B. Communications Ltd.

Quarterly Report for the Period Ended March 31, 2024

Update to Chapter A (Description of the Corporation's Business) of the 2023 Annual Report

Chapter B - Report of the Board of Directors on the State of the Corporation's business for the Period ended March 31, 2024

Chapter C - Condensed Interim Financial Statements for the Period ended March 31, 2024

Chapter E - Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure for the period ended March 31, 2024

Update to Chapter A

(Description of the Corporation's Business)

Of the 2023 Periodic Report[1]

[1] As published by the Company on March 13, 2024 (Reference No.: 2024-01-021781), which is included in this report by way of reference.

Update[2] to Chapter A - Description of the Corporation's Business) of the 2023 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. General updates in the Company

1.1. On March 12, 2024, the Company's Board of Directors decided on the adoption of a plan for buyback of the Company's shares in the amount of up to NIS 25 million, effective from March 17, 2023 until the end of the trading day on June 30, 2024. The purchases will be made, from time to time during the aforementioned 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 established by the Securities Authority Directive 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 immediate report dated March 13, 2024 (Ref. No.: 2024-01-021799). As of the publication date of this report, as part of the said plan, the Company purchased 1,500,000 ordinary shares of the company for a total of about NIS 20 million.

1.2. On April 18, 2024, 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 18, 2024 (Reference No.: 2024-01-044379).

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

2.1. **Section 1.1.4 - Amendment of the Communication Order**

Further to the amendment to the Order dated September 19, 2023, according to which the Israeliness requirement can be replaced with instructions from the General Security Service. Pursuant to Article 13 of the Communications Law, in May 2024 Bezeq was given the aforementioned instructions, which replace the Israeliness requirement as detailed in Section 2.16.3.6 of the periodic report

2.2. **Section 1.4.2 – Dividend distribution by Bezeq**

For details regarding the dividend distribution made by Bezeq in May 2024 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 896,324,000 (surplus accumulated in the last two years after subtracting distributions made in respect of that period).

2.3. **Section 1.5.4 - Main results and operational data**

2.3.1. To Section 1.5.4.1 - Bezeq Fixed Lines (Bezeq activity as NIO)

Financial data (NIS millions)	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Income	1,091	1,087	1,084	1,130	1,111
Operating profit	397	320	310	418	403
Depreciation and amortization	252	260	258	256	245

[2] 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.

Financial data (NIS millions)	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Operating profit before depreciation and amortization (EBITDA) (1)	649	580	568	674	648
Net profit	258	199	192	261	249
Cash flow from current activities	748	584	586	602	608
Payments for investments in property, plant and equipment and intangible assets and other investments	270	290	239	281	312
Receipts from the sale of property, plant and equipment and intangible assets	2	3	-	1	29
Lease payments	31	46	37	35	40
Free cash flow (2)	449	251	310	287	285
Operating data					
Number of active subscribers at the end of the period (thousands) (3)	1,419	1,442	1,454	1,473	1,488
Average monthly income per telephony subscriber (NIS) (ARPL) (4)	33	33	34	39	41
Outgoing usage minutes (millions)	647	652	677	658	705
Incoming usage minutes (millions)	838	829	874	852	918
Telephony churn rate (6)	3.1%	2.3%	2.8%	2.6%	2.5%
Total number of Internet subscribers at the end of the period (thousands) (7)	1,489	1,495	1,500	1,505	1,505
Of which are subscribers connected to the fiber network at the end of the period (thousands) (7)	635	565	506	424	351
Internet lines at the end of the period - in retail (thousands) (7)	1,019	1,028	1,029	1,028	1,031
Of which are subscribers connected to the fiber network at the end of the period - wholesale (in thousands) (7) (8)	407	367	335	289	246
Internet lines at the end of the period - in retail (thousands) (7)	470	467	471	477	474
Of which are subscribers connected to the fiber network at the end of the period (thousands) (7)	228	198	171	135	105
Average monthly income per Internet subsriber (NIS) - Retail (ARPU) (8)	127	125	124	122	120
Fiber optic network deployment at the end of the period (thousands of households available for connection) (9)	2,191	2,070	1,970	1,835	1,689
Average plan speed for Internet subscriber – retail (Mbps) (5)	382	341	315	278	250
Number of Be routers in use by the Company's customers (thousands)	837	831	819	801	786
Number of Be Spot and Be Mesh reception range enhancers of the home internet network (thousands)	445	442	438	430	425

(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 the Bezeq 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 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 P&L statement). For this matter, see Note 5 to the financial statements and Section 7 of the chapter describing the corporation's business for the year 2023.

(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 by Bezeq from its current operations after investing cash in infrastructure and PP&E and other intangible assets. For this matter, see Section 7 of the chapter describing the corporation's business for the year 2023.

(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. For this matter, see Section 7 of the chapter describing the corporation's business for the year 2023.

(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. For this matter, see Section 7 of the chapter describing the corporation's business for the year 2023

(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.

(8) In Q4/2023, there was a certain decrease in the rate of connecting retail subscribers to Bezeq's fiber network due to a slowdown in contractor activity due to a temporary dispute with the employees' representation and due to the Iron Swords War).

(9) Income from retail Internet services divided by the average number of retail customers in the period. For this matter, see Section 7 of the chapter describing the corporation's business for the year 2023. Starting with the second quarter of 2022, the figure also includes income from Internet access service (ISP).

(10) As of the date of publication of the report, deployment of fiber optic network – approx. 2.25 million households are available for connection, of which approx. 664K subscribers are connected to the fiber network (of which about 424K retail and about 240K wholesale).

2.3.2. Section 1.5.4.2 - Pelephone

Financial data (NIS millions)	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Income from services	416	409	450	452	445
Of which: income from interconnect (5)	81	79	79	102	111
Income from services net of interconnect (5)	335	330	371	350	334
Income from the sale of end equipment	167	153	135	133	171
Total income	583	562	585	585	616
Total income net of interconnect (5)	502	483	506	483	505
Operating profit	40	37	59	49	51
Depreciation and amortization	138	138	143	135	133
Operating profit before depreciation and amortization (EBITDA) (1)	178	175	202	184	184
Net profit	30	26	48	41	44
Cash flow from operating activities	122	240	242	98	133
Payments for investments in property, plant and equipment, intangible assets and other investments, net	82	90	81	82	57
Lease payments	79	94	57	49	70
Free cash flow (1)	(39)	56	104	(33)	6
Operating data					
Number of postpaid subscribers for the end of the period (thousands) (2)	2,213	2,202	2,187	2,166	2,159
Number of prepaid subscribers for the end of the period (thousands) (2)	398	416	431	427	426
Number of subscribers for the end of the period (thousands) (2)	2,611	2,618	2,618	2,593	2,585
Of which are subscribers in 5G packages (thousands) (2)	1,092	1,034	961	898	834
Average monthly income per subscriber (ARPU) (NIS) (3)	53	52	57	58	57
Average monthly income per subscriber (ARPU) net of interconnect fees (NIS) (4)	43	42	47	45	43
Subscriber churn rate (Churn Rate) (5)	6.5%	5.9%	6.0%	5.9%	6.7%

(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. As of the date of publication of Pelephone's report, there are about 1.1 million subscribers in 5G packages.

(3) The average monthly income per subscriber (postpaid and prepaid). The index is calculated by dividing the consolidated 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 2023.

(4) Average monthly income per subscriber (ARPU) excluding income from Interconnect - the reform to change the interconnect rates regime that started gradually from June 2023 until June 2025, is expected to bring a decrease in income and ARPU, and therefore Pelephone chose to present the average monthly income per subscriber (ARPU) minus the interconnect income component, and this is in addition to the full ARPU.

(5) 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. See also Section 7 of the chapter describing the

corporation's business for the year 2023.

2.3.3. Section 1.5.4.3 - Bezeq International

Financial data (NIS millions)	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Income	289	304	303	293	312
Of which: Income from private customers (4)	48	54	60	66	72
Operating profit (loss)	20	(11)	20	16	14
Depreciation and amortization	27	45	29	33	30
Operating profit (loss) before depreciation and amortization (EBITDA) (1)	47	34	49	49	44
Net profit (loss)	18	(14)	17	13	13
Cash flow from operating activities	49	45	36	57	19
Payments for investments in property, plant and equipment and intangible assets and other investments, net (2)	14	37	26	20	10
Lease payments	12	10	9	9	10
Free cash flow (1)	23	(2)	1	28	(1)
Operating data					
Subscriber churn rate (3)	8.0%	9.0%	11.0%	10.0%	14.7%

(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. See also Section 7 of the chapter describing the corporation's business for the year 2023.
(4) Starting in 2023, small customers (SOHO) are included in the income from private customers (notwithstanding what is stated in Footnote 53 to the chapter describing the corporation's business in the 2023 statements).

2.3.4. Section 1.5.4.4 – Yes

Financial data (NIS millions)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Income	315	316	328	336	329
Operating profit (loss)	(18)	33	35	26	0
Depreciation, amortization and ongoing impairment	58	29	41	46	50
Operating profit before depreciation, amortization and ongoing impairment (EBITDA) (1)	40	62	76	72	50
Net profit (loss)	(13)	27	40	30	5
Cash flow from operating activities	93	26	66	31	92
Payments for investments in property, plant and equipment and intangible assets and other investments, net	49	30	59	60	30
Lease payments	6	6	7	6	6
Free cash flow (1)	38	(10)	0	(35)	56
Operating data					
Number of TV subscribers (thousands) (3)	571	574	576	579	580
Of which are IP subscribers (4)	412	392	377	364	348
Of which are STING+ subscribers	124	120	116	111	108
Average monthly income per subscriber (ARPU) (NIS) (5)	173	175	182	185	185
Subscriber churn rate (6)	3.9%	3.1%	3.9%	3.3%	3.5%
Number of subscribers connected to the fiber network (thousands) (7)	46	37	29	21	14

(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 or gym), the number of subscribers is usually adjusted. The number of subscribers registered inrespect 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) The number of subscribers who have joined the international streaming services as part of Yes's collaborations with these services (see Section 5.1.1.1 of the chapter describing the corporation's business for 2023) is approximately 150K as of the date of publication of the report.

