

**BEZEQ REPORTS THIRD QUARTER 2007 FINANCIAL RESULTS*****Earnings for the first nine months of 2007 rise 10.8% to a record NIS 1.02 billion***

**Tel Aviv, Israel – 15th November, 2007** – Bezeq The Israel Telecommunication Corp., Limited (TASE: BEZQ), Israel's largest telecommunications provider, announced today its financial results for the third quarter 2007, the period ended September 30, 2007.

**Financial Highlights:**

- Bezeq third quarter 2007 and nine month year to date revenues set an all time record highs of NIS 3.14 billion and NIS 9.28 billion respectively.
- Earnings attributed to the shareholders of Bezeq increased to a record NIS 1.02 billion in the first nine months of 2007, an increase of 10.8% year-over-year, but declined to NIS 255 million in the third quarter of 2007 from NIS 313 million in the third quarter of 2006, a decrease of 18.4%.
- The Bezeq Group's EBITDA amounted to NIS 3.15 billion in the first nine months of the year, an increase of 5.1% year-over-year (33.9% EBITDA margin in the first nine months of 2007 versus 32.8% in prior year period). EBITDA for the third quarter of 2007 was NIS 1.04 billion (33.2% EBITDA margin), an increase of 1.1% compared with the third quarter of 2006.
- The Bezeq Group's free cash flow amounted to NIS 1.76 billion in the first nine months of 2007, a decline of 6.3% year-over-year, and to NIS 601 million in the third quarter of 2007, a decrease of 18.5% compared to the third quarter of 2006.

**Divisional Highlights:**

- **Bezeq Wireline:** The decrease in telephony revenues was almost completely offset by an increase in revenues from high-speed internet, data communications, and value added services. In the first nine months of 2007, revenues from internet, data communications and transmission services increased by NIS 90 million compared to the corresponding period.
- **Pelephone:** Net earnings increased 39.4% in the third quarter, and increased 33.3% in the first nine months of 2007, driven by the strength of Pelephone's 3G subscriber growth (652,000 total 3G subscribers as of today) which helped push total cellular subscribers up to 2.56 million, an increase of 8.2% year-over-year.
- **Bezeq International:** Record quarterly minutes of international long distance call traffic and record levels of broadband subscribers fueled all time high quarterly revenue of NIS 326 million for Bezeq International.
- **yes:** Record multi-channel television subscribers drove quarterly segment revenues to an all time high of NIS 360 million.

Shlomo Rodav, Chairman of the Board of Bezeq, stated "Our group wide record revenue and net earnings performance for the nine month year-to-date period reflect Bezeq's success in evolving the delivery to our customers, the most comprehensive suite of telecommunications services available. The strength of our broad portfolio of consumer and business services focused on higher growth segments of the telecommunications market including high speed broadband Internet, data services and 3G mobile services more than offset the erosion of traditional wireline services. Since joining Bezeq in September, I have been truly impressed with the depth and breadth of the suite of services Bezeq brings to market and the opportunities that I see for additional growth through advanced next generation service offerings and additional efforts focused on improving internal operating efficiencies.

"Looking ahead, we look forward to reviewing the upcoming release of the Grunau Committee's findings and recommendations with regards to reforming the current overly restrictive regulatory framework in order to identify opportunities to better serve our valued customers. Our latest commitment to invest approximately NIS 1 billion in upgrading our Pelephone mobile communications infrastructure to a UMTS/HSPA standard will further improve our competitive positioning in the cellular market and reflects our dedication to delivering our customers new innovative applications and services as well as higher data connectivity speeds. Despite the challenges presented to us by the current regulatory environment, as compared to other leading international markets for telecommunications services, we are committed to making investments in infrastructure and customer satisfaction-focused initiatives to ensure our consumer and business customers enjoy the best of breed in telecommunications services," concluded Mr. Rodav.

Avi Gabbay, Bezeq's CEO, said that "despite the erosion in revenues from traditional telephony and the harsh regulatory environment that Bezeq faces, our results demonstrate our ability to generate new and growing revenue sources in an increasingly competitive fixed-line market. The success of our broadband Internet and related value-added services, as well as our data communications services, enable us to continue offering our residential and business customers the most advanced communications services in the Israeli market. While Bezeq will continue to lose revenues from traditional telephony, as it happens to incumbents around the world, we will continue to focus on our growth areas, and at the same time increase our efforts to improve our cost structure."

