year-over-year to NIS 163 million.

Pelephone's number portability strategy has made it the leader in net portable subscriber additions, while being able to remain focused on costs and actually improve its operating and net profit by roughly 60% from the previous quarter, which saw intensive preparations for the implementation of number portability.

In late 2007, the company approved a four year investment totaling up to 1 billion shekels in Pelephone's new HSPA wireless network infrastructure, further illustrating Pelephone's commitment to leading edge technologies. Based on year-to-date progress on the network development, the company continues to expect the HSPA network to be operational by the beginning of 2009. The current CDMA network will continue to operate simultaneously enabling Pelephone to market differentiated offerings.



# Press Release

## Bezeq International Results

<b>Bezeq International</b>	<b><u>Q1 2008</u></b>	<b><u>Q1 2007</u></b>	<b><u>Change</u></b>
	<i>(NIS millions)</i>		
Revenues	314	323	-2.8%
Operating profit	55	51	7.8%
EBITDA	75	74	1.4%
EBITDA margin	23.9%	22.9%	
Net profit	42	36	16.7%
Cash flows from operating activities	8	(1)	<i>n.m.</i>
Capex, net	28	8	250.0%
Free cash flow	(20)	(9)	122.2%

Bezeq International, Israel's largest supplier of Internet services, international calls in Israel and network end-point (NEP) services, posted first quarter 2008 segment revenue of NIS 314 million, down 2.8% compared to the first quarter of 2007. The decrease in year-over-year revenue was driven by the weakness in the US dollar and the decline in hubbing traffic between foreign operators using Bezeq International's switching equipment. This decline was partially offset by a 14% increase in revenue from core business areas.

Bezeq International posted positive EBITDA of NIS 75 million (23.9% EBITDA margin) in the first quarter of 2008, up 1.4% compared to NIS 74 million (22.9% EBITDA margin) in the first quarter of 2007.

Bezeq International generated an operating profit of NIS 55 million and a net profit of NIS 42 million in the first quarter of 2008, up 7.8% and 16.7% respectively year-over-year. The rise in net profit year-over-year came as a result of growth in all core business areas, combined with 5% lower operating costs.



# Press Release

## yes Results

<b>yes</b>	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>Change</b>
	<i>(NIS millions)</i>		
Revenues	381	354	7.6%
Operating profit	27	24	12.5%
EBITDA	92	92	0.0%
EBITDA margin	24.1%	26.0%	
Net profit	(65)	(48)	35.4%
Cash flows from operating activities	84	93	-9.7%
Capex, net *	79	45	75.6%
Free cash flow	5	48	-89.6%
Number of subscribers (end of period, in thousands)	549	542	1.3%
Average revenue per user (ARPU, NIS)	231	218	6.0%

\* Including subscriber acquisition costs

Revenue from the yes multi-channel pay-TV segment increased 7.6% to NIS 381 million in the first quarter of 2008 from NIS 354 million in the year ago period. The rise in revenue was primarily related to a 1.3% year-over-year net increase in subscribers as well as a 6.0% increase in ARPU.

Net loss for the yes segment in the first quarter of 2008 totaled NIS 65 million compared to a net loss of NIS 48 million in the first quarter of 2007, an increase of 35.4% year-over-year. This increase stemmed mainly from higher financing expenses.

Yes posted positive EBITDA of NIS 92 million (24.1% EBITDA margin) in the first quarter of 2008, unchanged as compared to EBITDA of NIS 92 million (26.0% EBITDA margin) in the first quarter of 2007.

The number of yes subscribers as of March 31, 2007 was 549,000, up 7,000 subscribers from the year ago period and roughly unchanged as compared to December 31, 2007.





# Press Release

## Outlook

Based on current business conditions, Bezeq expects Group wide full year 2008 revenues to remain stable, reflecting the combination of continued erosion in domestic fixed telephony with combined 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 continues to forecast an increase of approximately 50% year-over-year mainly due to the deployment of Pelephone's next generation HSPA network infrastructure.

