



# B Communications Ltd.

## Quarterly Report for the Period Ended September 30, 2023

Updates to Chapter A (Description of the Corporation's Business) of the 2022 Annual Report

Chapter B – Report of the Board of Directors on the State of the Corporation's business

Chapter C – Condensed Interim Financial Statements for the Period ended September 30, 2023

Chapter E – Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure

**THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE HEBREW VERSION OF THE COMPANY'S FINANCIAL STATEMENTS AND THE MANAGEMENT DISCUSSION AND ANALYSIS FOR Q3 2023 (THE "REPORTS"). THE HEBREW VERSION OF THE REPORTS IS THE BINDING VERSION AND THE ONLY VERSION HAVING LEGAL EFFECT. THE ENGLISH TRANSLATION HAS BEEN CREATED FOR THE PURPOSE OF CONVENIENCE ONLY. THE APPROVAL OF THE COMPANY'S BOARD OF DIRECTORS WAS GIVEN TO THE HEBREW VERSION ONLY AND NO SUCH APPROVAL HAS BEEN GIVEN TO THE ENGLISH TRANSLATION. THIS ENGLISH TRANSLATION WAS NOT SUBMITTED TO THE ISRAELI SECURITIES AUTHORITY AND IS NOT REVIEWED BY ANY REGULATORY AUTHORITY.**



**Update to Chapter A**  
**(Description of the Corporation's Business)**  
**Of the 2022 Periodic Report<sup>1</sup>**

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<sup>1</sup> As published by the Company on March 14, 2023 (Reference No.: 2023-01-6022360), which is included in this report by way of reference.

### Update<sup>2</sup> to Chapter A - Description of the Corporation's Business) of the 2022 Periodic Report

B. Communications Ltd. ("**the Company**") together with the subsidiary Bezeq the Israeli Telecommunications Corporation Ltd. ("**Bezeq**" or "**Bezeq Group**") and Bezeq's wholly owned subsidiaries, whose financial statements are consolidated with Bezeq's statements, will be called together in this periodic report - "**the Group**".

#### **1. Updates in the Company**

- 1.1. On April 20, 2023, the Company's shareholders' meeting approved the following issues: reappointment of Somekh-Chaikin CPA, KPMG, as the Company's auditor from the date of the meeting until the date of the next annual meeting of the Company; reappointment of Mr. Darren Glatt as a director in the Company until the date of the next annual meeting of the Company and authorization of the Board of Directors to determine his salary; reappointment of Mr. Phil Bacal as a director in the Company until the date of the next annual meeting of the Company; reappointment of Mr. Ran Forer as a director in the Company until the next annual meeting of the Company; Reappointment of Mr Ajit Pai as a director in the Company until the date of the next annual meeting of the Company; reappointment of Mr. Stephen Joseph as an independent director in the Company until the date of the next annual meeting of the Company. For more details, see immediate report published by the Company on April 20, 2023 (Reference No.: 2023-01-043218).
- 1.2. On May 23, 2023, and further to what was stated in Section 6.2.1 of the periodic report, the Company signed a settlement agreement ("**the Settlement Agreement**") in connection with 2 motions for approval of class actions which were filed, among other things, against the Company and against Mr. Shaul Elovich (formerly the controlling owner and Chairman of the Company's Board of Directors) and against Mr. Or Elovitch (former director in the Company) (the "**Motions for Approval**"), according to which, without admitting any of the embezzlement claims alleged in the Motions for Approval, including the existence of misleading details in the statements or reports of Bezeq and/or the Company, the responsibility of any of the respondents to the alleged misleading details, the claimed damages or the class members' entitlement to the claimed remedies, the Company agreed to pay as follows: (a) to the members of Class A, defined in the Settlement Agreement as "everyone who purchased Bezeq shares in the period between February 11, 2015 and June 19, 2017, with the exception of the respondents or anyone on their behalf" – a total amount in shekels equal to USD 1,500,000; (b) To the members of Class B, defined in the Settlement Agreement as "everyone who purchased shares of the Company on the Tel Aviv Stock Exchange Ltd. between May 21, 2015 at 13:00 and June 19, 2017 (inclusive)" - a total amount in shekels equal to for USD 2,850,000.

In addition, as part of the Settlement Agreement, the parties recommended that the Company pay compensation to the applicants, their attorneys' fees, and additional costs in connection with the implementation of the Settlement Agreement. The total amount that the Company is expected to pay by virtue of the Settlement Agreement, including the compensation amounts for the classes as detailed above, amounts to a total in shekels equal to USD 5,500,000. The aforementioned settlement amount does not include the offset of the insurance company's participation by virtue of officers' insurance.

Upon the submission of the Settlement Agreement for the Court's approval, the Court ordered the parties to the motion for approval of the settlement arrangement to publish an ad in the newspaper and to inform the Attorney General and other parties to give their position. In July 2023, Bezeq and certain applicants in the Motions for Approval informed the Court that they maintain their rights regarding the Motions for Approval, and on July 26, 2023, the Attorney General submitted a request to extend the deadline for submitting his response to the motion for approval of the Settlement Agreement until August 25, 2023. The Court approved the request the aforementioned extension. In addition, on July 31, 2023, the Attorney General submitted an update regarding the state of the criminal proceedings and requested a delay of proceedings until July 20, 2024. On November 10, 2023, the parties to the settlement agreement filed a motion with the Court for approval or, alternatively, for scheduling a hearing - a decision has not yet been made.

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<sup>2</sup> The update is in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 and includes significant changes or innovations that have occurred in the business of the Company and/or Bezeq and / or the Group, in any matter that must be described in the periodic report. The update is in relation to the Company's periodic report for 2022 and refers to the item numbers in Chapter A (Description of the Corporation's Business) in said periodic report.

## **Chapter A Update (Description of the Corporation's Business) of the 2022 Periodic Report**

- 1.3. On June 19, 2023, Midroog Ltd. established an A3.il rating with a stable horizon for the Company's debentures (series C) and (series F) that were in circulation as of that date. In addition, Midroog established an A3.il rating with a stable horizon for the additional debentures to be issued by the Company from series F in the amount of up to NIS 550 million par value by way of series expansion which will be used to pay off the Company's debentures (series C). For more details, see immediate report published by the Company on June 19, 2023 (Ref. No.: 2023-01-057163).
- 1.4. On June 22, 2023, the Company published the results of an offering according to a shelf offer report for the issuance and registration for trading of debentures (Series 6) by means of a series expansion, according to which the Company issued NIS 538,000,000 par value debentures (Series 6) in exchange (gross) for a total of about NIS 503,568,000 million. For more details, see immediate reports published by the Company on June 22, 2023 (Reference No.: 2023-01-007660 and 2023-01-058783).
- 1.5. With the completion of the issuance of the Company's debentures (Series 6) as mentioned in Section 1.3 above, on June 22, 2023 the Company announced the existence of the precondition to full early repayment of the Company's debentures (Series 3) and the redemption was carried out on July 20, 2023. For more details, see immediate report dated June 22, 2023 (Reference No.: 2023-01-058786).
- 1.6. For details about purchases of Bezeq ordinary shares made by the Company, see Section 2.2 below.
- 1.7. On August 8, 2023, the Company's Board of Directors decided on the adoption of a plan for the buyback of the Company's shares, in the amount of up to NIS 30 million, effective from August 13, 2023 until: (1) Purchase of the Company's shares to the extent of the total purchase cost; or (2) The end of the trading day on November 1, 2023, whichever is earlier. The purchases will be made, from time to time during the above-mentioned period, in transactions on the stock exchange through a stock exchange member. It should be noted that the plan was adopted in writing in accordance with the rules set forth in the directive of the Securities Authority of July 26, 2010 (Position 199-8) regarding the "safe harbor" protection in the buyback of the securities by a corporation. For more details, see the immediate report dated August 9, 2023 (Ref. No.: 2023-01-073822). Until the end of the aforementioned plan period, the Company purchased shares in a total amount of about NIS 23.5 million.

## **2. Description of the general development of the Group's business**

On April 23, 2023, the name of DBS Satellite Services (1998) Ltd. was changed to Yes Television and Communications Services Ltd. ("Yes").

### **2.1. Section 1.1.4 – Control of Bezeq**

On March 30, 2023, the Company reported a supplementary report regarding the approval of the amendment to the Communications Order (Approval of the Communications Order (Bezeq and Broadcasting) (Establishment of Essential Service provided by "Bezeq", the Israel Telecommunications Corp. Ltd.), 5783-2022 (the "Amendment") by the Government of Israel according to which - on March 30, 2023, the Knesset's Economic Committee approved the amendment. On September 19, 2023, the amendment to the Order was published in Reshumot and entered into force. For more details, see the immediate report published by the Company on March 30, 2023 and September 19, 2023 (Ref. Nos.: 2023-01-036198 and 2023-01-087916 respectively).

### **2.2. Section 1.3 - Investments in Bezeq's capital and transactions in its shares, Section 1.1.1 - General and Section 1.1.2 - Control of Bezeq**

The following is a breakdown of Bezeq's ordinary share purchases made by the Company:

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<u>Date</u>	<u>Shares</u>	<u>Total consideration</u> <u>(NIS millions)</u>	<u>Average price per</u> <u>share (NIS)</u>
3.4.2023	2,100,000	10-ב	4.75
28.5.2023	1,417,995	6.8-ב	4.77
30.5.2023	2,090,000	10-ב	4.79
28.6.2023	1,100,000	5-ב	4.54
29.6.2023	1,100,000	5-ב	4.57

The Company's current holding in Bezeq shares after these purchases and as of the date of publication of this report is 27.08% (26.58% fully diluted). For more details, see the immediates reports published by the Company on April 3, 2023, May 28, 2023, May 30, 2023, June 28, 2023 and June 29, 2023 (Ref.: 2023-01-038049, 2023-01-056769, 2023-01-058350, 2023-01-060607, and 2023-01-061348).

Further to the amendment to the Communications Order (as detailed in the update to Article 1.1.4), which allows, among other things, an Israeli institutional investor to increase his holding to up to 7.5% of a certain type of means of control in Bezeq without the need for the approval of the ministers, in the months of September-October 2023, the entities include Clal Holdings Insurance Business Holdings Ltd., Harel Investments in Insurance and Financial Services Ltd. and Migdal Holdings Insurance and Finances Ltd. reported to Bezeq that they became stakeholders in Bezeq after their holdings increased beyond 5% of its shares.

### 2.3. Section 1.1.7 - Charges in connection with the transactions of the previous controlling shareholder of Bezeq and former officers of Bezeq and the "4,000 Case"

In relation to paragraph 1.1.7.3 regarding the decision of the Economic Department in the Tel-Aviv-Yafo District Court regarding the cancellation of some of the charges from the letter of indictment filed against former Group officers (in relation to the payment of the consideration for the purchase of the shares of the subsidiary Yes Television and Communication Services Ltd. by Bezeq, and in relation to the conduct of independent committees established for the purpose of examining transactions with related parties) and the filing of an appeal against this decision by the State - on July 13, 2023, the judgment of the Supreme Court was given in the appeal according to which the State's appeal is regarding all the respondents (with the exception of Eurocom Holdings (1979) Ltd.) was accepted and the case was returned to the District Court for further evidentiary investigation.

For Footnote 5 regarding Bezeq's debt claim that was dismissed as part of the Eurocom Communications liquidation procedure - on September 18, 2023, Bezeq's appeal against the rejection of the debt claim was dismissed.

### 2.4. Section 1.4.2 – Dividend distribution

For details regarding the dividend distributions made by Bezeq in May 2023 and October 2023 and the Company's share of said dividend, see Note 7 to the statements.

The balance of Bezeq's distributable profits as of the date of the report: about NIS 976 million (surplus accumulated in the last two years after subtracting distributions made during that period).

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### 2.5. To Section 1.5.4 - Main results and operational data

#### 2.5.1. To Section 1.5.4.1 - Bezeq Fixed Lines (Bezeq's activity as NIO)

Financial data (NIS millions)	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Income	1,084	1,130	1,111	1,057	1,086	1,067	1,096
Operating profit	310	418	403	293	388	393	386
Depreciation and amortization	258	256	245	266	252	248	239
Operating profit before depreciation and amortization (EBITDA) (1)	568	674	648	559	640	641	625
Net profit	192	261	249	153	235	243	218
Cash flow from current activities	586	602	608	628	427	541	634
Payments for investments in property, plant and equipment and intangible assets and other investments	239	281	312	277	294	279	285
Receipts from the sale of property, plant and equipment and intangible assets	-	1	29	9	8	5	14
Lease payments	37	35	40	35	34	33	36
Free cash flow (2)	310	287	285	325	107	234	327
<b>Operating data</b>							
Number of active subscribers at the end of the period (thousands) (3)	1,454	1,473	1,488	1,503	1,522	1,542	1,563
Average monthly income per telephony subscriber (NIS) (4)	34	39	41	40	41	41	47
Outgoing usage minutes (millions)	677	658	705	682	740	726	801
Incoming usage minutes (millions)	873	852	918	921	986	951	1,080
Telephony churn rate (6)	2.8%	2.6%	2.5%	2.5%	2.8%	2.6%	3.0%
Total number of Internet subscribers at the end of the period (thousands) (7)	1,500	1,505	1,505	1,504	1,505	1,511	1,519
Of which are subscribers connected to the fiber network at the end of the period (thousands) (7)	506	424	351	267	212	160	124
Internet lines at the end of the period - in retail (thousands) (7)	1,029	1,028	1,031	1,032	1,024	1,021	1,024
Of this number of subscribers connected to the fiber network at the end of the period - wholesale (in thousands) (7)	335	289	246	198	157	118	93
Internet lines at the end of the period - in retail (thousands) (7)	471	477	474	472	481	490	495
Of which are subscribers connected to the fiber network at the end of the period (thousands) (7)	171	135	105	69	55	42	31
Average monthly income per Internet subscriber (NIS) - Retail (ARPU) (8)	124	122	120	117	116	113	110
Fiber optic network deployment at the end of the period (thousands of households available for connection) (9)	1,962	1,835	1,689	1,526	1,442	1,308	1,193
Average plan speed for Internet subscriber – retail (Mbps) (5)	315	278	250	220	192	164	151
Number of Be routers in use by Bezeq's customers (thousands)	819	801	786	764	733	708	688
Number of Be Spot and Be Mesh reception range enhancers of the home internet network (thousands)	438	430	425	416	402	386	374

(1) Operating profit before depreciation and amortization (EBITDA) is a financial index that is not based on generally accepted accounting principles. The Company presents this index as another index for evaluating its business results since it is an accepted index in Bezeq's area of activity which neutralizes aspects resulting from variability in capital structure, various taxation aspects and manner and period of amortization of property, plant and equipment and intangible assets. This index is not a substitute for indices based on generally accepted accounting principles, and does not serve as a single index for assessing the Company's

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results of operations or cash flow. Also, the index presented in this report may not be calculated in the same way as other indices in other companies. The Company's EBITDA is calculated as operating profit before depreciation, amortization and ongoing losses from impairment of property, plant and equipment and intangible assets. For the purpose of adequate presentation of economic activity, the Company presents ongoing losses from impairment of property, plant and equipment and intangible assets in Yes and Bezeq International under the depreciation and amortization item, as well as ongoing losses from impairment of broadcasting rights under the operating and general expenses item (in the statement of income).

- (2) Free cash flow is a financial measure that is not based on generally accepted accounting principles. Free cash flow is defined as cash arising from current operations minus cash for the purchase / sale of property, plant and equipment. The Company presents free cash flow as an additional index to evaluate business results and cash flows, since the Company is of the opinion that cash flow is an important liquidity index that reflects the cash derived from its current operations after investing cash in infrastructure and property, plant and equipment and other intangible assets.
- (3) Inactive subscribers are subscribers whose Bezeq lines have been physically disconnected (excluding a subscriber who has not paid his debt to Bezeq on time in the first three months (approximately) of collection proceedings).
- (4) Calculated according to the average of subscribers for the period.
- (5) In plans where there is a range of speeds, the maximum speed in the plan is taken into account.
- (6) Number (gross) of telephony subscribers who abandoned Bezeq Fixed Lines during the period divided by the average number of telephony subscribers registered in the period.
- (7) Total number of Internet subscribers including retail and wholesale subscribers. Retail – the Company's direct Internet subscribers. Wholesale - Internet subscribers through wholesale service to other communication providers. Number of wholesale internet lines including Yes fiber subscribers. For this matter, see the Yes table.
- (8) Income from retail Internet services divided by the average number of retail customers in the period. Starting with the second quarter of 2022, the figure also includes income from Internet access service (ISP).
- (9) As of the date of publication of the report, deployment of fiber optic network – approx. 2,014 million households are available for connection, of which approx. 532K subscribers are connected to the fiber network (of which about 350K retail and about 182K wholesale).

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### 2.5.2. To Section 1.5.4.2 - Pelephone

Financial data (NIS millions)	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Income from services	450	452	445	441	467	446	437
Of which: Income from services, net of interconnect (6)	79	350	334	339	361	340	324
Income from services net of interconnect ("Interconnect") (6)	371	102	111	102	106	106	113
Income from the sale of end equipment	135	133	171	151	141	153	163
Total income	585	585	616	592	608	599	600
Total income net of interconnect (6)	506	483	505	490	502	493	487
Operating profit	59	49	51	17	60	52	64
Depreciation and amortization	143	135	133	135	139	136	122
Operating profit before depreciation and amortization (EBITDA) (1)	202	184	184	152	199	188	186
Net profit	48	41	44	13	50	46	56
Cash flow from operating activities	242	98	133	149	203	244	278
Payments for investments in property, plant and equipment, intangible assets and other investments, net	81	82	57	0	157	66	72
Lease payments	57	49	70	62	58	47	61
Free cash flow (1)	104	(33)	6	87	(12)	131	145
<b>Operating data</b>							
Number of postpaid subscribers for the end of the period (thousands) (2)	2,187	2,166	2,159	2,149	2,137	2,122	2,093
Number of prepaid subscribers for the end of the period (thousands) (2)	431	427	426	431	538	514	490
Number of subscribers for the end of the period (thousands) (2)	2,618	2,593	2,585	2,580	2,675	2,636	2,583
Of which are subscribers in 5G packages (thousands) (2)	961	898	834	784	738	677	605
Average monthly income per subscriber (ARPU) (NIS) (5)	57	58	57	57	58	57	57
Average monthly income per subscriber (ARPU) net of interconnect fees (NIS) (6)	47	45	43	44	45	43	42
Subscriber churn rate (Churn Rate) (4)	6.0%	5.9%	6.7%	6.1%	5.7%	5.5%	6.8%

- (1) For the definition of operating profit before depreciation and amortization (EBITDA) and free cash flow, see notes (1) and (2) in the Bezeq Fixed Lines table.
- (2) Subscriber data includes Pelephone's subscribers (excluding other operators' subscribers who are hosted on the Pelephone network, and without IoT subscribers) and does not include subscribers who has been connected to Pelephone's service for six months or more but are not active. Inactive subscribers are subscribers who in the last six months have not received at least one call, did not make at least one call / message, did not perform a browsing operation, or did not pay for Pelephone's services. A prepaid subscriber is included in the active subscriber base from the date on which he performed a charge, and is deducted from the active subscriber base when he does not make outgoing use for six months or more. It should be noted that a customer can have more than one subscription number ("line"). The number of subscribers includes subscribers who consume various services (such as data for in-vehicle media systems), the average income from which is significantly lower than the rest of the subscribers. It should be noted that Pelephone markets packages with an increased volume of use that are also adapted to the needs of 5G, while close to the date of publication of Pelephone's report, there are about 1 million subscribers in such packages.
- (3) The average monthly income per subscriber (postpaid and prepaid). The index is calculated by dividing the average monthly income from all cellular services from both Pelephone's subscribers and other communication operators, including income received from cellular operators using Pelephone's network, repair service and extended warranty in the period by the average active subscriber base in that same period. See also Section 7 of the chapter on the description of the Corporation's business for the year 2022.
- (4) The subscriber churn rate is calculated according to the ratio of the subscribers who disconnected from Pelephone services and the subscribers who became inactive during the period to the average of active subscribers during the period.
- (5) In an examination carried out by Pelephone of the register of prepaid subscribers during the Q4/2022, it was found that approximately 96K subscribers were included in the register of subscribers even though they did not meet the definition of an active subscriber. Accordingly, Bezeq subtracted these subscribers in a one-time manner. The removal of subscribers as mentioned led to an increase by about NIS 2 in ARPU for Q4 and no change in the subscriber churn rate in this quarter.
- (6) Income from services net of interconnect income and average monthly income per subscriber (ARPU) net of income from interconnect - as part of the reform to change the interconnect rates regime that will apply gradually from June 2023 until June 2025, Pelephone chose to present the income from services and the average monthly income per subscriber (ARPU) by neutralizing interconnect income from mobile radio telephone operators and NIO operators to which the reform applies.



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### 2.5.3. To Section 1.5.4.3 - Bezeq International

Financial data (NIS millions)	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Income	303	293	312	319	311	302	307
Operating profit (loss)	20	16	14	(60)	17	17	(4)
Depreciation and amortization	29	33	30	35	32	29	38
Operating profit (loss) before depreciation and amortization (EBITDA) (1)	49	49	44	(25)	49	46	34
Net profit (loss)	17	13	13	(58)	16	15	(5)
Cash flow from operating activities	36	57	19	56	5	37	112
Payments for investments in property, plant and equipment and intangible assets and other investments, net (2)	26	20	10	17	23	27	26
Lease payments	9	9	10	9	9	9	9
Free cash flow (1)	1	28	(1)	30	(27)	1	77
<b>Operating data</b>							
Subscriber churn rate (3)	11.2%	10.0%	14.7%	15.0%	12.4%	12.9%	7.3%

(1) For the definition of operating profit before depreciation and amortization (EBITDA) and free cash flow, see notes (1) and (2) in the Bezeq Fixed Lines table.