## Consolidated results

<b>Bezeq Group (Consolidated)</b>	<u>Q3 2007</u>	<u>Q3 2006</u>	<u>Change</u>	<u>Q1-Q3 2007</u>	<u>Q1-Q3 2006</u>	<u>Change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	3,139	3,084	1.8%	9,280	9,115	1.8%
Operating profit	596	560	6.3%	1,823	1,592	14.5%
EBITDA	1,041	1,029	1.1%	3,146	2,993	5.1%
EBITDA margin	33.2%	33.4%		33.9%	32.8%	
Net profit attributable to shareholders of the company	255	313	-18.4%	1,015	916	10.8%
Cash flow from operating activities	895	964	-7.1%	2,443	2,688	-9.1%
Capex, net	294	226	30.2%	680	806	-15.7%
Free cash flow	601	738	-18.5%	1,763	1,882	-6.3%
Net debt/EBITDA * (Sept 30, 2007)	1.26	-				
Net debt/shareholders' equity (end of period)	1.07	0.59				

\*EBITDA based on trailing twelve months

**Bezeq Group's revenues** increased by 1.8% year-over-year to a record NIS 3.14 billion in the third quarter of 2007. Revenue for the first nine months of 2007 also increased 1.8% year-over-year to NIS 9.28 billion. Higher revenues in both periods were driven by increased sales in Bezeq's Telephone cellular, Bezeq International and yes multi-channel television segments which more than offset the decline in revenue within the company's wireline communications segment.

**Net profit** attributed to Bezeq shareholders amounted to NIS 255 million in the third quarter of 2007, a decrease of 18.4% compared to the third quarter of 2006. Net profit for the first nine months of 2007 increased 10.8% year-over-year to NIS 1.02 billion.

**The Group's earnings before interest, taxes, depreciation and amortization (EBITDA)** for the third quarter 2007 was approximately NIS 1.04 billion (33.2% EBITDA margin), an increase of 1.1% compared with the third quarter of 2006 (33.4% EBITDA margin). EBITDA in the first nine months of 2007 increased 5.1% to NIS 3.15 billion (33.9% EBITDA margin) compared with the first nine months of 2006 (32.8% EBITDA margin). EBITDA growth resulted from an increase in revenues and a decrease in depreciation expenses as well as operating and general expenses.

**Net capital expenditures (CAPEX)** amounted to NIS 294 million in the third quarter of 2007, an increase of 30.2% compared to the third quarter of 2006. Net capital expenditures for the first nine months of 2007 declined 15.7% year-over-year to NIS 680 million.

**The Bezeq Group's free cash flow** totaled NIS 601 million in the third quarter of 2007, a decrease of 18.5% compared to the third quarter of 2006. Free cash flow for the first nine months of 2007 decreased 6.3% to NIS 1.76 billion as compared to the year ago period.

As of September 30, 2007, the Group's net financial debt was NIS 4.51 billion, compared with NIS 3.72 billion as of September 30, 2006.

## Bezeq Wireline

Revenue from wireline domestic communications in the first nine months of 2007 decreased by 2.3% year-over-year, to NIS 4.26 billion. The decrease in revenue was offset primarily by ongoing growth in the number of customers who subscribe to Bezeq's high-speed Internet service (ADSL) and an increase in revenue derived from data communication services. Total ADSL subscribers reached a record 942,000 as of September 30, 2007, an increase of 8.7% year-over-year and 1.9% sequentially.

Bezeq's wireline segment posted positive EBITDA of NIS 563 million (39.5% EBITDA margin) in the third quarter of 2007, compared to NIS 622 million (42.4% EBITDA margin) for the third quarter of 2006, a decline of 9.5%. Bezeq's wireline segment posted positive EBITDA of NIS 1.65 billion (38.7% EBITDA margin) for the first nine months of 2007 as compared to NIS 1.73 billion (39.6% EBITDA margin) for the first nine months of 2006, a decline of 4.5%.

