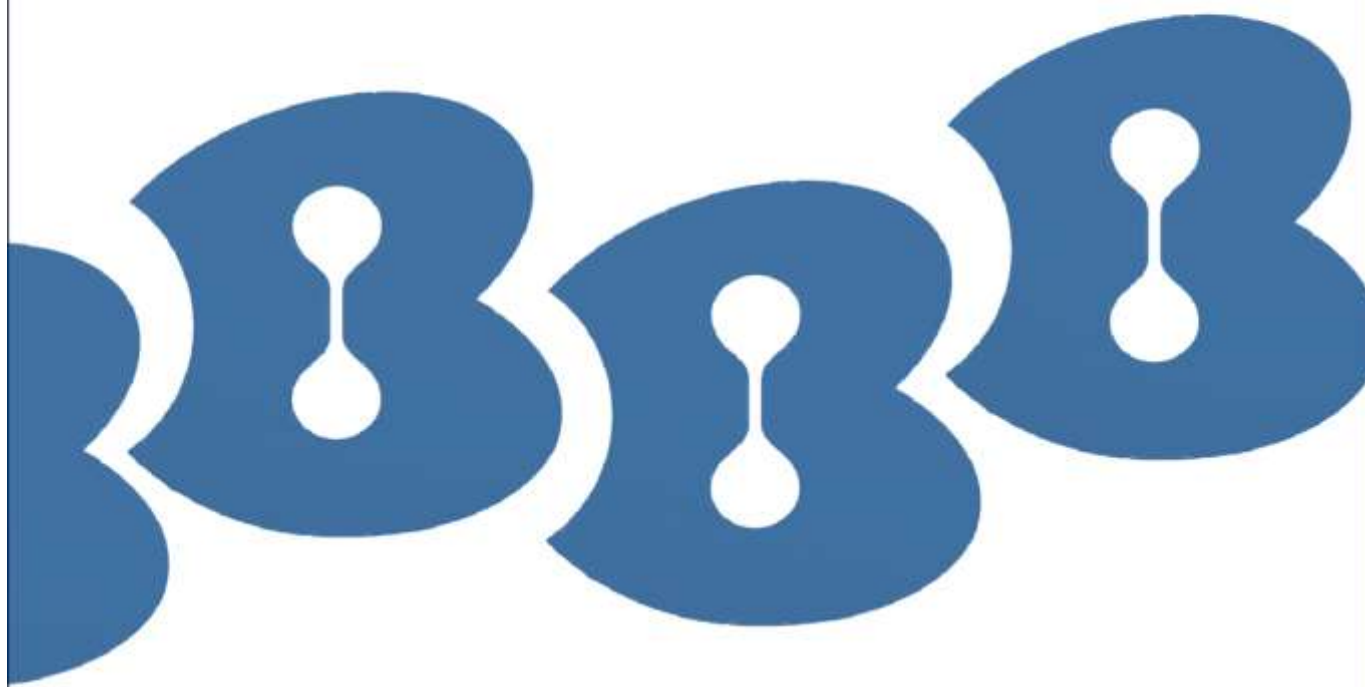


**Bezeq The Israel
Telecommunication Corporation
Limited**

**Condensed Consolidated Interim
Financial Statements**

June 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.

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**Review Report to the Shareholders of
"Bezeq" -The Israel Telecommunication Corporation Ltd.**

Introduction

We have reviewed the accompanying financial information of "Bezeq" -The Israel Telecommunication Corporation Ltd. and its subsidiaries (hereinafter – "the Group") comprising of the condensed consolidated interim statement of financial position as of June 30, 2015 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six and three month periods then ended. 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 Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on 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 assets constitute 1.1% of the total consolidated assets as of June 30 2015, and 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 financial information was not prepared, in all material respects, in accordance with IAS 34.

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 interim financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our abovementioned conclusion, we draw attention to lawsuits filed against the Group which cannot yet be assessed or the exposure in respect thereof cannot yet be estimated, as set forth in Note 6.

Somekh Chaikin
Certified Public Accountants (Isr.)

August 30, 2015

Condensed Consolidated Interim Statements of Financial Position

		June 30, 2015	June 30, 2014	December 31, 2014
		(Unaudited)	(Unaudited)	(Audited)
Assets	Note	NIS million	NIS million	NIS million
Cash and cash equivalents		826	673	660
Investments, including derivatives		999	1,725	2,223
Trade receivables		2,256	2,335	2,227
Other receivables		216	325	238
Inventory		96	89	96
Assets classified as held for sale		6	24	22
Total current assets		4,399	5,171	5,466
Trade and other receivables		655	587	566
Broadcasting rights, net of rights exercised		471	-	-
Property, plant and equipment		6,980	6,060	6,079
Goodwill	4.2	1,647	1,040	1,040
Intangible assets	4.2	2,045	799	753
Deferred and other expenses		254	254	253
Investments in equity-accounted investees	4.2	28	1,014	1,057
Investments		100	80	99
Deferred tax assets	4.2	854	35	-
Total non-current assets		13,034	9,869	9,847
Total assets		17,433	15,040	15,313

Condensed Consolidated Interim Statements of Financial Position (Contd.)

		June 30, 2015	June 30, 2014	December 31, 2014
		(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	Note	NIS million	NIS million	NIS million
Debentures, loans and borrowings		1,924	1,534	1,481
Trade payables		1,021	638	664
Other payables, including derivatives		765	651	710
Current tax liabilities		699	591	600
Provisions		90	134	62
Employee benefits		271	378	259
Liability to Eurocom DBS Ltd, related party	4.2.1	101	-	-
Total current liabilities		4,871	3,926	3,776
Loans and debentures		9,444	7,815	8,606
Employee benefits		238	229	233
Provisions		70	68	69
Deferred tax liabilities		67	10	17
Derivatives		76	35	94
Deferred income and others		87	73	77
Total non-current liabilities		9,982	8,230	9,096
Total liabilities		14,853	12,156	12,872
Total equity		2,580	2,884	2,441

Total liabilities and equity	17,433	15,040	15,313
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Shaul Elovitch
Chairman of the Board of Directors