## 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 Thursday, May 22, 2008, at 4:00 PM Israel Time / 1:00 PM Greenwich Mean Time / 9:00 AM Eastern Time. Participants are invited to join the live conference call by dialing:

North America    Phone Number:    +1-877-407-0778  
International    Phone Number:    +1-201-689-8565

A live webcast of the conference call will be available on the investor relations section of the Bezeq corporate website at <http://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 Thursday, May 29, 2008. Participants are invited to listen to the conference call replay by dialing:

North America    Phone Number:    +1-877-660-6853  
International    Phone Number:    +1-201-612-7415

Replay Passcodes (both required for playback):  
Account #: 286  
Conference ID #: 283609





# Press Release

## **About Bezeq The Israel Telecommunication Corp.**

Bezeq is Israel's largest 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 telecommunication services including domestic, international and cellular phone services; Internet, ADSL, and other data communications; leased lines, and corporate networks.

For more information about Bezeq please visit the corporate website at <http://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 three-month period ended March 31		For the year ended December 31
	2008	2007	2007
	(Unaudited) NIS millions	(Unaudited) NIS millions	(Audited) NIS millions
<b>Revenue</b>	<b>3,100</b>	3,089	12,400
<b>Costs and expenses</b>			
Depreciation and amortization	429	441	1,769
Salary	616	575	2,375
Operating and general expenses	1,370	1,423	5,841
Other operating expenses	21	8	188
Other operating (income)	-	(15)	(109)
	<b>2,436</b>	2,432	10,064
Operating income	<b>664</b>	657	2,336
<b>Financing costs</b>			
Financing expenses	161	162	796
Financing income	(61)	(104)	(487)
Net financing expenses	<b>100</b>	58	309
Profit after financing expenses	<b>564</b>	599	2,027
<b>Equity in profits of investees accounted by the equity method</b>	<b>1</b>	-*	6
Profit before income tax	<b>565</b>	599	2,033
<b>Income tax</b>	<b>180</b>	214	672
Profit for the period	<b>385</b>	385	1,361
<b>Attributable to:</b>			
The shareholders of the Company	<b>398</b>	399	1,330
Minority interest	(13)	(14)	31
Profit for the period	<b>385</b>	385	1,361
<b>Earnings per share</b>			
Basic earnings per share (in NIS)	<b>0.15</b>	0.15	0.51
Diluted earnings per share (in NIS)	<b>0.15</b>	0.15	0.50

\* Less than NIS 500,000.



# Press Release

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

	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>December 31, 2007</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
<b>Assets</b>			
Cash and cash equivalents	1,283	1,033	1,203
Investments and loans, including derivatives	317	851	389
Trade receivables	2,480	2,060	2,403
Other receivables	245	296	247
Inventory	238	252	203
Broadcasting rights	271	200	243
Current tax assets	28	12	11
Assets classified as held for sale	20	-	17
<b>Total current assets</b>	<u>4,882</u>	<u>4,704</u>	<u>4,716</u>
Trade and other receivables	562	489	535
Investments and loans, including derivatives	227	326	233
Property, plant and equipment	5,981	6,335	6,064
Intangible assets	2,495	2,563	2,526
Deferred and other expenses	376	366	367
Investments in associates accounted by the equity method	39	32	37
Deferred tax assets	623	871	678
<b>Total non-current assets</b>	<u>10,303</u>	<u>10,982</u>	<u>10,440</u>
<b>Total assets</b>	<u>15,185</u>	<u>15,686</u>	<u>15,156</u>



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

	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>December 31, 2007</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
<b>Liabilities</b>			
Loans and borrowings	1,032	3,707	1,913
Trade payables	1,350	1,467	1,533
Other payables, including derivatives	866	873	745
Current tax liabilities	33	68	57
Deferred income	19	36	47
Provisions	388	302	392
Employee benefits	621	844	705
<b>Total current liabilities</b>	<u>4,309</u>	<u>7,297</u>	<u>5,392</u>
Debentures	4,242	2,940	4,420
Obligations to banks	1,125	435	307
Loans from others	140	172	136
Loans provided by the minority in a subsidiary	389	578	375
Employee benefits	262	360	261
Deferred income and others	52	75	36
Provisions	58	53	57
Reserve for deferred taxes	42	-	-
<b>Total non-current liabilities</b>	<u>6,310</u>	<u>4,613</u>	<u>5,592</u>
<b>Total liabilities</b>	<u>10,619</u>	<u>11,910</u>	<u>10,984</u>
<b>Shareholders' Equity</b>			
Share capital	6,132	6,132	6,132
Reserves	690	672	681
Deficit	(1,870)	(2,450)	(2,268)
<b>Total equity attributable to shareholders of the Company</b>	<u>4,952</u>	<u>4,354</u>	<u>4,545</u>
<b>Minority interest</b>	<u>(386)</u>	<u>(578)</u>	<u>(373)</u>
<b>Total shareholders' equity</b>	<u>4,566</u>	<u>3,776</u>	<u>4,172</u>
<b>Total shareholders' equity and liabilities</b>	<u>15,185</u>	<u>15,686</u>	<u>15,156</u>