While the Bezeq wireline business made significant progress in its restructuring efforts through the first nine months of 2007 with regards to realigning the organization along new customer focused divisional lines and improving customer service, the estimated operational cost savings with regards to reductions in the workforce have been slower to materialize than previously anticipated. Initial savings from reductions in head count to date have been offset by scheduled wage increases across the broader workforce as well as from increases on account of employment terms and severance terms for senior management. Accordingly, management is examining actions to accelerate the existing plan as well as a range of additional initiatives aimed at improving operational effectiveness in 2008 and beyond. Operating and general expenses decreased 4.4% in the first nine months of 2007 and 8.8% in the third quarter of 2007. The decrease stemmed mainly from a decrease in expenses relating to interconnection to cellular operators, services and maintenance by sub-contractors, materials and spare parts, and maintenance of buildings which was set off by an increase in royalty expenses and general expenses, mainly due to an increase in interconnection to domestic fixed line communication operators.

<b>Bezeq Wireline</b>	<u>Q3 2007</u>	<u>Q3 2006</u>	<u>Change</u>	<u>Q1-Q3 2007</u>	<u>Q1-Q3 2006</u>	<u>Change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	1,425	1,465	-2.7%	4,260	4,360	-2.3%
Operating profit	327	363	-10.0%	939	951	-1.2%
EBITDA	563	622	-9.5%	1,648	1,726	-4.5%
EBITDA margin	39.5%	42.4%		38.7%	39.6%	
Active subscriber lines, period end ('000)	2,767	2,813	-1.6%			
Average monthly revenue per line (NIS)*	75.5	81.2	-7.0%	76.3	80.7	-5.5%
Outgoing usage minutes (millions)	3,848	4,257	-9.6%	11,514	12,782	-9.9%
Incoming usage minutes (millions)**	1,137	967	17.6%	3,250	2,725	19.3%
ADSL subscribers, period end ('000)	942	867	8.7%			
Average monthly revenue per ADSL subscriber (NIS) ***	58.8	56.6	3.9%	58.2	57.0	2.1%

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

\*\* The increase in incoming minutes in Q1-Q3/2007 compared to the corresponding period in 2006 stems from a 90% increase in traffic minutes from domestic carriers in competition with Bezeq.

\*\*\* The increase in average monthly revenue per ADSL subscriber stems from value added services (not from an increase in prices).



# Earnings Release

## Pelephone

Pelephone's revenues increased 5.2% to a record NIS 3.50 billion in the first nine months of 2007 up from NIS 3.33 billion in the first nine months of 2006. The increase in revenue stemmed from higher sales of terminal equipment, resulting from an increase in the quantity of handsets sold and upgraded. In addition, there was an increase in revenue from cellular services, following an increase in content revenue and an increase in the number of subscribers, which was set off mainly by lower pricing.

Pelephone's net profit in the third quarter of 2007 grew by 39.4% to NIS 154 million compared to the third quarter of 2006. In first nine months of 2007, the net profit grew by 33.3% as compared to the first nine months of 2006, to NIS 482 million.

Pelephone posted positive EBITDA of NIS 340 million (28.3% EBITDA margin) in the third quarter of 2007, compared to NIS 286 million (25.0% EBITDA margin) in the third quarter of 2007—an 18.7% increase. For the first nine months of 2007, Pelephone's EBITDA grew 13.9% year-over-year to NIS 1.03 billion (29.3% EBITDA margin), up from NIS 900 million (27.0% EBITDA margin).

As of September 30, 2007 Pelephone had a record 2.56 million active subscribers, an increase of approximately 47,000 net subscribers since June 30, 2007. Pelephone is a market leader in 3G subscribers and already has 652,000 subscribers, which represent over 25% of all Pelephone subscribers. Pelephone revenues from value added and content services constituted 12.8% of all revenues from cellular services in the third quarter of 2007, as compared to 10.9% in the same quarter last year.

