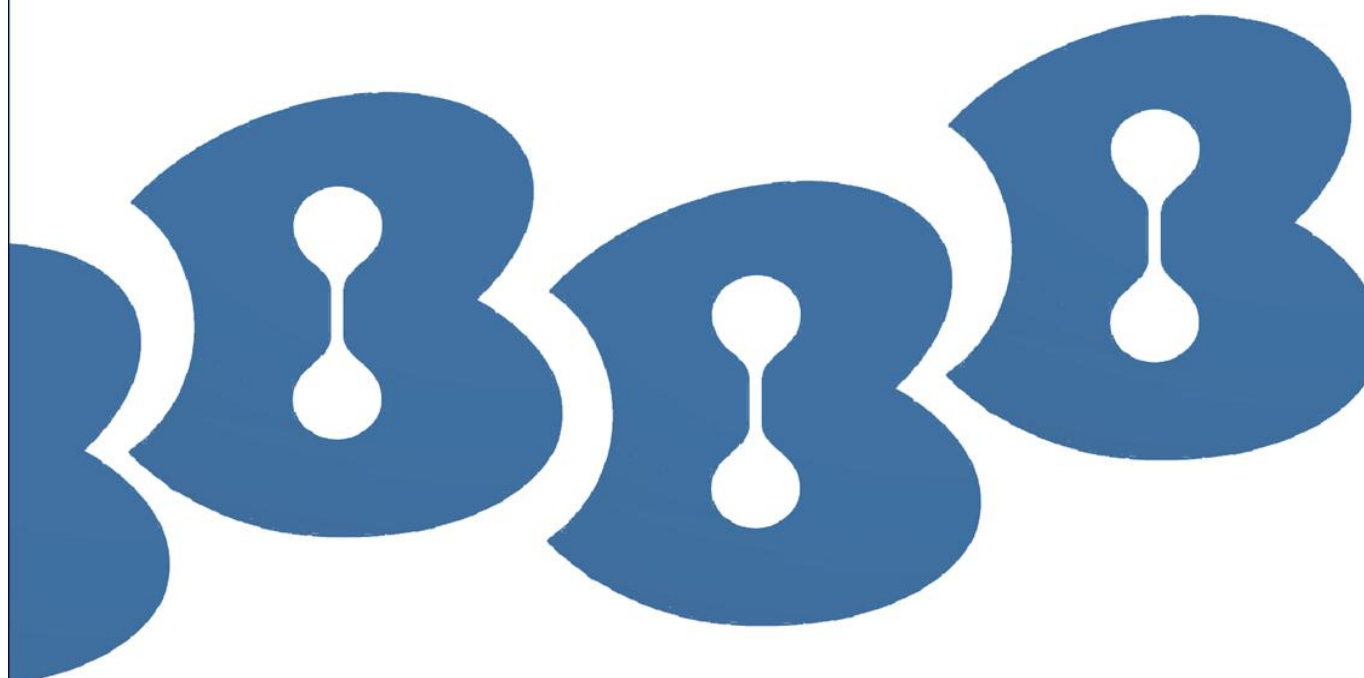


**Bezeq The Israel  
Telecommunication Corporation  
Limited**

**Consolidated Interim Pro Forma  
Financial Statements**

**September 30, 2015**

**(Unaudited)**



The information contained in these financial statements constitutes a translation of the financial statements published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.

## **Pro Forma Consolidated Interim Financial Statements as at June 30, 2015 (Unaudited)**

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**Somekh Chaikin**

8 Hartum Street, Har Hotzvim  
PO Box 212, Jerusalem 91001  
Israel

Telephone 972 2 531 2000  
Fax 972 2 531 2044  
Internet [www.kpmg.co.il](http://www.kpmg.co.il)

## **Review Report to the Shareholders of “Bezeq” -The Israel Telecommunication Corporation Ltd.**

### Introduction

We have reviewed the accompanying pro forma financial information of “Bezeq” -The Israel Telecommunication Corporation Ltd. and its subsidiaries (hereinafter – “the Group”) comprising of the pro forma condensed consolidated interim statements of income and comprehensive income for the nine and three month periods ended on September 30, 2015. The Board of Directors and Management are responsible for the preparation and presentation of interim financial information for these interim periods in accordance with IAS 34 “Interim Financial Reporting”, and are also responsible for the preparation of financial information for these interim periods in accordance with Regulation 38b of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on pro forma interim financial information for these interim periods based on our review.