(2) The section also includes investments in long-term assets.

(3) Number of Internet subscribers who left Bezeq International during the period is an average of the average Internet subscribers registered during the period.

### 2.5.4. To Section 1.5.4.4 - Yes

Financial data (NIS millions)	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Income	328	336	329	330	315	316	316
Operating profit (loss)	35	26	0	0	0	(2)	10
Depreciation, amortization and ongoing impairment	41	46	50	57	46	46	50
Operating profit before depreciation, amortization and ongoing impairment (EBITDA) (1)	76	72	50	57	46	44	60
Net profit	40	30	5	1	0	2	10
Cash flow from operating activities	66	31	92	56	9	43	78
Payments for investments in property, plant and equipment and intangible assets and other investments, net	59	60	30	44	39	49	46
Lease payments	7	6	6	7	6	6	6
Free cash flow (1)	0	(35)	56	5	(36)	(12)	26
<b>Operating data</b>							
Number of TV subscribers (at the end of the period, thousands) (2)	576	579	580	579	575	567	564
Of which are IP subscribers (3)	377	364	348	329	307	280	253
Of which are StingTV subscribers	116	111	108	104	101	94	89
Average monthly income per subscriber (ARPU) (NIS) (4)	182	185	185	181	182	184	186
Subscriber churn rate (5)	3.9%	3.3%	3.5%	3.0%	3.2%	2.9%	3.7%
Number of subscribers connected to the fiber network (EoP, thousands) (6)	29	21	14	7	2		

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- (1) For the definition of operating profit before depreciation and amortization (EBITDA) and free cash flow, see notes (1) and (2) in the Bezeq Fixed Lines table.
- (2) TV subscriber - one household or a small business customer. In the case of a business customer who owns more than a certain number of decoders (such as a hotel, kibbutz or gym), the number of subscribers is adjusted. The number of subscribers registered in respect of non-small business customers is calculated by dividing the total payment received from all non-small business customers by the average income per small business customer, which is determined once per period.
- (3) Number of TV subscribers using Yes+ and STINGTV services transmitted via the Internet. As of the date of publication of the report, is about 383K subscribers (of which approx. 118K are STINGTV subscribers), which constitute 67% of all Yes subscribers. This rate also includes subscribers who also use satellite services at the same time.
- (4) Average monthly income per TV subscriber is calculated by dividing the total Yes income (excluding income from the sale of content to external broadcasters, income from end equipment and income from ISP services) by the average number of customers in the period. See also Section 7 of the chapter describing the corporation's business for 2022.
- (5) Number of TV subscribers who churned from Yes during the period divided by the average number of TV subscribers registered in the period. See also Section 7 of the chapter describing the Corporation's business for 2022.
- (6) Number of subscribers connected to the fiber network as of the date of publication of the report is approximately 32K.

### **2.6. To Section 1.6 - medium-term forecast and ambitions in relation to Bezeq Group**

On July 26, 2023, Bezeq updated the Bezeq Group forecast for 2023, based on the information known to it at that time, as follows:

- Adjusted net profit for shareholders is expected to be about NIS 1.32 billion (compared to about NIS 1.2 billion in the original forecast). The main change comes from depreciation expenses and financing expenses, net.
- Adjusted EBITDA is expected to be about NIS 3.8 billion (no change compared to the original forecast).
- CAPEX is expected to be about NIS 1.75 billion (no change compared to the original forecast).

Also, regarding the scope of Bezeq's fiber network deployment - reaching approximately 2 million households<sup>3</sup>, and regarding financial stability - maintaining a high credit rating, in the AA group (both unchanged compared to the original forecast).

Bezeq forecasts detailed above are forward-looking information, as defined in the Securities Law. The forecasts are based on Bezeq's estimates, assumptions, and expectations, and, among other things, on the Bezeq Group's estimates regarding the structure of competition in the communications market and the regulatory arrangement of the field, on the current economic situation in the market, and accordingly on the Group's ability to implement its plans for 2023, as well as taking into account changes that will apply to the above, the business conditions, and the effects of regulatory decisions, technological changes, developments in the structure of the communication market and the like, or insofar as one or more of the risk factors listed in the periodic report for 2022 materialize.

### **2.7. Section 1.7 – General environment and the influence of external factors on the Group's activities**

Regarding the temporary order according to which in 2023 the payment rate of the entities subject to the incentive fund will be at a rate of 0% instead of 0.5%, see an update to Section 2.16.5.

#### War situation - Iron Swords

As of October 7, 2023, the State of Israel is in a state of war in the Gaza Strip area, as well as tensions and fire incidents in the northern border area. The state of war creates various effects on the Group companies which are reflected on the one hand in the increase in demand for some services, in internet traffic, and in the use of landline telephony, and on the other hand in the decrease in income from roaming services, a decrease in the sale of cellular devices, and the removal/freezing of business lines in areas that are affected by the war. Also, with the outbreak of the war, due to the recruitment of employees to the reserves and a decrease in contractor activity, there was a slowdown in deployment and installation activity in the Bezeq network. Additionally, a number of regulatory moves were also carried out as part of the State of Israel's dealing with the war situation, including a law to postpone payment dates for those entitled and easing of phone call charges related to remote learning. It should be noted that some of the group's companies took their own initiative to ease charges towards localities in the Gaza Envelope and the northern border.

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<sup>3</sup> During the month of October 2023 Bezeq Group reached this goal. See note Item 9 to the table in the update to Section 1.5.4.1.

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Bezeq Group companies that provide, among other things, essential communication services to private, business, and institutional customers, including the state institutions, the security forces, and the health system, are organized accordingly and respond to the various needs, including problem solving, increasing vigilance and preparedness in cyber systems, and assisting the community in diverse ways. Also, the Group companies regularly examine and follow closely the developments related to the war.

At this stage, the effects and consequences of the war as described above do not have a material impact on the activity of the Company and the Bezeq Group and their business results. Also, the liquidity and financial position of the Company and Bezeq Group allows them to function well during the war without the need for capital/debt raising. The scope and duration of the war and its consequences on the state of the Israeli economy and economy as well as on the Bezeq Group companies are unobservable and difficult to predict and depend, among other things, on the manner and scope of the development of the war and the possibility of the economy slipping into recession as a result. In this context, attention is also drawn to the relevant risk factors detailed in Chapter A (description of the corporation's business) of the periodic report for 2022 (Sections 2.20.10, 2.20.14, 3.19.2.9, 4.14.8, 5.18.1.2, 5.18.1.4).

Some of the information contained in this section is forward-looking information, as defined in the Securities Law, based on the estimates of the Company and the Bezeq Group, assumptions and expectations which may not materialize, or materialize in a materially different way than anticipated, depending, among other things, on the manner and extent of the development of the war and the state of the economy as a whole.

### **2.8. To Section 1.7.4 - Change in regulation structure - Amendment 76 to the Communications Law and Section 2.16.4 - Wholesale market**

Regarding the use of passive infrastructure in a wholesale service - on March 29, 2023, a resolution was adopted by the Ministry of Communications (following the hearing on November 22, 2022) that allows all authorized suppliers to use the passive infrastructure reciprocally, including Bezeq's physical infrastructure not only in the incentive areas, and this subject to compliance with security instructions.

### **2.9. To Section 1.7.7 - Regulatory aspects that are relevant to the whole Group or to a number of companies therein**

Paragraph 1.7.7.5 regarding a financial sanction in the amount of approximately NIS 6.9 million imposed on Bezeq - on April 2, 2023, a judgment was given in the appeal filed by Bezeq on the imposition of the sanction confirming the agreement of the parties that the amount of the financial sanction will be a reduced amount of approximately NIS 3.4 million, and accordingly the Consumer Protection Authority reimbursed Bezeq a total of about NIS 3.7 million (including linkage and interest differences).

## **3. Bezeq - Landline interior communications**

### **3.1. To Section 2.6.2 – Internet field**

Regarding the proportion of Bezeq's unified internet customers from among Bezeq's retail customers - as of September 30, 2023, this proportion was 71%.

### **3.2. To Section 2.6.8 - Bezeq's preparation and ways to deal with the growing competition**

Regarding Bezeq's Be router and upgrading the capabilities of Bezeq's internet network, in May 2023 Bezeq, together with the global company "Nokia", conducted a test that demonstrated the ability to provide rates of up to 25 gigabytes using advanced technologies, and at the same time, it announced a future road map for the development of rates and services which includes the launch of multi-gigabyte rates of up to 10 gigabytes in 2024 and up to 25 gigabytes in 2027, advanced WiFi standards, and the upgrade of Bezeq's Be router. Regarding the status data of the Be routers used by Bezeq customers and marketing data on reception range improving products, see update to Section 1.5.4(a) (Section 2.4 above).

### **3.3. To section 2.7.4 - real estate**

To Paragraph 2.7.4.4 in the matter of the decision of the Appeals Committee dated January 1, 2023 to dismiss the claims in the appeal submitted by Bezeq on the demand for the improvement levy for the property in Sakia - on October 17, 2021 Bezeq's appeal against this decision was dismissed.

### 3.4. To Section 2.9.4 - the nature of the employment agreements at Bezeq

Further to the move to amend the Communication Order regarding the possession of means of control in Bezeq (see update to Article 1.1.2) and to the negotiations conducted between Bezeq and the employees' organization to amend the collective agreement in Bezeq following that, on September 18, 2023, an amendment (No. 7) ("**the Agreement**") to the special collective agreement from December 2006 and the amendments to it that were signed over the years ("**2006 Agreement**") was signed, which was done following its approval by Bezeq's authorized institutions, including the approval of the general meeting of Bezeq's shareholders on September 14, 2023.

The following are the main points of the agreement:

- (a) Maintaining Bezeq's financial resilience, including maintaining the public company status, Bezeq's current credit rating, and a percentage of holdings in Pelephone that will not be less than 50.01%.
- (b) Making a dividend distribution to Bezeq shareholders subject to the law and while maintaining Bezeq's current credit/debt rating while, in the case of a distribution that does not meet the profit test only - the consent of the employees' organization will also be required.
- (c) Payment of a special bonus to Bezeq employees in the amount of NIS 75 million, most of which is conditional on the dates and conditions stipulated in the Agreement depending on the change in the percentage of holdings of the current control permit holders in Bezeq (or the expiration/cancellation/transfer of the control permit) ("**the Conditions**").
- (d) If the conditions are met, the Company would pay a monthly shekel supplement of NIS 2,400 linked to the Consumer Price Index, and the Company will incur the payment of management fees for the pension fund of veteran permanent retirees who retired or will retire from Bezeq as of July 1, 2023.
- (e) If the conditions are met and in the absence of a controlling interest in Bezeq, the employees' organization has the right to appoint an additional (second) representative from among the employees, if the number of Board of Directors members exceeds eleven (11) (including external directors and a director from among the employees).
- (f) The validity of the Agreement is from July 1, 2023 until December 31, 2025, while in relation to some of the arrangements a later validity is determined as detailed in the Agreement. The Agreement exhausts all the claims of the parties and the parties will maintain industrial peace in the matters regulated therein during its validity period, and in any matter related to changes in the holdings of the present control permit holders even after the expiration of its validity period.

For additional details regarding the Agreement, see Bezeq's immediate report dated August 9, 2023 regarding the summons to the meeting, which is included in this report by way of reference.

Bezeq recorded in its financial statements for Q3/2023 a one-time provision of NIS 75 million for the full amount of the special grant.

### 3.5. To Section 2.9.5 – Officers and senior management employees at Bezeq

On April 20, 2023, the General Assembly of Bezeq's shareholders approved, among other things, the approval of various amendments to Bezeq's remuneration policy, so that the remuneration policy including said amendments will be valid for a period of three years from its date of approval. The amendments include, among other things, the application of the remuneration policy to the Chairman of the Board of Directors, as well as the possibility of linking salaries to the consumer price index, reflecting expenses and ancillary conditions, granting an adjustment period and a signing grant to officers. For more details on the updated remuneration policy, see Bezeq's immediate report (amendment) on the convening of the meeting dated April 4, 2023, included in this report by way of reference.

On November 1, 2023, Mr. Gil Sharon, who serves as the Chairman of the Bezeq Board of Directors, announced his desire to embark on a new path and end his office as director and Chairman of the Bezeq Board of Directors within three months, at a date to be agreed between the parties and with an orderly transfer of duties.

### 3.6. To Section 2.11 – Dependence on suppliers

With regard to the possibility of dependency on IBM in relation to hardware and solutions for backups, restorations, and survivability of systems and infrastructures, storage equipment ("**the Systems**") - following the termination of Bezeq's contract with IBM and Bezeq's replacement contract with DELL, Bezeq no longer has any dependence on IBM in relation to system, in as a replacement, Bezeq may have a dependency on DELL in relation to the Systems.

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### 3.7. To Section 2.11 - Working equity

For details regarding Bezeq's working equity, see Section 1.3 of the Board of Directors' report.

### 3.8. To Section 2.13 - Financing

On April 7, 2023, Bezeq's shelf prospectus published on April 7, 2020 expired. On May 9, 2023, Bezeq published a new shelf prospectus dated May 10, 2023. For this matter, see also Bezeq's immediate report dated May 9, 2023 regarding the new shelf prospectus included in this report by way of reference.

### 3.9. To Section 2.13.1 - Average and effective interest rate on the loans

As of September 30, 2023, Bezeq is not financed by short-term credit (less than a year). Below is the current distribution of long-term loans (including current loans):

Loan period	Financing source	Principal amount (NIS millions)	Currency or linkage type	Interest type and the change mechanism	Average interest rate	Effective interest rate	Nominal interest range in 2023
Long-term loans	Banks	699	Non-indexed NIS	Fixed	3.43%	3.36%	4.30%-3.20%
	Banks	700	Non-indexed NIS	Varies based on the prime interest rate*	6.71%	6.85%	6.78%-5.78%
	Non-banking sources	3,621	Non-indexed NIS	Fixed	3.04%	3.16%	4.00%-2.79%
	Non-banking sources	2,797	Indexed NIS	Fixed	1.44%	1.48%	2.20%-0.58%

\* Prime interest rate - 6.25% (as of November 2023, as of the publication of the report)

### 3.10. To Section 2.13.4 - credit amounts received during the reporting period and to Section 2.13.5 - Bezeq's debentures

On March 26, 2023, Bezeq completed a public offering of debentures (series 13 and 14), by way of expanding series traded on the stock exchange, according to a shelf offer report dated March 22, 2023, which was published according to a shelf prospectus published on April 7, 2020, as extended by the Securities Authority until April 7, 2023. In this framework, NIS 230,040,000 par value debentures (series 13) were issued to the public for a total of NIS 182 million and NIS 278,363,000 par value debentures (series 14) for a total of NIS 238 million. For more details on the subject, see Bezeq's shelf offer report dated March 22, 2023 and Bezeq's immediate report of March 26, 2023 regarding the results of the offering included in this report by way of reference.

### 3.11. To Section 2.13.6 - Credit rating

On May 3, 2023 Maalot confirmed the iIAA- rating of Bezeq, Pelephone and Yes and updated their rating forecast from stable to positive in view of an improvement in Bezeq's financial relations. Also, on March 22, 2023, Midroog confirmed the Aa3.il rating for Bezeq's debentures and raised the rating horizon from stable to positive. For this matter, see also Bezeq's immediate reports of May 3, 2023 and May 15, 2023 included in this report by way of reference, as well as Section 3 of the Board of Directors' report.

### 3.12. To Section 2.16.1 - Supervision of Bezeq rates

To Paragraph 2.16.1.4 regarding a hearing regarding the determination of a format for examining margin reduction by owners of landline communications infrastructure - on March 27, 2023, a decision was published in the hearing according to which the format for examining margin reduction in an advanced landline network will be the format published in the recommendation for the hearing together with a number of changes detailed in the resolution and the format This will be a calculation method in accordance with Article 17(d) of the Communications Law. The resolution at the hearing is not expected to have a material impact on Bezeq's business.

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### 3.13. To Section 2.16.4 - wholesale market

Regarding the use of passive infrastructures in a wholesale service - see update to Section 1.7.4.

### 3.14. To Section 2.16.5 - Advanced network - fiber

To paragraph 2.16.5.1 regarding the incentive fund to encourage deployment in incentive areas - on July 31, 2023, following the approval of the Minister of Finance and the Knesset Economy Committee, the Communications Order (Bezeq and Broadcasting) (Rate of the Annual Payment to the Incentive Fund) (Temporary Order), 5783-2023 was published, according to which, following the examination carried out by the Ministry of Communications, it was determined within the framework of a temporary order, that in 2023 the payment rate of the entities liable to the incentive fund will be at a rate of 0% instead of 0.5%. Following the temporary order, a decrease of approximately NIS 40 million is expected in Bezeq Group expenses in 2023 compared to 2022<sup>4</sup>.

### 3.15. To Section 2.16.9 - economic competition laws

To Paragraph 2.16.9.5 regarding the determination of the Commissioner of Competition regarding the abuse of Bezeq's position and an unreasonable refusal to supply contrary to the provisions of Articles 29a and 29 of the Economic Competition Law and an appeal filed by Bezeq in this regard - on October 24, 2023, Bezeq's counsel received the judgment of the Competition Court dismissing the appeal filed by Bezeq. It should be noted that the full amount of the sanctions was paid by Bezeq in 2019.

### 3.16. To Section 2.18.1 - Pending proceedings

To Section D regarding two motions (which were consolidated) for the approval of class actions regarding the transaction to purchase Yes shares by Bezeq from Eurocom DBS - on May 23, 2023, the applicants filed in the consolidated procedure together with the company and Shaul and Or Elovitch ("Elovitch") a motion for approval of a settlement in the consolidated procedure in which the company agreed to pay a sum equal to 4.35 million dollars (USD 5.5 million including attorney fees, compensation and other expenses) as compensation for the exhaustion of the claims against it and against Elovitch (in their capacity as officers/controllers/shareholders of the Company). In the motion it was emphasized that the waiver made does not detract from the claims regarding Elovitch in respect of Bezeq. A decision has not yet been made on the motion.

### 3.17. To paragraphs B, D, E (including the procedure indicated in footnote 51), F, G - regarding the continued stay of the proceedings in these cases in view of the investigation by the Securities Authority and the proceedings derived from it - at the request of the State, the handling of these cases is stayed, at this stage, until July 31, 2023 (subject to the filing of reservations, which will be examined). Regarding paragraph C - in relation to the motion from November 2015, following the State's motion regarding the stay of the procedure, the Court has set an internal reminder in the case for January 9, 2023. The applicants submitted a motion for the continuation of the preliminary proceedings in the case and the motion is under discussion. In relation to the motion dated March 2018, the Court approved the State's motion to continue the stay in the procedure until December 31, 2023.

To Paragraph 7 - regarding a motion for discovery and examination of documents under Article 198 of the Companies Law for the purpose of examining the submission of a motion for a derivative claim in the name of Bezeq regarding the sale of Bezeq shares in 2016 by the Company - on September 19, 2023, a judgment was issued dismissing the motion. According to the judgment, the motion was deleted for the reason that it was submitted more than five years ago and no hearing was held due to the delay in the proceedings in the case. It was also stated in the judgment that the striking out does not cause the grounds underlying it to become obsolete, and no claim in this regard will be heard regarding the period from the date of the judgment until it is filed as a new claim, if any.

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<sup>4</sup> As was also stated in the explanatory notes to the draft order, Bezeq recently applied to the Ministry of Communications in accordance with the provisions of Article 14E of the Communications Law, which allows it to increase the fixed service area under the Bezeq license in accordance with the provisions of Article 14B of the Communications Law to the extent of up to 10% of the households in the areas included in Bezeq's notice pursuant to Article 14B(a) to the Communications Law. Bezeq requested to apply to it an obligation to deploy an advanced network and provide Internet access service over it, in all incentive areas remaining after the incentive tenders (the first and second) except in the Kfar Aqab area which includes approximately 5,000 households (an addition of about 8,000 households). As indicated in the explanation, from a preliminary point of view it appears that Bezeq meets the conditions established by law for the approval of the application, and the processing of the application is expected to be completed in the near future. It was also stated in the explanatory notes that the Ministry anticipates that some of the winners of the first tender will request to return some of the winning bids in their winning areas where they did not deploy. To the extent that these incentive zones are returned, the amounts allocated to them from the incentive fund in the first tender will be returned; However, the Ministry's examination reveals that these amounts will most likely not be enough to hold another tender and that it will be necessary to continue collecting the mandatory payments.

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To paragraph 8 regarding motions for the disclosure of documents according to Article 198A of the Companies Law for the purpose of examining the submission of a motion for the approval of a derivative claim in connection with the determination of the Competition Commissioner dated September 4, 2019 regarding the abuse of Bezeq's position in the case of passive infrastructure - on June 4, 2023 the judgment of the Haifa District Court was issued, partially granting the motions and ordering the disclosure and review of the appendices of the Claims Committee report only and not the transcripts of the minutes of the Committee's discussion.

to Section 9 regarding the mediation process. Further to the notification by the parties that the mediation process continues to take place, on June 29, 2023, a decision was made by the Court according to which notification of the progress of the mediation process will be submitted by January 1, 2024. If the mediation process is not completed by this date, the parties would be asked to detail to the Court what is required to complete the mediation procedures (procedurally, without going into the details of the negotiations) and their assessment of the time it will take to complete the mediation.