<b>Pelephone</b>	<u>Q3 2007</u>	<u>Q3 2006</u>	<u>Change</u>	<u>Q1-Q3 2007</u>	<u>Q1-Q3 2006</u>	<u>Change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	1,203	1,144	5.1%	3,502	3,330	5.2%
Operating profit	219	170	28.5%	672	544	23.6%
EBITDA	340	286	18.7%	1,025	900	13.9%
EBITDA margin	28.3%	25.0%		29.3%	27.0%	
Net profit	154	111	39.4%	482	361	33.3%
Cash flows from operating activities	392	337	16.4%	997	1,030	-3.2%
Capex, net	81	64	27.7%	259	244	6.3%
Free cash flow	311	273	13.7%	738	786	-6.1%
Subscribers at end of period (millions)	2.560	2.366	8.2%			
Average monthly revenue per user (ARPU, NIS)	135	142	-4.9%	132	139	-5.0%
Average monthly minutes of use per subscriber (MOU)	363	357	1.7%	352	349	0.9%

## Bezeq International

Bezeq International, Israel's largest supplier of Internet, international calls in Israel and network equipment provider (NEP) services, posted segment revenue of NIS 970 million for the first nine months of 2007, up 2.2% as compared to NIS 949 million in the first nine months of 2006. The increase stemmed from a rise in Internet revenue due to the sale of capacity and from an increase in revenue from record levels of outgoing call minutes, alongside a decrease in operations relating to transfer of calls between communications carriers around the world.

Bezeq International generated a net profit of NIS 39 million in the third quarter of 2007, growing by 30.0% year-over-year. In first nine months of 2007 earnings grew by 43.4% to NIS 115 million as compared to the first nine months of 2006.

Bezeq International posted positive EBITDA of NIS 76 million (23.2% EBITDA margin) in the third quarter of 2007, compared to NIS 56 million (17.7% EBITDA margin) in the third quarter of 2006, an increase of 35.7% year-over-year. Bezeq International posted positive EBITDA of NIS 225 million (23.2% EBITDA margin) for the first nine months of 2007, up 25.3% year-over-year from NIS 180 million (18.9% EBITDA margin) in the first nine months of 2006.

The marked improvement in Bezeq International's profitability stems from growth in all core business areas, combined with an increased focus on costs and the discontinuation of unprofitable activities at the companies merged over the past year and a half.

<b>Bezeq International</b>	<u>Q3 2007</u>	<u>Q3 2006 *</u>	<u>Change</u>	<u>Q1-Q3 2007</u>	<u>Q1-Q3 2006 *</u>	<u>Change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	326	316	3.3%	970	949	2.2%
Operating profit	54	38	44.3%	159	116	36.9%
EBITDA	76	56	35.7%	225	180	25.3%
EBITDA margin	23.2%	17.7%		23.2%	18.9%	
Net profit	39	30	30.0%	115	80	43.4%
Cash flows from operating activities	34	55	-38.8%	65	137	-52.6%
Capex, net	5	7	-19.4%	29	29	1.8%
Free cash flow	28	49	-41.5%	36	109	-67.1%

\* 2006 income statement data includes proforma results of merged companies

## yes

Revenue from the yes multi-channel television segment increased 5.8% to a record NIS 1.07 billion in the first nine months of 2007, up from the NIS 1.01 billion in the first nine months of 2006. The rise in revenue was primarily related to an increase in the number of subscribers.

In the first nine months of 2007 the net loss declined to NIS 43 million, an 84.5% improvement as compared to the first nine months of 2006.

Net financing income in the third quarter of 2007 amounted to NIS 75 million as compared to net financing expenses of NIS 86 million in the corresponding quarter last year. Financing expenses during the third quarter of 2007 were influenced by a recalculation of the fair value of shareholders' loans due to the postponement of expected payment dates. This change increased financing income by NIS 213 million. As a result, yes recorded net financing income (instead of net financing expenses as it generally records) as mentioned above, which lead to a net profit of NIS 70 million in the third quarter of 2007, as compared to a net loss of NIS 97 million in the corresponding quarter of 2006.

yes posted positive EBITDA of NIS 62 million (17.3% EBITDA margin) in the third quarter of 2007, compared to NIS 62 million (18.4% EBITDA margin) in the third quarter of 2006. yes posted positive EBITDA of NIS 254 million (23.8% EBITDA margin) for the first nine months of 2007, up 20.6% year-over-year from NIS 211 million (20.9% EBITDA margin) in the first nine months of 2006.

The number of yes subscribers at the end of September 2007 was a record 545,000, up from 543,000 in the prior quarter and up from 539,000 in the year ago period.