(4) The number of TV subscribers using Yes+ and STING+ services transmitted via the Internet. As of the date of publication of the report, is about 422K subscribers, which constitute approximately 75% of all Yes TV subscribers. The number of IP subscirbers and the aboved rate also includes subscribers who also use satellite services in parallel.

(5) The 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 2023.

(6) The 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 2023.

(7) The number of subscribers connected to the fiber network as of the date of publication of the report is approximately 50K.

2.4. Section 1.7.3 – Regulatory supervision - the structural separation obligation

Regarding the structural separation applied to Bezeq - on May 15, 2024, the Ministry of Communications published a notice on the work plans and stated that examining the need for structural separation at Bezeq is part of the additional emphasis in the work plan of the Ministry of Communications for 2024.

2.5. Section 1.9 – Entry into the field of electricity supply

Regarding Bezeq's entry into the field of electricity supply and the Company's engagement in the memorandum of understanding with Powergen Ltd. ("**Powergen**") regarding cooperation in the field of electricity - on April 9, 2024, the Bezeq Board of Directors approved its engagement with Powergen in a detailed shareholders' agreement based on the principles stipulated in the memorandum of understanding ("**the Agreement**"). The signing of the Agreement was also approved by the Powergen Board of Directors, and the Agreement was signed by the parties on May 15, 2024. It should be noted that the amendment to the objectives section of Bezeq's Memorandum of Association, which was a condition for Bezeq's entry into the field of electricity supply, has been completed and has entered into force. It should be noted that on April 10, 2024 it was decided by the Electricity Authority to allow the mobilization of domestic consumers even without a smart meter (efffective from July 1, 2024), subject to the publication in Reshumot.

3. Bezeq - Landline interior communications

3.1. **Section 2.6.2 – The field of Internet**

Regarding the proportion of Bezeq’s unified Internet customers out of Bezeq’s retail customers - this rate was 78% as of Macrh 31, 2024, and is approximately 80% as of the publication of the report.

3.2. **Section 2.7.4 – Real estate**

Regarding the amount of the charge for the improvement levy in relation to the property in Sakia - on March 28, 2024, Bezeq received an advisory assessment according to which the total improvement levy as of the effective date will amount to approximately NIS 117 million. Following this, Bezeq was sent a payment demand including linkage as well as arrears interest payments in the amount of NIS 20 million. Bezeq submitted to the appeals committee a request to reduce the interest on arrears in such a way that only indexation differennces would be applied to the improvement levy principal. A decision has not yet been made on the request. It will be clarified that the values determined in the aforementioned advisory assessment do not lead to a change in Bezeq's estimates regarding the amount of the capital gain recorded in its statements as stated in the periodic report for 2023, since Bezeq's estimates were also based on the legal situation in the lawsuit against ILA, which also includes ILA’s obligation in the settlement agreement to bear in the improvement levy for the property.

3.3. **Section 2.9.5 – Officers and senior management employees at Bezeq**

On April 1, 2024, Mr. Nir David began serving as Bezeq's CEO. On May 20, 2024, the General Assembly of Bezeq's shareholders approved the terms of office and employment of Bezeq's CEO. For this matter, see Bezeq's immediate report dated May 20, 2024, which is included in this report by way of reference.

3.4. **Section 2.13.1 - Average and effective interest rate on the loans**

As of March 31, 2024, Bezeq is not financed by short-term credit (less than a year). Below is the distribution of long-term loans (including current maturities):

Loan period	Financing source	Principal amount (NIS millions)	Currency or linkage type	Interest type and the change mechanism	Average interest rate	Effective interest rate	Interest range in 2024
Long-term loans	Banks	999	NIS unlinked	Fixed	3.96%	3.77%	5.33%-3.20%
	Banks	700	NIS unlinked	Varies based on the prime interest rate**	6.46%	6.59%	6.53%-6.11%
	Non-banking sources*	4,070	NIS unlinked	Fixed	3.02%	3.16%	4.00%-2.79%
	Non-banking sources	2,511	NIS index-linked	Fixed	1.40%	1.43%	2.20%-0.58%

** Prime interest rate - 6.00% (as of April 2024)

For more details about Bezeq loans, see Note 13 to the 2023 statements.

3.5. **Section 2.13.6 - Credit rating**

On May 2, 2024, Maalot raised the rating of Bezeq, Pelephone, and Yes to ilAA with a stable rating forecast, in view of an improvement in Bezeq's financial relations. Also, on May 19, 2024, Midroog raised the rating for Bezeq's debentures to Aa2.il with a stable rating forecast, in view of the continuous improvement in the Company's financial position along with the improvement in the ratio of debt coverage to EBITDA to levels that support this rating. For this matter, see also Bezeq's immediate reports of May 2, 2024 and May 19, 2024 included in this report by way of reference, as well as Section 3 of the Board of Directors' Report.

3.6. **Section 2.16.4 - wholesale market**

To Paragraph 2.16.4.5 - Pricing procedure for wholesale market services - on March 28, 2024, the Ministry of Communications published a hearing regarding "determining maximum payments for the use of the passive infrastructure over Bezeq's network" ("**the Current Hearing**"). The Current Hearing does not deal with updating rates for the BSA service, it intends to conduct an economic examination in relation to them, including examining the scope of the delivery duty of this service. In accordance with the Current Hearing:

The Minister of Communications will amend the Telecommunications Regulations (Bezeq and Broadcasting) (Use of an NIO's Public Network), 5774-2014 in such a way that four rates that Bezeq may demand will be reduced, as follows (NIS per month without VAT):

	Existing rate in the regulations	Offered rate	Unit of measure
Monthly payment for access service to passive infrastructure not in the incentive areas and not in infrastructure in an area beyond the incentive area	0.446	0.250	Meter
Monthly payment for access service to passive infrastructure in the incentive areas or in infrastructure in an area beyond the incentive area	0.113	0.107	Meter
Monthly payment for dark fiber service not in an incentive area and not in infrastructure in an area beyond the incentive area	0.546	0.300	Meter
Monthly payment for dark fiber service in an incentive area or in infrastructure in an area beyond the incentive area	0.208	0.197	Meter

The Current Hearing includes rates that are proposed to be applied immediately starting on April 1, 2024, and this is further to the agreement given by Bezeq to the collection of the low rates starting from this date. These rates will be determined as a first level that will be valid for 15 months, that is, until June 30, 2025 and they will not be attached to the index at the beginning of 2025. After that, and after the completion of the examination procedure for updating the wholesale rates based on the Axon model, rates will be determined that will come into effect after June 30, 2025. A hearing on these rates is expected to be published during 2024.

For the sake of completeness, it was clarified in the hearing that it does not deal with updating rates for the BSA service, regarding which the Ministry believes that before a decision is made on updating the BSA rates, it is required to conduct an economic examination of the service and its effect on the landline communication market, including examining the scope of the supply duty of this service. This is because, unlike the case of passive access infrastructures, their significant and immediate reduction also involves competitive disadvantages. This examination is expected to be carried out in the coming months by the finance manager at the Ministry. At the same time, the work of updating the wholesale market rates will continue based on Axon's work also regarding the BSA rates.

Bezeq accepts the outline detailed in the current hearing and on April 11, 2024, it submitted its reference accordingly.

In Bezeq's estimation, the reduction of passive infrastructure service rates and dark fiber as stated in Section 1 above is not expected to have a material impact on Bezeq's business results. Also, Bezeq estimates that the conclusion of the hearing regarding the BSA service rates and their entry into force are expected in the middle of 2025, until then the BSA rates will remain unchanged.

Some of the information contained in this report is forward-looking information as defined in the Securities Law based on Bezeq's estimates, among other things, in relation to the Ministry's schedules for publishing a hearing on the BSA service rates and the completion of its processing. Accordingly, Bezeq estimates may not materialize or materialize partially or differently depending on the schedules and the decisions of the Ministry.

3.7. **Section 2.18 - Legal prcoeedings**

To Section 2.18.1(b) in the matter of two motions for approval of class actions in which it is alleged that competition has been harmed by Bezeq – according to update notices filed on May 19, 2024 on behalf of the Attorney General regarding the continuation of the delay of the proceedings in these cases, in view of the progress in the criminal proceedings in Case 4000, it is not necessary at this stage to further delay the proceedings.

To Section 2.18.1(c) regarding two motions for approval of class actions in which a misleading detail is alleged in Bezeq reports regarding the agreement to purchase Yes shares and the cash flow of Yes - following the filing of a motion for approval of a partial settlement between the applicants and the Company and Elovitch and the Court's decision regarding the filing of an amended agreement, in

March 2024, a motion was submitted for the approval of a revised settlement agreement. A draft consolidated motion for approval was also attached to the motion.

To Section 2.18.2(b) regarding a request for discovery and perusal of documents according to Article 198 of the Companies Law for the purpose of examining the filing of a motion for a derivative claim in the name of Bezeq, regarding the sale of Bezeq shares in 2016 by the Company and the judgment striking out the motion - in April 2024, the applicant in the aforementioned procedure filed a motion for approval of a derivative claim in the name of Bezeq and/or a "double derivative" claim in the name of Yes against Mr. Shaul Elovitch and the Company. The claims included in the motion for approval of a derivative claim are similar to the claims included in the motion for disclosure of documents mentioned above.