In June 2023, two lawsuits were filed with the District Courts in Tel Aviv and Lod against Bezeq alongside motions for their approval as class actions, where it is claimed that Bezeq does not act lawfully with regard to giving notice of the lapsation of fixed period transactions in that it does not send a separate notice of the expected end of the benefit period within the framework of the fixed transaction and only notifies the customer through the monthly invoice and via text message. Both motions stated that the amount of the class action is over NIS 2.5 million, but it cannot be accurately estimated. The Court approved the applicants' motion to consolidate the two motions into one motion to be heard by the Tel Aviv District Court. Similar motions were also filed against Pelephone (see update to Section 3.16.1) and Yes (see update to Section 5.16).

In September 2023, a claim was filed against Bezeq in the District Court (Central) in Lod, together with a motion for approval as a class action, which includes two claims: (1) It is claimed that Bezeq made a misleading representation regarding the price of the Internet package, since it did not present, in addition to the cost of the Internet package, the monthly charge of NIS 19.90 for the router. The claim refers to those who were subscribers to a package that included infrastructure from Bezeq and another Internet provider and then purchased a new package in which Bezeq provides the services of the provider and the infrastructure (starting in April 2022) and continued to be charged for the router they rented from Bezeq without Bezeq making it clear to them that the price which is shown does not include the router. (2) It is claimed that Bezeq charges customers for an antivirus service for a monthly payment of NIS 14.90 by default and without receiving express consent, in violation of obligations approved in a settlement agreement as part of a previous class action against Bezeq (in the matter of ending this procedure in a settlement See Bezeq's immediate report dated May 27, 2021 included in this report by way of reference). In the motion, it is stated that the amount of the class action cannot be accurately estimated at this stage and that it is estimated at over NIS 2.5 million.

### **4. Pelephone - Radio - Mobile Phone (Cellular Telephony)**

#### **4.1. To Section 3.1.8 - Structure of competition in the field and applicable changes**

To paragraph 3.1.8.4 - Following the hearing held by the Ministry of Communications on the subject, on July 16, 2023, the Ministry published a policy document outlining the rules for the allocation of a frequency band in the 26 GHz range (as well as a narrow band in the 2100 MHz range) for use by parties other than cellular operators or NIO operators for the purpose of operating private networks on a local basis (area polygon) for each project. The implementation of the policy will require regulatory adjustments in the relevant legislation and is not expected to have a material impact on Bezeq's business.

#### **4.2. To Section 3.2.1 - Services and to Section 3.1.5 - Technological changes**

Regarding roaming services provided by Pelephone as well as regarding the development of the use of eSIM technology in these services - as part of Pelephone's activity and its preparation for global trends in the roaming services market which include, among other things, a more extensive use of eSIM technology in these services, on October 18, 2023, the Pelephone Board of Directors approved the acquisition of full ownership in "Roamability", which specializes in providing solutions in the global roaming services market, including wholesale, and including providing a platform for the management and sale of these services. Accordingly, Pelephone acquired 100% of the control and ownership rights in the company (an American company and an Israeli company) in exchange for an amount that is not material at the group level.

### 4.3. To Section 3.7 – PP&E, real estate and facilities

To paragraph 3.7.1.1 C regarding 2G technology - on June 6, 2023, an updated decision by the Minister was obtained, stating that a licensee will be allowed to continue providing service on the 2G network for M2M (machine to machine) needs only until December 31, 2028, subject to to obtain the Director's approval. Also, the licensee will be entitled to contact the Director with an additional request to extend the service period with 2G technology for M2M needs only, until December 31, 2030.

To Paragraph 3.7.2.2 regarding the authorization agreement between Pelephone and ILA for the use of land owned by ILA for the establishment and operation of communication sites - following the publication of the Israel Land Council's decision to extend the term of the roof agreement from December 31, 2019 to December 30, 2024, in January 2023, an agreement was signed between the parties.

### 4.4. **To Section 3.8.1 – Licenses**

to Section 3.8.2.4 regarding the ongoing tender for mobile radio telephone services over 5G in the field of 26 GHz frequencies ("**the Tender**") - on July 17, 2023, Pelephone received a notice of winning a cluster of frequencies in this range from the Tenders Committee further to its participation in the Tender, As follows:

- (a) Winning 800 megabytes in the 26 GHz range (for a period of 10 years), while the license period as a cellular operator does not change as a result of the tender and can be renewed in accordance with the instructions of the license ("**Frequency Allocation**").
- (b) The Frequency Allocation will be carried out after the extension of the license and in exchange for the payment of a license fee in the amount of NIS 4.16 million with the date of payment set for 60 working days from the date of receipt of the winning notice from the Tenders Committee.

The extension of the license in accordance with the winning result is subject to the approval of the Minister of Communications as stipulated in the conditions of the Tender. The aforementioned Frequency Allocation will allow Pelephone, among other things, to expand the range of advanced uses of the cellular network with 5G technology, with an emphasis on private networks and advanced services that require a particularly high browsing rate, such as hospital complexes. The cost of integrating this frequency range into 5G technology will be ongoing, and is not expected to be material.

### 4.5. To Section 3.14.3 - Site construction licensing

Establishment of sites by entities other than cellular operators - on July 17, 2023, the Ministry of Communications published a decision (and an amendment to the license of cellular operators), regarding allowing entities that do not have a cellular license to establish and lease out cellular radio centers (communication sites) to cellular operators. The websites will be operated and maintained by the cellular operators (operation and maintenance by the same parties as subcontractors of the cellular operators will be allowed). The implementation of the decision requires legislative changes and the establishment of regulatory rules regarding the manner and limitations of implementation. In Pelephone's estimation as of the date of publication of the report and before the establishment of regulatory rules on the matter, the decision is not expected to have a material impact on Pelephone's business.

### 4.6. To Section 3.15 - Material agreements

To Paragraph 3.15.2 regarding the agreement between Pelephone and the of the Ministry of Finance Accountant General - the agreement was extended with the consent of the parties until May 16, 2024.

### 4.7. To Section 3.16.1 - Pending legal proceedings

To Section 3 regarding a motion for approval of a class action which was filed against Pelephone on the grounds that Pelephone unilaterally and without consent changed the terms of the agreement by allowing continued browsing after exhausting the amount of browsing included in the package instead of stopping it, despite Pelephone's announcement on the matter - on April 28, 2023, a judgment was issued confirming the settlement arrangement between the parties, the main of which is the provision of benefits and compensation in the total value of approximately NIS 18 million.

To Paragraph 6 regarding a motion for approval of a class action filed against Pelephone on the grounds of not marking a price on products sold by Pelephone, contrary to the provisions of the Consumer Protection Law and the provisions of the Consumer Protection Regulations (various rules for publishing prices of properties and services), 5751 -1991 - On September 19, 2023, a judgment was issued confirming the applicant's withdrawal and the striking out of the motion.



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In June 2023, two similar lawsuits were filed against Pelephone with the Central District Court together alongside motions for their approval as class actions. The subject of the lawsuits is the claim that Pelephone does not act in accordance with the law with regard to giving notices of the termination of fixed period transactions. One motion stated that the amount of the class action is at least NIS 13.2 million, but that it cannot be accurately estimated, and the second motion stated that the amount of the class action is over NIS 2.5 million, but that it cannot be accurately estimated. On September 10, 2023, a decision was issued approving the consolidation of the two motions, and on September 11, 2023, a consolidated motion was filed. In the consolidated motion, it was stated that the amount of the class action is over NIS 2.5 million, but it cannot be accurately estimated. Similar motions for approval of class actions were also filed against Bezeq (see update to Section 2.18.1) and Yes (see update to Section 5.16).

### **5. Bezeq International – Internet services, international communications and ICT solutions**

No update.

### **6. Yes - Multi-channel TV**

#### **6.1. To Section 5.1.2 - Limitations, legislation, and special constraints in the field of activity**

Further to the hearing regarding the draft Law of Principles of Regulation of the Provision of Audio-Visual Content to the Public, 5782-2022 ("**the Hearing**"), in July 2023 the Ministry of Communications published a memorandum on the Communications Law (Broadcasts), 5783-2023 which includes a draft law ("**the Memorandum**" and "**the Draft Law**", respectively).

According to what is stated in the Draft Law and its attached explanatory notes, the Draft Law is intended to amend the legislation based on the recommendations of various committees over the years (the most recent of which was the Folkman Committee) and to update the set of obligations and rights applicable to all players operating in the visual and audio content market in a number of ways, including the following ways (which, according to the memorandum, are intended to enter into force in January 2024, with the exception of certain arrangements for which provisions were preliminarily set for later dates specified in the Memorandum):

- (a) A new authority will be established in place of the Council for Cable and Satellite Broadcasting and the Council of the Second Authority for Television and Radio, whose role will be to regulate the entire field of providing visual and audio content in a way that will be indifferent to the manner and technology in which the content is distributed, will be responsible for the competition in the field of providing visual and audio content, and will be authorized to issue instructions to prevent actions that could impair competition in the field.
- (b) A limited and targeted set of duties will be applied to the significant players operating in this market, including registration duties (and for this purpose it was proposed to establish three different registries - for content providers, Israeli channels, and news providers), investment in local productions (see paragraph 6 below), distribution of the content of the Israel Broadcasting Corporation and the Knesset channel, and obligations in the fields of sports and consumerism, where the extent of the obligations will change according to the income level of the content provider.
- (c) The existing restrictions on the economic models in the visual and audio content market will be abolished (while allowing some of the provisions regarding cross costs). As far as the traditional platforms (including Yes) are concerned - the prohibitions applicable to them regarding broadcasting advertisements and producing news content will be lifted. In addition, a transitional provision was established according to which television broadcasting license holders as defined in the Second Authority Law, to whom the transfer arrangements set forth in the Communications Law and the Broadcasting Distribution Law apply, will be required to allow the continued transfer of channels to registered licensed providers in accordance with the aforementioned laws and the mandated changes, until the beginning of 2027.
- (d) Individual arrangements will be established regarding the provision of news content to the public.
- (e) Arrangements will be established regarding the supply of sports content to the public, so that the supply of significant sports enterprises through a single content provider will be avoided, and sports enterprises of special importance among the public in Israel will be accessible to the public.

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- (f) Duties of investment in local productions will be established that will apply, **mutatis mutandis**, to all content providers, local and international, that have a significant scope of activity in Israel, as well as to Israeli channels that independently provide advertisements to the public. Thus, for example, content providers with a medium scope of activity will be required to invest in local productions an amount at the rate of 2% of their annual income (and for this purpose, the income of a corporation related to the content provider from the supply of visual and audio content in Israel will also be considered), while content providers with a large volume of activity (such as Yes) will be required to invest an amount at the rate of 4% of their income as mentioned.
- (g) Also, in the Draft Law, several changes were made in relation to the provisions included in the Hearing, including the transfer of the Idan+ system to application and determination of various arrangements in connection with it; Prohibition of a content provider to promote news providers on a billboard; Duty to provide announced sports events on a completely open channel; Authority to demand viewing data from content providers; and more. It was also stated in the Memorandum that in the near future another memorandum is expected to be published that will complete the operation of the aforementioned Memorandum which will be concerned with the regulation of the radio sector.

Yes has filed its response to the Memorandum. Since this is a legislative memorandum, at this stage it is not known which of the provisions of the Memorandum, if any, will be enshrined as binding legislation, and what the content and regulations of such legislation will be, and therefore there is a difficulty, at this stage, in assessing the extent of the impact on Yes' businesses of the legislation and regulation that will be established following the Memorandum (if any).

### 6.2. To Section 5.5.1 - Competition

To Section 5.5.1 regarding the competitors in the field - in April 2023, the cooperation project between Keshet and RGE was launched to establish and operate a multi-channel broadcasting platform, under the name freetv, while the commercial launch of the venture was carried out in June 2023.

### 6.3. To Section 5.9.2 - Dependence on content provider

As of the publication date of the report, Yes is negotiating the extension of the contracts with the local sports channel providers. In the assessment of Yes, its said engagements will be extended as stated.

Yes' assessment as stated above is forward-looking information as defined in the Securities Law, which may not materialize, or may materialize in a materially different manner than anticipated, among other things, depending on the relevant parties reaching the necessary agreements for that purpose.

### 6.4. To Section 5.12 - Financing

In November 2023, Bezeq approved a credit facility to or capital investment in Yes in a total amount of up to NIS 40 million, for a period of 15 months starting on October 1, 2023. This approval replaces a similar approval given in August 2023 (and not in addition to it).

### 6.5. To Section 5.14 - Limitations and supervision of Yes

To Section 5.14.1.3 regarding the obligation to invest in local productions - see update to Section 5.16 (Section 6.4 below).

### 6.6. To Section 5.16 - Legal proceedings

In April 2023, a petition was filed to the High Court of Justice on behalf of a number of organizations of creators, performers, producers, screenwriters and editors against the Council, the Council Chairman, Yes, and Hot, in which the Court was asked to order the Council and the Council Chairman to reply and justify why they will not order Hot and Yes to include their income from additional services granted by them, which are not multi-channel television services via satellite or cable communication, including telephony services, Internet access services and multi-channel television services over the Internet (OTT), for the purpose of calculating their annual investment obligations in local productions According to the Communications Law (see Section 5.14.1.3 of the chapter describing the corporation's business for 2022). In July 2023, a judgment was issued ordering the striking out of the petition while preserving the claims of the parties.

## Chapter A Update (Description of the Corporation's Business) of the 2022 Periodic Report

In June 2023, a lawsuit against Yes was filed with the Lod Central District Court, alongside a motion for approval as a class action. The point of the claim is that Yes does not act in accordance with the law with regard to giving notice of the end of fixed period transactions in that it does not send a separate and independent notice of the end date of the benefit period beyond informing the customer through the monthly invoice and by sending a text message. The motion stated that the amount of the class action is estimated, at this stage, to be over NIS 2.5 million. It should be noted that similar motions on the same subject (failure to provide notice as required on the termination of a fixed period transaction) were submitted against Bezeq (see update to Section 2.18.1 ) and Pelephone (see update to Section 3.16.1).

In August 2023, a claim against Yes was filed with the Lod District Court (Central), together with a motion for approval as a class action. The matter of the claim is that Yes violates the provisions of the law, including Article 18b(a1)(3) of the Consumer Protection Law, the provisions of its license, and the provisions of the Consumer Protection Regulations (Provision of Telephone Service), 5772-2012, regarding the required waiting time for the purpose of receiving an answer from a representative from the beginning of the conversation, it was stated in the motion that the amount of the class action is estimated at this stage to be over NIS 2.5 million.

In August 2023, a claim against Yes was filed with the Lod District Court (Central), together with a motion for approval as a class action. The matter of the claim is that Yes violates its obligations towards customers who engaged with it in the Yes Unlimited plan, in such a way that it does not allow them as guaranteed free and full viewing without additional payment in all the channels broadcast by it, both those that exist at the time of the engagement and those that have been added and will be added over the years to its broadcasts. In addition, it is claimed in the motion that Yes charges an additional fee for converters that support transmissions in HD or 4K quality, despite its commitment to provide subscribers of the Yes Unlimited plan with up to seven (7) converters without any additional payment, when the conditions of the plan do not limit the type of converters. In the motion, it is stated that the estimated amount of the claim for all members of the representative group is NIS 107 million.

### 6.7. To Section 5.17 - objectives and strategy

To Section 5.17.1 regarding the graded transition (migration) of Yes from satellite broadcasts to broadcasting via the Internet network (OTT) - see update to Section 1.5.4.4 (Section 2.4 above).

## **7. The Company**

### 7.1. To Section 6.1 - Financing

To Section 6.1.1 regarding the Company's debentures - for details about the debentures issued by the Company, see Note 15 to the consolidated statements and Section 3 to the Board of Directors' report.

To Section 6.1.2 regarding credit rating - see Section 1.3 above.

### 7.2. To Section 6.2 - legal proceedings

To Section 6.2.1 - see Section 1.2 above.

To Section 6.2.2 - the summaries of the respondents in the aforementioned procedure were filed on March 29, 2023, and on April 24, 2023 the summaries of the response were filed on behalf of the applicant.

November 14, 2023

\_\_\_\_\_  
Date

\_\_\_\_\_  
B Communications Ltd.

Names and roles of signatories:

Darren Glatt, Chairman of the Board of Directors

Tomer Raved, CEO



**Chapter B**  
**Report of the Board of Directors**  
**on the State of Affairs of the Corporation**  
**for the Period Ended September 30, 2023**

## Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended September 30, 2023

The Board of Directors of B Communications Ltd. ("the Company") is honored to submit the Board of Directors' report on the State of the Company and consolidated for all Group Companies (the Company and the Subsidiaries will be collectively referred to hereinafter as: "the Group"), for the period of nine months that ended on September 30, 2023 (hereinafter: "Period") and for the period of three months ended on the same date (hereinafter: "Quarter").

The report of the Board of Directors includes a review, in a limited format, of the matters discussed therein, and has been prepared considering that the reader of the report also has the report of the Board of Directors as of December 31, 2022.

For the investigation by the Securities Authority and the Israel Police, see Note 1.2 to the statements. The auditors drew attention to this in their opinion on the statements.

The Group reports on four main operating segments in its statements, as follows:

1. Landline interior communication
2. Cellular communication
3. Internet, international communications and network endpoint services and ICT solutions (hereinafter: "Bezeq International Services")
4. Multi-channel TV

On April 23, 2023, the name of DBS Satellite Services (1998) Ltd. was changed to Yes Television and Communication Services Ltd. (hereinafter: "Yes").

### Group Results

The following are the Group's results for the reported period:

	1-9/2023	1-9/2022	Change		7-9/2023	7-9/2022	Change	
	NIS millions		NIS millions	%	NIS millions		NIS millions	%
Net profit	843	809	34	4.2	271	276	(5)	(1.8)
EBITDA*	2,769	2,756	13	0.5	901	932	(31)	(3.3)
Adjusted EBITDA*	2,890	2,822	68	2.4	980	945	35	3.7

\* Financial indices that are not based on generally accepted accounting principles, see below

The net profit was affected, among other things, by an increase in the net profit of "Yes", the cancellation of the expenses of the incentive fund for the deployment of fibers in the Group, a decrease in financing expenses in the landline interior communications segment and, on the other hand, the recording of a one-time provision in the amount of NIS 75 million for the amount of the special grant that will be paid to Bezeq employees as part of the amendment of the collective agreement.

For more information see Chapter 1.2 below.

## Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended September 30, 2023

### Financial indices that are not based on generally accepted accounting principles

As of the Report Date, the Group's Management is assisted by financial performance indices that are not based on the generally accepted accounting rules for examining and presenting the Group's financial performance. These indices do not constitute a substitute for the information contained in Bezeq's statements.

The following is a breakdown of the indices:

Index	Details of the method of calculation and the purposes of the index
<b>EBITDA</b> (Earnings Before Interest, Taxes, Depreciation and Amortization)	Defined as profit before financing income/expenses, taxes, depreciation, and amortization. The EBITDA index is an accepted index in the Group's field of activity which neutralizes aspects due to differences in the capital structure, various aspects of taxation and the manner and period of the amortization of property, plant and equipment and intangible assets. The Group's EBITDA is calculated as operating profit before depreciation, amortization, and impairment (including ongoing losses from impairment of property, plant and equipment and intangible assets as described in Note 5 to the Statements).
<b>Adjusted EBITDA</b>	Calculated as an EBITDA index net of other operating expenses / income, net and one-off losses / profits from impairment / increase in value and expenses in respect of the capital remuneration plan. The index allows comparisons of operational performance between different periods while neutralizing one-off effects of exceptional expenses / income. It should be noted that the adjusted EBITDA index should not be compared to indices with a similar name reported by other companies due to a possible difference in the way the index is calculated.