Stella Handler
CEO

David (Dudu) Mizrahi
Deputy CEO and CFO

Date of approval of the financial statements: August 30, 2015

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

Condensed Consolidated Interim Statements of Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues (Note 8)	4,777	4,561	2,603	2,250	9,055
Costs of activity					
Depreciation and amortization	768	633	451	319	1,281
Salaries	936	891	497	443	1,768
General and operating expenses (Note 9)	1,801	1,691	1,002	822	3,366
Other operating expenses (income), net (Note 10)	(158)	(576)	(141)	(568)	(586)
	3,347	2,639	1,809	1,016	5,829
Operating profit	1,430	1,922	794	1,234	3,226
Financing expenses (income)					
Financing expenses	265	240	164	127	486
Financing income	(99)	(166)	(35)	(95)	(356)
Financing expenses, net	166	74	129	32	130
Profit after financing expenses, net	1,264	1,848	665	1,202	3,096
Share in the (profits) losses of equity accounted investees	16	(98)	-	(79)	(170)
Profit before income tax	1,280	1,750	665	1,123	2,926
Income tax	335	483	183	313	815
Profit for the period	945	1,267	482	810	2,111
Earnings per share (NIS)					
Basic earnings per share	0.34	0.46	0.18	0.30	0.77
Diluted earnings per share	0.34	0.46	0.17	0.29	0.77

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

Condensed Consolidated Interim Statements of Comprehensive Income

	Six months ended June 30		Three months ended June 30		Year ended
	2015	2014	2015	2014	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2014
	NIS million	NIS million	NIS million	NIS million	(Audited)
					NIS million
Profit for the period	945	1,267	482	810	2,111
Items of other comprehensive income (loss) (net of tax)	33	(9)	16	(22)	(36)
Total comprehensive income for the period	978	1,258	498	788	2,075

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

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Share premium	Capital reserve for employee options	Capital reserve for transactions between a corporation and a controlling shareholder	Other reserves	Deficit	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Six months ended June 30, 2015 (Unaudited):							
Balance as at January 1, 2015	3,855	253	131	390	(105)	(2,083)	2,441
Profit for the period	-	-	-	-	-	945	945
Other comprehensive income for the period, net of tax	-	-	-	-	33	-	33
Total comprehensive income for the period	-	-	-	-	33	945	978
Transactions with shareholders recognized directly in equity							
Dividends to Company shareholders (see Note 7)	-	-	-	-	-	(844)	(844)
Exercise of options for shares	5	35	(35)	-	-	-	5
Balance as at June 30, 2015	3,860	288	96	390	(72)	(1,982)	2,580
Six months ended June 30, 2014 (Unaudited):							
Balance as at January 1, 2014	3,842	143	242	390	(67)	(2,127)	2,423
Profit for the period	-	-	-	-	-	1,267	1,267
Other comprehensive loss for the period, net of tax	-	-	-	-	(9)	-	(9)
Total comprehensive income for the period	-	-	-	-	(9)	1,267	1,258
Transactions with shareholders recognized directly in equity							
Dividend to Company shareholders	-	-	-	-	-	(802)	(802)
Share-based payments	-	-	(1)	-	-	-	(1)
Exercise of options for shares	6	55	(55)	-	-	-	6
Balance as at June 30, 2014	3,848	198	186	390	(76)	(1,662)	2,884

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

Condensed Consolidated Interim Statements of Changes in Equity(Contd.)

	Share capital	Share premium	Capital reserve for employee options	Capital reserve for transactions between a corporation and a controlling shareholder	Other reserves	Deficit	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Three months ended June 30, 2015 (Unaudited)							
Balance as at April 1, 2015	3,858	272	112	390	(88)	(1,620)	2,924
Profit for the period	-	-	-	-	-	482	482
Other comprehensive income for the period, net of tax	-	-	-	-	16	-	16
Total comprehensive income for the period	-	-	-	-	16	482	498
Transactions with shareholders recognized directly in equity							
Dividends to Company shareholders (see Note 7)	-	-	-	-	-	(844)	(844)
Exercise of options for shares	2	16	(16)	-	-	-	2
Balance as at June 30, 2015	3,860	288	96	390	(72)	(1,982)	2,580
Three months ended June 30, 2014 (Unaudited)							
Balance as at April 1, 2014	3,844	161	223	390	(54)	(2,472)	2,092
Profit for the period	-	-	-	-	-	810	810
Other comprehensive loss for the period, net of tax	-	-	-	-	(22)	-	(22)
Total comprehensive income for the period	-	-	-	-	(22)	810	788
Transactions with shareholders recognized directly in equity							
Exercise of options for shares	4	37	(37)	-	-	-	4
Balance as at June 30, 2014	3,848	198	186	390	(76)	(1,662)	2,884

Condensed Consolidated Interim Statements of Changes in Equity(Contd.)

	Share capital	Share premium	Capital reserve for employee options	Capital reserve for transactions between a corporation and a controlling shareholder	Other reserves	Deficit	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Year ended December 31, 2014 (Audited)							
Balance as at January 1, 2014	3,842	143	242	390	(67)	(2,127)	2,423
Income in 2014	-	-	-	-	-	2,111	2,111
Other comprehensive income (loss) for the year, net of tax	-	-	-	-	(38)	2	(36)
Total comprehensive income for 2014	-	-	-	-	(38)	2,113	2,075
Transactions with shareholders recognized directly in equity							
Dividend to Company shareholders	-	-	-	-	-	(2,069)	(2,069)
Share-based payments	-	-	(1)	-	-	-	(1)
Exercise of options for shares	13	110	(110)	-	-	-	13
Balance as at December 31, 2014	3,855	253	131	390	(105)	(2,083)	2,441

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

Condensed Consolidated Interim Statements of Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flows from operating activities					
Profit for the period	945	1,267	482	810	2,111
Adjustments:					
Depreciation and amortization	768	633	451	319	1,281
Profit from sale of the shares of Coral Tell Ltd.	-	(582)	-	(582)	(582)
Share in the losses (profits) of equity-accounted investees	(16)	98	-	79	170
Financing expenses, net	203	122	136	59	229
Profit from gaining control in an investee (see Note 4.2)	(12)	-	-	-	-
Capital gain, net	(159)	(121)	(148)	(104)	(175)
Share-based payments	-	(1)	-	-	(1)
Income tax expenses	335	483	183	313	815
Miscellaneous	(5)	(6)	(4)	(3)	(3)
Change in inventory	-	34	(9)	13	28
Change in trade and other receivables	145	387	61	224	549
Change in broadcasting rights	(11)	-	(11)	-	-
Change in trade and other payables	(195)	(107)	(150)	(45)	(39)
Change in provisions	9	8	6	12	(63)
Change in employee benefits	1	117	(3)	104	3
Net income tax paid	(207)	(225)	(154)	(135)	(527)
Net cash from operating activities	1,801	2,107	840	1,064	3,796

Condensed Consolidated Interim Statements of Cash Flows (Contd.)