<b>yes</b>	<u>Q3 2007</u>	<u>Q3 2006</u>	<u>Change</u>	<u>Q1-Q3 2007</u>	<u>Q1-Q3 2006</u>	<u>Change</u>
	<i>(NIS millions)</i>			<i>(NIS millions)</i>		
Revenues	360	340	5.9%	1,068	1,009	5.8%
Operating profit	(4)	(11)	-62.7%	52	(9)	NM
EBITDA	62	62	-0.4%	254	211	20.6%
EBITDA margin	17.3%	18.4%		23.8%	20.9%	
Net profit	70	(97)	NM	(43)	(278)	-84.5%
Cash flows from operating activities	45	49	-7.9%	110	114	-3.2%
Capex, net*	84	39	117.5%	174	144	20.6%
Free cash flow	(39)	10	NM	(64)	(31)	109.0%
Subscribers, period end ('000)	545	539	1.2%			

\* Including subscriber acquisition costs



# Earnings 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 Web site at [www.bezeq.co.il](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.*

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# Earnings 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
	2007	2006	2007	2006	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
<b>Revenue</b>	<b>9,280,444</b>	9,114,536	<b>3,139,090</b>	3,083,547	12,231,830
<b>Costs and expenses</b>					
Depreciation and amortization	1,322,676	1,400,831	445,344	469,201	1,864,035
Salary	1,757,025	1,714,759	597,354	575,654	2,586,437
Operating and general expenses	4,307,330	4,360,539	1,474,948	1,503,019	5,966,616
Other operating expenses (income), net	70,077	45,988	25,647	(24,585)	249,540
	<b>7,457,108</b>	7,522,117	<b>2,543,293</b>	2,523,289	10,666,628
Operating profit	<b>1,823,336</b>	1,592,419	<b>595,797</b>	560,258	1,565,202
<b>Financing costs</b>					
Financing expenses	689,718	581,633	368,802	154,510	694,393
Financing income	(424,586)	(300,188)	(234,850)	(65,006)	(356,425)
Net financing expenses	<b>265,132</b>	281,445	<b>133,952</b>	89,504	337,968
Profit after net financing expenses	<b>1,558,204</b>	1,310,974	<b>461,845</b>	470,754	1,227,234
<b>Equity in profits of investees accounted by the equity method</b>	<b>2,405</b>	6,932	<b>761</b>	2,919	11,184
Profit before income tax	<b>1,560,609</b>	1,317,906	<b>462,606</b>	473,673	1,238,418
<b>Income tax</b>	<b>504,936</b>	455,004	<b>132,240</b>	177,377	488,393
Profit for the period	<b>1,055,673</b>	862,902	<b>330,366</b>	296,296	750,025
<b>Attributable to:</b>					
The shareholders of the Company	<b>1,015,040</b>	915,742	<b>255,198</b>	312,934	808,995
Minority interest in consolidated companies	<b>(40,633)</b>	(52,840)	<b>75,168</b>	(16,638)	(58,970)
Profit for the period	<b>1,055,673</b>	862,902	<b>330,366</b>	296,296	750,025
<b>Earnings per share</b>					
Basic earnings per share (in NIS)	<b>0.39</b>	0.35	<b>0.10</b>	0.12	0.31
Diluted earnings per share (in NIS)	<b>0.38</b>	0.35	<b>0.09</b>	0.12	0.31



# Earnings Release

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

	<u>September 30, 2007</u>	<u>September 30, 2006</u>	<u>December 31, 2006</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
<b>Assets</b>			
Cash and cash equivalents	1,104,769	1,188,480	2,631,790
Investments and loans, including derivatives	979,824	2,335,178	960,561
Trade receivables	2,335,772	2,116,297	2,111,451
Other receivables	192,297	172,383	250,657
Inventory	189,040	193,532	204,669
Broadcasting rights	223,976	177,925	169,017
Current tax assets	12,942	12,132	11,105
Assets classified as held for sale	22,562	-	-
<b>Total current assets</b>	<b>5,061,182</b>	<b>6,195,927</b>	<b>6,339,250</b>
Trade and other receivables	473,249	363,417	417,144
Investments and loans, including derivatives	273,751	383,155	342,175
Property, plant and equipment	6,075,139	6,638,321	6,492,362
Intangible assets	2,526,208	2,563,121	2,554,242
Deferred and other expenses	362,759	381,450	373,749
Investments in associates accounted by the equity method	33,176	27,799	32,122
Deferred tax assets	743,287	899,712	993,616
<b>Total non-current assets</b>	<b>10,487,569</b>	<b>11,256,975</b>	<b>11,205,410</b>
<b>Total assets</b>	<b>15,548,751</b>	<b>17,452,902</b>	<b>17,544,660</b>