We did not review the condensed interim financial information of a certain consolidated subsidiary whose revenues constitute 1% of the total consolidated revenues for the nine and three month periods then ended. The condensed interim financial information of that company was reviewed by other auditors whose review report thereon was furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of that company, is based solely on the said review report of the other auditors.

### Scope of Review

We conducted our review in accordance with Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review and the review report of other auditors, nothing has come to our attention that causes us to believe that the accompanying pro forma financial information was not prepared, in all material respects, in accordance with IAS 34 based on the assumptions set forth in Note 2.

In addition to that mentioned in the previous paragraph, based on our review and the review report of other auditors, nothing has come to our attention that causes us to believe that the accompanying pro forma interim financial information does not comply, in all material respects, with the disclosure requirements of Regulation 38b of the Securities Regulations (Periodic and Immediate Reports), 1970 based on the assumptions set forth in Note 2.

Somekh Chaikin

Certified Public Accountants (Isr.)

November 18, 2015

**Pro Forma Consolidated Interim Financial Statements as at September 30, 2015 (Unaudited)**

**Pro Forma Condensed Consolidated Interim Statements of Income**

	Nine months ended September 30, 2015			Nine months ended September 30, 2014		
	Prior to the pro forma event	Adjustments for pro forma information	Pro forma information	Prior to the pro forma event	Adjustments for pro forma information	Pro forma information
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
<b>Revenues</b>	7,379	434	<b>7,813</b>	6,793	1,274	<b>8,067</b>
<b>Costs of activity</b>						
Depreciation and amortization	1,225	93	<b>1,318</b>	960	358	<b>1,318</b>
Salaries	1,442	69	<b>1,511</b>	1,328	197	<b>1,525</b>
General and operating expenses	2,801	230	<b>3,031</b>	2,513	644	<b>3,157</b>
Other operating income, net	(171)	12	<b>(159)</b>	(601)	-	<b>(601)</b>
	5,297	404	<b>5,701</b>	4,200	1,199	<b>5,399</b>
<b>Operating profit</b>	2,082	30	<b>2,112</b>	2,593	75	<b>2,668</b>
<b>Financing expenses (income)</b>						
Financing expenses	371	37	<b>408</b>	365	86	<b>451</b>
Financing income	(105)	(21)	<b>(126)</b>	(252)	134	<b>(118)</b>
Financing expenses, net	266	16	<b>282</b>	113	220	<b>333</b>
<b>Profit after financing expenses, net</b>	1,816	14	<b>1,830</b>	2,480	(145)	<b>2,335</b>
<b>Share in earnings (losses) of equity accounted investees</b>	15	(17)	<b>(2)</b>	(132)	128	<b>(4)</b>
<b>Profit before income tax</b>	1,831	(3)	<b>1,828</b>	2,348	(17)	<b>2,331</b>
<b>Taxes on income</b>	479	10	<b>489</b>	653	(35)	<b>618</b>
<b>Profit for the period</b>	1,352	(13)	<b>1,339</b>	1,695	18	<b>1,713</b>
<b>Earnings per share (NIS)</b>						
Basic earnings per share	0.49	-	<b>0.49</b>	0.62	0.01	<b>0.63</b>
Diluted earnings per share	0.49	-	<b>0.49</b>	0.62	-	<b>0.62</b>

**Shaul Elovitch**  
Chairman of the Board of Directors

**Stella Handler**  
CEO

**David (Dudu) Mizrahi**  
Deputy CEO and CFO

Date of approval of the pro forma financial statements: September 18, 2015

The attached notes are an integral part of these pro forma consolidated interim financial statements.

