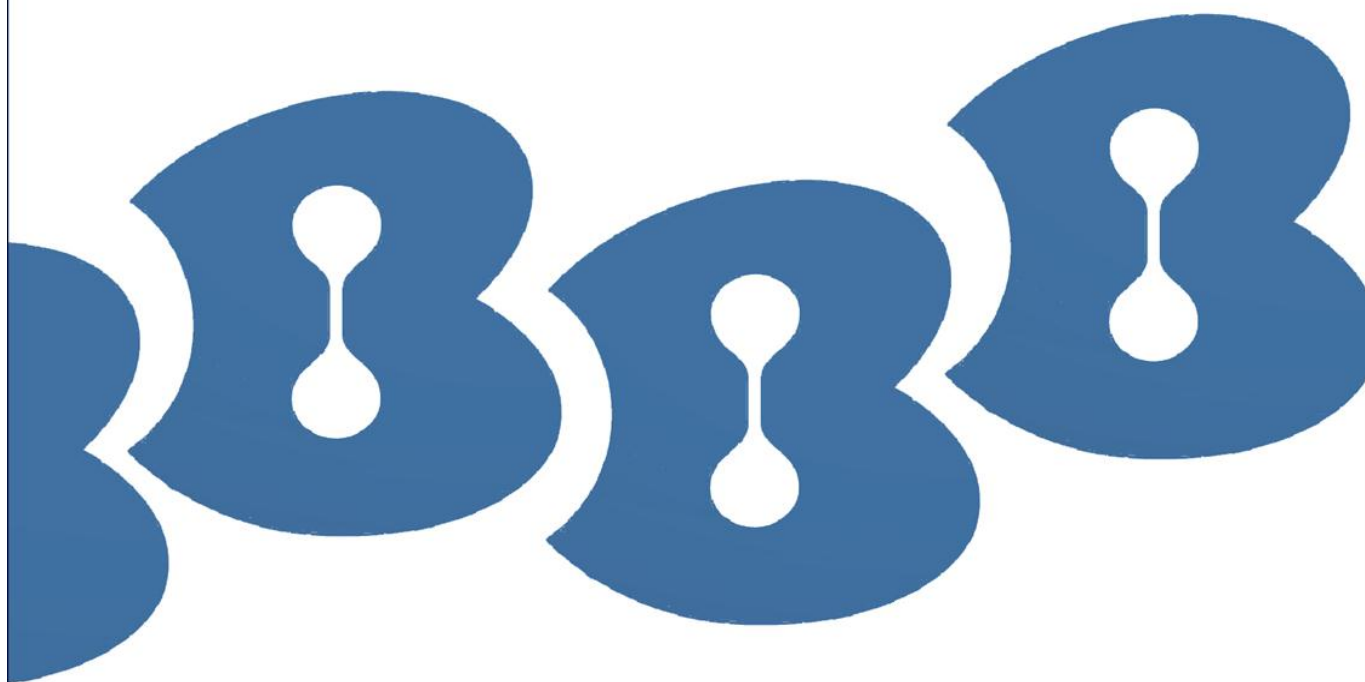


Bezeq The Israel Telecommunication Corporation Ltd.

Condensed Separate Interim Financial Information as at March 31, 2015 (Unaudited)



The information contained in this financial information report 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.

Condensed Separate Interim Financial Information as at March 31, 2015 (unaudited)

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To:
The Shareholders of "Bezeq"- The Israel Telecommunication Corporation Ltd.

Subject: Special auditors' report on separate interim financial information according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970 of "Bezeq"- The Israel Telecommunication Corporation Ltd. (hereinafter – "the Company") as of March 31, 2015 and for the three-month period then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

We did not review the separate interim financial information of an investee company the investment in which amounted to NIS 598 million as of March 31, 2015, and the profit from this investee company amounted to NIS 3 million for three-month period then ended. The financial statements of that company were 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 statements 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 separate 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 separate interim financial information was not prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970.

Without qualifying our abovementioned conclusion, we draw attention to lawsuits filed against the Company which cannot yet be assessed or the exposure in respect thereof cannot yet be estimated, as set forth in Note 5.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 20, 2015

Condensed Separate Interim Financial Information as at March 31, 2015 (unaudited)

Condensed Interim Information of Financial Position

	March 31, 2015	March 31, 2014	December 31, 2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Cash and cash equivalents	195	684	248
Investments	2,495	1,341	2,175
Trade receivables	789	746	720
Other receivables	148	175	107
Dividend receivable from investees	241	283	-
Inventories	4	7	4
Loans provided to investees	308	266	261
Assets classified as held for sale	15	50	22
Total current assets	4,195	3,552	3,537
Trade and other receivables	38	47	51
Property, plant and equipment	4,683	4,497	4,620
Intangible assets	287	322	295
Investment in investees	6,999	5,770	6,325
Loans provided to investees	262	544	272
Deferred tax assets	-	28	-
Investments	90	70	86
Total non-current assets	12,359	11,278	11,649
Total assets	16,554	14,830	15,186