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

	September 30, 2007	September 30, 2006	December 31, 2006
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
<b>Liabilities</b>			
Loans and credit	1,970,562	3,734,392	3,637,347
Trade payables	1,314,852	1,340,335	1,393,568
Other payables, including derivatives	785,239	856,246	802,747
Current tax liabilities	50,832	72,487	121,704
Deferred income	35,933	37,496	57,879
Provisions	357,927	256,813	288,851
Employee benefits	823,126	573,986	906,203
Dividend payable	760,000	-	300,000
<b>Total current liabilities</b>	<b>6,098,471</b>	<b>6,871,755</b>	<b>7,508,299</b>
Debentures	4,424,859	3,224,662	3,169,441
Obligations to banks	341,906	544,837	480,830
Loans from others	132,366	118,045	169,182
Loans provided by the minority in a subsidiary	362,275	558,120	564,250
Employee benefits	243,980	346,059	373,036
Deferred income and others	36,856	22,313	37,020
Provisions	53,442	52,805	51,857
<b>Total non-current liabilities</b>	<b>5,595,684</b>	<b>4,866,841</b>	<b>4,845,616</b>
<b>Total liabilities</b>	<b>11,694,155</b>	<b>11,738,596</b>	<b>12,353,915</b>
<b>Shareholders' equity</b>			
Share capital	6,132,636	6,309,133	6,309,133
Share premium	-	1,623,423	1,623,423
Reserves	684,698	386,099	671,820
Deficit	(2,594,341)	(2,046,229)	(2,849,381)
<b>Total equity attributable to shareholders of the Company</b>	<b>4,222,993</b>	<b>6,272,426</b>	<b>5,754,995</b>
<b>Minority interest in capital deficit of consolidated companies</b>	<b>(368,397)</b>	<b>(558,120)</b>	<b>(564,250)</b>
<b>Total shareholders' equity</b>	<b>3,854,596</b>	<b>5,714,306</b>	<b>5,190,745</b>
<b>Total shareholders' equity and liabilities</b>	<b>15,548,751</b>	<b>17,452,902</b>	<b>17,544,660</b>