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flow used for investing activities					
Investment in intangible assets and deferred expenses	(214)	(90)	(148)	(42)	(194)
Proceeds from the sale of property, plant and equipment	97	75	84	46	230
Acquisition of financial assets held for trading and others	(929)	(686)	(489)	(476)	(2,720)
Proceeds from the sale of financial assets held for trading and others	2,188	94	2,067	94	1,635
Cash in a company consolidated for the first time (see Note 4.2.3)	299	-	-	-	-
Purchase of property, plant and equipment	(665)	(548)	(363)	(281)	(1,081)
Non-current investments, net	(1)	(1)	3	2	(19)
Net consideration for the sale of Coral Tell Ltd. shares	-	596	-	596	596
Miscellaneous	3	3	2	1	7
Net cash from (used in) investment activities	778	(557)	1,156	(60)	(1,546)
Cash flows used in financing activities					
Payment to Eurocom DBS for acquisition of shares and DBS loans (see Note 4.2)	(680)	-	(680)	-	-
Issue of debentures and receipt of loans	228	-	228	-	1,446
Repayment of debentures and loans	(863)	(462)	(805)	(380)	(1,149)
Dividends paid	(844)	(802)	(844)	(802)	(2,069)
Interest paid	(243)	(219)	(223)	(192)	(431)
Miscellaneous	(11)	(4)	(14)	(6)	3
Net cash used for financing activities	(2,413)	(1,487)	(2,338)	(1,380)	(2,200)
Increase (decrease) in cash and cash equivalents, net	166	63	(342)	(376)	50
Cash and cash equivalents at beginning of period	660	610	1,168	1,049	610
Cash and cash equivalents at end of period	826	673	826	673	660

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

1. General

1.1. Reporting Entity

Bezeq –The Israel Telecommunication Corporation Limited (“the Company”) is a company registered in Israel whose shares are traded on the Tel Aviv Stock Exchange. The consolidated financial statements of the Company include those of the Company and its subsidiaries (together referred to as “the Group”), as well as the Group’s interests in associates. The Group is a principal provider of communication services in Israel (see also Note 12 –Segment Reporting).

1.2. Material events in the reporting period

On March 23, 2015, the Company gained control in DBS Satellite Services (1998) Ltd. (“DBS”) and began consolidation as at that date. On June 24, 2015, acquisition of the remaining holdings of Eurocom in DBS was completed and as from that date, the Company holds the entire rights to DBS shares. The effect of the operating results of DBS on the Group’s statement of income for the three months ended March 31, 2015 was included under “Share in losses of equity-accounted investees”. For further information see Note 4.2 regarding discontinued operations.

2. Basis of Preparation

2.1 The condensed interim consolidated financial statements have been prepared in accordance with IAS 34 –Interim Financial Reporting, and Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

2.2 The condensed consolidated interim financial statements do not contain all the information required in full annual financial statements, and should be reviewed in the context of the annual financial statements of the Company and its subsidiaries as at December 31, 2014 and the year then ended, and their accompanying notes (“the Annual Financial Statements”). The notes to the interim financial statements include only the material changes that have occurred from the date of the most recent Annual Financial Statements until the date of these consolidated interim financial statements.

2.3 The condensed consolidated interim financial statements were approved by the Board of Directors on August 30, 2015.

2.4 Use of estimates and judgment

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments and use estimates, assessments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Other than the contents of Note 3.2, the judgments made by management, when applying the Group’s accounting policies and the key assumptions used in assessments that involve uncertainty, are consistent with those applied in the Annual Financial Statements.

Below is information about significant estimates and judgments for which changes in the assessments and assumptions could potentially have a material effect on the financial statements, in addition to the information in Note 1.7.1 to the annual financial statements:

Subject	Principal assumptions	Possible effects	Reference
Fair value measurement of the Company’s investment in DBS prior to gaining control in DBS	Assumption of expected cash flows from the operations of DBS, discount rate and assumptions about the identity of the relevant market participant.	Change in profit/loss from gaining control	Note 4.2
Attribution of excess cost arising from acquisition of control in DBS	Assumption of expected cash flows from identifiable assets in the business combination, timing of recognition, and scope of the deferred tax asset for carry forward losses	Change in the value of identifiable tangible and intangible assets in the business combination and changes in the value of goodwill	Note 4.2
Fair value measurement of contingent consideration in a business combination	Assumption of expected cash flows and assumption of DBS’s losses for tax purposes.	Change in the value of a liability for contingent consideration recognized in a business combination	Note 4.2 and Note 11.1.4

3. Reporting Principles and Accounting Policy

3.1 The Group's accounting policy applied in these condensed consolidated interim financial statements is consistent with the policy applied in the Annual Financial Statements, except as described in section 3.2 below.

3.2 Accounting policy for new transactions or events

In view of consolidation of DBS in these financial statements for the first time, as described in Note 4.2, below is a description of the accounting policy for the consolidation of DBS in these condensed consolidated interim financial statements:

3.2.1 The Group implemented the acquisition method for all business combinations. The acquisition date is the date on which the acquirer obtained control over the acquiree.

3.2.2 The Group recognized goodwill at acquisition based on the fair value of the consideration transferred, and the fair value at the acquisition date of any pre-existing equity right of the Group in the acquiree, less the net amount of the identifiable assets acquired and the liabilities assumed.

3.2.3 The consideration transferred includes the fair value of the assets transferred to the previous owners of the acquiree and the liabilities incurred by the acquirer to the previous owners of the acquiree, **including the obligation to acquire the acquiree's equity instruments**. In addition, the consideration transferred includes the fair value of any contingent consideration.

3.2.4 In the step acquisitions, the difference between the fair value at the acquisition date of the Group's pre-existing equity rights in the acquiree and the carrying amount at that date **is recognized in the statement of income under other operating income or expenses**.

3.2.5 The Group implements the anticipated acquisition method, whereby it undertook to acquire the equity instruments of a subsidiary in return for cash or another financial asset. The commitment to acquire a subsidiary's equity instruments is recognized as a financial liability at the present value. The commitment is recognized at the agreement date, if the preconditions to the agreement are not under the Group's control.

Based on the anticipated acquisition method, non-controlling interests are derecognized at the recognition date of the commitment to acquire the subsidiary's equity instruments. Accordingly, the Group's share in the subsidiary's equity and operating expenses includes the share of the holders of non-controlling interests.

3.2.6 Costs associated with the acquisition that were incurred by the acquirer in the business combination such as advisory, legal, valuation and other professional or consulting fees were recognized as expenses in the period the services are received.

3.3 New standards not yet adopted

Further to Note 2.17 to the annual financial statements regarding the implementation of IFRS 15, Revenues from Contracts with Customers, in July 2015, the IASB approved the postponement of mandatory initial application of the standard by one year from the original date, meaning that the standard will be effective for annual periods beginning on January 1, 2018. Early application is permitted.

4. Group Entities

4.1 A detailed description of the Group entities appears in Note 10 to the Annual Financial Statements. Below is a description of the material changes that occurred in connection with the Group entities since publication of the Annual Financial Statements.