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

4.1. **Section 3.10.1 – PP&E, real estate and facilities**

Regarding the agreement between Pelephone and Apple for the purchase of end equipment - in March 2024 the agreement between the parties was extended by another year until March 2025.

4.2. **Section 3.15 – Material agreements**

Regarding the agreement between Pelephone and the Accountant General at the Ministry of Finance for the provision of cellular services to State employees that was in effect until May 16, 2024 - an extension of the agreement until December 31, 2024 is in the process of being drafted and signed.

5. Yes - Multi-channel TV

5.1. **Section 5.12 - Financing**

In May 2024, Bezeq approved a credit facility or capital investment for Yes in a total amount of up to NIS 40 million to be exercised by May 31, 2025. This approval is instead of a similar approval given in March 2024 (and not in addition to it).

5.2. **Section 5.16.1 - Pending and contingent legal proceedings**

Regarding the motion for approval of a derivative claim in the name of Bezeq and/or a "double derivative" claim in the name of Yes against Mr. Shaul Elovitch and the Company that was filed in April 2024 following the motion for discovery and review of documents according to (deleted) Article 198 of the Companies Law regarding the sale of the Company's shares in 2016 by the Company - see update to Section 2.18.2(b).

6. The Company

6.1. **Section 6.2.1 - Legal proceedings**

Further to the aforementioned court decision, on March 18, 2024, the parties submitted an updated settlement agreement for approval, and the Court determined that the respondents have until April 15, 2024 to submit their position and that the Attorney General must submit his position by May 7, 2024. The respondents' response has been received at the aforementioned date, and the Attorney General's response has been submitted on May 16, 2024. The parties to the settlement agreement have until May 27, 2024 to submit their response to the position of the respondents and the Attorney General.

6.2. Following the proceeding described in Section 2.18.2(b) of the periodic report on April 9, 2024, the applicant in the aforementioned procedure filed a motion for approval of a derivative claim in the name of Bezeq against the Company. For more details, see Section 3.6 above.

May 21, 2024	
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 March 31, 2024

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended March 31, 2024

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 a period of three months ended March 31, 2024 (“**the Report Date**") in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970 ("**the Reporting Regulations**").

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, 2023, as published as part of the Company's annual report as of December 31, 2023, which was published on March 13, 2024 (Ref. No.: 2024-01-021781), which is included in this report by way of reference.

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 services, international communication, and ICT solutions**
   Hereinafter: "Bezeq International Services"
4. **Multi-channel TV**

	1-3.2024	1-3.2023	Change	
	NIS millions			%
Net profit	**271**	286	(15)	(5.2)
Adjusted net profit	**275**	296	(21)	(7.1)
EBITDA*	**909**	924	(15)	(1.6)
Adjusted EBITDA*	**914**	934	(20)	(2.1)
Free cash flow *	**466**	341	125	36.7

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

The decrease in net profit was mainly due to a decrease in income in all the main segments of the Group, offsetting a decrease in financing expenses in the landline interior communications segment.

For more information, see Section 1.2 below.

*** 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
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	Defined as profit before financing expenses (income), 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).
Adjusted EBITDA	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 correlated 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.
Adjusted net profit	Defined as net profit excluding other operating expenses/income, net after tax and one-time losses/gains from depreciation/appreciation after tax, and expenses for the capital compensation plan. The index allows performance comparisons between different periods while neutralizing the effects of unusual expenses/income of a one-off nature.
Free cash flow	Defined as cash generated from current operations minus cash for the purchase/sale of PP&E and intangible assets, net, and as of 2018, with the implementation of IFRS 16, payments for leases are also deducted. Free cash flow is used as a measure to evaluate business results and cash flows since, in the Group's opinion, free cash flow is an important liquidity measure that reflects the cash that the group derives from its current activities after investing cash in infrastructure and other PP&E and intangible assets.

The following is the method of calculating the indices:

	1-3.2024	1-3.2023
	NIS millions	NIS millions
Operating profit	**436**	466
Neutralizing depreciation, amortization, and impairment	**473**	458
EBITDA	**909**	924
Neutralizing other operating expenses, net	**1**	7
Neutralizing share-based compensation plan expenses	**4**	3
Adjusted EBITDA	**914**	934

	1-3.2024	1-3.2023
	NIS millions	NIS millions
Net profit	**271**	286
Neutralizing other operating expenses, net after tax	**-**	7
Neutralizing share-based compensation plan expenses	**4**	3
Adjusted net profit	**275**	296

	1-3.2024	1-3.2023
	NIS millions	NIS millions
Net cash generated from current operations	**999**	849
Excluding cash for the purchase/sale of PP&E and intangible assets, net	**(407)**	(383)
Excluding payments for leases	**(126)**	(125)
Free cash flow	**466**	341

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

1.1 Financial position - Assets

	March 31, 2024	March 31, 2023	Increase (decrease)		Explanation
	NIS millions			%	
Cash, restricted cash, and current investments	**3,451**	2,483	968	39.0	The increase was due, among other things, to the issuance of debentures in the current quarter, through the expansion of Series 11 and 13 in the landline interior communications segment. For more information, see Chapters 1.3 and 3 below.
Current and non-current trade receivables	**2,161**	2,177	(16)	(0.7)	
Inventory	**118**	141	(23)	(16.3)	The decrease was mainly due to the cellular communication segment, mainly due to stocking up in the corresponding quarter in light of the timing of mobile phone launches.
Right-of-use assets	**1,761**	1,719	42	2.4	The increase was due to the international Bezeq services segment due to the cost of additional contracts that came into force as well as 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	**6,928**	6,629	299	4.5	The increase was mainly due to the landline interior communications segment, among other things due to the progress of the fiber network deployment project.
Intangible assets	**3,278**	3,250	28	0.9	
Deferred expenses and non-current investments	**305**	325	(20)	(6.2)	The decrease was mainly due to the classification of long-term deposits in the Company as current investments.
Total assets	**18,002**	16,724	1,278	7.6	

1.1. Financial position (Cont.) – Liabilities and capital

	March 31, 2024	March 31, 2023	Increase (decrease)		Explanation
		NIS millions		%	
Debt to financial institutions and bondholders	**10,004**	9,622	382	4.0	The increase in debt was mainly due to the issuance of debentures in the current quarter by way of expanding Series 11 and 13 as well as receiving loans, offsetting the repayment of debentures and loans during the year 2023 in the landline interior communications segment.
Lease liabilities	**1,922**	1,871	51	2.7	The increase was due to the Bezeq International services segment, mainly from the cost of additional contracts that came into force as well as from an increase in the consumer price index, offsetting a decrease mainly in the cellular communication segment due to payments during the period.
Trade payables	**2,139**	1,872	267	14.3	The increase was due to the landline interior communications segment, mainly due to an increase in current tax liabilities, which is mainly due to the advance of the date of receiving a refund from the tax authorities in relation to the corresponding quarter.
Employee benefits	**594**	569	25	4.4	The increase was due to the increase of provisions during the year 2023 for the termination of employee-employer relations in early retirement and voluntary retirement in the Group, as well as the recording a one-off provision for the amount of the special grant that will be paid to Bezeq employees as part of the amendment to the collective agreement, offsetting payments for employee retirement.
Provisions	**135**	131	4	3.1	
Deferred tax liabilities	**334**	324	10	3.1	
Other liabilities	**173**	147	26	17.7	
Total liabilities	**15,301**	14,536	765	5.3	
Non-controlling interests	**2,475**	2,075	400	19.3	
Capital attributed to shareholders of the company	**226**	113	113	100.1	
Total capital	**2,701**	2,188	513	23.4	The capital attributed to the owners constitutes approximately 1.3% of the total balance sheet as of March 31, 2024, compared to approximately 0.7% of the total balance sheet as of March 31, 2023.
Total liabilities and capital	**18,002**	16,724	1,278	7.6	

1.2. The results of operations

1.2.1. Results summary

	March 31, 2024	March 31, 2023	Increase (decrease)		Explanation
		NIS millions		%	
Revenues	**2,255**	2,308	(53)	(2.3)	There was a decrease in the revenues in all the main segments of the Group. For more information see Chapter 1.2.2 below.
Operating and general expenses	**858**	885	(27)	(3.1)	It should be noted that the decrease in expenses was due, among other things, to a decrease in interconnection payments to communication operators due to the reduction of rates in June 2023, mainly in the cellular communication segment.
Salary	**487**	492	(5)	(1.0)	
Depreciation, amortization, and impairment	**473**	458	15	3.3	
Other operating expenses, net	**1**	7	(6)	(85.7)	
Operating Profit	**436**	466	(30)	(6.4)	
Financing expenses, net	**67**	88	(21)	(23.9)	The decrease was mainly due to the landline interior communications segment, see Note 12 to the Statements.
Income tax expenses	**98**	92	6	6.5	
Profit for the period	**271**	286	(15)	(5.2)	

1.2.2. Operating segments

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

	1-3.2024		1-3.2023	
	NIS millions	**% of total revenues**	**NIS millions**	**% of total revenues**
Revenues by operating segment:				
Interior landline communication	**1,091**	**48.4**	1,111	48.1
Cellular communication	**583**	**25.9**	616	26.7
Bezeq International services	**289**	**12.8**	312	13.5
Multi-channel TV	**315**	**13.9**	329	14.3
Others and adjustments	**(23)**	**(1.0)**	(60)	(2.6)
Total revenues	**2,255**	**100**	2,308	100

	1-3.2024		1-3.2023	
	NIS millions	**% of total revenues**	**NIS millions**	**% of total revenues**
Operating profit (loss) by operating segment				
Interior landline communication	**397**	**36.4**	403	36.3
Cellular communication	**40**	**6.9**	51	8.3
Bezeq International services	**20**	**6.9**	14	4.5
Multi-channel TV (proforma) *	**(19)**	**(6.0)**	(5)	(1.5)
Others and adjustments	**(2)**	**-**	3	-
Consolidated operating profit / percentage of Group income	**436**	**19.3**	466	20.2

* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized since 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 Consolidated Financial Statements for a summary of selected data from the statements of Yes Television and Communications Ltd.

