



January 31, 2016

Immediate Report

Group's Updated Forecast for 2015

The Company is updating the forecast it published concerning the principal parameters of the Group's results for 2015; see section 1.5 of Chapter A of the Company's 2014 Periodic Report, published on March 26, 2015, ("the Periodic Report"), and the updated forecast published in the Immediate Report of November 15, 2015), as follows:

- Net profit for shareholders is expected to be NIS 1.7 billion.
- EBITDA is expected to be NIS 4.25 billion.
- Free Cash Flow is expected to be NIS 2.25 billion.

The Company forecasts stated in the Immediate Report are forward looking information as defined in the Securities Law, 1968. The forecasts are based on the Company's estimates, assumptions and expectations, as well as forecasts including the effect of provisions for employees' early retirement in 2015 of NIS 115 million (which were not originally included in the published forecast), and an assumption concerning reaching an arrangement with the Tax Authority.

The updated forecast is based, *inter alia*, on updated information as of the date of this report, of 2015 results, prior to completion of preparation of the Company's financial statements. It should be emphasized that the data is not final, is unaudited and not yet reviewed.

It should be noted that as of the reporting date there are contacts with the Tax Authority concerning an agreement for settling the existing assessments for the Company and DBS Satellite Services (1998) Ltd ("the Arrangement" and "yes"). For details about the said assessment procedures, see Note 6.6.2 of the Company's 2014 consolidated financial statements and Note 25 of the 2014 annual financial statements for yes, as published on March 26, 2015 (as part of Chapter C of the Periodic Report).

At this point it is not possible to assess the chances of the Arrangement and its feasibility; at the same time, according to the outline being discussed, the impact of the Arrangement (in general terms only) is likely to be expressed in the following main parameters: 1. Payment of the amount required by the Tax Authority which is included in the Company's provisions (see section 4.5 A(B) of the amended transaction report published on March 13, 2015). 2. Losses will be fully recognized for use as part of the merger of the Company with yes if it shall take place (for details see Note 6.4.3 (Chapter



C) of the Periodic Report); 3. The Company's investments in yes will be accounted for as equity; 4. Full payment to Eurocom DBS Ltd of the conditional consideration relating to tax under the agreement to acquire Eurocom's holdings and rights in yes that was signed and approved in 2015 (see section 4.6.4.2 of the aforementioned transaction report). 5. Increase in the Company's net profit by an estimated amount of tens of millions of shekels.

It should be emphasized that at this stage there can be no certainty concerning completion of the Arrangement based on the facts described above and/or at all, in respect of its content or its possible impact.

The above information constitutes a translation of the Immediate Report 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.