Condensed Separate Interim Financial Information as at March 31, 2015 (unaudited)

Condensed Interim Information of Financial Position (contd.)			
	March 31, 2015	March 31, 2014	December 31, 2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Liabilities			
Debentures, loans and borrowings	1,611	1,123	1,570
Trade payables	153	130	167
Other payables, including derivatives	674	632	553
Liability to Eurocom DBS Ltd., a related party	781	-	-
Current tax liabilities	623	524	590
Provisions (Note 5)	51	106	48
Employee benefits	222	229	223
Dividend payable	-	802	-
Total current liabilities	4,115	3,546	3,151
Loans and debentures	8,675	8,900	8,787
Loan from an investee	434	-	434
Employee benefits	196	199	203
Deferred tax liabilities	10	-	1
Derivatives	126	21	94
Other liabilities	74	72	75
Total non-current liabilities	9,515	9,192	9,594
Total liabilities	13,630	12,738	12,745
Equity			
Share capital	3,858	3,844	3,855
Share premium	272	161	253
Reserves	414	559	416
Deficit	(1,620)	(2,472)	(2,083)
Total equity attributable to equity holders of the Company	2,924	2,092	2,441
Total liabilities and equity	16,554	14,830	15,186

 Shaul Elovitch
 Chairman of the Board of
 Directors

 Stella Handler
 CEO

 Dudu Mizrahi
 Deputy CEO and CFO

Date of approval of the financial statements: May 20, 2015

The attached notes are an integral part of this condensed separate interim financial information.

Condensed Separate Interim Financial Information as at March 31, 2015 (unaudited)

Condensed Interim Information of Profit or Loss			
	Three months ended		Year ended
	March 31		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Revenues (Note 2)	1,113	1,077	4,317
Cost of Activities			
Depreciation and amortization	176	168	688
Salaries	227	223	895
Operating and general expenses (Note 3)	180	190	777
Other operating expenses , net (Note 4)	(17)	(8)	(23)
Cost of Activities	566	573	2,337
Operating profit	547	504	1,980
Financing expenses (income)			
Financing expenses	98	106	472
Financing revenues	(44)	(50)	(285)
Financing expenses, net	54	56	187
Profit after financing expenses, net	493	448	1,793
Share in earnings of investees, net	96	125	796
Profit before income tax	589	573	2,589
Income tax	126	116	478
Profit for the period attributable to the owners of the Company	463	457	2,111

The attached notes are an integral part of this condensed separate interim financial information.

Condensed Interim Information of Comprehensive Income			
	Three months ended		Year ended
	March 31		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Profit for the period	463	457	2,111
Items of other comprehensive income (loss) for the period including actuarial gains and hedging transactions, net of tax	17	13	(36)
Total comprehensive income for the period attributable to equity holders of the Company	480	470	2,075

The attached notes are an integral part of this condensed separate interim financial information

Condensed Separate Interim Financial Information as at March 31, 2015 (unaudited)
Condensed Interim Information of Cash Flows

	Three months ended		Year ended
	March 31		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Cash flows from operating activities			
Profit for the period	463	457	2,111
Adjustments:			
Depreciation and amortization	176	168	688
Share in earnings of investees, net	(96)	(125)	(796)
Financing expenses, net	61	61	219
Capital gain from increased control in an investee	(12)	-	-
Capital gain, net	(11)	(17)	(175)
Share-based payment transactions	-	(1)	(1)
Income tax expenses	126	116	478
Sundries	(1)	-	4
Change in inventory	-	1	3
Change in trade and other receivables	(74)	(6)	56
Change in trade and other payables	20	57	85
Change in provisions	3	(4)	(62)
Change in employee benefits	(8)	6	3
Net cash (used in) from operating activities due to transactions with investees	(18)	(4)	5
Net income tax paid	(81)	(93)	(359)
Net cash flows from operating activities	548	616	2,259
Cash flows from investing activities			
Investment in intangible assets	(20)	(19)	(82)
Proceeds from the sale of property, plant and equipment	12	28	221
Acquisition of financial assets held for trading and others	(440)	(210)	(2,654)
Proceeds from the sale of financial assets held for trading and others	120	-	1,617
Purchase of property, plant and equipment	(211)	(191)	(740)
Sundries	(3)	(1)	(14)
Net cash from investment activities due to transactions with investees	(44)	244	931
Net cash used for investment activities	(586)	(149)	(721)
Cash flow from finance activities			
Issue of debentures and receipt of loans	-	-	1,446
Repayment of debentures and loans	-	-	(920)
Dividend paid	-	-	(2,069)
Interest paid	(18)	(22)	(421)
Sundries	3	2	3
Loan received from an investee	-	-	434
Net cash used for financing activities	(15)	(20)	(1,527)
Increase (decrease) in cash and cash equivalents	(53)	447	11
Cash and cash equivalents at beginning of period	248	237	237
Cash and cash equivalents at the end of the period	195	684	248

The attached notes are an integral part of this condensed separate interim financial information.