# Press Release

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

	For the three-month period ended		For the year ended
	March 31		December 31
	2008	2007	2007
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
<b>Cash flows from operating activities</b>			
Net earnings for the period	385	385	1,361
Adjustments:			
Depreciation	351	376	1,482
Amortization of intangible assets	68	60	270
Amortization of deferred and other charges	10	5	17
Gain from decrease in holdings in associates accounted by the equity method	-	-	1
Equity in earnings of associates accounted by the equity method	(1)	(1)	(6)
Net financing costs	129	19	372
Net capital gain	(1)	(17)	(88)
Share-based payment transactions	13	-	-
Payments to a former senior officer	-	-	6
Income tax expenses	180	214	672
Payment in respect of clearance of derivative financial instruments, net	(10)	5	(9)
Change in inventory	(37)	(48)	(6)
Change in trade receivables	(104)	(13)	(437)
Change in other receivables	(53)	(52)	4
Change in trade payables	73	56	(18)
Change in suppliers	(143)	33	36
Change in provisions	(4)	16	105
Change in broadcasting rights	(28)	(31)	(74)
Change in employee benefits	(83)	(85)	(300)
Change in deferred and other income	1	38	(11)
	<b>746</b>	<b>960</b>	<b>3,377</b>
Interest received	19	43	116
Dividend received	-	-	3
Income tax paid	(128)	(138)	(430)
<b>Net cash from operating activities</b>	<b>637</b>	<b>865</b>	<b>3,066</b>
<b>Cash flows from investing activities</b>			
Investment in intangible assets and deferred expenses	(59)	(63)	(273)
Proceeds from sale of property, plant and equipment and deferred expenses	61	23	177
Investment in financial assets held for sale, net	57	116	647
Purchase of property, plant and equipment	(307)	(177)	(973)
Proceeds from sale of investments and long-term loans	6	8	66
Purchase of investments and long-term loans	-	-	(8)
Investment in associated company	(1)	-	-
<b>Net cash used for investment activity</b>	<b>(243)</b>	<b>(93)</b>	<b>(364)</b>



# Press Release

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

	For the three-month period ended		For the year ended
	March 31		December 31
	2008	2007	2007
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
<b>Cash flows from financing activities</b>			
Proceeds from issue of debentures	-	-	1,814
Receipt of loans	-	-	50
Repayment of debentures	(229)	(82)	(1,927)
Repayment of loans	(40)	(69)	(840)
Short-term borrowing, net	12	(32)	(37)
Dividend paid	-	(2,100)	(2,860)
Interest paid	(56)	(75)	(389)
Receipt (payment) for clearance of derivative financial instruments, net	4	(12)	77
<b>Net cash used for financing activities</b>	<b>(309)</b>	<b>(2,370)</b>	<b>(4,112)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>85</b>	<b>(1,598)</b>	<b>(1,410)</b>
Cash and cash equivalents at the beginning of the period	1,203	2,632	2,632
Effect of fluctuations in the rate of exchange on cash balances	(5)	(1)	(19)
<b>Cash and cash equivalents at the end of the period</b>	<b>1,283</b>	<b>1,033</b>	<b>1,203</b>

### Appendix to Condensed Interim Statements of Cash Flows

	For the three-month period ended		For the year ended
	March 31		December 31
	2008	2007	2007
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
<b>Appendix of non-cash activities</b>			
Purchase of property, plant and equipment, and intangible assets on credit	103	186	183
Sale of property, plant and equipment on credit	67	162	126