The following is the method of calculating the indices:

	1-9/2023	1-9/2022	7-9/2023	7-9/2022
	NIS millions		NIS millions	
Operating profit	1,372	1,382	422	464
Depreciation, amortization, and impairment	1,397	1,374	479	468
<b>EBITDA</b>	<b>2,769</b>	<b>2,756</b>	<b>901</b>	<b>932</b>
Other operating expenses, net	112	59	77	10
Share-based compensation	9	7	2	3
<b>Adjusted EBITDA</b>	<b>2,890</b>	<b>2,822</b>	<b>980</b>	<b>945</b>

## Report of the Board of Directors on the state of affairs of the corporation for the Period ended September 30, 2023

### 1. Explanations by the Board of Directors on the state of the corporation's business, the results of its operations, shareholders' equity, cash flows and other matters

#### 1.1 Financial position

	September	September	Increase (decrease)		Explanation
	30, 2023	30, 2022	NIS		
	NIS	%	NIS	%	
	millions		millions		
Cash and current investments	<b>2,751</b>	2,497	254	10.2	There was an increase in cash balances in all the main segments of the Group. For more information, see Chapter 1.3 below.
Current and non-current trade receivables	<b>2,225</b>	2,257	(32)	(1.4)	The decrease was among other things, due to the cancellation of an insurance indemnity balance in respect of a provision for a claim in the landline interior communications segment.
Inventory	<b>94</b>	98	(4)	(4.1)	
Broadcasting rights	<b>54</b>	63	(9)	(14.3)	
Right-of-use assets	<b>1,902</b>	1,779	123	6.9	The increase was due to the Bezeq International services segment, mainly from the cost of adding contracts that came into effect (see Note 15.6 to the Statements) as well as from an increase in the consumer price index, offsetting a decrease mainly in the cellular communication segment due to current depreciation expenses.
Property, plant and equipment	<b>6,772</b>	6,532	240	3.7	The increase was mainly due to the landline interior communications segment, partly due to the progress of the fiber network deployment project.
Intangible assets	<b>3,239</b>	3,261	(22)	(0.7)	
Deferred expenses and non-current investments	<b>271</b>	262	9	3.4	
<b>Total assets</b>	<b>17,308</b>	16,749	559	3.3	

## Report of the Board of Directors on the state of affairs of the corporation for the Period ended September 30, 2023

### 1.1. Financial position (Cont.)

	September	September	Increase (decrease)	
	30, 2023	30, 2022	NIS	
	NIS millions	%	millions	%
Debt to financial institutions and bondholders	<b>9,642</b>	9,938	(296)	(3.0)
Liabilities in respect of leases	<b>2,100</b>	1,934	166	8.6
Trade payables	<b>1,875</b>	1,663	212	12.7
Dividend payable	<b>286</b>	215	71	33.0
Employee benefits	<b>562</b>	466	96	20.6
Provisions	<b>142</b>	214	(72)	(33.6)
Deferred tax liabilities	<b>328</b>	331	(3)	(0.9)
Derivatives and other non-current liabilities	<b>151</b>	137	14	10.2
<b>Total liabilities</b>	<b>15,086</b>	14,898	188	1.3
Non-controlling interests	<b>2,071</b>	1,761	310	17.6
Equity attributed to shareholders of the company	<b>151</b>	90	61	67.5
Total equity	<b>2,222</b>	1,851	371	20.0
<b>Total liabilities and equity</b>	<b>17,308</b>	16,749	559	3.3

Explanation
The decrease in debt was due to the repayment of bonds and loans, mainly offset by the expansion of series 13 and 14 bonds in the first quarter of 2023.
The increase was due to the Bezeq International services segment, due to the cost of adding contracts that came into effect see Note 15.3 to the Statements as well as from an increase in the consumer price index.
The increase was mainly due to the landline interior communications segment.
On September 14, 2023, the general meeting of Bezeq's shareholders approved the distribution of a cash dividend totaling NIS 392 million. The dividend was paid after the report date on October 11, 2023. The Company's share is approximately NIS 107 million. See Note 4.3 in the Statements.
The increase was due to the recording of a one-time provision in the current quarter for the amount of the special bonus that will be paid to Bezeq employees as part of the amendment to the collective agreement (see Note 15.5 in the Statements) as well as an increase in the provisions for the termination of employee-employer relations in early retirement and voluntary retirement in the Bezeq Group in 2022, offsetting payments for employee retirement.
The decrease was mainly due to the cancellation of the provision for a claim against the balance of insurance indemnification in the field of landline interior communications.
Equity as of September 30, 2023 constitutes approximately 12.8% of the total balance sheet, compared to approximately 11.1% of the total balance sheet as of September 30, 2022.



## Report of the Board of Directors on the state of affairs of the corporation for the Period ended September 30, 2023

### 1.1.1. Enterprise results

#### Key results

	1-9/2023	1-9/2022	Increase (decrease)		7-9/2023	7-9/2022	Increase (decrease)		
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Revenues	<b>6,872</b>	6,742	130	1.9	<b>2,265</b>	2,262	3	0.1	The increase in the period was mainly due to the landline interior communications segment and the multi-channel television segment, offsetting a decrease in income from the cellular communications segment and the Bezeq International services segment.
Operating and general expenses	<b>2,547</b>	2,514	33	1.3	<b>816</b>	849	(35)	(3.9)	It should be noted that the expenses in the period and in the quarter were affected, among other things, by a decrease in expenses for the fiber deployment incentive fund due to an injunction published in the current quarter, in which it was determined that in 2023 the payment rate of the entities liable to the incentive fund will be at a rate of 0% instead of 0.5%, as well as a decrease in interconnection payments to communication operators due to a drop in rates starting From June 15, 2023, for further details see Chapter 1.2.2 below.
Salary	<b>1,444</b>	1,413	31	2.2	<b>479</b>	471	8	1.7	The increase was mainly due to the landline interior communications segment during the period, among other things, also due to the wage agreement in the public segment.
Depreciation, amortization and impairment	<b>1,397</b>	1,374	23	1.7	<b>471</b>	468	3	0.6	The increase was due to the landline interior communications segment and also from the cellular communication segment.
Other operating expenses, net	<b>112</b>	59	53	89.8	<b>77</b>	10	67	670.0	The increase in the period and in the quarter was mainly due to the landline interior communications segment due to the recording of a one-time provision in the amount of NIS 75 million for the amount of the special bonus that will be paid to the segment employees as part of the amendment of the collective agreement. Also, the increase in the period is due to the recording of a provision for the settlement of a claim filed against the Company. Offset by a reduction in provision expenses for claims in the Bezeq Group, see Notes 10 and 15.5 to the Statements.
Operating Profit	<b>1,372</b>	1,382	(10)	(0.7)	<b>422</b>	464	(42)	(9.1)	
Financing expenses, net	<b>263</b>	300	(37)	(12.3)	<b>77</b>	97	(20)	(20.6)	The decrease was mainly due to the landline interior communications segment, see Note 11 to the Statements.
Taxes on income	<b>266</b>	273	(7)	(2.6)	<b>74</b>	91	(17)	(18.7)	
Profit for the period	<b>843</b>	809	34	4.2	<b>271</b>	276	(5)	(1.8)	

## Report of the Board of Directors on the state of affairs of the corporation for the Period ended September 30, 2023

### 1.1.2. Operating segments

a. The following are data regarding revenues and operating profit in accordance with the Group's operating segments:

Revenue by operating segments	1-9/2023		1-9/2022		7-9/2023		7-9/2022	
	NIS millions	% of total income	NIS millions	% of total income	NIS millions	% of total income	NIS millions	% of total income
Interior landline communication	3,325	48.4	3,249	48.2	1,084	47.9	1,086	48.0
Cellular communication	1,786	26.0	1,807	26.8	585	25.8	608	26.9
Bezeq International services	908	13.2	920	13.6	303	13.4	311	13.8
Multi-channel TV	993	14.4	947	14.0	328	14.5	315	13.9
Others and adjustments	(140)	(2.0)	(181)	(2.8)	(35)	(1.6)	(58)	(2.6)
<b>Total revenue</b>	<b>6,872</b>	<b>100</b>	<b>6,742</b>	<b>100</b>	<b>2,265</b>	<b>100</b>	<b>2,262</b>	<b>100</b>

Operating profit (loss) by operating segment	1-9/2023		1-9/2022		7-9/2023		7-9/2022	
	NIS millions	% of total income	NIS millions	% of total income	מיליוני ש"ח	NIS millions	% of total income	NIS millions
Interior landline communication	1,131	34.0	1,167	35.9	310	28.6	388	35.7
Cellular communication	159	8.9	176	9.7	59	10.1	60	9.9
Bezeq International services	50	5.5	30	3.3	20	6.6	17	5.5
Multi-channel TV *	2	0.5	(36)	(3.8)	(6)	(1.8)	(22)	(7.0)
Others and adjustments	30	-	45	-	39	-	21	-
<b>Consolidated operating profit / percentage of Group revenue</b>	<b>1,372</b>	<b>20.0</b>	<b>1,382</b>	<b>20.5</b>	<b>422</b>	<b>18.6</b>	<b>464</b>	<b>20.5</b>

\* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized since the fourth quarter of 2018 (For more information see Notes 5 and 13 to the Statements). This is in accordance with the way the Group's chief operating decision maker evaluates the segment's performance and makes decisions regarding the allocation of resources to the segment.

In addition, see Note 14.4 for a summary of selected data from the Statements of Yes.

## Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended September 30, 2023

### 1.2.2. Activity segments (Cont.)

#### b. Interior landline communications segment

	1-9/2023	1-9/2022	Increase (decrease)		7-9/2023	7-9/2022	Increase (decrease)		Explanation
	NIS millions		% of total income	NIS millions	% of total income		NIS mill ions	% of total income	
Internet revenue	1,453	1,329	124	9.3	489	452	37	8.2	The increase was mainly due to an increase in the average income per retail subscriber, which was mainly due to an increase in the number of subscribers connected to the fiber network, from complementary end equipment, and from the provision of Internet access services (ISP) starting in April 2022. In addition, there was an increase in the volume of wholesale market activity in the field of fiber and the usage of Bezeq infrastructures.
Landline telephony revenue	506	597	(91)	(15.2)	148	188	(40)	(21.3)	The decrease was due to a decrease in the average income per telephone line due to the reduction of telephony rates by the Ministry of Communications starting in April 2022 and a further reduction starting in July 2023, a decrease in interconnection rates starting from June 15, 2023 and a decrease in the volume of traffic. There was also a decrease in the number of lines.
Data communication, transmission, and other revenue	1,103	1,076	27	2.5	360	363	(3)	(0.8)	The increase in income in the reported period was due to data communication and transmission services for businesses and due to an increase in paid jobs. The increase was mostly offset by a decrease in transmission income to Internet Service Providers (ISPs) due to subscribers switching to Bezeq due to the unified internet reform.
Cloud and digital services	263	247	16	6.5	87	83	4	4.8	The increase was mainly due to virtual switchboard services as well as from cloud services.
Total revenues	3,325	3,249	76	2.3	1,084	1,086	(2)	(0.2)	
Operating and general expenses	581	556	25	4.5	189	199	(10)	(5.0)	The change in expenses was mainly due to an increase in the expenses of subcontractors and materials mainly for the deployment of the fiber network and paid works, offsetting a decrease in expenses for the incentive fund for fiber deployment due to an interim order published in the current quarter, in which it was determined that in 2023 the payment rate of the entities liable to the incentive fund will be at a rate of 0% instead 0.5% as well as a decrease in interconnection payments to communication operators due to a drop in rates as of June 15, 2023.
Salary	766	733	33	4.5	250	242	8	3.3	The increase was due to salary updates (including the minimum wage), hiring employees and during the period also due to a one-time grant for permanent employees following the wage agreement in the public sector, mainly offsetting employee retirement and an increase in discount of salary for investment.
Depreciation and amortization	759	739	20	2.7	258	252	6	2.4	

## Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended September 30, 2023

### 1.2.3. Activity segments (Cont.)

#### c. Interior landline communications segment – Cont.

	1-9/2023	1-9/2022	Increase (decrease)		7-9/2023	7-9/2022	Increase (decrease)		Explanation
	NIS millions		% of total income	NIS millions	% of total income		NIS millions	% of total income	
Other operating expenses, net	88	54	34	63.0	77	5	72	1440.0	The increase resulted from the recording of a one-time provision in the amount of NIS 75 million for the amount of the special grant that will be paid to Bezeq employees as part of the amendment to the collective agreement, see Note 15.5 to the Statements. The increase was partially offset during the period due to a decrease in the expenses on provision for claims.
Operating profit	1,131	1,167	(36)	(3.1)	310	388	(78)	(20.1)	
Financing expenses, net	206	249	(43)	(17.3)	59	79	(20)	(25.3)	The decrease in net financing expenses was mainly due to an increase in financing income from investments, a decrease in linkage differences in respect of debentures, mainly due to a lower index increase and, in the period, also due to early repayment costs of debentures which were recognized in the corresponding period. This is offsetting a decrease in financing income for employee benefits that were recognized in the corresponding period and quarter also offsetting an increase in interest expenses on loans in the period.
Taxes on income	223	222	1	0.5	59	74	(15)	(20.3)	
<b>Segment profit</b>	<b>702</b>	<b>696</b>	<b>6</b>	<b>0.9</b>	<b>192</b>	<b>235</b>	<b>(43)</b>	<b>(18.3)</b>	

## Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended September 30, 2023

### 1.2.2. Activity segments (Cont.)

#### d. Cellular communications segment

	1-9/2023	1-9/2022	Increase (decrease)		7-9/2023	7-9/2022	Increase (decrease)		Explanation
	NIS millions		% of total income	NIS millions	% of total income		NIS millions	% of total income	
Revenue from services net of interconnect *	<b>1,055</b>	1,025	30	2.9	<b>371</b>	361	10	2.8	The increase was mainly due to continued growth in the number of subscribers, including subscribers to 5G packages, as well as an increase in income from roaming services. This increase was partially offset by a decrease in income from hosting services.
Interconnect expenses *	<b>292</b>	325	(33)	(10.2)	<b>79</b>	106	(27)	(25.4)	The decrease in interconnect income was mainly due to the reduction of rates during the month of June 2023.
Revenue from the sale of end equipment	<b>439</b>	457	(18)	(3.9)	<b>135</b>	141	(6)	(4.3)	The decrease was mainly due to a decrease in the number of devices sold which was partially offset by an increase in wholesale sales.
<b>Total revenues</b>	<b>1,786</b>	1,807	(21)	(1.2)	<b>585</b>	608	(23)	(3.8)	
Operating and general expenses	<b>971</b>	995	(24)	(2.4)	<b>301</b>	327	(26)	(8.0)	The decrease was mainly due to a decrease in expenses attributable to interconnect income (in parallel with the decrease in income) as well as in expenses for the fiber deployment incentive fund. On the other hand, there was an increase in roaming expenses (in parallel with the increase in income) and during the period an increase in network costs and frequency fees (among other things in light of the increase in electricity rates and index during the period).
Salary	<b>246</b>	237	9	3.8	<b>82</b>	78	4	5.1	The increase was mainly due to the effects of the collective agreement signed in December 2022/ The increase was partly offset by a decrease in the number of employees.
Depreciation and amortization	<b>411</b>	397	14	3.5	<b>143</b>	139	4	2.9	The increase in the period was mainly due to the update of the estimate of the cost of right-of-use assets carried out in the corresponding period for past periods. The increase was partially offset by a decrease in depreciation for assets whose depreciation period has ended.
Other income, net	<b>(1)</b>	2	(3)	-	<b>-</b>	4	(4)	-	
<b>Operating profit</b>	<b>159</b>	176	(17)	(9.7)	<b>59</b>	60	(1)	(1.7)	
Financing income, net	<b>16</b>	23	(7)	(30.4)	<b>4</b>	7	(3)	(42.9)	The decrease in the period was mainly due to a decrease in interest income from the parent company due to repayment of loans which was partly offset by an increase in interest income from deposits.
Income taxes	<b>42</b>	47	(5)	(10.6)	<b>15</b>	17	(2)	(11.8)	
<b>Segment profit</b>	<b>133</b>	152	(19)	(12.5)	<b>48</b>	50	(2)	(4.0)	

(\*) Income from interconnect - as part of the reform to change the interconnect rates regime (hereafter: "the Reform"), which began gradually from June 2023 until June 2025, interconnect income from mobile radio telephone operators and NIOs to whom the reform applies are presented separately.

## Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended September 30, 2023

### 1.2.2. Activity segments (Cont.)

#### e. Bezeq International services

	1-9/2023	1-9/2022	Increase (decrease)		7-9/2023	7-9/2022	Increase (decrease)		Explanation
	NIS millions		% of total income	NIS millions	% of total income		NIS millions	% of total income	
Revenues	<b>908</b>	920	(12)	(1.3)	<b>303</b>	311	(8)	(2.6)	The decrease in income was largely due to a decrease in income from internet services (ISP), mainly due to a decrease in the number of subscribers following the unified internet reform which started in April 2022. This decrease was largely offset by an increase in Bezeq's business activity as a whole, mainly from the consolidation of the subsidiary CloudEdge in the second quarter of last year and an increase in this activity, from an increase in income from licensing equipment and service contracts, international capacities, and server farm activity.
Operating, general, and impairment expenses	<b>596</b>	613	(17)	(2.8)	<b>199</b>	200	(1)	(0.5)	The decrease in expenses was mainly due to a decrease in expenses for the use of Internet infrastructure in view of a decrease in activity in this area. This decrease was partially offset mainly by an increase in expenses due to the consolidation of the subsidiary CloudEdge in the second quarter of last year and an increase in this activity, an increase in expenses for the sale of licensing equipment and service contracts and international capacities.
Salary	<b>164</b>	175	(11)	(6.3)	<b>55</b>	60	(5)	(8.3)	The decrease in salary expenses was mainly due to a continuous decrease in the number of Bezeq employees, which was partially offset by an increase in the salary of the subsidiary CloudEdge.
Depreciation, amortization, and impairment	<b>92</b>	99	(7)	(7.1)	<b>29</b>	32	(3)	(9.4)	The decrease was due to a decrease in asset value declines which was partially offset by an increase in the depreciation of right-of-use assets.
Other operating expenses, net	<b>6</b>	3	3	100.0	-	2	(2)	-	The increase in the period was mainly due to updating the provision for claims.
Operating profit	<b>50</b>	30	20	66.7	<b>20</b>	17	3	17.6	
Taxes on income, net	<b>7</b>	4	3	75.0	<b>3</b>	1	2	200.0	The increase was mainly due to an increase in financing expenses for renting buildings.
Segment profit	<b>43</b>	26	17	65.4	<b>17</b>	16	1	6.3	

## Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended September 30, 2023

### 1.2.2. Activity segments (Cont.)

#### f. Multi-channel TV (pro forma) \*

	1-9/2023	1-9/2022	Increase (decrease)		7-9/2023	7-9/2022	Increase (decrease)		Explanation
	NIS millions		% of total income	NIS millions	% of total income		NIS millions	% of total income	
Revenues	<b>993</b>	947	46	4.9	<b>328</b>	315	13	4.1	The increase was mainly due to an increase in income from integrated television and fiber packages as well as income from new content packages mainly from collaborations with international content providers.
Operating and general expenses	<b>669</b>	633	36	5.7	<b>224</b>	217	7	3.2	The increase was mainly due to an increase in costs of fiber activity as well as costs for collaborations with international content providers.
Salary	<b>141</b>	145	(4)	(2.8)	<b>47</b>	51	(4)	(7.8)	
Depreciation and amortization	<b>181</b>	203	(22)	(10.8)	<b>62</b>	69	(7)	(10.1)	The decrease was mainly due to assets that were fully depreciated and a change in the estimated duration of assets.
Other operating expenses, net	-	2	(2)	-	<b>1</b>	-	1	-	
Operating profit (loss)	<b>2</b>	(36)	38	-	<b>(6)</b>	(22)	16	72.7	
Financing income, net	<b>(15)</b>	(6)	(9)	150.0	<b>(6)</b>	(1)	(5)	(500.0)	The increase in the period was mainly due to an increase in the value of forward transactions as a result of a change in the dollar exchange rate.
Taxes on income	<b>1</b>	2	(1)	(50.0)	<b>1</b>	1	-	-	
Segment profit (loss)	<b>16</b>	(32)	48	-	<b>(1)</b>	(22)	21	95.5	

\* The results of the multi-channel television segment are presented net of the overall effect of impairment recognized as of the fourth quarter of 2018

This is in accordance with the way the Group's main operational decision maker evaluates the sector's performance and makes decisions regarding the allocation of resources to the segment. (for more information, see Notes 13 and 15.1 to the Statements).

In addition, see Note 14.4 regarding a summary of selected data from the statements of Yes Ltd. as well as the table below.

## Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended September 30, 2023

### 1.2.2. Activity segments (Cont.)

#### g. Results of Yes Television Services Ltd. (Cont.) - Comparison between accounting income and proforma income

	1-9/2023		1-9/2022		7-9/2023		7-9/2022	
	Accounting income	Pro forma profit and loss	Accounting income	Pro forma profit and loss	Accounting income	Pro forma profit and loss	Accounting income	Pro forma profit and loss
	NIS millions				NIS millions			
Revenues	<b>993</b>	<b>993</b>	947	947	<b>328</b>	<b>328</b>	315	315
Operating and general expenses	<b>651</b>	<b>669</b>	645	633	<b>205</b>	<b>224</b>	216	217
Salary	<b>146</b>	<b>141</b>	150	145	<b>48</b>	<b>47</b>	53	51
Depreciation and amortization	<b>137</b>	<b>181</b>	142	203	<b>41</b>	<b>62</b>	46	69
Other operating expenses (income), net	<b>(2)</b>	-	2	2	<b>(1)</b>	<b>1</b>	-	-
Operating profit (loss)	61	<b>2</b>	8	(36)	<b>35</b>	<b>(6)</b>	-	(22)
Financing income, net	<b>(15)</b>	<b>(15)</b>	(6)	(6)	<b>(6)</b>	<b>(6)</b>	(1)	(1)
Taxes on income	<b>1</b>	<b>1</b>	2	2	<b>1</b>	<b>1</b>	1	1
Segment profit (loss)	<b>75</b>	<b>16</b>	12	(32)	<b>40</b>	<b>(1)</b>	-	(22)



## Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended September 30, 2023

### 1.3. Cash flow

	1-9/2023	1-9/2022	Increase (decrease)		7-9/2023	7-9/2022	Increase (decrease)		Explanation
	NIS millions		% of total income	NIS millions	% of total income		NIS millions	% of total income	
Net cash flow from operating activities	<b>2,539</b>	2,605	(66)	(2.5)	<b>917</b>	640	277	43.3	The increase in the net cash flow from current activities in the quarter was due to all the main segments of the Group, mainly from the landline interior communications segment due to changes in working equity, mainly in employee benefits. The decrease in the net cash flow from current operations in the period was mainly due to the advance of the crediting dates with the credit card companies in the corresponding period and due to a shift in the amount from customers from the Q4/2021 to Q1/2022 due to the labor strikes in the cellular communications sector and in the international Bezeq services sector in 2021. The decrease in the period was mainly offset by the increase in the flow from current activity in the landline interior communications segment is stationary mainly due to changes in working equity in employee benefits.
Net cash flow used for (derived from) Investing activities	<b>(1,737)</b>	(1,715)	(22)	(1.3)	<b>112</b>	(602)	714	-	The decrease in the net cash flow used for investment activity resulted from a payment in the corresponding quarter for 5G frequencies in the amount of NIS 88 million in the cellular communications segment, from a decrease in the purchase of fixed assets, an increase in interest received from bank deposits, and in the quarter also from a decrease in net investment and the continuation of limited cash (in the period, offsetting an increase in net investment) in bank deposits and other financial investments in the landline interior communications segment.
Net cash flow used for financing activities	<b>(377)</b>	(977)	600	61.4	<b>(651)</b>	(125)	(526)	(420.8)	The decrease in the net cash flow used for financing activities in the period was mainly due to partial early repayment of debentures (Series 9) in the corresponding period as well as the expansion of debentures (Series 13 and 14) in the current period. In the quarter, the increase was due to the early repayment of Series C carried out by the Company.
Net increase (decrease) in cash	<b>425</b>	(87)	512	-	<b>378</b>	(87)	465	-	

#### Average volume in the reported period

Long-term liabilities (including current liabilities) to financial institutions and bondholders: approx. NIS 9,566 million.