1.2.2. Activity segments

b. **Interior landline communications segment**

	1-3.2024	1-3.2023	Increase (decrease)		Explanation
	NIS millions			%	
Internet infrastructure	**501**	479	22	4.6	The increase was mainly due to an increase in the average revenues per retail subscriber, which was mainly due to an increase in the number of subscribers connected to the fiber network and complementary end equipment. In addition, there has been an increase in the use of Bezeq infrastructures in the wholesale market.
Landline telephony	**143**	182	(39)	(21.4)	The decrease was due to a decrease in the average revenues per telephone line due to the reduction of telephony rates by the Ministry of Communications starting from 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.
Transmission, data communication and other	**360**	363	(3)	(0.8)	The decrease was mainly due to a decrease in transmission revenues for Internet Service Providers (ISP) due to subscribers switching to Bezeq due to the unified Internet reform and a decrease in paid work. The decrease was offset by an increase in data transmission and communication services for businesses.
Cloud and digital services	**87**	87	-	-	
Total revenues	**1,091**	1,111	(20)	(1.8)	
Operating and general expenses	**183**	195	(12)	(6.2)	The decrease was mainly due to a decrease in the expenses of subcontractors for the deployment of the fiber network and a decrease in interconnection payments to communication operators, mainly due to a decrease in rates as of June 15, 2023, offsetting an increase in advertising expenses.
Salaries	**260**	263	(3)	(1.1)	The decrease was mainly due to retirement of employees, the return of reserve service compensation by National Insurance as an effect of the war, as well as a one-off grant to permanent employees following the wage agreement in the public sector in the corresponding quarter, mainly offset by salary updates and onboarding of employees.
Depreciation and amortization	**252**	245	7	2.9	
Other operating expenses (income), net	**(1)**	5	(6)	-	The change was due to a decrease in provision expenses for lawsuits and capital gains from the sale of real estate.
Operating profit	**397**	403	(6)	(1.5)	
Financing expenses, net	**52**	76	(24)	(31.6)	The decrease in financing expenses, net, was mainly due to an increase in financing income from investments and a decrease in linkage differences for debentures due to a lower index increase in the current quarter compared to the corresponding quarter.
Income taxes	**87**	78	9	11.5	
Segment profit	**258**	249	9	3.6	

1.2.2. Activity segments

c. **Cellular communications segment**

	1-3.2024	1-3.2023	Increase (decrease)		Explanation
	NIS millions			%	
Revenues from services excluding interconnect *	**335**	334	1	0.3	The increase in revenues was mainly due to an increase in revenues from roaming services and continued growth in the number of subscribers, including subscribers in 5G packages.
Interconnect expenses *	**81**	111	(30)	(27.0)	The decrease was mainly due to the reduction of interconnect rates in June 2023.
Sale of end equipment to customers	**167**	171	(4)	(2.3)	
Total revenues	**583**	616	(33)	(5.4)	
Operating and general expenses	**316**	351	(35)	(10.0)	The decrease was mainly due to a decrease in the expenses attributed to interconnect income, a decrease in the cost of sale of end equipment, as well as a decrease in the costs of roaming services in parallel with a decrease in the attributable revenues.
Salaries	**83**	84	(1)	(1.2)	The decrease was mainly due to an increase in salary deductions for investment as well as a decrease in the number of employees. On the other hand, there was an increase in expenses mainly due to the effects of the collective agreement.
Depreciation and amortization	**138**	133	5	3.8	The increase was mainly due to an increase in investments in the 5G network, as well as by updating the estimate of site dismantling and removal assets. This increase was partially offset by a decrease in depreciation expenses for assets whose depreciation period has ended.
Other operating income, net	**6**	(3)	9	-	The other operating expenses, net mainly include employee retirement expenses as well as expenses for financial sanctions.
Operating profit	**40**	51	(11)	(21.6)	
Financing expenses (income), net	**-**	6	(6)	(100)	The decrease in financing income, net, was mainly due to a decrease in interest income from loans given to the parent company and repaid during the year 2023, as well as to an increase in financing expenses due to linkage differences. This decrease was partially offset by a decrease in exchange rate differential expenses due to a decrease in the dollar exchange rate.
Income tax	**10**	13	(3)	(23.1)	
Segment profit	**30**	44	(14)	(31.8)	

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

1.2.2. Activity segments

d. **Bezeq International services**

	1-3.2024	1-3.2023	Increase (decrease)		Explanation
	NIS millions			%	
Revenues	**289**	312	(23)	(7.4)	The decrease was mainly due to a decrease in revenues from internet services (ISP) in private activity due to a decrease in the number of subscribers following the unified internet reform as well as a decrease in the activity of internet services for businesses. This decrease was offset by an increase in revenues from licensing equipment and service contracts as well as an increase in cloud activity revenues.
Operating and general expenses	**193**	208	(15)	(7.2)	The decrease was mainly due to a decrease in expenses for the use of Internet infrastructure in view of a decrease in activity in this area and a decrease in administrative and general expenses. This decrease was partially offset mainly due to an increase in expenses for equipment, licensing, and service contracts.
Salaries	**53**	54	(1)	(1.9)	
Depreciation and amortization	**27**	30	(3)	(10.0)	The decrease was mainly due to a decrease in current depreciation for equipment and subscriber acquisition costs as a result of a decrease in private internet activity.
Other operating expenses (income)	**(4)**	6	(10)	-	The change was due to the recording of income in the current quarter for the amendment of the server farm lease agreement (Bnei Zion) as well as a decrease in the expenses on provision for claims compared to the corresponding quarter.
Operating profit	**20**	14	6	42.9	
Financing expenses, net	**2**	1	1	100.0	
Segment profit	**18**	13	5	38.5	

1.2.2. Activity segments

e. **Multi-channel TV (proforma) ***

	1-3.2024	1-3.2023	Increase (decrease)		Explanation
		NIS millions		%	
Revenues	**315**	329	(14)	(4.3)	The decrease was mainly due to a change in the mix of subscribers from premium to discount, as well as the non-collection from customers on the conflict line as a result of the effects of the war. The decrease was partially offset by an increase in revenues from combined television and fiber packages.
Operating and general expenses	**225**	225	-	-	An increase that occurred mainly in costs for fiber activity was offset mainly by a decrease in the volume of content costs.
Salaries	**47**	50	(3)	(6.0)	The decrease was mainly due to an increase in salary discounts.
Depreciation and amortization	**62**	60	2	3.3	
Other operating income, net	**-**	(1)	1	-	
Operating loss	**(19)**	(5)	(14)	(280.0)	
Financing income, net	**(5)**	(5)	-	-	
Segment loss	**(14)**	-	(14)	-	

* 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 (for more information, see Notes 5.1 and 13 to the Statements). This is in accordance with the way in which 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 consolidated statements regarding a summary of selected data from the financial statements of Yes Television and Telecommunication Services Ltd. as well as from the table below.

1.2.2. Activity segments (Cont.)

f. **Multi-channel TV (Cont.) - Comparison between accounting P&L and proforma P&L**

	1-3.2024		1-3.2023	
	Accounting P&L	Proforma P&L	Accounting P&L	Proforma P&L
	NIS millions			
Income	**315**	**315**	329	329
Operating and general expenses	**227**	**225**	228	225
Salaries	**48**	**47**	52	50
Depreciation and amortization	**58**	**62**	50	60
Other operating income, net	**-**	**-**	(1)	(1)
Operating loss	**(18)**	**(19)**	-	(5)
Financing income, net	**(5)**	**(5)**	(5)	(5)
Segment profit (loss)	**(13)**	**(14)**	5	-

1.3. Cash Flow

	1-3.2024	1-3.2023	Change		Explanation
		NIS millions		%	
Net cash flow from operating activities	**999**	849	150	17.7	The increase in net cash flow from current operations was due to changes in working capital as well as receiving an Income Tax rebate in the current quarter compared to the Income Tax paid in the corresponding quarter in the landline interior communications segment.
Net cash flow used for Investing operations	**(1,421)**	(760)	(661)	(87.0)	The increase in the net cash flow used for investment activity was mainly due to an increase in net investment in bank deposits and other financial investments in the landline interior communications segment.
Net cash flow derived from financing operations	**918**	276	642	232.6	The increase in the net cash flow from financing activities was due to an increase in the issuance of debentures due to the expansion of debentures (Series 11 and 13 of Bezeq), as well as receiving loans in the current quarter in the landline interior communications segment.
Net increase in cash	**496**	365	131	35.9	

Average volume in the reported year

Long-term liabilities (including current liabilities) to financial institutions and bondholders: approx. NIS 9,454 million.

Provider credit: approx. NIS 946 million.

Short-term customer credit: approx. NIS 1,486 million. Long-term customer credit: approx. NIS 274 million.

Working capital

The Group's consolidated working capital as of March 31, 2024 amounted to approximately NIS 1.2 billion, compared with working capital of approximately NIS 637 million as of March 31, 2023.