4.2 DBS Satellite Services (1998) Ltd. ("DBS")

4.2.1 As described in Note 10.1.2 to the annual financial statements, the Company holds 49.78% of the share capital of DBS and it holds options that confer the right to 8.6%

in DBS shares, which the Company is unable to exercise. Accordingly, the Company accounted for its investment in DBS in accordance with the equity method.

On March 26, 2014, the Company received the decision of the Antitrust Authority, according to which, under the terms set out in the decision, the merger between the Company and DBS ("the Merger") will be permitted.

Further to the aforesaid, on February 10, 2015, the Board of Directors' subcommittee that was established for this matter, the audit committee and the Board of Directors of the Company approved the Company's engagement in a transaction with Eurocom DBS. In the transaction, the Company will acquire the entire holdings of Eurocom DBS in DBS ("the Acquisition Transaction"), which at this date represent 50.22% of the issued share capital of DBS (41.62% fully diluted) and all the shareholder loans provided by Eurocom to DBS. It was further decided that prior to the Acquisition Transaction, the Company and DBS will accept the merger terms and the Company will exercise the option granted, at no cost, for the allotment of DBS shares at a rate of 8.6% of the issued capital of DBS.

Under the terms of the acquisition transaction, the Company was required to pay Eurocom DBS NIS 680 million in cash on the closing date, against acquisition of the shares and shareholder loans. Eurocom DBS will also be entitled to two additional contingent considerations, as follows: the first additional consideration of up to NIS 200 million will be paid in accordance with the amount of the carry forward losses of DBS used for tax purposes and the second additional consideration of up to NIS 170 million will be paid in accordance with the business results of DBS in the next three years.

On March 23, 2015, 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 above. Subsequently, the Company and DBS announced the acceptance of the merger terms, and on March 25, 2015, the Company exercised the option and it was allotted DBS shares at a rate of 8.6% of the issued capital of DBS, so that as from this date, the Company holds 58.4% of DBS. Accordingly, the Company consolidates the financial statements of DBS as from March 23, 2015 (the date that the general meeting approved exercise of the option to DBS shares by the Company). In view of the Company's holding of 49.78% of DBS shares prior to gaining control, the acquisition transaction was accounted for in the financial statements as a step acquisition.

The Company's engagement in the transaction with Eurocom DBS for acquisition of the entire holdings of Eurocom DBS in DBS is subject to the approval of the Ministry of Communications for transfer of control in DBS such that the Company will control DBS and will hold the entire issued and paid up share capital of DBS. This approval was received unconditionally on June 23, 2015, and on June 24, 2015, the transaction was completed. On the completion date, the Company transferred the cash consideration of NIS 680 million to Eurocom DBS and Eurocom DBS transferred its rights and the rights to DBS shares to the Company and assigned to the Company its entire rights in the shareholders loans of DBS. On completion of the transaction, DBS became a wholly owned subsidiary (100%) of the Company.

As at June 30, 2015, the Company has a liability for the contingent consideration of NIS 101 million towards Eurocom DBS as described in Note 11, Financial Instruments.

- 4.2.2 At the date of the business acquisition, the Company presented its investment in shares, share options and loans to DBS prior to acquisition of control, according to the equity method based on a valuation by an independent assessor. In accordance with the valuation, the value of the Company's investments prior to acquisition of control is estimated at NIS 1.076 billion. Accordingly, the Company recognized a profit of NIS 12 million from the gain of control under other operating income in the statement of income for the three months ended March 31, 2015.

The valuation was based on the income approach, whereby the discounted cash flow method (DCF) was applied on the basis of the forecasted cash flow for 2015 through to 2019. The cash flow forecast was based on the results of DBS for 2011-2014 and

the three months ended March 31, 2015. In the valuation, it was assumed that the market share of DBS is expected to remain stable and will be 42%-43% throughout the years of the forecast. It was also assumed that gradual erosion in the ARPU of DBS is expected between 2015 and 2018, while in 2019 and thereafter, it is expected that a fixed nominal ARPU will be maintained. The revenue forecast was based on the forecast of the number of subscribers, average income and competition in the market.

Assumed cost of capital: 8.5% (net of tax). In addition, it was assumed that the permanent growth will be 1%.

The valuation was based on assumptions regarding the identity of the relevant market participant that might acquire the Company's holdings in DBS and does not take into account the specific operational and tax synergies between the companies.

4.2.3 Identifiable acquired assets and liabilities:

	March 23, 2015 (Unaudited) NIS million
Cash and cash equivalents	299
Trade and other receivables	182
Broadcasting rights	449
Property, plant and equipment	801
Intangible assets (including excess cost attributed to customer relations and brand as described below)	1,284
Deferred tax asset, net of deferred tax liabilities (for attributed excess cost)	831
Debentures, loans, and borrowings (including excess cost attributed to debentures as described below)	(1,947)
Trade payables and other liabilities	(632)
Contingent liabilities (including excess cost attributed to contingent liabilities as described below)	(19)
Identifiable assets, net	1,248

4.2.4 The Company attributed the acquisition cost in relation to the fair value of the assets and liabilities that were acquired in the business combination. The attribution was based on the valuation performed by an independent assessor whose opinion is attached to these financial statements.

Excess cost was attributed as follows:

	March 23, 2015 (Unaudited) NIS million
Customer relations (see section A below)	790
Brand (see section B below)	347
Goodwill (see section C below)	609
Deferred tax asset, net of deferred tax liabilities (see D below)	831
Debentures (see section E below)	(160)
Contingent liabilities (see section F below)	(10)
Total excess cost	2,407

- A. **Customer relations:** The valuation was based on the income approach, using the multi-period excess earning method. Under this approach, the value of the asset is derived from the present value of the cash flows that are expected to arise from it over the remaining economic life of the asset. Amortization will be based on the customer churn rate.
- B. **Brand:** The valuation was prepared in accordance with the relief from royalty method. In accordance with this method, the value of the asset is estimated as

the present value of the appropriate royalty that the entity would have to pay a third party for the use of the asset, if the company did not own it. The useful life of the brand assumed in the model is 12 years.

- C. **Goodwill:** Following the acquisition of control, goodwill was recognized as follows:

	March 23, 2015
	(Unaudited)
	NIS million
Consideration value	781
Fair value of the investment in DBS prior to the acquisition	1,076
Less the fair value of net identifiable assets	(1,248)
Goodwill	609

- D. **Deferred tax asset:** Following completion of the acquisition transaction on June 24, 2015, as described in Note 4.2.1 above, the Company believes that will be able to take advantage of the tax asset for the accrued losses from future profits of DBS and due to the possible merger between the companies.