Provider credit: approx. NIS 970 million.

Short-term customer credit: approx. NIS 1,500 million. Long-term customer credit: approx. NIS 300 million.

#### Working equity

The Group's consolidated working equity as of September 30, 2023 amounted to approximately NIS 555 million, compared with working equity of approximately NIS 649 million as of September 30, 2022.

The Company's working equity (according to the "Solo" Statements) as of September 30, 2023 amounted to approximately NIS 112 million, compared with working equity of approximately NIS 130 million as of September 30, 2022.

Bezeq (according to the "Solo" Statements) as of September 30, 2023, has a working equity surplus in the amount of approximately NIS 278 million, compared with a deficit in working equity of approximately NIS 541 million as of September 30, 2022.

## Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended September 30, 2023

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### 1.4. Disclosure regarding the Company's projected cash flow

The Company's Board of Directors reviewed the Company's consolidated financial statements and separate (Solo) financial statements as of September 30, 2022, including sources for repayment of the Company's liabilities, including the Company's debentures (Series F). In addition, the Company's Board of Directors examined the warning signs set forth in Regulation 10(b)(14)(a) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 and determined that despite the existence of a continuing negative cash flow from current operations in the separate (Solo) financial statements of the Company, in the opinion of the Company's Board of Directors, after receiving explanations for its opinion from the Company's Management, the continuing negative cash flow from current activities in the Company's separate (Solo) statements does not indicate a liquidity problem in the Company, and the Company has sufficient financial resources to continue its operations and meet its obligations, *inter alia*, taking into account the Corporation's cash balances in the solo statement.

### 1.5. Buyback plan of the Company's shares

In accordance with the company's buyback plan, which was approved by the Company's Board of Directors on August 8, 2023, the Company purchased during the 3rd quarter of 2023, 1,374,891 of the Company's shares for a total amount of approximately NIS 20 million. After the balance sheet date and until the end of the buyback plan, the Company purchased 218,322 additional shares for approximately NIS 3 million.

### 1.6. Update on the effects of inflation and the increase in interest rates on the results of the Group's activities

All of the Company's debt is in shekels, at a fixed interest rate, so changes in the inflation rate or changes in the interest rate have no effect on its profitability or future cash flows.

As stated in Note 30.5.1 to the annual financial statements, changes in the inflation rate affect Bezeq Group's profitability and future cash flows, mainly due to its index-linked liabilities. Bezeq Group implements a policy to reduce and partially hedge the exposure to the price index and the dollar-shekel exchange rate through the execution of forward transactions. See details regarding hedging transactions in Note 30.6 to the annual report.

In the nine-month period that ended on September 30, 2023, the increase in the consumer price index was manifested in Bezeq Group's financing expenses to the extent of approximately NIS 85 million (approximately NIS 72 million after hedging) compared to a decrease of about NIS 44 million (about NIS 27 million after hedging) in the corresponding period. It should be noted that the net effect of the increase in interest rates in the economy during the period on Bezeq Group's operating results was not material.

In accordance with the scope of Bezeq Group's index-linked debt as of September 30, 2023, every 1% increase in the Consumer Price Index is expected to result in an increase in its financing expenses to the extent of approximately NIS 28 million, this is before considering the effect of hedging transactions. In addition, in accordance with the volume of Bezeq Group's existing floating interest rate debt, a change of every 1% in the Bank of Israel interest rate is expected to result in an increase in its financing expenses to the extent of approximately NIS 7 million per year and, accordingly, no material impact on Bezeq Group's operating results is expected as a result.

### **1.7. State of War - "Iron Swords"**

As of October 7, 2023, the State of Israel is in a state of war in the Gaza Strip, as well as tensions and fire incidents in the northern border area. The war situation creates different effects on the Bezeq Group companies which are reflected on the one hand in the increase in demand for some services, in internet traffic, and in the use of wired telephony, and on the other hand in the decrease in roaming activity, a decrease in the sale of cellular devices and the removal/freezing of business lines in the areas that are affected by the war. Also, with the outbreak of the war, due to the recruitment of employees to the reserves and a decrease in contractor activity, there was a slowdown in deployment and installation activity in the Bezeq network. Additionally, a number of regulatory moves were also carried out as part of the State of Israel's dealing with the war situation, including a law to postpone payment dates for those entitled and to reduce phone call charges, including calls related to distance learning. It should be noted that some of the Bezeq Group companies took their own initiative to ease charges towards localities in the Gaza Strip and the northern border.

The Bezeq Group companies provide, among other things, essential communication services for private, business, and institutional customers, including the state institutions, the security forces, and the health system, are organized accordingly and respond to the various needs, including problem solving, increasing vigilance and preparedness in cyber systems, and assisting the community in diverse ways. Also, the members of the Group regularly examine and follow closely the developments related to the war.

At this stage, the effects and consequences of the war as described above do not have a material impact on the activity of the Company and the Bezeq Group and their business results. Also, the liquidity and financial position of the Company and Bezeq Group allows them to function well during the war without the need for capital/debt raising. The scope and duration of the war and its consequences on the state of the Israeli economy and economy as well as on the Bezeq Group companies are unobservable and difficult to predict and depend, among other things, on the manner and scope of the development of the war and the possibility of the economy slipping into recession as a result. In this context, attention is also drawn to the relevant risk factors detailed in Chapter A (description of the corporation's business) of the periodic report for 2022 (Sections 2.20.10, 2.20.14, 3.19.2.9, 4.14.8, 5.18.1.2, 5.18.1.4).

Some of the information contained in this section is forward-looking information, as defined in the Securities Law, based on the estimates of the Company and Bezeq Group, assumptions and expectations which may not materialize, or may materialize in a materially different way than anticipated, among other things, depending on the manner and scope of the development of the war and the state of the economy as a whole.

## **2. Disclosure in connection with the Corporation's financial reporting**

### **2.1. Disclosure regarding valuations**

The following are details of a highly material valuation (attached to Bezeq's financial statements) and a substantial and a material valuation in accordance with Regulation 8B(i) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. For more information, see Note 5 in the Statements.

## Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended September 30, 2023

	<b>Yes Television Services Ltd. ("Yes")<sup>(5)</sup></b>
	Highly material valuation is attached to Bezeq's Statements as of September 30, 2023
Identification of subject of valuation	Examination of the impairment of the assets of Yes as of September 30, 2023
Timing of the valuation	September 30, 2023; The valuation was signed on November 8, 2023.
Value of the subject of the valuation close to the date of the valuation, if the accepted accounting rules, including depreciation and amortization, did not require a change in its value in accordance with the valuation	Book value before impairment as of September 30, 2023 is negative in the amount of approx. NIS 27 million.
Value of the subject of the valuation determined in accordance with the valuation	The total enterprise value of Yes is negative in the amount of approximately NIS 131 million. In light of the negative enterprise value, the net value of Yes' assets and liabilities was determined as the fair values or zero, whichever is higher. Accordingly, a recoverable amount was determined for Yes, obtained as a result of the position according to fair value minus sales costs of the balance sheet items according to the requirements of IAS 36, in a negative amount of approximately NIS 51 million. Based on the valuation, the Group recognized, in the nine- and three-month periods that ended on September 30, 2023, an impairment loss in the amount of approximately NIS 164 million and about NIS 37 million, respectively.
Identification and characterization of the valuator	The valuation was performed by Prof. Hadas Gelandar, Partner, Director of Valuations and Economic Models in the Economic Department of Ernest Young (Israel) Ltd. Prof. Gelandar holds a bachelor's degree in accounting from the College of Management, Rishon LeZion; A master's degree in business administration from the Hebrew University of Jerusalem; And a doctorate cum laude from Ben-Gurion University, Beer-Sheva, and is also a certified public accountant in Israel. As part of her role, Prof. Gelandar accompanies projects with leading companies in Israel and around the world, in various fields of activity and industries such as technology, finance, pharmaceuticals, energy, infrastructure, real estate and industry. In addition, as part of her role accompanying and advising companies in the areas of valuations for business (valuations and fair opinions) and accounting (allocation of acquisition costs, valuation of intangible assets, valuation of options for employees, etc.) needs, she provided economic opinions as a court-appointed expert witness. The valuator has no dependence on the Company or Bezeq. Bezeq undertook to indemnify the valuator for damages in excess of three times her fee unless he acted maliciously or through gross negligence.
Valuation model	In the first stage - the value using the DCF discounting method was updated compared to the valuation as of December 31, 2022. According to the examination conducted by the valuator and to the estimate of Yes' Management, during the period there were no changes that may indicate a material change requiring an update of Yes' forecasts in relation to the forecast used for the preparation of the valuation as of December 31, 2022. In parallel, an adjustment was made in the calculation of the value-in-use in quarters 1 and 2 of 2023 mainly due to timing differences in payments to suppliers that were paid in quarter 3 of 2023. In the second step - the fair value of yes's net assets and liabilities, minus costs, is determined Sale for September 30, 2023.
The assumptions according to which the valuator performed the valuation	Discount rate - 10% (after tax). The rate of permanent growth - 1%. The percentage of the scrap value of the total value determined in the valuation - irrelevant. In addition, assumptions were made regarding fair value minus sales costs of Yes assets.

(\*) Despite the negative enterprise value of Yes, Bezeq supports Yes by approving credit frameworks or investing in Yes' capital (See Note 4.1 to the Statements). Bezeq's support of Yes, as mentioned, stems, among other things, from the current and expected contribution of Yes' activities to the overall activity of the Bezeq Group.

## Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended September 30, 2023

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**2.2.** Due to lawsuits filed against the Group, for which the exposure cannot yet be assessed or cannot be estimated, the accountants drew attention to this in their opinion on the Statements.

**2.3. Current and subsequent material events**

Regarding material events after the date of the financial statements - see Note 15 to the Condensed Consolidated Financial Statements.

# Report of the Board of Directors on the state of affairs of the corporation for the Period ended September 30, 2023

## 3. Details related to debentures

- 3.1. During the month of March, Bezeq raised funds through the expansion of series 13 and 14 bonds in the amount of approximately NIS 415 million.

On March 20, 2023 and March 22, 2023, Maalot announced an ilAA- rating for the debentures that Bezeq will issue through the expansion of series 13 and 14 (see immediate reports Refs. 2023-01-024652 and 2023-01-025747). It should be noted that, in addition, on May 3, 2023, Maalot confirmed Bezeq's ilAA- rating and updated its rating forecast from stable to positive, in light of an improvement in Bezeq's financial relations (see immediate report Ref. 2023-01-040606).

On March 19, 2023 and on March 22, 2023, Midroog established the rating of Aa3.il with a stable rating horizon for the series 13 and 14 debentures that will be issued by Bezeq by way of expanding series 13 and 14 (see immediate reports Refs. 2023-01-024223 and 2023-01-025771). On May 15, 2023, Midroog confirmed the Aa3.il rating for Bezeq's debentures and raised the rating horizon from stable to positive (see immediate report Ref. 2023-01-044233).

- 3.2. On June 19, 2023, Midroog established the rating of A3.il with a stable horizon for the Company's series C and series F debentures in circulation. In addition, Midroog established the rating of A3.il with a stable horizon for additional debentures to be issued by the Company from series F in the amount of up to NIS 550 million by way of series expansion (see immediate report Ref. 2023-01-057163).

On June 22, 2023, the Company issued to institutional bodies and the public about 538 million in series F debentures for about NIS 500 million.

On July 20, 2023, the Company made a full and final early repayment of NIS 497 million on series C debentures plus accrued interest until the vesting date.

### 3.3. **Financial clauses**

In accordance with the Company's series C debentures to comply with the LTV condition, the LTV ratio as of September 30, 2023 was 51.5%.

The Company's net debt balance as of September 30, 2023 is approximately NIS 1,957 million and consists of the principal debt balance and accrued interest as of the balance sheet date for its debentures in the amount of NIS 2,034 million, minus cash balances, and investments in the amount of NIS 77 million.

## 4. Miscellaneous

For information regarding the balance of liabilities of the reporting corporation in its financial statements as of September 30, 2023, see the form to be reported by the Company on the MAGNA system on November 15, 2023.

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Darren Glatt  
Chairman of the Board of Directors

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Tomer Raved  
CEO

Date of signing: November 14, 2023



## **Chapter C**

# **Condensed Consolidated Interim Financial Statements As of September 30, 2023 (Unaudited)**

## Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)

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Somekh Chaikin  
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To  
Shareholders of B Communications Ltd.

**Re: Special report of the auditors on separate interim financial information under Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970**

**Introduction**

We reviewed the attached financial information of B Communications Ltd. and its subsidiaries (hereinafter - the Group), which includes the condensed consolidated report of financial position as of September 30, 2023 and the condensed consolidated statements of income, comprehensive profit, changes in equity and cash flows for the periods of nine and three months that ended on the same date. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with the international accounting standard IAS 34 "Financial Reporting for Interim Periods", and they are also responsible for editing financial information for these interim periods according to Chapter D of the Securities Regulations (Periodic and Immediate Financial Reports), 5730-1970. Our responsibility is to express a conclusion on financial information for these interim periods based on our review.

**Scope of our review**

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Conducted by the Entity's Auditor". A review of separate interim financial information consists of inquiries, primarily with persons responsible for financial and accounting matters, and the application of analytical and other review procedures. A review is considerably smaller than an audit conducted in accordance with generally accepted auditing standards in Israel, and therefore does not allow us to obtain assurance that we will know all the significant matters that could have been identified in the audit. Accordingly, we do not provide an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that makes us believe that the above separate interim financial information has not been prepared, in all material respects, in accordance with the international accounting standard IAS 34.

In addition to what was stated in the previous paragraph, based on our review, nothing came to our attention that causes us to believe that the above financial information does not fulfill, in all material respects, the disclosure provisions under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

**Emphasis paragraph (drawing attention)**

Without limiting our above conclusion, we draw attention to what is stated in Note 1.2 to the statements which refers to Note 1.3 to the annual consolidated statements, regarding the investigation by the Securities Authority and the Israel Police of a suspicion of committing offenses under the Securities Law and the Penal Code concerning, *inter alia*, transactions related to Bezeq's former controlling shareholder and the announcement of the Tel Aviv District Attorney's Office (Taxation and Economy) regarding the consideration of Bezeq's prosecution and the holding of a hearing on suspicion of bribery and reporting with intention to mislead a reasonable investor, and regarding the filing of an indictment against the former controlling shareholder in Bezeq in various offenses, among other things, for offenses of bribery and causing misleading detail in immediate reporting and regarding the filing of indictments against the former controlling shareholder in Bezeq and former senior executives in the Bezeq Group which attribute to the defendants offenses of obtaining by deceit and reporting offenses under the Securities Law. In addition, following the opening of the said investigation, a number of civil legal proceedings were initiated against Bezeq, former Bezeq officers and companies from Bezeq's controlling group in the past, including motions for approval of class actions. As stated in the above note, the Company is unable to assess the effects of the investigations, their findings and results on Bezeq as well as on the statements and estimates used in the preparation of these reports, if any.

In addition, without limiting our above conclusion, we draw attention to what is stated in Note 6 regarding claims filed against the Company and the exposure in respect of which cannot be assessed or calculated at this stage.

Somekh Chaikin  
Certified Public Accountants

November 14, 2023

Somekh Chaikin, Israeli partnership and a member of the KPMG network of independent firms  
Affiliated with the Swiss entity KPMG International Cooperative ("KPMG International")

## Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)

Condensed consolidated interim statements of financial position as of				
		September 30, 2023	September 30, 2022	December 31, 2022
		(Unaudited)	(Unaudited)	(Audited)
Assets	Note	NIS millions	NIS millions	NIS millions
Cash and cash equivalents		1,179	911	754
Investments	12.1	1,572	1,586	973
Trade receivables		1,539	1,461	1,440
Other receivables		248	351	289
Inventory		94	98	85
<b>Total current assets</b>		<b>4,632</b>	<b>4,407</b>	<b>3,541</b>
Trade and other receivable		438	445	460
Broadcasting rights – net of rights exercised		54	63	57
Right-of-use assets		1,902	1,779	1,746
Property, plant and equipment		6,772	6,532	6,542
Intangible assets		3,239	3,261	3,251
Deferred expenses and non-current investments *		271	262	258
<b>Total non-current assets</b>		<b>12,676</b>	<b>12,342</b>	<b>12,314</b>
<b>Total assets</b>		<b>17,308</b>	<b>16,749</b>	<b>15,855</b>

\* Including long-term restricted deposits.

**Condensed consolidated interim statements of financial position as of (Cont.)**

		September 30, 2023	September 30, 2022	December 31, 2022
		(Unaudited)	(Unaudited)	(Audited)
<b>Liabilities and equity</b>	<b>Note</b>	<b>NIS millions</b>	<b>NIS millions</b>	<b>NIS millions</b>
Debentures, loans and credit		1,092	964	921
Current maturities of liabilities in respect of leases		458	471	456
Trade payables		1,875	1,663	1,598
Payable dividend	4.3	286	215	-
Employee benefits		301	273	399
Provisions	6	110	173	168
<b>Total current liabilities</b>		<b>4,122</b>	<b>3,759</b>	<b>3,542</b>
Loans and debentures		8,550	8,974	8,257
Leasing liabilities		1,642	1,463	1,452
Employee benefits		261	193	201
Derivatives and other liabilities		151	137	151
Deferred tax liabilities		328	331	319
Provisions		32	41	37
<b>Total non-current liabilities</b>		<b>10,964</b>	<b>11,139</b>	<b>10,417</b>
<b>Total liabilities</b>		<b>15,086</b>	<b>14,898</b>	<b>13,959</b>
<b>Equity:</b>				
Attributed to the shareholders of the Company		151	90	54
Attributed to non-controlling interests		2,071	1,761	1,842
<b>Total equity</b>		<b>2,222</b>	<b>1,851</b>	<b>1,896</b>
<b>Total liabilities and equity</b>		<b>17,308</b>	<b>16,749</b>	<b>15,855</b>

**Darren Glatt**  
Chairman of the Board of Directors

**Tomer Raved**  
CEO

**Itzik Tadmor**  
CFO

Date of approval of the financial statements: November 14, 2023

The notes attached to the condensed consolidated interim financial statements form an integral part thereof.

**Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)**

**Condensed consolidated interim income statements**

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<b>Revenues (Note 8)</b>	<b>6,872</b>	6,742	<b>2,265</b>	2,262	8,986
<b>Operating expenses</b>					
Operating and general expenses (Note 9) *	<b>2,547</b>	2,514	<b>816</b>	849	3,396
Salary	<b>1,444</b>	1,413	<b>479</b>	471	1,877
Depreciation, amortization and impairment *	<b>1,397</b>	1,374	<b>471</b>	468	1,868
Other operating expenses, net (Note 10)	<b>112</b>	59	<b>77</b>	10	220
<b>Total operating expenses</b>	<b>5,500</b>	5,360	<b>1,843</b>	1,798	7,361
<b>Operating profit</b>	<b>1,372</b>	1,382	<b>422</b>	464	1,625
<b>Financing expenses (income) (Note 11)</b>					
Financing expenses	<b>400</b>	417	<b>129</b>	123	530
Financing income	<b>(137)</b>	(117)	<b>(52)</b>	(26)	(132)
<b>Financing expenses, net</b>	<b>263</b>	300	<b>77</b>	97	398
<b>Profit before taxes on income</b>	<b>1,109</b>	1,082	<b>345</b>	367	1,227
<b>Income tax expenses</b>	<b>266</b>	273	<b>74</b>	91	336
<b>Profit for the period</b>	<b>843</b>	809	<b>271</b>	276	891
Profit attributable to company shareholders	<b>150</b>	157	<b>55</b>	55	158
Profit attributable to non-controlling interests	<b>693</b>	652	<b>216</b>	221	733
<b>Net profit for the period</b>	<b>843</b>	809	<b>271</b>	276	891
<b>Profit per share (NIS)</b>					
<b>Basic profit</b>	<b>1.40</b>	1.40	<b>0.51</b>	0.48	1.42
<b>Diluted profit</b>	<b>1.40</b>	1.39	<b>0.51</b>	0.47	1.41

\* See Note 5 regarding impairment loss recognized in the reporting period.

The notes attached to the condensed consolidated interim statements form an integral part thereof.

**Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)**

**Condensed consolidated interim statements of comprehensive income**

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Net profit for the period	<b>843</b>	809	<b>271</b>	276	891
Reassessment of defined benefit plan, net of tax - will not be transferred to income	-	53	-	16	56
Additional other comprehensive loss items, net of tax - will be transferred to income	<b>(4)</b>	(1)	-	-	(6)
<b>Total comprehensive income for the period</b>	<b>839</b>	861	<b>271</b>	292	941
<b>Attributable to:</b>					
Shareholders of the company	<b>149</b>	170	<b>55</b>	59	171
Non-controlling interests	<b>690</b>	691	<b>216</b>	233	770
<b>Total comprehensive income for the period</b>	<b>839</b>	861	<b>271</b>	292	941

The notes attached to the condensed consolidated interim statements form an integral part thereof.

Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)

Condensed consolidated interim statements of changes in equity

	Shareholders' equity	Premium on shares	Treasury shares	Other funds	Deficit balance	Equity attributable to shareholders of the company	Non-controlling interests	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<b>For period of nine months ended September 30, 2023 (unaudited)</b>								
Balance as of January 1, 2023	12	1,495	(137)	(30)	(1,286)	54	1,842	1,896
Profit for the period	-	-	-	-	150	150	693	843
Other comprehensive loss for the period, net of tax	-	-	-	(1)	-	(1)	(3)	(4)
<b>Total comprehensive profit (loss) for the period</b>	-	-	-	(1)	150	149	690	839
<b>Transactions imputed directly to equity</b>								
Dividend distributed to non-controlling interests	-	-	-	-	-	-	(465)	(465)
Buyback of shares	-	-	(20)	-	-	(20)	-	(20)
Share-based compensation	-	-	-	-	-	-	9	9
Transactions with non-controlling interests	-	-	-	-	(32)	(32)	(5)	(37)
<b>Balance as of September 30, 2023</b>	<b>12</b>	<b>1,495</b>	<b>(157)</b>	<b>(31)</b>	<b>(1,168)</b>	<b>151</b>	<b>2,071</b>	<b>2,222</b>
<b>For period of nine months ended September 30, 2022 (unaudited)</b>								
Balance as of January 1, 2022	12	1,495	(16)	(29)	(1,446)	16	1,454	1,470
Net profit for the period	-	-	-	-	157	157	652	809
Other comprehensive profit for the period, net of tax	-	-	-	-	13	13	39	52
<b>Total comprehensive profit for the period</b>	-	-	-	-	170	170	691	861
<b>Transactions imputed directly to equity</b>								
Dividend distribution for non-controlling interests	-	-	-	-	-	-	(392)	(392)
Buyback of shares	-	-	(96)	-	-	(96)	-	(96)
Share-based compensation	-	-	-	-	-	-	7	7
Joining businesses	-	-	-	-	-	-	1	1
<b>Balance as of September 30, 2022</b>	<b>12</b>	<b>1,495</b>	<b>(112)</b>	<b>(29)</b>	<b>(1,276)</b>	<b>90</b>	<b>1,761</b>	<b>1,851</b>

Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)

Condensed consolidated interim statements of changes in equity (Cont.)

	Shareholder s' equity	Premium on shares	Treasury shares	Other funds	Loss balance	Equity attributable to shareholders of the company	Non- controlling interests	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions

For period of three months ended September 30, 2023 (unaudited)

Balance as of July 1, 2023	12	1,495	(137)	(31)	(1,223)	116	2,138	2,254
Profit for the period	-	-	-	-	55	55	216	271
Other comprehensive profit for the period, net of tax	-	-	-	-	-	-	-	-
<b>Total comprehensive profit for the period</b>	-	-	-	-	55	55	216	271
Dividend distributed to non-controlling interests								
Buyback of shares	-	-	-	-	-	-	(285)	(285)
Transactions imputed directly to equity	-	-	(20)	-	-	(20)	-	(20)
Share-based compensation	-	-	-	-	-	-	2	2
<b>Balance as of September 30, 2023</b>	<b>12</b>	<b>1,495</b>	<b>(157)</b>	<b>(31)</b>	<b>(1,168)</b>	<b>151</b>	<b>2,071</b>	<b>2,222</b>

For period of three months ended September 30, 2022 (unaudited)

Balance as of July 1, 2022	12	1,495	(87)	(29)	(1,335)	56	1,740	1,796
Profit for the period	-	-	-	-	55	55	221	276
Other comprehensive profit for the period, net of tax	-	-	-	-	4	4	12	16
<b>Total comprehensive profit for the period</b>	-	-	-	-	59	59	234	292
Transactions imputed directly to equity								
Dividend distributed to non-controlling interests	-	-	-	-	-	-	(216)	(216)
Buyback of shares	-	-	(25)	-	-	(25)	-	(25)
Share-based compensation	-	-	-	-	-	-	3	3
Joining businesses	-	-	-	-	-	-	1	1
<b>Balance as of September 30, 2022</b>	<b>12</b>	<b>1,495</b>	<b>(112)</b>	<b>(29)</b>	<b>(1,276)</b>	<b>90</b>	<b>1,761</b>	<b>1,851</b>

**Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)**

**Condensed consolidated interim statements of changes in equity (Cont.)**

	Shareholders' equity	Premium on shares	Treasury shares	Other funds	Deficit balance	Total attributable to shareholders of the company	Non-controlling interests	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<b>For year ended December 31, 2022 (audited)</b>								
<b>Balance as of January 1, 2022</b>	12	1,495	(16)	(29)	(1,446)	16	1,454	1,470
Profit for the year 2022	-	-	-	-	158	158	733	891
Other comprehensive profit (loss) for the period, net of tax	-	-	-	(2)	15	13	37	50
<b>Total comprehensive profit (loss) for the period</b>	-	-	-	(2)	173	171	770	941
<b>Transactions imputed directly to equity</b>								
Share-based compensation	-	-	-	1	-	1	11	12
Joining of businesses	-	-	-	-	-	-	1	1
Dividend distribution for non-controlling interests	-	-	-	-	-	-	(392)	(392)
Transactions with non-controlling interests	-	-	-	-	(13)	(13)	(2)	(15)
Buyback of shares	-	-	(121)	-	-	(121)	-	(121)
<b>Balance as of December 31, 2022</b>	12	1,495	(137)	(30)	(1,286)	54	1,842	1,896

The notes attached to the condensed consolidated interim statements form an integral part thereof.



**Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)**

**Condensed consolidated interim cash flow statements**

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<b>Cash flows from operating activities</b>					
Profit for the period	843	809	271	276	891
Adjustments:					
Depreciation, amortization and impairment	1,396	1,374	470	468	1,868
Financing expenses, net	282	347	81	112	445
Capital loss (gain), net	1	(1)	3	(4)	(8)
Share-based compensation	9	7	2	3	12
Income tax expenses	266	273	74	91	336
Change in trade and other receivables	(148)	354	(30)	10	342
Change in inventory	(23)	(37)	22	(8)	(21)
Change in trade and other payables	114	(117)	70	(98)	(54)
Change in provisions	17	30	(5)	2	24
Change in employee benefits	(38)	(230)	49	(118)	(91)
Change in other liabilities	2	(2)	(1)	6	18
Income Tax paid, net	(182)	(202)	(89)	(100)	(271)
<b>Net cash derived from operating activities</b>	<b>2,539</b>	<b>2,605</b>	<b>917</b>	<b>640</b>	<b>3,491</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(988)	(1,020)	(313)	(347)	(1,353)
Investment in intangible assets and deferred expenses	(275)	(264)	(93)	(80)	(346)
Payment for frequencies to the Ministry of Communications	-	(88)	-	(88)	(88)
Government grant received for frequencies	-	-	-	-	74
Investment activity, net	(565)	(386)	(4)	(102)	223
Proceeds from the sale of property, plant and equipment	36	31	1	10	40
Classification from restricted cash	-	-	500	-	-
Interest received from bank deposits	45	11	17	3	23
Miscellaneous	10	1	4	2	7
<b>Net cash derived from (used for) investing activities</b>	<b>(1,737)</b>	<b>(1,715)</b>	<b>112</b>	<b>(602)</b>	<b>(1,420)</b>

The notes attached to the condensed consolidated interim statements form an integral part thereof.

**Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)**

**Condensed consolidated interim cash flow statements (Cont.)**

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<b>Cash flows for financing activities</b>					
Issuance of debentures and receipt of loans	915	300	-	-	400
Repayment of debentures and loans	(559)	(535)	(501)	(6)	(1,416)
Leasing principal and interest payments	(331)	(309)	(108)	(106)	(420)
Interest paid	(173)	(160)	(20)	(9)	(307)
Dividend distributed to non-controlling interests	(180)	(176)	-	-	(392)
Purchase of non-controlling interest rights	(37)	-	(10)	-	(15)
Buyback of shares	(12)	(71)	(12)	(4)	(121)
Costs in respect of early repayment of loans and debentures	-	(26)	-	-	(26)
Payment for expired hedging transactions	-	-	-	-	(18)
<b>Net cash used for financing activities</b>	<b>(377)</b>	<b>(977)</b>	<b>(651)</b>	<b>(125)</b>	<b>(2,315)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>425</b>	<b>(87)</b>	<b>378</b>	<b>(87)</b>	<b>(244)</b>
Cash and cash equivalents for the beginning of the period	754	998	801	998	998
<b>Cash and cash equivalents at the end of the period</b>	<b>1,179</b>	<b>911</b>	<b>1,179</b>	<b>911</b>	<b>754</b>

The notes attached to the condensed consolidated interim statements form an integral part thereof.

## 1. General

### 1.1. The reporting entity

- 1.1.1. B Communications Ltd. (hereinafter - the "Company") is a company incorporated in Israel and its address is 144 Menachem Begin Rd., Tel Aviv. The Company is a public company traded on the Tel Aviv Stock Exchange. The Company began operations in 1999 and owns Control of Bezeq, the largest and leading communications group in Israel.

The condensed consolidated financial statements of the Company as of September 30, 2023 include those of the Company and its subsidiaries (hereinafter collectively - "the Group"). (See also Note 13 - Segmental Reporting).

### 1.2. Investigations by the Israel Securities Authority and the Israel Police

Regarding investigations by the Israel Securities Authority and the Israel Police regarding suspicions of offenses committed under the Securities Law and the Penal Law concerning, *inter alia*, transactions related to the former controlling shareholder in the Company and Bezeq and the Tel Aviv District Attorney's Office (Taxation and Economy) regarding Bezeq's prosecution and its summons to a hearing, see Note 1.3 to the annual statements.

On July 13, 2023, the judgment of the Supreme Court was issued, which accepted the State's appeal on the cancellation of some of the charges in the letter of indictment filed against former Bezeq Group officers (in relation to the payment of the consideration paid by Bezeq for the purchase of the shares of the subsidiary Yes Television and Communication Services Ltd., and in relation to the conduct of independent committees established for the purpose of examining transactions involving related parties). The State's appeal was accepted for all respondents (except for Eurocom Holdings (1979) Ltd.), and the case was returned to the District Court for further evidentiary investigation.

As stated in Note 1.3.3 to the annual statements, Bezeq does not yet have complete information regarding the investigations, plans, materials and evidence in the possession of the relevant law authorities. Accordingly, Bezeq is still unable to assess the effects of the investigations, their findings and results on the Company, as well as the financial statements and estimates used in the preparation of these statements, if any.

No effect is expected on the Company's ability to meet its debt service.

## 2. Basis of preparation of the statements

- 2.1. The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, which deals with interim financial reporting and in accordance with the provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.
- 2.2. The condensed consolidated interim financial statements do not include all the information required in full annual financial statements and these reports should be read in the context of the annual financial statements of the Company and its subsidiaries as of December 31, 2022 and the year ended on the same date and accompanying notes (hereinafter - the annual financial statements). The Group presents in the notes to the condensed consolidated interim financial statements only the material changes that occurred from the date of the last annual financial statements to the date of these interim financial statements.

2.3. This concise consolidated interim financial statements was approved by the Company's Board of Directors on November 14, 2023.

**2.4. Use of estimates and discretion**

When preparing the condensed consolidated interim financial statements in accordance with international accounting standards (IFRS), Management is required to exercise discretion and be assisted by estimates, estimates and assumptions that affect the implementation of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from estimates.

Management's judgment, when applying the Group's accounting policies and the key assumptions used in the estimates involving uncertainty, are consistent with those used in preparing the annual financial statements.

**3. Reporting rules and accounting policies**

The Group's accounting policies, summarized in these consolidated interim financial statements, are the policies applied in the annual financial statements.

**4. Group entities**

A detailed description of the Group's entities appears in Note 12 to the annual statements. The following is a breakdown of the material changes that have taken place in connection with the Group's entities since the publication of the annual statements.

**4.1. Yes Television Services Ltd. (Yes)**

4.1.1. As of September 30, 2023, Yes has a positive equity in the amount of NIS 45 million, as well as a working equity deficit in the amount of NIS 147 million. According to Yes' forecasts, it expects to accumulate operating losses in the coming years, and therefore will not be able to meet its obligations and continue to operate as a live going concern without Bezeq's support.

4.1.2. On November 13, 2023, Bezeq's Board of Directors approved a credit or investment framework in Yes' equity in the amount of NIS 40 million, for a period of 15 months, from October 1, 2023 until December 31, 2024, instead of a similar commitment from August 2023. It should be noted that so far, during 2023, Yes did not utilize the credit facilities provided by Bezeq in any way.

In the opinion of Yes' Management, the sources of funding available to it, which include, *inter alia*, the continuation of the current policy of deficit in working equity and the credit and investment framework in Bezeq's equity, will satisfy the needs of Yes' operations for the coming year.

4.1.3. See Note 5.1 below regarding impairment of assets recognized by Yes in the financial statements as of September 30, 2023.

**4.2. Bezeq International Ltd.**

See Note 5.2 below regarding impairment of assets recognized by Bezeq International in the statements as of September 30, 2023.

#### **4.3. Dividends distribution by Bezeq**

- 4.3.1. See Note 12.6 to the annual financial statements regarding Bezeq's dividend distribution policy, which was approved by Bezeq's Board of Directors on March 13, 2023.
- 4.3.2. On April 20, 2023, the General Assembly of Bezeq's shareholders (following the recommendation of Bezeq's Board of Directors of March 13, 2023) approved the distribution of a cash dividend to Bezeq's shareholders in a total amount of NIS 246 million (which, as of the day determining the distribution, is NIS 0.088922 per share). The dividend was paid on May 11, 2023. The Company's share of the aforementioned dividend is approximately NIS 66 million.
- 4.3.3. On September 14, 2023, the general meeting of Bezeq's shareholders approved (following the recommendation of the Bezeq Board of Directors dated August 8, 2023) the distribution of a cash dividend to Bezeq's shareholders in the total amount of NIS 392 million (which, as of the day determining the distribution, is NIS 0.1416805 per share). The dividend was paid after the date of the report on October 11, 2023. The Company's share of the aforementioned dividend is approximately NIS 107 million.

#### **4.4. Investment in Bezeq**

During the second quarter of 2023, the Company purchased 7,807,995 ordinary shares of the subsidiary Bezeq for a total amount of approximately NIS 37 million. After the aforementioned purchases and as of the date of the statements, the Company holds 27.08% of the issued share capital and voting rights in Bezeq.

### **5. Impairment**

#### **5.1. Impairment in the multi-channel television segment (Yes)**

Further to Note 10.5 to the annual financial statements regarding impairment recognized in 2022, the valuation as of December 31, 2022 presented a value in use substantially lower than the book value of Yes.

In accordance with the examination conducted by an external valuator as of September 30, 2023 and in accordance with the assessment of Yes' Management, it was found that during the nine months that have elapsed since the date of the previous valuation, there have been no changes that may indicate a material change requiring the update of Yes' forecasts in relation to the forecast used for preparing the valuation as of December 31, 2022.

In parallel, in light of timing differences in relation to the forecast that was used for the purpose of evaluating the value as of December 31, 2022, an adjustment was made in the calculation of the value-in-use as of September 30, 2023. The main adjustment in the valuations for Q1 and Q2 of 2023 was due to payable balances as of the date of the valuations, which originate from the timing of payments to content and equipment suppliers that were paid during Q3/2023

The current value of the activity as of September 30, 2023, taking into account the adjustment made, is negative and amounts to a total of NIS 131 million.

The net fair value of Yes assets as of September 30, 2023 is a negative amount of approximately NIS 51 million.

## Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)

Therefore, in light of the negative enterprise value, Yes amortized its assets as of September 30, 2023 to the net fair value amount of these assets, the negative amount of NIS 51 million.

Based on the fair value assessment of Yes' assets, which was performed by an external valuator as of September 30, 2023, the book value of the depreciable assets is about NIS 37 million higher than the fair value, net. Therefore, the Group recognized, in the period of nine and three months ended September 30, 2023, an impairment loss of approximately NIS 164 million and NIS 37 million, respectively.

The following are details regarding the value of Yes' activity and the fair value of the assets and liabilities, net, as determined by an external valuator and recognized impairment losses:

	Yes' enterprise value (according to the DCF method)	Fair value of Yes' assets and liabilities, net	Book value of Yes' assets and liabilities, net before recognition of impairment	Impairment loss
	NIS millions	NIS millions	NIS millions	NIS millions
As of September 30, 2023 and for a period of three months that ended on that date (unaudited)	(131)	(51)	(14)	(37)
As of June 30, 2023 and for the period of three months that ended on that date (unaudited)	(129)	(85)	(27)	(58)
As of March 31, 2023 and for the period of three months that ended on that date (unaudited)	(159)	(145)	(76)	(69)
Total impairment recognized in period of nine months that ended September 30, 2023				<b>164</b>
As of December 31, 2022 and for the year that ended on that date (audited)	(103)	(88)		(275)

### 5.1. Impairment in the multi-channel television segment (Yes) (Cont.)

The following is a breakdown of the allocation of loss from the impairment of the Group's assets:

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Broadcasting rights *	79	111	16	32	149
Property, plant and equipment **	56	56	14	18	76
Intangible assets **	30	29	10	8	45
Other payables (advance expenses) *	-	7	(2)	3	3
Rights to use leased assets**	(1)	2	(1)	-	2
<b>Total impairment recognized</b>	<b>164</b>	<b>205</b>	<b>37</b>	<b>61</b>	<b>275</b>

\* The expense was presented as part of operating and general expenses

\*\* The expense was presented as amortization, amortization and impairment expenses

For information regarding the manner in which Yes determined the fair value (at level 3) of the assets minus exercise costs, see Note 10.5 to the annual financial statements.

**5.2. Impairment in the Internet, international communications and network endpoint, and ICT services segment (Bezeq International)**

Further to Note 10.6 to the annual statements regarding impairment in the cash-generating unit Bezeq International in 2022, the valuation as of December 31, 2022 presented a materially lower value than Bezeq International's book value.

In accordance with the examination conducted by an external valuator as of September 30, 2023 and in accordance with the assessment of Bezeq International's Management, it was found that during the nine months that have passed since the date of the previous valuation, there have been no changes that may indicate a substantial change that requires an update of International's forecasts in relation to the forecast used to prepare the valuation for December 31, 2022.

At the same time, in light of the discount rate update, the current activity value as of September 30, 2023 is negative and amounted to a total of NIS 162 million.

Therefore, in light of the negative value of the activity as determined in the valuation as of September 30, 2023, Bezeq International reduced its assets up to the amount of the net fair value of these assets. in a negative amount of about NIS 4 million.

Based on the fair value assessment of Bezeq International's assets, which was performed by an external valuator as of September 30, 2023, the book value of the depreciable assets is approximately NIS 15 million higher than the fair value, net. Therefore, the Group recognized, in the period of nine and three months which ended on September 30, 2023, an impairment loss in the amount of about NIS 57 million and about NIS 21 million, respectively.

**5.2. Impairment in the Internet, international communications and network endpoint, and ICT services segment (Bezeq International) (Cont.)**

The following are details regarding Bezeq International's enterprise value and the fair value of its assets and liabilities, net, as determined by an external valuator and recognized impairment losses:

	DBS' enterprise value (according to the DCF method)	Fair value of DBS' assets and liabilities, net	Book value of DBS' assets and liabilities, net before recognition of impairment	Impairment loss
	NIS millions	NIS millions	NIS millions	NIS millions
As of September 30, 2023 and for a period of three months that ended on that date (unaudited)	(162)	(4)	11	(15)
As of June 30, 2023 and for the period of three months that ended on that date (unaudited)	(162)	(27)	(6)	(21)
As of March 31, 2023 and for the period of three months that ended on that date (unaudited)	(162)	(5)	16	(21)
Total impairment recognized in period of nine months that ended September 30, 2023				(57)
As of December 31, 2022 and for the year that ended on that date (audited)	(166)	(22)		(104)

The following is a breakdown of the allocation of loss from the impairment the Group's assets:

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Property, plant and equipment and intangible assets **	37	55	9	17	71
Short-term and long-term advance expenses *	12	17	3	5	21
Long-term advance payments for capacities **	8	8	3	3	12
<b>Total impairment recognized</b>	<b>57</b>	<b>80</b>	<b>15</b>	<b>25</b>	<b>104</b>

\* The expense was presented as part of operating and general expenses

\*\* The expense was presented as amortization, amortization and impairment expenses

For information regarding the manner in which Bezeq International determined the fair value (at level 3) of the assets minus exercise costs, see Note 10.6 to the annual statements.



## 6. Contingent liabilities

- 6.1. During the day-to-day business, legal claims have been filed against Group companies or various legal proceedings are pending against it (hereinafter in this section: "legal claims").

In the opinion of the managements of the Group companies, which is based, among other things, on legal opinions regarding the chances of the legal claims, the statements included adequate provisions in the amount of NIS 104 million, where provisions were required to cover the exposure as a result of such legal claims.

In the opinion of the managements of the Group companies, the amount of additional exposure (beyond said provisions), as of September 30, 2023, due to legal claims filed against the Group companies on various issues and whose probability of realization is unexpected, amounted to a total of NIS 1.8 billion. Additional exposure in the amount of approximately NIS 2.6 billion in respect of claims the chances of which is not yet possible to assess at this stage. In addition, motions were filed against the Group companies to recognize the claims as class actions that did not specify an exact amount of the claim, for which the Group has additional exposure beyond the aforementioned. The amounts of exposure in this Note are nominal.