Notes to the Condensed Separate Interim Financial Information

1. Manner of preparing financial information**1.1. Definitions**

The Company: Bezeq The Israel Telecommunication Corporation Limited

"Investee", the "Group", "Subsidiary": as these terms are defined in the Company's consolidated financial statements for 2014.

1.2. Principles used for preparing financial information

The condensed separate interim financial information is presented in accordance with Regulation 38(D) of the Securities Regulations (Periodic and Immediate Reports), 1970 ("the Regulation") and the Tenth Addendum of the Securities Regulations (Periodic and Immediate Reports), 1970 ("the Tenth Addendum") with respect to the separate interim financial information of the corporation. They should be read in conjunction with the separate financial information for the year ended December 31, 2014 and in conjunction with the condensed interim consolidated financial statements as at March 31, 2015 ("the Consolidated Financial Statements").

The accounting policies used in this condensed separate interim financial information are in accordance with the accounting policies set out in the separate financial information as of and for the year ended December 31, 2014.

2. Revenues

	Three months ended		Year ended
	March 31		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Fixed-line telephony	403	426	1,668
Internet - infrastructure	383	332	1,394
Transmission and data communication	266	259	1,022
Other services	61	60	233
	1,113	1,077	4,317

3. Operating and general expenses

	Three months ended		Year ended
	March 31		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Maintenance of buildings and sites	51	55	217
Marketing and general	42	42	188
Interconnectivity and payments to communications operators	38	42	161
Services and maintenance by sub-contractors	16	16	61
Vehicle maintenance	17	17	76
Terminal equipment and materials	11	12	49
Collection commissions	5	6	25
	180	190	777

4. Other operating expenses (income), net

	Three months ended		Year ended
	March 31		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Income from increased control in DBS Satellite Services (1998) Ltd.	(12)	-	-
Profit from disposal of property plant and equipment (mainly real estate property)	(11)	(17)	(175)
Provision for contingent claims, net	6	-	(24)
Provision for voluntary redundancy severance payments	-	9	176
Other operating expenses (income), net	(17)	(8)	(23)

5. Contingent Liabilities

During the normal course of business, legal claims were filed against the Company or there are various pending claims against the company ("in this section: "Legal Claims").

In the opinion of the Company's management, based, *inter alia*, on legal opinions as to the likelihood of success of these litigations, the financial statements include appropriate provisions in the amount of NIS 51 million, where provisions are required to cover the exposure arising from such litigation.

In the Company's opinion, the additional exposure (exceeding the foregoing provisions), as of March 31, 2015 due to legal claims filed against the Company on various matters, which are unlikely to be realized, amounts to a total of NIS 978 million. Of this amount, NIS 368 million is for a claim filed against the Company and other communications companies, without specifying the portion of the amount claimed from each of the plaintiffs. In addition, there is further exposure in the amount of NIS 2.1 million* for claims, the chances of which cannot be assessed at this stage. All the foregoing amounts are linked to the consumer price index and are before the addition of interest.

Furthermore, other claims have been filed against the Company as class actions with respect to which the Company has additional exposure beyond the aforesaid amounts, which cannot be quantified as the exact amounts of the claims are not stated in the claims.

For further information concerning contingent liabilities see Note 5 to the Consolidated Financial Statements.

* The total includes a claim of a shareholder against the company and officers in the company of NIS 1.1 billion and NIS 2 billion (according to the damage calculation method that will be determined).

6. Dividends from investees

6.1 On March 11, 2015 the board of directors of Pelephone Communications Ltd. resolved to distribute a cash dividend to the Company in the amount of NIS 159 million in May 2015.

6.2 On March 10, 2015, the board of directors of Bezeq International Ltd. resolved to distribute a cash dividend to the Company in the amount of NIS 82 million in May 2015.

7. Events in the reporting period

7.1 For information regarding the increase in control in DBS, see Note 4.2 of the Consolidated Financial Statements.

7.2 On March 8, 2015, the Company provided Bezeq International a loan in the amount of NIS 50 million to be repaid in one lump sum on March 8, 2016. This loan bears annual interest of 3.05%.