The Company accounted for completion of the acquisition transaction after gaining control as new information obtained in the measurement period for the facts and circumstances that existed at the acquisition date and, therefore, the Company attributed the excess cost arising from gain of control as a deferred tax asset in the financial statements as at June 30, 2015 (retroactively, effective as from gain of control).

Composition of the tax asset:

	March 23, 2015
	(Unaudited)
	NIS million
Tax asset for cumulative losses of DBS	1,087
Tax reserve for attributed excess cost	(256)
Deferred tax asset, net	831

- E. **Debentures:** The excess cost reflects the fair value of the debentures at the acquisition date based on a capitalization rate of 1.9%-2.3%.
- F. **Contingent liabilities:** The excess cost represents a present obligation arising from a class action filed by DBS customers.

- 4.2.5 The management estimates that had the business combination taken place on January 1, 2015, the revenue in the consolidated statement of income would have increased by NIS 434 million and there would have been no significant change in consolidated profit. When determining the amounts, the management assumed that the fair value adjustments at the date of the business combination are the same as the adjustments that would have been received had the business combination taken place on January 1, 2015.
- 4.2.6 Since the beginning of its operations, DBS has accumulated considerable losses. The loss of DBS in 2014 amounted to NIS 322 million and the loss in the six months ended June 30, 2014, amounted to NIS 169 million. As a result of these losses, as of June 30, 2014, DBS had an equity deficit and a working capital deficit of NIS 4,833 million and NIS 349 million, respectively.
- 4.2.7 As at June 30, 2015, DBS is in compliance with the financial covenants established under the financing and debenture agreements. As at June 30, 2015, DBS is in compliance with the debt/EBITDA ratio covenant established in Deed of Trust B (as at June 30, 2015, the debt/EBITDA ratio was 2.5). Furthermore, DBS is in compliance with the debt/EBITDA ratio covenant set out in Debenture 2012 (as at June 30, 2015,

the debt/EBIDTA ratio was 2.5) and the debt/E-C ratio covenant set out in Debenture 2012 (as at June 30, 2015, the debt-E-C ratio was 6).

- 4.2.8 The management of DBS believes that the financing resources at its disposal, which include, among other things, loans from the Company, will be sufficient for the operations of DBS for the coming year, based on the forecasted cash flows approved by DBS's board of directors.

5. Debentures, Loans and Borrowings

- 5.1. In the second quarter of 2015, the Company entered into agreements with banks and a financial institution, which undertook to provide the Company with credit in a total amount of NIS 1.4 billion, to refinance its future debt in 2016, as follows:
- A. Agreements with banks for credit of NIS 900 million in June 2016, with a duration of 4.6 years (payable in five equal annual payments commencing on June 1, 2019 through to June 1, 2023), at a fixed NIS unlinked interest rate of 3.7%. The agreements with the banks include an option to cancel the credit line, subject to an early repayment fee.
 - B. Agreements with a financial institute for credit of NIS 500 million in December 2016, with a duration of 4.9 years (payable in five equal annual payments commencing on December 15, 2019 through to December 15, 2023), at a fixed NIS unlinked interest rate of 4.3%.

The terms of the undertaking and the loans to be provided thereunder include terms that are similar to the terms provided for other loans taken by the Company, as described in Note 11.2.1 to the annual financial statements, including the following: an undertaking to refrain from creating additional liens on the Company's assets (with certain restrictions); an undertaking that if the Company assumes an undertaking towards a party in respect of compliance with financial covenants, the Company will also assume the same undertaking for this credit (subject to certain exceptions); and standard terms for immediate repayment (such as default events, insolvency, liquidation or receivership), and cross default (with certain restrictions), which will also apply, with the required changes, to the period of the undertaking to provide credit.

In the three months ended June 30, 2015, the Company recognized financing income amounting to NIS 30 million for the fair value of future long-term credit from banks, net of transaction costs.

- 5.2. In August 2015, the Company entered into additional agreements with a bank and a financial institution, which undertook to provide the Company with additional credit amounting to NIS 400 million to refinance the Company's future debt in 2017.
- 5.3. In the second quarter of 2015, DBS issued additional debentures (Series B) amounting to NIS 228 million by expanding the series. For information about the terms of the debentures, see Note 10.1.5 to the Annual Financial Statements.

6. Contingent Liabilities

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

In the opinion of the managements of the Group companies, based, inter alia, on legal opinions as to the likelihood of success of the legal claims, the financial statements include appropriate provisions of NIS 89 million, where provisions are required to cover the exposure arising from such legal claims.

In the opinion of the managements of the Group companies, the additional exposure (beyond these provisions) as at June 30, 2015 for claims filed against Group companies on various matters and which are unlikely to be realized, amounted to NIS 3.3 billion. There is also additional exposure of NIS 2.8 billion for claims, the chances of which cannot yet be assessed.

In addition, motions for certification of class actions have been filed against the Group companies, for which the Group has additional exposure beyond the aforesaid, since the exact amount of the claim is not stated in the claim.

This amount and all the amounts of the additional exposure in this note are linked to the CPI and are stated net of interest.

For updates subsequent to the reporting date, see section 6.2 below.

6.1. Below is a description of the contingent liabilities of the Group (including DBS) as at June 30, 2015, classified into groups with similar characteristics:

Claims group	Nature of the claims	Provision	Additional exposure	Exposure for claims that cannot yet be assessed
		NIS million		
Claims of employees and former employees of Group companies	Mainly collective and individual claims filed by employees and former employees of the Company in respect of recognition of various salary components as components for calculation of payments to Company employees, some of which have wide ramifications in the Company.	11	128	-
Customer claims	Mainly motions for certification of class actions concerning contentions of unlawful collection of payment and impairment of the service provided by the Group companies.	42	2,899	829
Supplier and communication provider claims	Legal claims for compensation for alleged damage as a result of the supply of the service and/or the product.	3	168	-
Claims for punitive damages, real estate and infrastructure	Claims for alleged physical damage or damage to property caused by Group companies and in relation to real estate and infrastructure. The additional amount of exposure for punitive damages does not include claims for which the insurance coverage is not disputed.	2	63	-
Claims by enterprises and companies	Claims alleging liability of the Group companies in respect of their activities and/or the investments made in various projects.	11	47	2,000*
Claims by the State and authorities	Various claims by the State of Israel, government institutions and authorities ("the Authorities"). These are mainly procedures related to regulations relevant to the Group companies and financial disputes concerning monies paid by the Group companies to the authorities (including property taxes) or by the authorities to the Group companies.	20	37	11
Total legal claims against the Company and subsidiaries		89	3,342	2,840

* A claim filed by shareholders against the Company and officers in the Company amounting to NIS 1.1 billion or NIS 2 billion (according to the method of calculating the damage to be determined).