- 6.2. The following is a description of the contingent liabilities and balance of provisions for claims of the Group that were in effect as of September 30, 2023, classified in accordance with groups with similar characteristics:

Claims group	Claims essence	Provision balance	Additional exposure amount	Exposure amount in respect of claims whose chances cannot yet be assessed
		NIS millions		
Customer claims	Mainly motions for approval of class actions (and claims by virtue thereof) that concern allegations of illegal collection of funds and damage to the provision of services provided by the Group companies.	84	1,705	795
Claims by enterprises and companies	Legal claims in which the liability of the Group companies is claimed in connection with their operations and / or investments.	20	68	1,808 <sup>(2)(1)</sup>
Claims of employees and former employees of the Group companies	Mainly individual claims filed by employees and former employees of the Group concerning various payments.	-	1	-
Miscellaneous	Other legal claims, including tort claims (except for claims in which there is no dispute about the existence of insurance coverage), real estate, infrastructure, suppliers, etc.	-	27	3
<b>Total legal claims against Bezeq and the subsidiaries<sup>(3)</sup></b>		<b>104</b>	<b>1,801</b>	<b>2,606</b>

- (1) The total includes two motions for approval of a class action in the total amount of NIS 1.8 billion filed in June 2017 against the Company, Bezeq, officers in the Bezeq Group and companies from the then controlling group of the Company regarding the purchase of Yes shares By Bezeq from Eurocom DBS Ltd. In accordance with a court decision, a consolidated motion is expected to replace these two motions. The proceedings are delayed in light of the criminal proceedings that are being conducted following the investigation of the Securities Authority (as described in Note 1.2) and at the request of the Attorney General at this stage, until July 20, 2024.

## **6. Contingent liabilities (Cont.)**

- (2) On May 23, 2023, the Company signed a settlement agreement in the amount of approximately USD 5.5 million in respect of two motions for the approval of class action lawsuits filed in June 2017, inter alia, against the company, Bezeq, officers in Bezeq Group as well as companies from the then controlling group of the Company and Bezeq regarding the transaction to purchase Yes shares by Bezeq from Eurocom DBS Ltd. The settlement amount does not include offsetting the insurance company's participation by virtue of the officers' insurance.

At this stage, the settlement agreement has been submitted for approval by the District Court in Tel Aviv (Economic Department) and it is uncertain that it will be approved. On November 10, 2023, the parties to the settlement agreement filed a motion with the court for approval or, alternatively, for scheduling a hearing - a decision has not yet been made. To the extent that the settlement agreement is approved, this will end the involvement of the Company and Shaul Elovitch (in his capacity as the Company's former controlling shareholder and Chairman of the Board of Directors only) and Or Elovitch (in his capacity as a former director in the Company only) in the motions for approval.

The provision in the Company's books for the aforementioned settlement minus the expected receipt from the insurance company in the amount of approx. NIS 19 million was imputed to other expenses in the income statement.

- (3) On October 17, 2023, a judgment was issued dismissing the administrative appeal filed by Bezeq on the decision of the Appeals Committee. The Appeals Committee transferred the procedure to a decisive appraiser to determine the amount of the improvement levy, and there is an obligation on the part of ILA to indemnify Bezeq in the full amount of the levy. Accordingly, Bezeq recorded in the financial statements of the current quarter a liability of NIS 45 million for the additional estimated payment for the improvement levy, and at the same time the recognition of an indemnifying asset in the same amount. See also Note 6.6 in the annual statements.

- 6.3. After the date of the financial statements, a motion against Bezeq for the approval of a class action without a monetary estimate was received. As of the date of approval of the financial statements, it is not yet possible to estimate the chances of the aforementioned claim.

## **7. Equity**

	As of September 30, 2023	As of September 30, 2022	As of December 31, 2022
	Shares	Shares	Shares
	(Unaudited)	(Unaudited)	(Audited)
Registered shareholders' capital	300,000,000	300,000,000	300,000,000
Issued and paid up shareholders' capital	116,335,793	116,335,793	116,335,793
Treasury shares	(10,455,208)	(7,782,373)	(9,080,317)
Issued and paid up share capital, net	105,880,585	108,553,420	107,255,476

- 7.1. In accordance with the Company's buyback plan which was approved by the Company's Board of Directors on August 8, 2023, the Company purchased during Q3/2023, 1,374,891 of the Company's shares for a total amount of approximately NIS 20 million (of this amount, approximately NIS 8 million were paid after the balance sheet date).

After the date of the financial statements, and until November 1, 2023, the date on which the buyback plan of the Company's shares came to an end, the Company purchased 218,322 of its own shares for approximately NIS 3 million.

- 7.2. As of the date of approval of the financial statements, Searchlight and the Forer family hold approximately 66.24% and 12.54%, respectively, of the Company's net issued and paid-up share capital.

**8. Revenues**

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<b>Interior landline communication - Bezeq Fixed Lines</b>					
Internet	1,420	1,283	480	437	1,729
Landline telephony	721	669	244	224	897
Transmission and data communication	492	583	144	183	762
Cloud and digital services	263	247	87	83	331
Other services	232	213	68	76	261
	<b>3,128</b>	<b>2,995</b>	<b>1,023</b>	<b>1,003</b>	<b>3,980</b>
<b>Mobile radio telephone - Pelephone</b>					
Cellular services and end equipment	1,323	1,322	443	457	1,755
Sale of end equipment	432	454	133	142	604
	<b>1,755</b>	<b>1,776</b>	<b>576</b>	<b>599</b>	<b>2,359</b>
<b>Multi-channel TV - Yes</b>	<b>992</b>	<b>947</b>	<b>327</b>	<b>315</b>	<b>1,277</b>
<b>Internet (ISP), international communications, network endpoint services and ICT services segment – Bezeq International</b>	<b>856</b>	<b>879</b>	<b>288</b>	<b>297</b>	<b>1,183</b>
<b>Other</b>	<b>141</b>	<b>145</b>	<b>51</b>	<b>48</b>	<b>187</b>
<b>Total revenues</b>	<b>6,872</b>	<b>6,742</b>	<b>2,265</b>	<b>2,262</b>	<b>8,986</b>

**9. Operating and general expenses**

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaud)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS	NIS millions	NIS millions	NIS millions	NIS millions
End equipment and materials	604	576	202	182	743
Connectivity and payments to communications operators in Israel and abroad	580	554	181	192	782
Content costs (including depreciation of content)	401	418	123	138	567
Marketing and general	330	395	94	132	539
Services and maintenance by subcontractors	384	339	127	119	454
Maintenance of buildings and sites	198	184	71	69	247
Vehicle maintenance	50	48	18	17	64
<b>Total operating and general expenses</b>	<b>2,547</b>	<b>2,514</b>	<b>816</b>	<b>849</b>	<b>3,396</b>

## 10. Other operating expenses, net

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Capital gain (loss) (mainly from exercise of real estate)	1	(1)	3	(4)	(8)
Provision for claims, net	39	52	2	7	55
Addition to Bezeq wage agreement	75	-	75	-	-
Expenses in respect of the termination of an employer-employee relationship in early retirement in Bezeq	-	11	(4)	7	78
Expenses in respect of the termination of an employer-employee relationship in early retirement and a streamlining agreement in Pelephone, Bezeq International and Yes	6	2	2	2	102
Other income	(9)	(5)	(1)	(2)	(7)
Other operating expenses, net	112	59	77	10	220

## 11. Financing expenses, net

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Interest expenses in respect of financial liabilities	261	230	85	77	309
Financing expenses for liabilities in respect of leases	45	32	17	12	43
Linkage differences and exchange rate	72	112	20	33	125
Financing expenses in respect of employee benefits	12	-	4	-	-
Other financing expenses	10	9	3	1	19
Costs due to early repayment of loans and debentures	-	26	-	-	26
Change in the fair value of financial assets measured at fair value through statement of income	-	8	-	-	8
<b>Total financing expenses</b>	<b>400</b>	<b>417</b>	<b>129</b>	<b>123</b>	<b>530</b>
Financing income in respect of employee benefits	-	41	-	11	40
Income from credit grossing in sales	17	17	6	5	20
Change in the fair value of financial assets measured at fair value through statement of income	39	26	19	2	23
Other financing income	81	27	27	8	49
Income from exchange of debentures	-	6	-	-	-
<b>Total financing income</b>	<b>137</b>	<b>117</b>	<b>52</b>	<b>26</b>	<b>132</b>
<b>Financing expenses, net</b>	<b>263</b>	<b>300</b>	<b>77</b>	<b>97</b>	<b>398</b>

## 12. Financial instruments

### 12.1. Investments composition

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Shekel deposits in banks *	791	1,446	787
Foreign currency deposits in banks	-	12	12
Investments in financial funds and marketable assets measured at fair value	749	108	159
Derivative instruments	32	20	15
<b>Total</b>	<b>1,572</b>	<b>1,586</b>	<b>973</b>

\* Deposits in NIS in banks due before January 2025.

### 12.2. Fair value

#### Financial instruments measured at fair value for disclosure purposes only

The table below lists the differences between the book value and the fair value of financial liabilities. The methods by which the fair value of financial instruments is determined are explained in Note 30.8 to the annual statements.

	As of September 30, 2023		As of September 30, 2022		As of December 31, 2022	
	Book value (including accrued interest)	Fair value	Book value (including accrued interest)	Fair value	Book value (including accrued interest)	Fair value
	(Unaudited)		(Unaudited)		(Audited)	
	NIS millions		NIS millions		NIS millions	
Loans from banks and institutional entities (non-linked)	1,473	1,390	1,557	1,495	1,530	1,462
Debentures issued to the public (index-linked)	2,738	2,652	3,051	3,050	2,402	2,373
Debentures issued to the public (non-linked)	4,818	4,624	4,790	4,625	4,569	4,386
<b>Total</b>	<b>9,029</b>	<b>8,666</b>	<b>9,398</b>	<b>9,170</b>	<b>8,501</b>	<b>8,221</b>

### 12.3. Fair value hierarchy

The table below presents an analysis of the financial instruments measured at fair value, detailing the valuation method. The methods by which the fair value is determined are in Note 30.7 to the annual statements.

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Level 1 - Investment in financial funds and marketable securities measured at fair value through income	749	108	159
Level 2 – Forward contracts	67	32	42

### 13. Segment reporting

For period of Nine months ended September 30, 2023 (unaudited)							
	Interior landline communication	Cellular communication *	Internet, international communications, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustments	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenue	3,128	1,755	856	992	141	-	6,872
Inter-segmental revenues	197	31	52	1	2	(283)	-
Total revenues	3,325	1,786	908	993	143	(283)	6,872
Depreciation, amortization and impairment	759	411	92	181	3	(49)	1,397
Segment results - operating profit (loss)	1,131	159	50	2	(2)	32	1,372
Financing expenses	301	25	15	6	-	53	400
Financing income	(95)	(41)	(8)	(21)	-	28	(137)
Total financing expenses (income), net	206	(16)	7	(15)	-	81	263
Segment profit after financing expenses, net	925	175	43	17	(2)	(49)	1,109
Income taxes	223	42	-	1	-	-	266
Segment results - net profit (loss)	702	133	43	16	(2)	(49)	843
For period of nine months ended September 30, 2022 (unaudited)							
	Interior landline communication	Cellular communication *	Internet, international communications, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustments	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	2,995	1,776	879	947	145	-	6,742
Inter-segmental revenues	254	31	41	-	3	(329)	-
Total revenues	3,249	1,807	920	947	148	(329)	6,742
Depreciation, amortization and impairment	739	397	99	203	2	(66)	1,374
Segment results - operating profit (loss)	1,167	176	30	(36)	8	37	1,382
Financing expenses	331	27	7	6	1	45	417
Financing income	(82)	(50)	(3)	(12)	-	30	(117)
Total financing expenses (income), net	249	(23)	4	(6)	1	75	300
Segment profit (loss) after financing expenses, net	918	199	26	(30)	7	(38)	1,082
Income taxes	222	47	-	2	2	-	273
Segment results - net profit (loss)	696	152	26	(32)	5	(38)	809

\* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized starting from 2018. This is in accordance with the way the Group's chief operating decision maker evaluates the segment's performance and makes decisions regarding the allocation of resources to the segment. In addition, see Note 14.4 to the condensed selected data from the financial statements of Yes.

**Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)**

For period of three months ended September 30, 2023 (unaudited)							
	Interior landline communication	Cellular communication *	Internet, international communications, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustments	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	1,022	576	288	328	51	-	2,265
Inter-segmental revenues	62	9	15	-	1	(87)	-
Total revenues	1,084	585	303	328	52	(87)	2,265
Depreciation and amortization	258	143	29	62	1	(22)	471
Segment results - operating profit (loss)	310	59	20	(6)	2	37	422
Financing expenses	96	8	7	1	-	17	129
Financing income	(37)	(12)	(4)	(7)	-	8	(52)
Total financing expenses (income), net	59	(4)	3	(6)	-	25	77
Segment profit (loss) before income taxes	251	63	17	-	2	12	345
Income taxes	59	15	-	1	(1)	-	74
Segment results - net profit (loss)	192	48	17	(1)	3	12	271
For period of three months ended September 30, 2022 (unaudited)							
	Interior landline communication	Cellular communication *	Internet, international communications, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustments	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	1,003	599	297	315	48	-	2,262
Inter-segmental revenues	83	9	14	-	-	(106)	-
Total revenues	1,086	608	311	315	48	(106)	2,262
Depreciation and amortization	252	139	32	69	-	(24)	468
Segment results - operating profit (loss)	388	60	17	(22)	1	20	464
Financing expenses	100	11	2	1	1	8	123
Financing income	(21)	(18)	(1)	(2)	-	16	(26)
Total financing expenses (income), net	79	(7)	1	(1)	1	24	97
Segment profit (loss) after financing expenses, net	309	67	16	(21)	-	(4)	367
Income taxes	74	17	-	1	(1)	-	91
Segment results - net profit (loss)	235	50	16	(22)	1	(4)	276

\* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized starting from Q4/2018. This is in accordance with the way the Group's chief operating decision maker evaluates the segment's performance and makes decisions regarding the allocation of resources to the segment. In addition, see Note 14.4 to the condensed selected data from the financial statements of Yes.

**Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)**

For year ended December 31, 2022 (audited)							
	Interior landline communication	Cellular communication *	Internet, international communications network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustments	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	3,980	2,359	1,183	1,277	187	-	8,986
Inter-segmental revenues	326	40	56	-	6	(428)	-
Total revenues	4,306	2,399	1,239	1,277	193	(428)	8,986
Depreciation, amortization and impairment	1,005	532	134	274	4	(81)	1,868
Segment results - operating profit (loss)	1,460	193	(30)	(48)	6	44	1,625
Financing expenses	424	42	9	8	-	47	530
Financing income	(92)	(68)	(8)	(14)	-	50	(132)
Total financing expenses (income), net	332	(26)	1	(6)	-	97	398
Segment profit (loss) after financing expenses, net	1,128	219	(31)	(42)	6	(53)	1,227
Income taxes	279	54	1	1	1	-	336
Segment results - net profit (loss)	849	165	(32)	(43)	5	(53)	891

\* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized starting from 2018. This is in accordance with the way the Group's chief operating decision maker evaluates the segment's performance and makes decisions regarding the allocation of resources to the segment. In addition, see Note 14.4 to the condensed selected data from the financial statements of Yes.



## 14. Condensed financial statements of Bezeq, Pelephone, Bezeq International and Yes

### 14.1. Bezeq the Israel Telecommunications Corporation Ltd.

Data from the statement of financial position:

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	3,059	2,984	2,086
Non-current assets	9,401	10,363	10,002
<b>Total assets</b>	<b>12,460</b>	<b>13,347</b>	<b>12,088</b>
Current liabilities	2,781	2,443	2,148
Long-term liabilities	7,738	9,392	8,317
<b>Total liabilities</b>	<b>10,519</b>	<b>11,835</b>	<b>10,465</b>
Equity	1,941	1,512	1,623
<b>Total liabilities and equity</b>	<b>12,460</b>	<b>13,347</b>	<b>12,088</b>

Data from the statement of income:

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<b>Revenues</b>	<b>3,325</b>	3,249	<b>1,084</b>	1,086	4,306
<b>Operating expenses</b>					
Salary	766	733	250	242	970
Depreciation, amortization and impairment	759	739	258	252	1,005
Operating and general expenses	581	556	189	199	759
Other expenses, net	88	54	77	5	112
<b>Total operating expenses</b>	<b>2,194</b>	2,082	<b>774</b>	698	2,846
<b>Operating profit</b>	<b>1,131</b>	1,167	<b>310</b>	388	1,460
<b>Financing expenses (income)</b>					
Financing expenses	301	331	96	100	424
Financing income	(95)	(82)	(37)	(21)	(92)
Financing expenses, net	206	249	59	79	332
<b>Profit after financing expenses, net</b>	<b>925</b>	918	<b>251</b>	309	1,128
Share in the profits of equity- accounted investee, net	249	195	105	67	151
<b>Profit before income taxes</b>	<b>1,174</b>	1,113	<b>356</b>	376	1,279
Income taxes	223	222	59	74	279
<b>Profit for the period</b>	<b>951</b>	891	<b>297</b>	302	1,000

## Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)

### 14.2. Pelephone Communications Ltd.

Data from the statement of financial position:

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	895	859	865
Non-current assets	2,225	3,588	3,215
<b>Total assets</b>	<b>3,120</b>	<b>4,447</b>	<b>4,080</b>
Current liabilities	704	721	684
Long-term liabilities	813	870	879
<b>Total liabilities</b>	<b>1,517</b>	<b>1,591</b>	<b>1,563</b>
Equity	1,603	2,856	2,517
<b>Total liabilities and equity</b>	<b>3,120</b>	<b>4,447</b>	<b>4,080</b>

Data from the statement of income:

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues from services	1,347	1,350	450	467	1,791
Revenues from end equipment sales	439	457	135	141	608
<b>Total revenues</b>	<b>1,786</b>	<b>1,807</b>	<b>585</b>	<b>608</b>	<b>2,399</b>
<b>Operating expenses</b>					
Operating and general expenses	971	995	301	327	1,327
Salary	246	237	82	78	314
Depreciation, amortization and impairment	411	397	143	139	532
<b>Total operating expenses</b>	<b>1,628</b>	<b>1,629</b>	<b>526</b>	<b>544</b>	<b>2,173</b>
Other operating expenses (income), net	(1)	2	-	4	33
<b>Operating profit</b>	<b>159</b>	<b>176</b>	<b>59</b>	<b>60</b>	<b>193</b>
<b>Financing expenses (income)</b>					
Financing expenses	25	27	8	11	42
Financing income	(41)	(50)	(12)	(18)	(68)
<b>Financing income, net</b>	<b>(16)</b>	<b>(23)</b>	<b>(4)</b>	<b>(7)</b>	<b>(26)</b>
<b>Profit before income taxes</b>	<b>175</b>	<b>199</b>	<b>63</b>	<b>67</b>	<b>219</b>
Income taxes	42	47	15	17	54
<b>Profit for the period</b>	<b>133</b>	<b>152</b>	<b>48</b>	<b>50</b>	<b>165</b>

## Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)

### 14.3. Bezeq International Ltd.

Data from the statement of financial position:

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	404	369	396
Non-current assets	580	380	364
Total assets	984	749	760
Current liabilities	376	365	431
Long-term liabilities	373	136	139
Total liabilities	749	501	570
Equity	235	248	190
Total liabilities and equity	984	749	760

Data from the statement of income:

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<b>Revenues</b>	<b>908</b>	920	<b>303</b>	311	1,239
<b>Operating expenses</b>					
Operating, general and impairment expenses	596	613	199	200	827
Salary	164	175	55	60	237
Depreciation, amortization and impairment	92	99	29	32	134
Other expenses, net	6	3	-	2	71
<b>Total operating expenses</b>	<b>858</b>	890	<b>283</b>	294	1,269
Other operating expenses (income), net	50	30	20	17	(30)
<b>Financing expenses (income)</b>					
Financing expenses	15	7	6	2	9
Financing income	(8)	(3)	(3)	(1)	(8)
<b>Financing expenses, net</b>	<b>7</b>	4	<b>3</b>	1	1
<b>Profit (loss) before income taxes</b>	<b>43</b>	26	<b>17</b>	16	(31)
Income taxes	-	-	-	-	1
<b>Profit (loss) for the period</b>	<b>43</b>	26	<b>17</b>	16	(32)

## Notes to Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)

### 14.4. Yes Television and Communication Services Ltd. (Yes)

Data from the statement of financial position:

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	245	181	196
Non-current assets	258	253	241
Total assets	503	434	437
Current liabilities	392	392	395
Long-term liabilities	66	76	74
Total liabilities	458	468	469
Capital (deficit in equity)	45	(34)	(32)
Total liabilities and equity (deficit in equity)	503	434	437

Data from the statement of income:

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<b>Revenues</b>	<b>993</b>	<b>947</b>	<b>328</b>	<b>315</b>	<b>1,277</b>
<b>Operating expenses</b>					
Operating and general expenses	651	645	205	216	867
Salary	137	142	41	46	199
Depreciation, amortization and impairment	146	150	48	53	200
Other expenses, net	(2)	2	(1)	-	3
<b>Total operating expenses</b>	<b>932</b>	<b>939</b>	<b>293</b>	<b>315</b>	<b>1,269</b>
<b>Operating profit</b>	<b>61</b>	<b>8</b>	<b>35</b>	<b>-</b>	<b>8</b>
<b>Financing expenses (income)</b>					
Financing expenses	6	6	1	1	8
Financing income	(21)	(12)	(7)	(2)	(14)
<b>Financing income, net</b>	<b>(15)</b>	<b>(6)</b>	<b>(6)</b>	<b>(1)</b>	<b>(6)</b>
<b>Profit before income taxes</b>	<b>76</b>	<b>14</b>	<b>41</b>	<b>1</b>	<b>14</b>
<b>Income taxes</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Profit for the period</b>	<b>75</b>	<b>12</b>	<b>40</b>	<b>-</b>	<b>13</b>

**15. Current and subsequent material events**

- 15.1. For information regarding the dividend distributed by Bezeq on October 11, 2023 and the Company's share of said dividend, see Note 4.3 in the consolidated statements.
- 15.2. During March 2023, Bezeq raised funds by way of expansion of series 13 and 14 in the amount of approximately NIS 415 million.
- 15.3. On May 9, 2023, Bezeq published a new shelf prospectus further to obtaining the permit.
- 15.4. Further to the hosting services agreement with Server Farm that Bezeq International signed in October 2021, Bezeq International received during the second quarter its share in the Bnei Zion server farm property, for which a right-of-use asset and a lease liability of NIS 197 million were recorded. For more details, see also Note 8.5 to the annual report.
- 15.5. On June 22, 2023, the Company issued to institutional entities and the public approximately NIS 538 million in series F debentures for approximately NIS 500 million net (after issuance expenses). The net proceeds of the issuance of the series F debentures were used by the Company for the full and final early repayment of the balance of series C debentures (plus accrued interest until maturity) on July 20, 2023.
- 15.6. On August 6, 2023 and on August 8, 2023, the Bezeq Board of Directors Audit Committee and the Bezeq Board of Directors (respectively) approved an amendment to the collective agreement between Bezeq and the Histadrut workers' organization ("the Amendment"). The Amendment states, among other things, that a special bonus will be paid to Bezeq employees in the amount of NIS 75 million, for past services, most of which is conditional on the dates and conditions stipulated in the agreement depending on the change in the percentage of holdings of the current control permit holders in Bezeq (or the expiration/cancellation/transfer of the control permit) ("**the Conditions**"). The amendment to the agreement was approved by the general meeting of Bezeq's shareholders on September 14, 2023. As a result of the signing and approval of the Amendment to the agreement Bezeq has registered a one-time provision in the amount of NIS 75 million for the full amount of the special grant.
- 15.7. For information regarding the Company's share buyback plan approved by the Company's Board of Directors on August 8, 2023, see Note 7.1.
- 15.8. For information regarding dividends distributed by Bezeq on May 11, 2023 and on October 11, 2023 and the Company's share of said dividends, see Note 4.3 in the consolidated statements.
- 15.9. For information regarding an additional purchase of Bezeq shares by the Company during the second quarter of 2023, see Note 4.4.