**Pro Forma Consolidated Interim Financial Statements as at September 30, 2015 (Unaudited)**

**Condensed Consolidated Interim Statements of Comprehensive Income**

	Nine months ended September 30, 2015			Nine months ended September 30, 2014		
	Prior to the pro forma event	Adjustments for pro forma information	Pro forma information	Prior to the pro forma event	Adjustments for pro forma information	Pro forma information
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Profit for the period	1,352	(13)	<b>1,339</b>	1,695	18	<b>1,713</b>
Items of other comprehensive income (loss) (net of tax)	-	-	-	(33)	-	<b>(33)</b>
<b>Total comprehensive income for the period</b>	1,352	(13)	<b>1,339</b>	1,662	18	<b>1,680</b>

The attached notes are an integral part of these pro forma consolidated interim financial statements.

## Pro Forma Consolidated Interim Financial Statements as at September 30, 2015 (Unaudited)

### Pro Forma Condensed Consolidated Interim Statements of Income (Contd.)

	Three months ended September 30, 2015			Three months ended September 30, 2014		
	Prior to the pro forma event	Adjustments for pro forma information	Pro forma information	Prior to the pro forma event	Adjustments for pro forma information	Pro forma information
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
<b>Revenues</b>	2,602	-	<b>2,602</b>	2,232	432	<b>2,664</b>
Costs of activity						
Depreciation and amortization	457	(11)	<b>446</b>	327	121	<b>448</b>
Salaries	506	-	<b>506</b>	437	66	<b>503</b>
General and operating expenses	1,000	-	<b>1,000</b>	822	216	<b>1,038</b>
Other operating income, net	(13)	-	<b>(13)</b>	(25)	-	<b>(25)</b>
	1,950	(11)	<b>1,939</b>	1,561	403	<b>1,964</b>
<b>Operating profit</b>	652	11	<b>663</b>	671	29	<b>700</b>
<b>Financing expenses (income)</b>						
Financing expenses	106	3	<b>109</b>	125	31	<b>156</b>
Financing income	(6)	-	<b>(6)</b>	(86)	45	<b>(41)</b>
Financing expenses, net	100	3	<b>103</b>	39	76	<b>115</b>
<b>Profit after financing expenses, net</b>	552	8	<b>560</b>	632	(47)	<b>585</b>
<b>Share in earnings (losses) of equity accounted investees</b>	(1)	-	<b>(1)</b>	(34)	34	<b>-</b>
<b>Profit before income tax</b>	551	8	<b>559</b>	598	(13)	<b>585</b>
<b>Income tax</b>	144	(2)	<b>142</b>	170	(11)	<b>159</b>
<b>Profit for the period</b>	407	10	<b>417</b>	428	(2)	<b>426</b>
<b>Earnings per share (NIS)</b>						
<b>Basic earnings per share</b>	0.15	-	<b>0.15</b>	0.16	-	<b>0.16</b>
Diluted earnings per share	0.15	-	<b>0.15</b>	0.16	(0.01)	<b>0.15</b>

### Condensed Consolidated Interim Statements of Comprehensive Income

	Three months ended September 30, 2015			Three months ended September 30, 2014		
	Prior to the pro forma event	Adjustments for pro forma information	Pro forma information	Prior to the pro forma event	Adjustments for pro forma information	Pro forma information
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Profit for the period	407	10	<b>417</b>	428	(2)	<b>426</b>
Items of other comprehensive income (loss) (net of tax)	(33)	-	<b>(33)</b>	(24)	-	<b>(24)</b>
<b>Total comprehensive income for the period</b>	374	10	<b>384</b>	404	(2)	<b>402</b>

The attached notes are an integral part of these pro forma consolidated interim financial statements