6.2. Subsequent to the reporting date, claims amounting to NIS 592 million were filed against Group companies, and two other claims without a monetary estimate. At the approval date of the financial statements, the chances of these claims cannot yet be assessed. In addition, claims with exposure of NIS 403 million came to an end.

7. Capital

7.1. Below are details of the Company's equity:

Registered			Issued and paid up		
June 30, 2015	June 30, 2014	December 31, 2014	June 30, 2015	June 30, 2014	December 31, 2014
(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
2,825,000,000	2,825,000,000	2,825,000,000	2,748,349,912	2,735,918,334	2,743,283,920

7.2. On May 6, 2015, the general meeting of the Company's shareholders approved the recommendation of the Company's Board of Directors of March 25, 2015 to distribute a cash dividend to the shareholders of the Company in the amount of NIS 844 million (representing NIS 0.371722 per share on the record date. The dividend was paid on May 27, 2015.

7.3. On August 30, 2015, the Board of Directors of the Company resolved to recommend to the general meeting of the Company's shareholders the distribution of a cash dividend to the shareholders in the amount of NIS 933 million. The dividend is distributed for profits of the first half of 2015 amounting to NIS 945 million less revaluation gains of NIS 12 million for the gain of control in DBS, which were excluded from the Company's dividend policy in accordance with the Board of Director's decision of February 10, 2015 as set out in Note 18.2.1 to the annual financial statements. As at the approval date of the financial statements, the dividend has not yet been approved by the general meeting.

8. Revenues

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Domestic fixed-line					
Fixed-line telephony	783	824	388	407	1,636
Internet - infrastructure	770	677	387	345	1,394
Transmission and data	415	408	208	201	802
Other services	113	112	55	55	220
	2,081	2,021	1,038	1,008	4,052
Cellular telephony					
Cellular services and terminal	975	1,232	489	609	2,399
Sale of terminal equipment	443	500	219	220	966
	1,418	1,732	708	829	3,365
International communications, internet and NEP services	739	689	368	357	1,425
Multi-channel television	439	-	439	-	-
Other	100	119	50	56	213
	4,777	4,561	2,603	2,250	9,055

9. General and Operating Expenses

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Terminal equipment and materials	431	474	205	212	928
Interconnectivity and payments to domestic and international operators	453	414	241	208	847
Maintenance of buildings and sites	306	312	156	156	639
Marketing and general	289	306	160	153	603
Content services	157	30	144	15	58
Services and maintenance by sub-contractors	89	78	55	38	137
Vehicle maintenance	76	77	41	40	154
	1,801	1,691	1,002	822	3,366

10. Other Operating Expenses (Income), Net

	Six months ended June 30		Three months ended June 30		For the year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit from gaining control in DBS Satellite Services (1998) Ltd.	12	-	-	-	-
Capital gain from the sale of property, plant and equipment (mainly real estate)	159	121	148	104	175
Elimination of provision for contingent liabilities, net	-	-	-	-	23
Profit from sale of the shares of Coral Tell Ltd.	-	582	-	582	582
Other operating income	171	703	148	686	780
Provision for contingent liabilities, net	12	-	6	-	-
Provision for severance pay in voluntary redundancy	1	125	1	117	176
Others	-	2	-	1	18
Total other operating expenses	13	127	7	118	194
	(158)	(576)	(141)	(568)	(586)

11. Financial Instruments

11.1. Fair value

11.1.1 Financial instruments at fair value for disclosure purposes only

The table below shows the differences between the carrying amount and the fair value of financial liabilities. The methods used to estimate the fair values of financial instruments are described in Note 28.7 to the Annual Financial Statements.

	June 30, 2015		June 30, 2014		December 31, 2014	
	Carrying amount (including accrued interest)	Fair value	Carrying amount (including accrued interest)	Fair value	Carrying amount (including accrued interest)	Fair value
	(Unaudited)		(Unaudited)		(Audited)	
	NIS million		NIS million		NIS million	
Bank loans (unlinked)	2,197	2,358	2,101	2,246	2,112	2,292
Debentures issued to the public (CPI-linked)	3,459	3,634	2,796	3,026	3,820	4,033
Debentures issued to the public (unlinked)	890	949	1,335	1,438	1,335	1,426
Debentures issued to financial institutions (unlinked)	403	463	403	455	403	467
Debentures issued to financial institutions (CPI-linked)	1,952	2,089	-	-	-	-
	8,901	9,493	6,635	7,165	7,670	8,218

11.1.2 Fair value hierarchy

The table below presents an analysis of the financial instruments measured at fair value, with details of the evaluation method. The methods used to measure the fair value of investments in ETFs, monetary funds, and forward contracts are described in Note 28.7 to the annual financial statements.

The methods used to measure the fair value of the future credit from the banks are described in Note 11.1.3 below. The methods used to measure the fair value of contingent consideration for a business combination are described in Note 11.1.4 below.

	June 30, 2015	June 30, 2014	December 31, 2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Level 1: investment in exchange-traded funds and financial funds	200	1,629	1,513
Level 2 - future credit from banks	36	-	-
Level 2: forward contracts	(93)	(47)	(110)
Level 3: contingent consideration for a business combination (Note 4.2)	(101)	-	-
Level 3: investment in non-marketable shares	9	9	9

11.1.3 Information about fair value measurement of the credit line to refinance future debt

The fair value of the future credit in accordance with the agreement with the banks, as set out in Note 5.1 above, was estimated by discounting the difference between the interest rate in the agreement and present interest for the remaining period, using appropriate market interest rates for similar instruments, including the required adjustments for credit risk.

11.1.4 Information about fair value measurement of contingent consideration in a business combination (Level 3)

Below is the fair value of the contingent consideration liability for a business combination, as described in Note 4.2:

	June 30, 2015	
	Maximum additional consideration under the agreement	Fair value
	(Unaudited)	(Unaudited)
	NIS million	NIS million
Additional consideration for tax synergy (first additional consideration)(A)	200	84
Additional consideration for the business results of DBS (second additional consideration) (B)	170	17
	370	101

A. First additional consideration

The fair value of the first additional contingent consideration was calculated by an independent assessor, based on a legal opinion on tax issues related to the possible merger between the Company and DBS. The legal opinion includes the probability of the chances and risks facing the Company regarding utilization of losses.

The estimated fair value of the contingent consideration will increase as the probability attributed to major risks in utilization of losses, as assessed in the legal opinion, decreases.

A 10% change in the probability attributed to major risks will result in a change of NIS 36 million in the first contingent consideration.

B. Second additional consideration

The fair value of the first additional consideration was estimated by the assessor, using the Monte Carlo simulation with risk neutral measure of the underlying asset which is the expected cash flow. The unobservable parameter that was used in the model and would have significantly changed the fair value is the expected cash flows in 2015-2017. To calculate the value of the second contingent consideration, a free cash flow was assumed as presented in the fair value assessment of Bezeq's holdings in DBS prior to gain of control as described in Note 4.2.2.