The Company's working capital (according to its separate Financial Statements) as of March 31, 2024 amounted to approximately NIS 65 million, compared with working capital of approximately NIS 47 million as of March 31, 2023.

Bezeq (according to its separate Financial Statements) as of March 31, 2024 has a working capital surplus in the amount of NIS 1.14 billion, compared with a working capital of NIS 590 million as of March 31, 2023.

The increase in working capital surplus in the Group and in the Company was mainly due to the increase in investment balances, offsetting an increase in balances payable and in current maturities of the financial debt.

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 March 31, 2024, 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 March 12, 2024, the Company purchased during the first two quarters of 2024, 1,500,000 of the Company's shares for a total amount of approximately NIS 20 million.

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

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

In the three-month period that ended on March 31, 2024, the increase in the consumer price index was reflected in the recording of financing expenses for the Group's financial debt amounting to approximately NIS 7 million (approximately NIS 9 million after hedging), a decrease of approximately NIS 19 million (about NIS 12 million after hedging) compared to the corresponding quarter. It should be noted that the effect of the increase in the consumer price index on the operational results of the Group was immaterial. It should also be noted that there was no change in the interest rate in the economy during the aforementioned period.

In accordance with the extent of the Group’s index-linked debt as of March 31, 2024, every 1% increase in the Consumer Price Index is expected to result in an increase in the Group’s financing expenses to the extent of approximately NIS 25 million, before considering the effect of hedging transactions.

In addition, depending on the extent of the existing debt with Bezeq's variable interest rate, an increase of 1% in the Bank of Israel's interest rate is expected to cause an increase in the Group’s financing expenses to the extent of approximately NIS 7 million per year, and accordingly, no significant impact on the Group’s operating results is expected as a result.

The Company's debentures are in shekels, and therefore they are not affected by changes in the inflation rate or interest rate increases.

1.7. State of War - "Iron Swords"

As of October 7, 2023, the State of Israel has been in a state of war with variable intensity in the Gaza Strip as well as 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 landline telephony, and on the other hand in the decrease in roaming activity, 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 reserve service and a decrease in contractor activity, there was a slowdown in deployment and installation activity in the Bezeq network. Also, a number of regulatory moves were made as part of the State of Israel's handling the war situation, including a law to postpone payment dates for those eligible and to ease 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 Envelope and the northern border.

The 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 handling faults, 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 of the war and its consequences as described above do not have a material impact on the activities and business results of the Company and Bezeq Group. Also, the liquidity and financial situation of the Company and Bezeq Group allow them to function well during the war. The scope and duration of the war and its consequences on the state of the Israeli economy, as well as on the Company and the Bezeq Group companies, are unexpected, 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 listed in Chapter A (description of the corporation's business) of the periodic report for the year 2023 (Sections 2.20.11, 2.20.15, 3.19.2.9, 4.14.8, 5.18.1.2, and 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 Company's estimates, assumptions, and expectations, which may not materialize, or may materialize in a materially different manner 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 material valuation

The following are details of a material valuation in accordance with Regulation 8B of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

	Yes Television and Communications Ltd. ("Yes")[1]
Identification of subject of valuation	Examination of the impairment of Yes' assets as of March 31, 2024.
Timing of the valuation	March 31, 2024; The valuation was signed on May 16, 2024.
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 March 31, 2024 is negative in the amount of approximately NIS 8 million.
Value of the subject of the valuation determined in accordance with the valuation	The value in use of Yes's assets, under the income discount approach (value in use), has a negative value of approximately NIS 76 million. It should be noted that the fair value after deducting sales costs of Yes's assets for that date amounted to a negative value of approximately NIS 95 million. Therefore, and in accordance with the provisions of IAS36, the recoverable amount of Yes's assets was determined to be the value in use or fair value minus sales costs, whichever is higher, i.e., a negative value of approximately NIS 76 million. Based on the valuation, the Group recognized in the quarter an impairment loss of approximately NIS 68 million.
Identification and characterization of the valuator	The valuation was performed by CPA Guy Feibish, partner, fields of valuations and economic models in the Economic Department of Ernst Young (Israel) Ltd. CPA Faivish holds a bachelor's degree in economics with a specialization in accounting from Ben-Gurion University, Be'er Sheva and is also a certified public accountant in Israel. As part of his role, CPA Feibish leads projects with leading private and public companies in their fields in Israel and the world and accompanies transactions in Israel and abroad, and led complex valuations for a variety of purposes, including

[1] Despite the negative enterprise value of Yes, Bezeq supports Yes by approving credit frameworks or investing in Yes's capital (see Note 4.1 to the Statements). Bezeq's support of Yes stems, among other things, from the current and expected contribution of the multi-channel TV activity to the overall activity of Bezeq Group.

	Yes Television and Communications Ltd. ("Yes")[1]
	financial reporting, taxation, regulatory compliance, and raising capital in a variety of sectors, including real estate, retail, Industry, energy, and communications. Also, as part of his role, he accompanies companies in the planning and implementation of business processes. In addition, CPA Feibish has experience in providing financial opinions for the needs of legal proceedings and/or commercial disputes. The valuator is independent of the Company and Bezeq. Bezeq undertook to indemnify the valuator for damage amounts exceeding three times his fee, except if he acted with malice or gross negligence.
Valuation model	The cash flow discounting model (DCF).
Assumptions under which the valuator made the valuation	Discount rate – 11.5% (after tax). Permanent growth rate - 1% Percentage of scrap value of the total value determined in the valuation - irrelevant.

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. <u>Current and subsequent material events</u>

Regarding current and subsequent material events, including Bezeq's entry into the field of electricity supply - see Note 15 to the consolidated financial statements.

3. Details related to Bezeq's debentures

3.1. On January 9, 2024, Maalot announced the rating of ilAA minus with a negative rating horizon (see immediate report Ref. 2024-01-004668), and Midroog announced the Aa3.il rating with a positive rating horizon (see immediate report Ref. 2024-01-004623), for the debentures that Bezeq will issue through the expansion of Series 11 and 13.

3.2. On January 11, 2024, Bezeq completed a public offering of debentures (Series 11 and 13) by way of expanding the series traded on the stock exchange, according to a shelf offer report dated January 10, 2024, which was published according to a shelf prospectus published on May 9, 2023. In this framework, NIS 567,877,000 par value debentures (Series 11) for a total of NIS 539 million and NIS 432,123,000 par value debentures (Series 13) for a total of NIS 353 million were issued to the public.

3.3. On May 2, 2024, Maalot raised Bezeq's rating from ilAA- to ilAA with a stable rating forecast, in view of an improvement in Bezeq's financial relations (see immediate report Ref. 2024-01-042343).

3.4. Also, on May 19, 2024, Midroog raised the rating of Bezeq's debentures to Aa2.il with a stable rating forecast, in view of the continuous improvement in Bezeq's financial position alongside the improvement in the ratio of debt coverage to EBITDA to levels that support this rating (see immediate report Ref. 2024-01-048802).

3.5. Financial clauses in the Company's debentures

In accordance with the Company's commitment in debentures Series F to comply with an LTV condition, the LTV ratio as of March 31, 2024 was 52.8%.

The Company's net debt balance as of March 31, 2024 is approximately NIS 1,923 million and consists of a principal balance and accrued interest as of the balance sheet date in respect of its debentures in the amount of NIS 2,034 million, net of cash balances and short-term investments in the amount of NIS 111 million.

4. Miscellaneous

For information regarding the balance of liabilities of the reporting corporation as of March 31, 2024, see the form to be reported by the Company on the MAGNA system on May 22, 2024.

Darren Glatt	Tomer Raved
Chairman of the Board of Directors	CEO

Date of signing: May 21, 2024

Chapter C

Condensed Consolidated Interim Financial Statements
As of March 31, 2024

(Unaudited)

Condensed Consolidated Interim Financial Statements as of March 31, 2024 (Unaudited)

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

Auditors' Review Report to the Shareholders of
B Communications Ltd.

Introduction
We reviewed the attached financial information of B Communications Ltd. and its subsidiaries (hereinafter - the Group), which includes the condensed consolidated statement of financial position as of March 31, 2024 and the condensed consolidated statements of P&L, comprehensive income, and changes in capital and cash flows for a period of three months that ended on the same date. The Board of Directors and Management are responsible for the compilation and presentation of financial information for this interim period in accordance with the international accounting standard IAS 34 "Financial Reporting for Interim Periods", and they are also responsible for the compilation of financial information for this interim period according to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on financial information for this interim period 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 financial 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, as well as regarding all stated in this note on the filing of indictments 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 attribute to the defendants offenses of obtaining by deceit in aggravating circumstances, fraud and breach of trust in a corporation, 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

May 21, 2024

Condensed Consolidated Interim Statements of Financial Position as of

		March 31, 2024	March 31, 2023	December 31, 2023
		(Unaudited)	(Unaudited)	(Audited)
Assets	**Note**	**NIS millions**	**NIS millions**	**NIS millions**
Cash and cash equivalents		**1,140**	*1,119	644
Restricted cash and cash equivalents		**10**	*10	-
Investments		****2,301**	1,354	**1,248
Trade receivables		**1,494**	1,510	1,477
Other receivables		**219**	209	166
Inventory		**118**	141	82
Total current assets		**5,282**	4,343	3,617
Trade and accounts receivable		**448**	458	446
Right-of-use assets		**1,761**	1,719	1,870
Property, plant and equipment		**6,928**	6,629	6,828
Intangible assets		**3,278**	3,250	3,280
Deferred expenses and non-current investments		**305**	**325	**312
Total non-current assets		**12,720**	12,381	12,736
Total assets		**18,002**	16,724	16,353

* Reclassified.
** Including restricted deposits.