**Pro Forma Consolidated Interim Financial Statements as at September 30, 2015 (Unaudited)**

<b>Pro Forma Condensed Consolidated Interim Statements of Income (Contd.)</b>			
<b>Year ended December 31, 2014</b>			
	<b>Prior to the pro forma event</b>	<b>Adjustments for pro forma information</b>	<b>Pro forma information</b>
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
	<b>NIS million</b>	<b>NIS million</b>	<b>NIS million</b>
<b>Revenues</b>	9,055	1,710	<b>10,765</b>
<b>Costs of activity</b>			
Depreciation and amortization	1,281	484	<b>1,765</b>
Salaries	1,768	267	<b>2,035</b>
General and operating expenses	3,366	872	<b>4,238</b>
Other operating income, net	(586)	1	<b>(585)</b>
	5,829	1,624	<b>7,453</b>
<b>Operating profit</b>	3,226	86	<b>3,312</b>
<b>Financing expenses (income)</b>			
Financing expenses	486	98	<b>584</b>
Financing income	(356)	188	<b>(168)</b>
Financing expenses, net	130	286	<b>416</b>
<b>Profit after financing expenses, net</b>	3,096	(200)	<b>2,896</b>
<b>Share in losses of equity-accounted investees</b>	(170)	165	<b>(5)</b>
<b>Profit before income tax</b>	2,926	(35)	<b>2,891</b>
<b>Income tax</b>	815	(47)	<b>768</b>
<b>Profit for the year</b>	2,111	12	<b>2,123</b>
<b>Earnings per share (NIS)</b>			
Basic earnings per share	0.77	0.01	<b>0.78</b>
Diluted earnings per share	0.77	-	<b>0.77</b>

<b>Condensed Consolidated Interim Statements of Comprehensive Income</b>			
<b>Year ended December 31, 2014</b>			
	<b>Prior to the pro forma event</b>	<b>Adjustments for pro forma information</b>	<b>Pro forma information</b>
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
	<b>NIS million</b>	<b>NIS million</b>	<b>NIS million</b>
Profit for the year	2,111	12	<b>2,123</b>
Items of other comprehensive loss (net of tax)	(36)	-	<b>(36)</b>
<b>Total comprehensive income for the year</b>	2,075	12	<b>2,087</b>

The attached notes are an integral part of these pro forma consolidated interim financial statements.

## **1. General**

- 1.1 These pro forma consolidated interim financial statements are prepared in accordance with Regulation 38B of the Israel Securities Regulations (Periodic and Immediate Reports), 1970 and refer to the gain of control in DBS. Up to March 23, 2015, the Company held 49.78% of DBS shares and accounted for this investment using the equity method. On this date, the general meeting of the Company's shareholders approved the acceptance of the merger terms and exercise of the option, and the Company's engagement in the Acquisition Transaction, as described in Note 4.2 to the Group's interim financial statements. As from March 23, 2015, the Company consolidates the financial statements of DBS in the Group's financial statements.
- 1.2 The pro forma consolidated interim financial statements are based on the condensed consolidated interim financial statements of the Company and the condensed interim financial statements of DBS as at September 30, 2015, which were prepared in accordance with IAS 34, Interim Financial Reporting.

## **2. Assumptions and adjustments used to prepare the pro forma interim financial statements**

- 2.1 The pro forma consolidated financial statements have been prepared to reflect the results of the Company's operations for the nine and three months ended September 30, 2015 and September 30, 2014, and for the year ended December 31, 2014. The reports were prepared under the assumption that the business combination with DBS, which is described in Note 4.2 to the Group's condensed consolidated interim financial statements, was completed on January 1, 2013.
- 2.2 Prior to gaining control in DBS, as described above, the Company held 49.78% of its shares and accounted for this investment using the equity method. Accordingly, the consolidated statements of income included equity gains for this investment. In addition, for the purpose of the pro forma statement of income, the equity gains that were recognized up to March 23, 2015 were eliminated. In addition, a profit of NIS 12 million from acquisition of control was eliminated in the pro forma statement of income for the nine months ended September 30, 2015.
- 2.3 Income and expenses arising from transactions between the Company and DBS were eliminated in the pro forma consolidated statements.
- 2.4 The adjustments for pro forma information include amortization of excess cost amounting to NIS 13 million and NIS 112 million for the nine months ended September 30, 2015 and September 30, 2014, respectively, NIS 37 million for the three months ended September 30, 2014, and NIS 149 million for the year ended December 31, 2014. In addition, reduced amortization of excess costs amounting to NIS 8 million was recorded for the three months ended September 30, 2015. The amortization was based on the estimated projected useful life of the excess cost as at the date of the business combination.
- 2.5 The Company assumes that there is no change in measurement of the fair value of DBS, allocation of excess cost, and the contingent consideration in the periods.