An increase of 10% in the expected cash flow will result in an increase of NIS 7 million in the estimated contingent consideration.

12. **Segment Reporting**

- 12.1. Further to Note 26 to the annual financial statements, the Company's investment in DBS was presented on the basis of the equity method up to March 25, 2015. As from this date, the financial statements of DBS are consolidated with the financial statements of the Group as described in Note 4 above. The Group reports on multichannel television as an operating segment without adjustment to ownership rates and excess cost in all reporting periods.

In addition, after DBS became a wholly-owned subsidiary of the Company on June 24, 2015, the Company updated the internal management reporting structure for financing income for the shareholders loans that were provided to DBS. In addition, the Company restated financing income under separate interim financial information. As from the second quarter of 2015, the Company no longer recognizes financing income for the shareholders loans under the financing income of the fixed-line domestic communications segment. Financing expenses in the multi-channel television segment include financing expenses for the loans without any change. The comparative figures were restated to reflect the change in the reporting structure: financing income in the amount of NIS 100 million and NIS 63 million was eliminated in the fixed-line domestic communications segment for the six and three months ended June 30, 2014, respectively, and NIS 213 million in the year ended December 31, 2014.

12.2. Operating segments

Six months ended June 30, 2015 (Unaudited):							
	Domestic fixed-line communication	Cellular communications	International communications and internet services	Multi-channel television	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	2,079	1,418	736	878	100	(440)	4,771
Inter-segment revenues	139	30	48	1	7	(219)	6
Total revenues	2,218	1,448	784	879	107	(659)	4,777
Depreciation and amortization	356	210	65	156	6	(25)	768
Segment results –operating profit	1,209	85	122	129	(4)	(111)	1,430
Financing expenses	220	3	7	320	1	(286)	265
Financing income	(45)	(31)	(4)	(23)	(9)	13	(99)
Total financing expenses (income), net	175	(28)	3	297	(8)	(273)	166
Segment profit (loss) after financing expenses, net	1,034	113	119	(168)	4	162	1,264
Share in earnings of associates	-	-	-	-	-	16	16
Segment profit (loss) before income tax	1,034	113	119	(168)	4	178	1,280
Income tax	306	28	30	1	-	(30)	335
Segment results –net profit (loss)	728	85	89	(169)	4	208	945

12.2 Operating segments (contd.)

Six months ended June 30, 2014 (Unaudited):							
	Domestic fixed-line communication	Cellular communications	International communications and internet services	Multi-channel television	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	2,017	1,730	685	851	119	(851)	4,551
Inter-segment revenues	133	30	36	-	7	(196)	10
Total revenues	2,150	1,760	721	851	126	(1,047)	4,561
Depreciation and amortization	340	211	65	144	13	(140)	633
Segment results –operating profit	975	253	116	140	638	(200)	1,922
Financing expenses	230	9	9	299	1	(308)	240
Financing income	(27)*	(44)	(4)	(11)	-	(80)*	(166)
Total financing expenses (income), net	203*	(35)	5	288	1	(388)*	74
Segment profit (loss) after financing expenses, net	772*	288	111	(148)	637	188*	1,848
Share in profits (losses) of associates	-	-	1	-	(3)	(96)	(98)
Segment profit (loss) before income tax	772*	288	112	(148)	634	92*	1,750
Income tax	226	74	29	1	154	(1)	483
Segment results –net profit (loss)	546*	214	83	(149)	480	93*	1,267

* Reclassified, see section 12.1 above

12.2 Operating segments (contd.)

Three months ended June 30, 2015 (Unaudited):							
	Domestic fixed-line communication	Cellular communications	International communications and internet services	Multi-channel television	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	1,037	709	368	438	51	-	2,603
Inter-segment revenues	68	12	23	1	3	(107)	-
Total revenues	1,105	721	391	439	54	(107)	2,603
Depreciation and amortization	180	106	33	80	3	49	451
Segment results –operating profit	662	53	62	70	(2)	(51)	794
Financing expenses	122	-	3	240	1	(202)	164
Financing income	(22)	(14)	(1)	(4)	(5)	11	(35)
Total financing expenses (income), net	100	(14)	2	236	(4)	(191)	129
Segment profit (loss) after financing expenses, net	562	67	60	(166)	2	140	665
Income tax	180	18	15	-	-	(30)	183
Segment results –net profit (loss)	382	49	45	(166)	2	170	482

12.2 Operating segments (contd.)

Three months ended June 30, 2014 (Unaudited):							
	Domestic fixed-line communication	Cellular communications	International communications and internet services	Multi-channel television	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	1,006	828	354	427	57	(427)	2,245
Inter-segment revenues	67	15	12	-	2	(91)	5
Total revenues	1,073	843	366	427	59	(518)	2,250
Depreciation and amortization	172	105	33	74	6	(71)	319
Segment results –operating profit	471	127	58	67	637	(126)	1,234
Financing expenses	124	3	4	187	(1)	(190)	127
Financing income	(14)*	(20)	(1)	(6)	-	(54)*	(95)
Total financing expenses (income), net	110*	(17)	3	181	(1)	(244)*	32
Segment profit (loss) after financing expenses, net	361*	144	55	(114)	638	118*	1,202
Share in losses of associates	-	-	-	-	(3)	(76)	(79)
Segment profit (loss) before income tax	361*	144	55	(114)	635	42*	1,123
Income tax	110	38	14	1	151	(1)	313
Segment results –net profit (loss)	251*	106	41	(115)	484	43*	810

* Reclassified, see section 12.1 above

12.2 Operating segments (contd.)

Year ended December 31, 2014 (Audited)							
	Domestic fixed-line communication	Cellular communications	International communications and internet services	Multi-channel television	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	4,045	3,361	1,419	1,724	209	(1,724)	9,034
Inter-segment revenues	272	58	85	-	17	(411)	21
Total revenues	4,317	3,419	1,504	1,724	226	(2,135)	9,055
Depreciation and amortization	688	430	130	297	23	(287)	1,281
Segment results –operating profit	1,980	449	232	273	629	(337)	3,226
Financing expenses	472	21	18	620	2	(647)	486
Financing income	(72)*	(77)	(9)	(26)	(11)	(161)*	(356)
Total financing expenses (income), net	400*	(56)	9	594	(9)	(808)*	130
Segment profit (loss) after financing expenses, net	1,580*	505	223	(321)	638	471*	3,096
Share in profits (losses) of associates	-	-	1	-	(3)	(168)	(170)
Segment profit (loss) before income tax	1,580*	505	224	(321)	635	303*	2,926
Income tax	478	132	60	1	147	(3)	815
Segment results –net profit (loss)	1,102*	373	164	(322)	488	306*	2,111