**B. Communications Ltd.  
Condensed Separate Interim  
Financial Information  
As of September 30, 2023  
(Unaudited)**

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Somekh Chaikin  
KPMG Millennium Tower  
17 HaArbaa Street P.O.B. 609  
Tel Aviv 6100601  
03 684 8000

To  
Shareholders of B Communications Ltd.

**Re: Special report of the auditors on separate interim financial information under Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970**

**Introduction**

We audited the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 of B. Communications Ltd. (hereinafter – “the Company”) as of September 30, 2023 and for the periods of nine and three months that ended on that date. The separate financial information is within the responsibility of the Company's Board of Directors and Management. It is our responsibility to provide a conclusion on the separate interim financial information for said interim periods based on our review.

**Scope of our review**

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Conducted by the Entity's Auditor". A review of separate interim financial information consists of inquiries, primarily with persons responsible for financial and accounting matters, and the application of analytical and other review procedures. A review is considerably smaller than an audit conducted in accordance with generally accepted auditing standards in Israel, and therefore does not allow us to obtain assurance that we will know all the significant matters that could have been identified in the audit. Accordingly, we do not provide an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that makes us believe that the above separate interim financial information has not been prepared, in all material respects, in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

**Emphasis paragraph (drawing attention)**

Without limiting our above conclusion, we draw attention to what is stated in Note 4 which refers to Note 1.2 in the consolidated statements, regarding the investigation by the Securities Authority and the Israel Police of a suspicion of committing offenses under the Securities Law and the Penal Code concerning, *inter alia*, transactions related to the former controlling shareholder in Bezeq and the announcement of the Tel Aviv District Attorney's Office (Taxation and Economy) regarding the consideration of Bezeq's prosecution and the holding of a hearing on suspicion of bribery and reporting with intention to mislead a reasonable investor, and regarding the filing of an indictment against the former controlling shareholder in Bezeq in various offenses, among other things, for offenses of bribery and causing misleading detail in immediate reporting and regarding the filing of an indictment against the former controlling shareholder in Bezeq and former senior executives in the Bezeq Group which attributes to the defendants offenses of obtaining by deceit and reporting offenses under the Securities Law. In addition, following the opening of the said investigation, a number of civil legal proceedings were initiated against Bezeq, former Bezeq officers and companies from Bezeq's controlling group in the past, including motions for approval of class actions. As stated in the above note, the Company is unable to assess the effects, findings, and results of the investigations on Bezeq as well as on the statements and estimates used in the preparation of these reports, if any.

In addition, without limiting our above conclusion, we draw attention to what is stated in Note 3 which refers to Note 6 in the consolidated statements regarding claims filed against the Group and the exposure in respect of which cannot be assessed or calculated at this stage.

Somekh Chaikin  
Certified Public Accountants

November 14, 2023



**Condensed Separate Interim Financial Information as of September 30, 2023 (unaudited)**

<b>Condensed Interim Financial Data as of</b>			
	<b>September 30, 2023</b>	<b>September 30, 2022</b>	<b>December 31, 2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>NIS millions</b>	<b>NIS millions</b>	<b>NIS millions</b>
<b>Assets</b>			
Cash and cash equivalents	26	42	13
Short-term investments and deposits	31	58	63
Other receivables	109	80	1
<b>Total current assets</b>	<b>166</b>	<b>180</b>	<b>77</b>
Long-term deposits	20	27	27
Investment in investee company	1,953	1,833	1,864
<b>Total non-current assets</b>	<b>1,973</b>	<b>1,860</b>	<b>1,891</b>
<b>Total assets</b>	<b>2,139</b>	<b>2,040</b>	<b>1,968</b>
<b>Liabilities</b>			
Trade and other payables	33	50	9
Provisions	20	-	-
<b>Total current liabilities</b>	<b>53</b>	<b>50</b>	<b>9</b>
Debentures	1,935	1,900	1,905
<b>Total non-current liabilities</b>	<b>1,935</b>	<b>1,900</b>	<b>1,905</b>
<b>Total liabilities</b>	<b>1,988</b>	<b>1,950</b>	<b>1,914</b>
<b>Equity</b>	<b>151</b>	<b>90</b>	<b>54</b>
<b>Total liabilities and equity</b>	<b>2,139</b>	<b>2,040</b>	<b>1,968</b>

**Darren Glatt**  
Chairman of the Board of Directors

**Tomer Raved**  
CEO

**Itzik Tadmor**  
CFO

Date of approval of the financial statements: November 14, 2023

The notes attached to the condensed consolidated interim statements form an integral part thereof.

## Condensed Separate Interim Financial Information as of September 30, 2023 (unaudited)

Condensed Interim Income Data					
	For period of nine months ended September 30		For period of three months September June 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<b>Operating expenses</b>					
Salary	3	2	1	1	5
Operating and general expenses	5	5	2	1	7
Other expenses	19	-	-	-	-
<b>Total operating expenses</b>	<b>27</b>	<b>7</b>	<b>3</b>	<b>2</b>	<b>12</b>
<b>Operating loss</b>	<b>(27)</b>	<b>(7)</b>	<b>(3)</b>	<b>(2)</b>	<b>(12)</b>
<b>Financing expenses (income) (See Note 2)</b>					
Financing expenses	84	83	25	24	106
Financing income	(3)	(8)	(2)	-	(9)
<b>Financing expenses, net</b>	<b>81</b>	<b>75</b>	<b>23</b>	<b>24</b>	<b>97</b>
<b>Loss after financing expenses, net</b>	<b>(108)</b>	<b>(82)</b>	<b>(26)</b>	<b>(26)</b>	<b>(109)</b>
Share in profits of equity-accounted investee, net	258	239	81	81	267
<b>Net profit for the period</b>	<b>150</b>	<b>157</b>	<b>55</b>	<b>55</b>	<b>158</b>
<b>Condensed Interim Comprehensive Profit Data</b>					
	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profit for the period	150	157	55	55	158
Other comprehensive profit (loss) items, net of tax	(1)	13	-	4	13
<b>Total comprehensive profit for the period</b>	<b>149</b>	<b>170</b>	<b>55</b>	<b>59</b>	<b>171</b>

The notes attached to the condensed consolidated interim statements form an integral part thereof.

## Condensed Separate Interim Financial Information as of September 30, 2023 (unaudited)

Condensed Interim Cash Flows Data					
	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<b>Cash flows from current activities</b>					
Net profit for the period	150	157	55	55	158
Adjustments:					
Share in profits of equity-held investee companies, net	(258)	(239)	(81)	(81)	(267)
Financing expenses, net	84	79	25	25	94
Share-based compensation	*-	-	*-	-	1
Change in other payables	(2)	(1)	-	(1)	3
Change in trade payables	(2)	-	(1)	-	2
Change in provisions	20	-	-	-	-
<b>Net cash generated from (used for) current activities</b>	<b>(8)</b>	<b>(4)</b>	<b>(2)</b>	<b>(2)</b>	<b>(9)</b>
<b>Cash flows from investing activities</b>					
Change in deposits and investments, net	37	167	(3)	44	163
Investment in investee	(37)	-	(10)	-	(15)
Interest from bank deposits	3	-	3	-	2
Dividend received from investee	66	64	-	-	143
Classification from restricted cash	-	-	500	-	-
<b>Net cash generated from investing activities</b>	<b>69</b>	<b>231</b>	<b>490</b>	<b>44</b>	<b>293</b>
<b>Cash flows for financing activities</b>					
Issuance of debentures	500	-	-	-	-
Repayment of debentures principal	(497)	(100)	(497)	-	(100)
Buyback of shares	(12)	(71)	(12)	(4)	(121)
Interest paid	(39)	(39)	(2)	-	(75)
<b>Net cash used for financing activities</b>	<b>(48)</b>	<b>(210)</b>	<b>(511)</b>	<b>(4)</b>	<b>(296)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>13</b>	<b>17</b>	<b>(23)</b>	<b>38</b>	<b>(12)</b>
Cash and cash equivalents at the beginning of the period	13	25	49	4	25
<b>Cash and cash equivalents at the end of the period</b>	<b>26</b>	<b>42</b>	<b>26</b>	<b>42</b>	<b>13</b>

(\*) Represents an amount lower than NIS 1 million.

The notes attached to the condensed consolidated interim statements form an integral part thereof.

**Notes to condensed interim financial information**

**1. Method of preparation of the financial data**

**1.1. Definitions**

"The Company" - "B Communications" Ltd.

"Associated Company", "Group", "Holding Company": as these terms are defined in the Company's consolidated statements for 2022.

**1.2. Main methods of preparing the financial data**

The following is the condensed financial data from the condensed consolidated interim statements of the Group as of September 30, 2023 (hereinafter: the "Consolidated Statements"), attributed to the Company itself (hereinafter: the "Condensed Separate Interim Financial Information") presented in accordance with the provisions of Regulation 38D (hereinafter - the "Regulation") and Schedule 10 to the Securities Regulations (Periodic and Immediate Reports), 5770-1970 (hereinafter – "Schedule 10") regarding the Condensed Separate Interim Financial Information of the Corporation. This Condensed Separate Interim Financial Information should be read alongside the Consolidated Statements as of the day and year ended December 31, 2022 and alongside the condensed consolidated interim statements as of September 30, 2022 (hereinafter: the "Consolidated Statements").

The accounting policy in this Condensed Separate Interim Financial Information is in accordance with the accounting policy rules which are specified in the separate financial information as of the day and year ended December 31, 2022.

**2. Financing expenses, net**

	For period of nine months ended September 30		For period of three months ended September 30		For year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Interest expenses in respect of financial debt	84	75	25	24	98
Change in the fair value of financial assets measured at fair value through income	-	8	-	-	8
<b>Total financing expenses</b>	<b>84</b>	<b>83</b>	<b>25</b>	<b>24</b>	<b>106</b>
Interest income from investments in marketable securities and bank deposits	3	2	2	-	3
Income from exchange of debentures	-	6	-	-	6
<b>Total financing income</b>	<b>3</b>	<b>8</b>	<b>2</b>	<b>-</b>	<b>9</b>
<b>Financing expenses, net</b>	<b>81</b>	<b>75</b>	<b>23</b>	<b>24</b>	<b>97</b>

### **3. Contingent liabilities**

For information regarding claims against the Company and Bezeq Group companies, see Note 6 on the Consolidated Financial Statements.

### **4. Material current and subsequent events**

- 4.1. On May 23, 2023, the Company signed a settlement agreement in the amount of approximately USD 5.5 million in respect of two motions for approval of class action lawsuits filed in June 2017, among others, against the Company, Bezeq, Bezeq Group officers, as well as companies from the then controlling group of the Company and Bezeq regarding the transaction for the purchase of DBS shares by Bezeq from Eurocom DBS Ltd. The settlement amount does not include offsetting the insurance company's participation by virtue of the officers' insurance.

At this stage, the settlement agreement has been submitted for approval to the District Court in Tel Aviv (Economic Department) and it is uncertain that it will be approved. To the extent that the settlement agreement is approved, this will end the involvement of the Company and Shaul Elovitch (in his capacity as controlling shareholder and former Chairman of the Company's Board of Directors only) and Or Elovitch (in his capacity as a former director of the Company only) in the motions for approval.

The provision in the Company's books for the aforementioned settlement minus the expected receipt from the insurance company in the amount of approximately NIS 19 million was credited to other expenses in the INCOME statement in the second quarter of 2023.

- 4.2. On June 22, 2023, the Company issued to institutional entities and the public approximately NIS 538 million in series F debentures for approximately NIS 500 million net (after issuance expenses). The net proceeds of the issuance of the series F debentures were used by the Company to perform full and final early repayment of the balance of Series C debentures (plus interest accrued by the maturity date) on July 20, 2023.
- 4.3. During the second quarter of 2023, the company purchased 7,807,995 ordinary shares of the subsidiary Bezeq for a total amount of approximately NIS 37 million (of which approximately NIS 10 million was paid after the balance sheet date). After the aforementioned purchases and as of the date of the financial statements, the company holds 27.08% of the issued share capital and voting rights in Bezeq.
- 4.4. For information regarding the plan for the buyback of the Company's shares, which was approved by the Company's Board of Directors on August 8, 2023, see Note 7.1 to the Consolidated Financial Statements.
- 4.5. For information on the dividends distributed by Bezeq on May 11, 2023 and October 11, 2023 and the Company's share in said dividends, see Note 4.3 to the Consolidated Statements.
- 4.6. For information regarding the investigation by the Securities Authority and the Israel Police, see Note 1.2 to the Consolidated Statements.
- 4.7. Regarding loss from impairment in respect of Bezeq International and Yes, see Note 5 to the Consolidated Statements.
- 4.8. Regarding an amendment to the collective agreement with Bezeq employees, see Note 15.5 to the consolidated statements.



## **Chapter E**

# **Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure for the Period ended September 30, 2023**

**(1) Report on the internal control over financial reporting and disclosure:**

**Annual report on the effectiveness of internal control over financial reporting and disclosure pursuant to Regulation 38c(a) a of the Securities Regulations (Periodic and Immediate Reports), 5730-1970:**

Management, under the supervision of the Board of Directors of B Communications Ltd. (hereinafter - "**the Corporation**" or "**the Company**"), is responsible for determining and maintaining adequate internal control over the financial reporting and disclosure in the Corporation.

For this purpose, the members of Management are:

1. Tomer Raved, CEO;
2. Itzik Tadmor, CFO;

In addition to the said members of Management, serving in the Company are:

1. Ilan Chaikin, Internal Auditor;
2. Lital Aharoni, Comptroller;

Internal control over financial reporting and disclosure includes controls and procedures existing in the Corporation, designed by or under the supervision of the CFO and CEO in the field of finance, or by the person actually performing the said functions, supervised by the Corporation's Board of Directors, which are intended to provide a reasonable degree of assurance regarding the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Corporation is required to disclose in reports it publishes under the provisions is collected, processed, summarized and reported on the date and in the format as prescribed by law.

Internal control includes, *inter alia*, controls and procedures designed to ensure that information the disclosure of which by the Corporation is required, is accumulated and transmitted to the Corporation's Management, including the CEO and senior executives in the field of finance or to those actually performing the said functions, in order to enable decisions with regard to the disclosure requirement to be made at the appropriate time.

Due to its structural limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that misrepresentation or omission of information in the reports will be avoided or discovered.

In the quarterly report regarding the effectiveness of the internal control over the financial reporting and the disclosure which was attached to the quarterly report for the period ending on June 30, 2023 (hereinafter - the quarterly report regarding the latest internal control), the internal control was found to be effective.

Until the date of the report, the Board of Directors and the Management have not been informed of any incident or matter that may change the assessment of the effectiveness of the internal control as found in the last quarterly report on internal control;

As of the date of the report, based on what was stated in the quarterly report regarding the latest internal control, and based on information brought to the attention of Management and the Board of Directors as mentioned above, the internal control is effective.

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Regarding the investigations by the Israel Securities Authority and the Israel Police, as detailed in Section 1.1.7 of the chapter describing the Corporation's business in the periodic report for 2022, the Corporation does not have complete information regarding these investigations, plans, materials and evidence in the possession of the law authorities in this case. (Although in January 2021, Bezeq received the core of the investigation material in connection with Case 4000 following Bezeq's summons for a hearing on this matter. Accordingly, the Corporation is still unable to assess the effects of the investigations, findings and results on the Corporation, as well as the financial statements and estimates used in the preparation of these reports, if any.

**Executive statements:**

**a) Statement of the CEO pursuant to Regulation 38c(d)(1) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970:**

I, Tomer Raved, declare that:

- (1) I examined the quarterly report of B Communications Ltd. (hereinafter – the “Corporation”) for the third quarter of 2023 (hereinafter - "the Reports");
- (2) To my knowledge, the Reports do not include any misrepresentation of a material fact and do not lack a presentation of a material fact necessary so that the presentations included in them, in light of the circumstances in which those representations were included, will not be misleading with respect to the reported period;
- (3) To my knowledge, the financial statements and other financial information contained in the Reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods to which the statements relate;
- (4) I revealed to the Corporation's Auditor, the Board of Directors, the Audit Committee and the committee for examining the Corporation's financial statements, based on my most recent assessment of the internal control over financial reporting and disclosure:
  - (A) Any significant deficiencies and material vulnerabilities in the determination or exercise of internal control over the financial reporting and disclosure that are likely to adversely affect the Corporation's ability to collect, process, summarize or report financial information in a manner that casts doubt on the financial reporting reliability and preparation of financial statements; and-
  - (B) Any fraud, whether material or immaterial, involving the CEO or his subordinates directly or involving other employees who have a significant role in the internal control over financial reporting and disclosure;

(5) I, alone or with others in the Corporation:

- (A) Have established controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my attention by others in the Corporation and its subsidiaries, in particular during the preparation period of the Reports; -
- (B) Have established controls and procedures, or verified the determination and existence of controls and procedures under my supervision, designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
- (C) I have not been informed of any incident or matter that occurred during the period between the date of the last report (quarterly or periodic, as the case may be) and the date of this report, which may change the conclusion of the Board and Directors and Management regarding the effectiveness of internal control over financial reporting and disclosure of the Corporation.

Nothing in the foregoing shall derogate from my liability or the liability of any other person, under any law.

Date: November 14, 2023

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Tomer Raved, CEO

**(b) Statement of the most senior officer in the field of finance pursuant to Regulation 38b(d)(2) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970:**

I, Itzik Tadmor, declare that:

- (1) I examined the interim statements and the other financial information contained in the interim statements of B Communications Ltd. (hereinafter – “the Corporation”) for the third quarter of 2023 (hereinafter – “the Statements” or “the Interim Statements”);
- (2) To the best of my knowledge, the Interim Statements do not include any misrepresentation of a material fact and do not lack a presentation of a material fact necessary so that the presentations included in them, in light of the circumstances in which those representations were included, will not be misleading with respect to the reported period;
- (3) To the best of my knowledge, the Interim Statements and other financial information contained in the Interim Statements adequately reflect, in all material respects, the financial position, results of operations and cash flows of the corporation for the dates and periods to which the Statements relate;
- (4) I revealed to the Corporation's Auditor, the Board of Directors, the Audit Committee and the committee for examining the Corporation's financial statements, based on my most recent assessment of the internal control over financial reporting and disclosure:
  - (A) Any significant deficiencies and material vulnerabilities in the determination or exercise of internal control over financial reporting and disclosure as it relates to interim financial statements and other financial information contained in interim financial statements that are likely to adversely affect a corporation's ability to collect, process, summarize or report financial information in such a way as to cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; And –

- (B) Any fraud, whether material or immaterial, involving the CEO or his subordinates directly or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, alone or with others in the Corporation:
- (A) Have established controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my attention by others in the Corporation and its subsidiaries, in particular during the preparation period of the Reports; And -
  - (B) Have established controls and procedures, or verified the determination and existence of controls and procedures under my supervision, designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles; And -
  - (C) I have not been informed of any incident or matter that occurred during the period between the date of the last report (quarterly or periodic, as the case may be) and the date of this report, which may change the conclusion of the Board and Directors and Management regarding the effectiveness of internal control over financial reporting and disclosure of the Corporation.

Nothing in the foregoing shall derogate from my liability or the liability of any other person, under any law.

Date: November 14, 2023

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Itzik Tadmor, Chief Financial Officer