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

		March 31, 2024	March 31, 2023	December 31, 2023
		(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	**Note**	**NIS millions**	**NIS millions**	**NIS millions**
Debentures, loans and credit		**1,074**	923	1,074
Current maturities of lease liabilities		**418**	443	433
Trade payables		**2,139**	1,872	1,758
Employee benefits		**341**	371	332
Provisions		**106**	97	111
Total current liabilities		**4,078**	3,706	3,708
Debentures and loans		**8,930**	8,699	7,829
Leasing liabilities		**1,504**	1,428	1,608
Employee benefits		**253**	198	251
Derivatives and other liabilities		**173**	147	160
Deferred tax liabilities		**334**	324	322
Provisions		**29**	34	29
Total non-current liabilities		**11,223**	10,830	10,199
Total liabilities		**15,301**	14,536	13,907
Capital	7			
Attributed to the shareholders of the Company		**226**	113	189
Attributed to non-controlling interests		**2,475**	2,075	2,257
Total capital		**2,701**	2,188	2,446
Total liabilities and capital		**18,002**	16,724	16,353

Darren Glatt	**Tomer Raved**	**Itzik Tadmor**
Chairman of the Board of Directors	CEO	CFO

Date of approval of the financial statements: May 21, 2024

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

Condensed Consolidated Interim Statements of P&L

	For the period of three months ended March 31		For the year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Revenues (Note 8)	**2,255**	2,308	9,103
Operating expenses			
Operating and general expenses	**858**	885	3,381
Salaries	**487**	492	1,926
Depreciation, amortization and impairment*	**473**	458	1,867
Other operating expenses, net (Note 10)	**1**	7	180
Total operating expenses	**1,819**	1,842	7,354
Operating profit	**436**	466	1,749
Financing expenses (income)			
Financing expenses	**120**	121	518
Financing income	**(53)**	(33)	(169)
Financing expenses, net (Note 11)	**67**	88	349
Profit before income taxes	**369**	378	1,400
Income taxes	**98**	92	346
Net profit for the period	**271**	286	1,054
Profit attributed to:			
Shareholders of the Company	**56**	58	187
Non-controlling interests	**215**	228	867
Net profit for the period	**271**	286	1,054
Profit per share (NIS)			
Baseline profit per share	**0.52**	0.54	1.75
Diluted profit per share	**0.52**	0.53	1.74

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

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

Condensed Consolidated Interim Statements of Comprehensive income

	For the period of three months ended March 31		For the year ended December 31
	2024	**2023**	**2023**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS millions	**NIS millions**	**NIS millions**
Profit for the year	**271**	286	1,054
Reassessment of defined benefit plan, net of tax – will not be transferred to P&L	**-**	1	18
Other comprehensive income (loss) items, net of tax – will be transferred to P&L	**3**	2	(6)
Total comprehensive income for the period	**274**	289	1,066
Attributable to:			
Shareholders of the company	**57**	59	190
Non-controlling interests	**217**	230	876
Total comprehensive income for the period	**274**	289	1,066

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

Condensed consolidated interim statements of changes in capital

	Shareholder capital	Premium on shares	Treasury shares	Other principals	Loss balance	Capital 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 March 31, 2024 (unaudited)								
Balance as of January 1, 2024	**12**	**1,495**	**(160)**	**(32)**	**(1,126)**	**189**	**2,257**	**2,446**
Profit for the period	-	-	-	-	**56**	**56**	**215**	**271**
Other comprehensive income for the period, net of tax	-	-	-	**1**	-	**1**	**2**	**3**
Total comprehensive income for the period	-	-	-	**1**	**56**	**57**	**217**	**274**
Transactions imputed directly to capital								
Share-based compensation	-	-	-	-	-	-	**4**	**4**
Transactions with non-controlling interests	-	-	-	-	**(13)**	**(13)**	**(2)**	**(15)**
Buback of shares	-	-	**(7)**	-	-	**(7)**	-	**(7)**
Balance as of March 31, 2024	**12**	**1,495**	**(167)**	**(31)**	**(1,083)**	**226**	**2,475**	**2,701**
For period of three months ended March 31, 2023 (unaudited)								
Balance as of January 1, 2023	12	1,495	(137)	(30)	(1,286)	54	1,842	1,896
Profit for the period	-	-	-	-	58	58	228	286
Other comprehensive income for the period, net of tax	-	-	-	1	-	1	2	3
Total comprehensive income for the period	-	-	-	1	58	59	230	289
Transactions imputed directly to capital								
Share-based compensation	-	-	-	-	-	-	3	3
Balance as of March 31, 2023	12	1,495	(137)	(29)	(1,228)	113	2,075	2,188
For the year ended December 31, 2023 (Audited)								
Balance as of January 1, 2023	12	1,495	(137)	(30)	(1,286)	54	1,842	1,896
Profit for 2023	-	-	-	-	187	187	867	1,054
Other comprehensive income (loss) for the year, net of tax	-	-	-	(2)	5	3	9	12
Total comprehensive income (loss) for the year 2022	-	-	-	(2)	192	190	876	1,066
Transactions imputed directly to capital								
Share-based compensation	-	-	-	-	-	-	10	10
Dividend distributed to non-controlling interests	-	-	-	-	-	-	(466)	(466)
Transactions with non-controlling interests	-	-	-	-	(32)	(32)	(5)	(37)
Buyback of shares	-	-	(23)	-	-	(23)	-	(23)
Balance as of December 31, 2023	12	1,495	(160)	(32)	(1,126)	189	2,257	2,446

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

Condensed Consolidated Interim Cash Flow Statements

	For period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Cash flows from operating activities			
Profit for the year	**271**	286	1,054
Adjustments:			
Depreciation and amortization	**473**	458	1,867
Capital gain, net	**(2)**	(1)	(2)
Financing expenses, net	**69**	91	364
Share-based compensation	**4**	3	10
Income tax expenses	**98**	92	346
Change in trade and other receivables	**(65)**	(105)	(10)
Change in inventory	**(44)**	(56)	(15)
Change in trade and other payables	**165**	173	59
Change in provisions	**(2)**	4	18
Change in employee benefits	**11**	(31)	(3)
Change in other liabilities	**13**	-	23
Income Tax received (paid), net	**8**	(65)	(269)
Net cash derived from operating activities	**999**	849	3,442
Cash flows from investing activities			
Purchase of property, plant and equipment	**(312)**	(335)	(1,333)
Investment in intangible assets and deferred expenses	**(98)**	(81)	(375)
Investment transactions, net	**(1,028)**	(376)	(245)
Proceeds from the sale of PP&E	**3**	33	39
Purchase of subsidiary minus cash purchased	**-**	-	(14)
Classification as restricted cash and cash equivalents	**(10)**	(10)	-
Interest received from banking deposits	**24**	-	72
Miscellaneous	**-**	9	21
Net cash used for investing activities	**(1,421)**	(760)	(1,835)

Condensed consolidated interim statements of cash flows (Cont.)

	For period of three months ended March 31		For year ended December 31
	2024	**2023**	**2023**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS millions	**NIS millions**	**NIS millions**
Cash flows from financing activities			
Issuance of debentures and receipt of loans	**1,084**	415	1,015
Repayment of debentures and loans	**-**	-	(1,409)
Transaction with non-controlling interests	**(15)**	-	(37)
Leasing principal and interest payments	**(126)**	(125)	(484)
Buyback of shares	**(6)**	-	(23)
Interest paid	**(19)**	(14)	(312)
Dividend distributed to non-controlling interests	**-**	-	(466)
Payment for completed hedging transactions	**-**	-	4
Miscellaneous	**-**	-	(3)
Net cash derived from (used for) financing operations	**918**	276	(1,715)
Net increase (decrease) in cash and cash equivalents	**496**	365	(108)
Effect of changes in foreign currency exchange rate	**-**	-	(2)
Cash and cash equivalents for the beginning of the period	**644**	754	754
Cash and cash equivalents at the end of the period	**1,140**	1,119	644

The notes attached to the condensed consolidated interim financial 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 March 31, 2024 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 and the Tel Aviv District Attorney's Office (Taxation and Economy) regarding Bezeq's prosecution and summons to a hearing, see Note 1.3 to the annual statements.

As stated in Note 1.3.3 in 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 impact 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, 2023 and the year ended on the same date and accompanying notes (hereinafter - the annual financial statements). The Group presents in the notes to the 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. A summary of these consolidated interim financial statements was approved by the Company's Board of Directors on May 21, 2024.

2.4. Use of estimates and discretion

When preparing the condensed consolidated interim financial statements in accordance with 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 the annual financial statements.

3. Reporting rules and accounting policies

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

3.2. New standards not yet adopted:

International Financial Reporting Standard 18 IFRS Presentation and Disclosure in the Financial Statements:

This standard replaces International Accounting Standard 1 IAS Presentation of Financial Statements. The purpose of the standard is to provide an improved structure and content to the financial statements, in particular the P&L statement. The standard includes new disclosure and presentation requirements as well as requirements that were introduced from International Accounting Standard 1 IAS Presentation of Financial Statements with minor wording changes. As part of the new disclosure requirements, companies will be required to present two interim summaries in the P&L statement: operating profit and profit before financing and tax. In addition, for most companies, the results in the P&L statement report will be classified into three categories: operating profit, investment profit, and financing profit. In addition, for the changes in the structure of the P&L statement, the standard also includes a requirement to provide a separate disclosure in the statements regarding the use of performance indicators defined by the management (non-GAAP indicators). Also, as part of the amendment, specific instructions were added for the grouping and splitting of items in the statements and notes. The standard will encourage companies to avoid classifying items as 'other' (e.g., other expenses), and such classification will entail additional disclosure requirements. The date of initial application of the standard is for annual periods beginning on January 1, 2027, with the possibility of early application. The implementation of the amendment is expected to have an impact on the presentation and disclosures in the Group's statements, especially in the P&L statement. The Group is examining the consequences of implementing the standard on the 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 Bezeq Group's entities since the publication of the annual statements.