# Earnings 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
	2007	2006	2007	2006	2006
	(Unaudited) NIS thousands	(Unaudited) NIS thousands	(Unaudited) NIS thousands	(Unaudited) NIS thousands	(Audited) NIS thousands
<b>Cash flows from operating activities</b>					
Profit for the period	1,055,673	862,902	330,366	296,296	750,025
Adjustments:					
Depreciation	1,115,820	1,205,721	375,023	397,975	1,591,054
Amortization of intangible assets	191,372	176,375	65,389	64,544	247,557
Amortization of deferred and other charges	15,484	18,735	4,932	6,682	25,424
Loss (gain) from decrease in holdings in associates	1,372	(614)	1,026	(30)	(595)
Financing costs, net	416,786	265,459	228,870	25,705	440,429
Equity in profits of investees accounted by the equity method	(2,405)	(6,932)	(761)	(2,919)	(11,184)
Net capital gain	(7,154)	(32,389)	(1,693)	(24,415)	(159,017)
Share-based payment transactions	-	-	-	-	286,506
Payments to a former senior officer	5,750	-	-	-	-
Income tax expenses	504,936	455,004	132,240	177,377	488,393
Change in inventory	12,765	38,167	38,352	36,536	23,014
Change in trade receivables	(304,013)	(3,819)	(195,369)	(31,064)	109,100
Change in other receivables	(25,890)	14,937	(264)	24,264	(107,854)
Change in trade payables	17,607	65,215	225	46,866	(56,778)
Change in suppliers	(124,995)	(138,204)	4,182	(10,908)	(79,046)
Change in provisions	67,712	(2,552)	22,474	2,856	27,327
Change in broadcasting rights	(54,959)	(23,425)	(18,649)	11,061	(14,517)
Change in employee benefits	(212,133)	(194,031)	(20,376)	(33,920)	168,758
Change in deferred and other income	(8,501)	(3,198)	125	(3,676)	11,509
	<b>2,665,227</b>	<b>2,697,351</b>	<b>966,092</b>	<b>983,230</b>	<b>3,740,105</b>
Interest received	100,488	174,582	30,415	47,275	220,078
Dividend received	3,418	26,010	334	-	26,010
Income tax paid	(326,207)	(210,188)	(101,817)	(66,902)	(277,573)
<b>Net cash from operating activities</b>	<b>2,442,926</b>	<b>2,687,755</b>	<b>895,024</b>	<b>963,603</b>	<b>3,708,620</b>
<b>Cash flows from investing activities</b>					
Investment in intangible assets	(132,181)	(130,693)	(40,053)	(48,690)	(209,733)
Proceeds from sale of property, plant and equipment	133,278	23,336	16,883	10,431	47,804
Proceeds from realization of deferred expenses	4,213	272	-	-	-
Current investments, net	18,667	78,487	11,292	171,156	1,491,439
Purchase of property, plant and equipment	(680,956)	(698,667)	(270,630)	(187,412)	(953,226)
Investment in deferred expenses and others	(23,934)	(12,032)	(21,319)	(6,667)	-
Proceeds from realization of investments and long-term loans	48,967	56,598	15,587	44,710	62,729
Purchase of investments and long-term loans	-	(18,184)	-	(5,856)	(19,723)*
Acquisition of a subsidiary	(12,468)	-	-	-	-
<b>Net cash from (used in) investment activities</b>	<b>(644,414)</b>	<b>(700,883)</b>	<b>(288,240)</b>	<b>(22,328)</b>	<b>419,290</b>



# Earnings Release

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

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2007	2006	2007	2006	2006
	(Unaudited) NIS thousands	(Unaudited) NIS thousands	(Unaudited) NIS thousands	(Unaudited) NIS thousands	(Audited) NIS thousands
<b>Cash flows for financing activities</b>					
Receipt of loans	50,000	-	-	-	50,000
Issuance of debentures	1,814,415	-	1,057,602	-	-
Repayment of debentures	(1,902,055)	(262,081)	(1,805,181)	(83,025)	(280,350)
Repayment of loans	(753,825)	(1,145,132)	(605,162)	(757,869)	(1,268,656)
Short-term credit, net	(55,640)	65,500	(32,871)	9,922	43,146
Dividends paid	(2,099,920)	(1,200,000)	-	-	(1,600,000)
Distribution of a dividend to the minority interest in a subsidiary, less minority interest transfers, net	(3,928)	-	(3,928)	-	-
Interest paid	(357,008)	(409,509)	(158,437)	(173,161)	(601,752)
<b>Net cash used in financing activities</b>	<b>(3,307,961)</b>	<b>(2,951,222)</b>	<b>(1,547,977)</b>	<b>(1,004,133)</b>	<b>(3,657,612)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,509,449)</b>	<b>(964,350)</b>	<b>(941,193)</b>	<b>(62,858)</b>	<b>470,298</b>
Cash and cash equivalents at the beginning of the period	2,631,790	2,158,773	2,063,408	1,256,603	2,158,773
Effect of fluctuations in the rate of exchange on cash balances	(17,572)	(5,943)	(17,446)	(5,265)	2,719
<b>Cash and cash equivalents at the end of the period</b>	<b>1,104,769</b>	<b>1,188,480</b>	<b>1,104,769</b>	<b>1,188,480</b>	<b>2,631,790</b>

### Appendix to Condensed Interim 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
	2007	2006	2007	2006	2006
	(Unaudited) NIS thousands	(Unaudited) NIS thousands	(Unaudited) NIS thousands	(Unaudited) NIS thousands	(Audited) NIS thousands
<b>Appendix of non-cash activities</b>					
Purchase of property, plant and equipment, and intangible assets	109,444	149,958	109,444	149,958	141,518
Sale of property, plant and equipment on credit	55,079	43,749	55,079	43,749	161,800