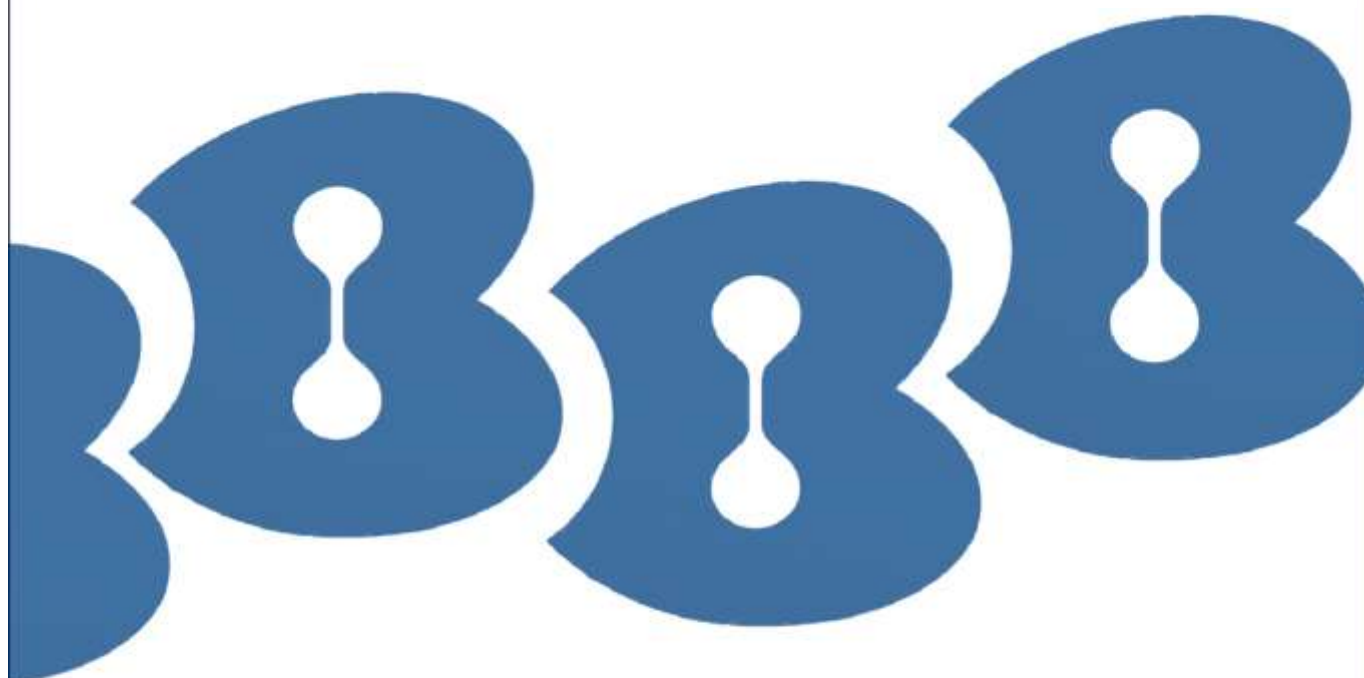


**Bezeq The Israel
Telecommunication Corporation
Limited**

**Consolidated Interim Pro Forma
Financial Statements**

June 30, 2015

(Unaudited)



The information contained in these financial statements constitutes a translation of the financial information 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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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 six and three month periods ended on June 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 six 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.)

August 30, 2015

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

Pro Forma Condensed Consolidated Interim Statements of Income

	Six months ended June 30, 2015			Six months ended June 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
Revenues	4,777	434	5,211	4,561	842	5,403
Costs of activity						
Depreciation and amortization	768	104	872	633	237	870
Salaries	936	69	1,005	891	131	1,022
General and operating expenses	1,801	230	2,031	1,691	428	2,119
Other operating income, net	(158)	12	(146)	(576)	-	(576)
	3,347	415	3,762	2,639	796	3,435
Operating profit	1,430	19	1,449	1,922	46	1,968
Financing expenses (income)						
Financing expenses	265	34	299	240	55	295
Financing income	(99)	(21)	(120)	(166)	89	(77)
Financing expenses, net	166	13	179	74	144	218
Profit after financing expenses, net	1,264	6	1,270	1,848	(98)	1,750
Share in earnings (losses) of equity accounted investees	16	(17)	(1)	(98)	94	(4)
Profit before income tax	1,280	(11)	1,269	1,750	(4)	1,746
Income tax	335	12	347	483	(24)	459
Profit for the period	945	(23)	922	1,267	20	1,287
Earnings per share (NIS)						
Basic earnings per share	0.34	-	0.34	0.46	0.01	0.47
Diluted earnings per share	0.34	(0.01)	0.33	0.46		0.47

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: August 30, 2015

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

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

Condensed Consolidated Interim Statements of Comprehensive Income

	Six months ended June 30, 2015			Six months ended June 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	945	(23)	922	1,267	20	1,287
Items of other comprehensive income (loss) (net of tax)	33	-	33	(9)	-	(9)
Total comprehensive income for the period	978	(23)	955	1,258	20	1,278

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

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

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

	Three months ended June 30, 2015			Three months ended June 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
Revenues	2,603	-	2,603	2,250	422	2,672
Costs of activity						
Depreciation and amortization	451	(9)	442	319	120	439
Salaries	497	-	497	443	69	512
General and operating expenses	1,002	-	1,002	822	213	1,035
Other operating income, net	(141)	-	(141)	(568)	-	(568)
	1,809	(9)	1,800	1,016	402	1,418
Operating profit	794	9	803	1,234	20	1,254
Financing expenses (income)						
Financing expenses	164	2	166	127	31	158
Financing income	(35)	-	(35)	(95)	68	(27)
Financing expenses, net	129	2	131	32	99	131
Profit after financing expenses, net	665	7	672	1,202	(79)	1,123
Share in earnings (losses) of equity accounted investees	-	-	-	(79)	76	(3)
Profit before income tax	665	7	672	1,123	(3)	1,120
Income tax	183	2	185	313	(22)	291
Profit for the period	482	5	487	810	19	829
Earnings per share (NIS)						
Basic earnings per share	0.18	-	0.18	0.30	-	0.30
Diluted earnings per share	0.17	0.01	0.18	0.29	0.01	0.30

Condensed Consolidated Interim Statements of Comprehensive Income

	Three months ended June 30, 2015			Three months ended June 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	482	5	487	810	19	829
Items of other comprehensive income (loss) (net of tax)	16	-	16	(22)	-	(22)
Total comprehensive income for the period	498	5	503	788	19	807

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

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

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

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

Condensed Consolidated Interim Statements of Comprehensive Income

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

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 June 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 six and three months ended June 30, 2015 and June 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 six months ended June 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 20 million and NIS 75 million for the six months ended June 30, 2015 and June 30, 2014, respectively, NIS 37 million for the three months ended June 30, 2014, and NIS 149 million for the year ended December 31, 2014. In addition, amortization of excess cost in the amount of NIS 7 million was recorded for the three month period ending June 30, 2015. The amortization was based on the estimated forecasted 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.