4.1. Yes Television and Communications Ltd. (Yes)

4.1.1. As of March 31, 2024, according to the statements of Yes, the equity balance is in the amount of NIS 61 million, and the working equity deficit is in the amount of NIS 176 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.

On May 21, 2024, 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 14 months, from April 1, 2024 until May 31, 2025, instead of a similar commitment from March 2024. It should be noted that so far, during 2023, no utilization of the credit facilities provided by Bezeq has been made by Yes.

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

4.1.2. See Note 5.1 below regarding impairment of assets recognized by Yes in the financial statements as of March 31, 2024.

4.2. Bezeq International Ltd.

See Note 5.2 below regarding impairment of assets recognized by Bezeq International in the statements as of March 31, 2024.

4.3. Dividend distribution by Bezeq

4.3.1. See Note 12.7 to the annual financial statements regarding Bezeq's dividend distribution policy, which was approved by Bezeq's Board of Directors on March 12, 2024.

4.3.2. On April 17, 2024, the General Meeting of Bezeq's shareholders (following the recommendation of Bezeq's Board of Directors dated March 12, 2024) approved the distribution of a cash dividend to Bezeq's shareholders in the total amount of NIS 374 million (constituting NIS 0.1351691 per share as of the effective date). The dividend was paid on May 9, 2024. The Company's share in the above mentioned dividend is approximately NIS 102 million.

4.4. Investment in Bezeq

On January 31, 2024, the Company purchased 3,120,000 ordinary shares of subsidiary Bezeq in the total amount of approximately NIS 15 million and at an average price of NIS 4.82 per share. After the aforementioned purchase, the Company owns 27.19% of the issued shareholder capital and voting rights in the subsidiary.

5. Impairment

5.1. Impairment in the multi-channel TV segment (Yes)

Following Note 10.5 to the annual statements regarding impairment recognized in 2023, the valuation as of December 31, 2023 presented a value materially lower than the book value of Yes.

In accordance with an examination conducted by an external valuator on March 31, 2024 and in accordance with the assessment of Yes’ Management, it was found that during the three months that have passed since the previous valuation, there have been no material changes which may indicate a material change that requires an update of the Yes forecasts compared to the forecast that was used for the purpose of preparing the valuation for December 31, 2023.

In parallel, in light of timing differences in relation to the forecast used for the purpose of the valuation as of December 31, 2023 and the continuation of the war, an adjustment was made in the calculation of the value in use as of December 31, 2024.

The main adjustment is due to a non-normative change in the balance of suppliers as of the valuation date, which mainly originates from the timing of payments to content and equipment suppliers that will be paid later in 2024.

The current enterprise value as of March 31, 2024, taking into account the adjustment made, is negative and amounts to a total of NIS 76 million.

As of March 31, 2024, the enterprise value of yes under the cash flow discounting approach is higher than the fair value of Yes's assets and liabilities, net, and is therefore determined as the basis for determining the recoverable amount of Yes.

Therefore, in light of the negative enterprise value, Yes amortized its assets as of March 31, 2024 up to: the amount of value in use, the net fair value of these assets, or zero, whichever is higher (hereinafter: enterprise value).

Based on the fair valuation of DBS assets, which was performed by an external valuator as of March 31, 2024, the book value of the depreciable assets is approximately NIS 68 million of the value of its assets. Therefore, the Company recognized, in a period of three months which ended on March 31, 2024, with loss due to impairment in the amount of approximately NIS 68 million.

It should be noted that the value in use valuation is sensitive to the net cash flow in the representative year in general, and to the assessment of the ARPU level (average income per subscriber) and the subscriber base at the end of the forecast range in particular. A change of NIS 1 in ARPU throughout the years of the forecast and in the terminal year results in a change in enterprise value in the amount of between approximately NIS 57 and 61 million and a change of 5K subscribers throughout the years of the forecast, and in the terminal year results in a change in enterprise value in the amount of approximately NIS 72 to 79 million.

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

	Yes' enterprise value (according to 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**
for March 31, 2024 and for a period of three months that ended on that date (unaudited)	**(76)**	**(95)**	**(8)**	**(68)**
Total impairment recognized in the three-month period ending March 31, 2024				**(68)**
As of December 31, 2023 and for the year ending on that date (audited)	**(24)**	**(60)**		**(204)**

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

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

	For period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Broadcasting rights *	**22**	35	103
Property, plant and equipment **	**20**	26	62
Intangible assets **	**20**	7	37
Rights to use leased assets **	**-**	-	3
Other payables (advance expenses) *	**6**	1	(1)
Total impairment recognized	**68**	69	204

* 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 in the annual financial statements.

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

Further to Note 10.6 to the annual statements regarding impairment recognized in Bezeq International in 2023, the valuation as of December 31, 2023 presented a value in use substantially lower than the book value of Bezeq International.

As of March 31, 2024 it was found that during the three months that have passed since the previous valuation date, there have been no material changes in the market or regulatory changes that could materially affect Bezeq International's forecasts for years to come, and there have been no material changes in the discount rate. Therefore, as of March 31, 2024, there was no change in Bezeq International's enterprise value, which amounted to a negative sum of NIS 194 million.

The net fair value of Bezeq International's assets as of March 31, 2024 is negative in the amount of NIS 26 million.

In view of the fact that the enterprise value is lower than the net fair value of the assets and liabilities, Bezeq International reduced its assets up to the amount of the net fair value of these assets. As of March 31, 2024, the book value of the depreciable assets is about NIS 23 million higher than the net fair value. Therefore, the Group recognized, in the three-month period that ended March 31, 2024, an impairment loss of approximately NIS 23 million.

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:

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

	Bezeq International's enterprise value (according to DCF method)	Fair value of Bezeq International's assets and liabilities, net	Book value of Bezeq International's assets and liabilities, net before recognition of impairment	Impairment loss
	NIS millions	NIS millions	NIS millions	NIS millions
for March 31, 2024 and for a period of three months that ended on that date (unaudited)	* **(194)**	**(26)**	**(3)**	**(23)**
Total impairment recognized in the three-month period ending March 31, 2024				**(23)**
As of December 31, 2023 and for the year ending on that date (audited)	**(194)**	**(23)**		**(87)**

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

	For period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Property, plant and equipment and intangible assets **	**11**	14	57
Short-term and long-term advance expenses *	**7**	6	17
Rights to use leased vehicle assets **	**-**	-	1
Long-term advance payments for capacities **	**5**	1	12
Total impairment recognized	**23**	21	87

* 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 DBS determined the fair value (at level 3) of the assets minus exercise costs, see Note 10.6 in the annual financial statements.

6. Contingent liabilities

6.2. During the day-to-day business, legal claims have been filed against the companies of the Bezeq Group 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 80 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 March 31, 2024, 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 companies of the Group 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 above.

The amounts of additional exposure in this Note are nominal.

The following is a description of the contingent liabilities and provisions of Bezeq Group as they were in effect as of March 31, 2024, 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 Bezeq Group companies.	**78**	**1,705**	**792**
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.	(2) **20**	**68**	(1) **1,808**
Claims of employees and former employees of Bezeq Group companies	Mainly individual claims filed by employees and former employees of the Bezeq Group concerning various payments.	**-**	**2**	**-**
Miscellaneous	Other legal claims, including tort claims (with the exception of claims for which there is no dispute regarding the existence of insurance coverage), real estate, infrastructure, suppliers, etc.	**2**	**24**	**8**
Total legal claims against the Company and the subsidiaries(1)		**100**	**1,799**	**2,608**

(1) Including 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 Bezeq regarding the purchase of DBS 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 1.3) and at the request of the Attorney General at this stage, until July 20, 2024.

(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 actions filed in June 2017, among others, against the Company, Bezeq, Bezeq Group officers, as well as Group companies that had control over the Company and Bezeq regarding the transaction to purchase 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 to the Tel Aviv District Court (Economic Department) for approval and there is no certainty 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 owner 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.

(3) In addition, see Note 6.6 to the annual statements.

7. Capital

	As of March 31, 2024	As of March 31, 2023	As of December 31, 2023
	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	**(11,220,979)**	(9,080,317)	(10,673,530)
Issued and paid up capital, net	**105,114,814**	107,255,476	105,662,263

7.1. On March 12, 2024, the Company's Board of Directors approved an additional buyback plan of the Company's shares in the amount of up to NIS 25 million, which begins on March 17, 2024 and ends: (1) upon the purchase in the amount of NIS 25 million; or (2) on June 30, 2024. As of March 31, 2024, the company purchased a total of 547,449 of its shares for approximately NIS 7 million as part of the aforementioned buyback plan, whichever is earlier.

After the date of the statements, the Company purchased an additional 952,551 Company shares for approximately NIS 13 million. As of the date of approval of the statements, Searchlight and the Forer family hold approximately 67.20% and approximately 12.72%, respectively, of the Company's net issued and paid-up shareholder capital.