* Reclassified, see section 12.1 above

12.3. Adjustment of profit or loss for reporting segments

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Operating profit for reporting segments	1,545	1,484	847	723	2,934
Cancellation of results for a segment classified as an associate (up to gain of control)	(59)	(140)	-	(67)	(273)
Financing expenses, net	(166)	(74)	(129)	(32)	(130)
Share in profits (losses) of associates	16	(98)	-	(79)	(170)
Profit (loss) for operations classified in other categories and other adjustments	(56)	578	(53)	578	565
Income before income tax	1,280	1,750	665	1,123	2,926

13. Condensed Financial Statements of Pelephone, Bezeq International and DBS**13.1. Pelephone Communications Ltd.**

Selected data from the statement of financial position

	June 30, 2015	June 30, 2014	December 31, 2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Current assets	1,468	1,775	1,658
Non-current assets	1,952	1,962	1,883
Total assets	3,420	3,737	3,541
Current liabilities	553	735	610
Long-term liabilities	96	105	86
Total liabilities	649	840	696
Capital	2,771	2,897	2,845
Total liabilities and equity	3,420	3,737	3,541

Selected data from the statement of income

	Six months ended June 30		Three months ended June 30		Year ended
	2015	2014	2015	2014	December 31, 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from services	1,001	1,259	502	622	2,453
Revenues from sales of terminal equipment	447	501	219	221	966
Total revenues from services and sales	1,448	1,760	721	843	3,419
Cost of services and sales	1,195	1,293	588	612	2,537
Gross profit	253	467	133	231	882
Selling and marketing expenses	120	159	57	76	309
General and administrative expenses	48	55	23	28	106
Other operating expenses	-	-	-	-	18
	168	214	80	104	433
Operating profit	85	253	53	127	449
Financing expenses	3	9	-	3	21
Financing income	(31)	(44)	(14)	(20)	(77)
Financing income, net	(28)	(35)	(14)	(17)	(56)
Profit before income tax	113	288	67	144	505
Income tax	28	74	18	38	132
Profit for the period	85	214	49	106	373

13.2. Bezeq International Ltd.

Selected data from the statement of financial position

	June 30, 2015	June 30, 2014	December 31, 2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Current assets	507	497	487
Non-current assets	736	746	730
Total assets	1,243	1,243	1,217
Current liabilities	340	299	313
Long-term liabilities	72	121	79
Total liabilities	412	420	392
Capital	831	823	825
Total liabilities and equity	1,243	1,243	1,217

Selected data from the statement of income

	Six months ended June 30		Three months ended June 30		For the year ended
	2015	2014	2015	2014	December 31, 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from services	784	721	391	366	1,504
Operating expenses	501	447	250	229	951
Gross profit	283	274	141	137	553
Selling and marketing expenses	107	100	54	50	209
General and administrative expenses	54	58	25	29	112
	161	158	79	79	321
Operating profit	122	116	62	58	232
Financing expenses	7	9	3	4	18
Financing income	(4)	(4)	(1)	(1)	(9)
Financing expenses, net	3	5	2	3	9
Share in profits of equity-accounted associates	-	1	-	-	1
Profit before income tax	119	112	60	55	224
Income tax	30	29	15	14	60
Profit for the period	89	83	45	41	164

13.3. DBS Satellite Services (1998) Ltd.

Selected data from the statement of financial position

	June 30, 2015	June 30, 2014	December 31, 2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Current assets	651	558	434
Non-current assets	1,392	1,351	1,386
Total assets	2,043	1,909	1,820
Current liabilities	1,000	989	980
Long-term liabilities	1,577	3,798	1,450
Loans from shareholders	4,299	1,614	4,054
Total liabilities	6,876	6,401	6,484
Capital deficit	(4,833)	(4,492)	(4,664)
Total liabilities and capital deficit	2,043	1,909	1,820

Selected data from the statement of income

	Six months ended June 30		Three months ended June 30		For the year ended
	2015	2014	2015	2014	December 31, 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from services	879	851	439	427	1,724
Operating expenses	634	588	314	297	1,203*
Gross profit	245	263	125	130	521
Selling and marketing expenses	70	80	34	40	154
General and administrative expenses	46	43	21	23	94*
	116	123	55	63	248
Operating profit	129	140	70	67	273
Financing expenses	76	73	59	50	137
Financing expenses for shareholder loans, net	244	226	181	137	483
Financing income	(23)	(11)	(4)	(6)	(26)
Financing expenses, net	297	288	236	181	594
Loss before income tax	(168)	(148)	(166)	(114)	(321)
Income tax	1	1	-	1	1
Loss for the period	(169)	(149)	(166)	(115)	(322)

* Reclassified

14. Subsequent Events

14.1. On August 30, 2015, the Company's Board of Directors approved Amendment (No. 5) to the special collective agreement of December 5, 2006 between the Company, the employees union and the Histadrut New General Federation of Labor. The main points of the amendment are as follows:

1. Extension of the collective agreement and retirement arrangements up to December 31, 2021 and their amendments.
2. As part of the retirement arrangements, the Company may terminate the employment of 203 tenured employees (including newly-hired tenured employees) each year, at its discretion.

The Company's management believes that the estimated costs over the term of the agreement, including wage improvements, not including the retirement of employees subject to the Company's discretion, will amount to NIS 280 million (of which an amount of NIS 30 million is dependent on the Company's performance).

14.2. On August 30, 2015, the Board of Directors authorized the Company's management to review the option of issuing one or more new series of debentures to the public under the Company's shelf prospectus of May 2014. It is clarified that there is no final decision regarding the issuance and its scope, and the terms of the debentures have not yet been determined. The issuance is subject, in part, to the final decision of the Company's Board of Directors, publication of a shelf offering memorandum, and approval from the Tel Aviv Stock Exchange Ltd. to list the debentures for trading. The above is not an undertaking by the Company to perform the issuance and/or a public offering of securities, and there is no certainty that the issuance will indeed take place and/or what its terms will be.

14.3. On August 30, 2015, the Company's Board of Directors approved the Company's guarantee for the undertaking of DBS to pay all of its obligations to the holders of Debentures Series B and C of DBS (amounting to NIS 1.05 billion and NIS 307 million respectively), against reduction of the rate of annual interest that the debentures will bear (0.5% and 1% respectively), and cancellation of securities and certain provisions in the deeds of trust of the debentures and in the debentures. Subsequently, the Company is taking steps towards signing an appropriate guarantee. For information about the terms of these debentures, see also section 5.15 of Chapter A to the Periodic Report for 2014.

14.4. For information about the undertaking to provide additional credit, which the Company received in August 2015, see Note 5.2 above.