8. Revenues

	For period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Interior landline communication - Bezeq Fixed			
Internet - Infrastructure	**496**	466	1,907
Transmission and data communication	**139**	236	974
Landline telephony	**257**	177	632
Cloud and digital services	**87**	87	349
Other services	**60**	75	295
	1,039	1,041	4,157
Mobile radio telephone - Pelephone			
Cellular services and end equipment	**410**	436	1,724
Sale of end equipment	**166**	169	585
	576	605	2,309
Multi-channel TV - Yes	**315**	329	1,308
Internet (ISP), international communications and ICT solutions – Bezeq International	**274**	288	1,139
Other	**51**	45	190
Total revenues	**2,255**	2,308	9,103

9. Operating and general expenses

	For period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Connectivity and payments to communications operators in Israel and abroad	**178**	202	762
End equipment and materials	**216**	221	825
Content costs	**128**	141	530
Marketing and general	**126**	110	439
Maintenance of buildings and sites	**62**	64	257
Services and maintenance by subcontractors	**132**	131	504
Vehicle maintenance	**16**	16	64
Total operating and general expenses	**858**	885	3,381

10. Other operating expenses, net

	For period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Capital gain (mainly from exercise of real estate)	**(2)**	(1)	(2)
Creation of provision for claims	**5**	9	44
Expenses in respect of the termination of an employer-employee relationship in early retirement	**3**	3	57
Expenses in respect of the termination of an employer-employee relationship in early retirement and a streamlining agreement in Pelephone, Bezeq International and Yes	**4**	-	17
One-off provision	**-**	-	75
Other income	**(9)**	(4)	(11)
Other operating expenses, net	**1**	7	180

11. Financing expenses, net

	For period of three months ended March 31		For year ended December 31
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Interest expenses in respect of financial liabilities	**91**	80	344
Financing expenses for liabilities in respect of leases	**16**	12	63
Exchange rate and linkage differences	**7**	21	92
Other financing expenses	**2**	4	9
Costs of employee benefits	**4**	4	10
Total financing expenses	**120**	121	518
Income from credit grossing in sales	**7**	7	22
Change in the fair value of financial assets measured at fair value through P&L	**12**	8	26
Other financing income	**34**	18	121
Total financing income	**53**	33	169
Financing expenses, net	**67**	88	349

12. Financial instruments

12.1. Investment composition

	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Shekel deposits in banks (1)	**1,355**	1,124	484
Investment in securities at fair value through P&L	**933**	210	759
Derivatives	**13**	20	5
	2,301	1,354	1,248

(1) Deposits in shekels in banks are due until January 2025.

12.2. 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 March 31, 2024		As of March 31, 2023		As of December 31, 2023	
	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)	**1,754**	**1,700**	1,538	1,453	1,546	1,500
Debentures issued to the public (index-linked)	**2,455**	**2,416**	2,675	2,616	2,436	2,387
Debentures issued to the public (non-linked)	**5,185**	**5,084**	4,796	4,536	4,238	4,148
	9,394	**9,200**	9,009	8,605	8,220	8,035

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 detailed in Note 30.7 to the annual statements.

	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Level 1 - Investment in marketable securities measured at fair value through P&L and financial funds	**933**	210	759
Level 2 – Forward contracts	**36**	54	25

13. Segmental reporting

13.1. Segments of activity

	For period of three months ended March 31, 2024 (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	1,039	576	274	315	51	-	2,255
Inter-segmental revenues	52	7	15	-	-	(74)	-
Total revenues	1,091	583	289	315	51	(74)	2,255
Depreciation, amortization and impairment	252	138	27	62	-	(6)	473
Segment results - operating profit (loss)	397	40	20	(19)	-	(2)	436
Financial expenses	89	7	4	2	-	18	120
Financing income	(37)	(7)	(2)	(7)	(2)	2	(53)
Total financing expenses (income), net	52	-	2	(5)	(2)	20	67
Segment profit (loss) after financing expenses, net	345	40	18	(14)	2	(22)	369
Income taxes	87	10	-	-	1	-	98
Segment results - net profit (loss)	258	30	18	(14)	1	(22)	271

	For period of three months ended March 31, 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	1,041	605	288	329	45	-	2,308
Inter-segmental revenues	70	11	24	-	-	(105)	-
Total revenues	1,111	616	312	329	45	(105)	2,308
Depreciation, amortization and impairment	245	133	30	60	2	(12)	458
Segment results - operating profit (loss)	403	51	14	(5)	(1)	4	466
Financial expenses	98	10	4	2	-	7	121
Financing income	(22)	(16)	(3)	(7)	-	15	(33)
Total financing expenses (income), net	76	(6)	1	(5)	-	22	88
Segment profit (loss) after financing expenses, net	327	57	13	-	(1)	(18)	378
Income taxes	78	13	-	-	1	-	92
Segment results - net profit (loss)	249	44	13	-	(2)	(18)	286

* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized since 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 regarding the summary of selected data from the financial statements of Yes.

	For the year ended December 31, 2023 (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	4,157	2,309	1,139	1,308	190	-	9,103
Inter-segmental revenues	255	39	73	1	2	(370)	-
Total revenues	4,412	2,348	1,212	1,309	192	(370)	9,103
Depreciation, amortization and impairment	1,019	549	137	244	6	(88)	1,867
Segment results - operating profit (loss)	1,451	196	39	(4)	(1)	68	1,749
Financial expenses	370	35	17	8	-	88	518
Financing income	(114)	(48)	(7)	(17)	-	17	(169)
Total financing expenses (income), net	256	(13)	10	(9)	-	105	349
Segment profit (loss) after financing expenses, net	1,195	209	29	5	(1)	(37)	1,400
Income taxes	294	50	-	1	1	-	346
Segment results - net profit (loss)	901	159	29	4	(2)	(37)	1,054

* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized since 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 regarding the summary of selected data from the financial statements of Yes.

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

14.1. Bezeq the Israel Telecommunications Corporation Ltd.

Data from the statement of financial position:

	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	**3,714**	2,827	2,155
Non-current assets	**9,328**	9,799	9,226
Total assets	**13,042**	12,626	11,381
Current liabilities	**2,546**	2,164	2,317
Long-term liabilities	**7,998**	8,522	6,868
Total liabilities	**10,544**	10,686	9,185
Capital	**2,498**	1,940	2,196
Total liabilities and capital	**13,042**	12,626	11,381

Data from the P&L statement:

	For period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Revenues	**1,091**	1,111	4,412
Operating expenses			
Salary	**260**	263	1,028
Depreciation, amortization and impairment	**252**	245	1,019
Operating and general expenses	**183**	195	769
Other operating expenses (income), net	**(1)**	5	145
Total operating expenses	**694**	708	2,961
Operating profit	**397**	403	1,451
Financing expenses (income)			
Financing expenses	**89**	98	370
Financing income	**(37)**	(22)	(114)
Financing expenses, net	**52**	76	256
Profit after financing expenses, net	**345**	327	1,195
Share in the profits of equity-held investee companies, net	**37**	62	288
Profit before income tax	**382**	389	1,483
Income tax expenses	**87**	78	294
Profit for the period	**295**	311	1,189

14.2. Pelephone Communications Ltd.

Data from the statement of financial position:

	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	**772**	857	722
Non-current assets	**2,128**	2,966	2,110
Total assets	**2,900**	3,823	2,832
Current liabilities	**702**	754	659
Long-term liabilities	**783**	857	789
Total liabilities	**1,485**	1,611	1,448
Capital	**1,415**	2,212	1,384
Total liabilities and capital	**2,900**	3,823	2,832

Data from the P&L statement:

	For period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Revenues from services	**416**	445	1,756
Revenues from end equipment sales	**167**	171	592
Total revenues	**583**	616	2,348
Operating expenses			
General and operating expenses	**316**	351	1,278
Salaries	**83**	84	323
Depreciation, amortization and impairment	**138**	133	549
Total operating expenses	**537**	568	2,150
Other operating expenses (income), net	**6**	(3)	2
Operating profit	**40**	51	196
Financing income (expenses), net			
Financing expenses	**7**	10	35
Financing income	**(7)**	(16)	(48)
Financing income, net	**-**	(6)	(13)
Profit before income tax	**40**	57	209
Income tax expenses	**10**	13	50
Profit for the period	**30**	44	159

14.3. Bezeq International Ltd.

Data from the statement of financial position:

	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	**427**	409	406
Non-current assets	**494**	354	594
Total assets	**921**	763	1,000
Current liabilities	**398**	427	391
Long-term liabilities	**283**	132	388
Total liabilities	**681**	559	779
Capital	**240**	204	221
Total liabilities and capital	**921**	763	1,000

Data from the P&L statement:

	For period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Revenues	**289**	312	1,212
Operating expenses			
Operating and general expenses	**193**	208	800
Salaries	**53**	54	216
Depreciation, amortization and impairment	**27**	30	137
Other operating expenses (income), net	**(4)**	6	20
Total operating expenses	**269**	298	1,173
Operating profit	**20**	14	39
Financing expenses (income)			
Financing expenses	**4**	4	17
Financing income	**(2)**	(3)	(7)
Financing expenses, net	**2**	1	10
Profit for the period	**18**	13	29

14.4. Yes Television and Communications Ltd. (Yes)

Data from the statement of financial position:

	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	**271**	259	235
Non-current assets	**298**	246	**283**
Total assets	**569**	505	518
Current liabilities	**447**	464	385
Long-term liabilities	**61**	67	60
Total liabilities	**508**	531	445
Capital (capital deficit)	**61**	(26)	**73**
Total liabilities and capital (capital deficit)	**569**	505	518

Data from the P&L statement:

	For period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Revenues	**315**	329	1,309
Operating expenses			
Operating, general, and impairment expenses	**227**	228	861
Salary	**48**	52	193
Depreciation, amortization and impairment	**58**	50	166
Other operating income, net	**-**	(1)	(5)
Total operating expenses	**333**	329	1,215
Operating profit (loss)	**(18)**	-	94
Financing expenses (income)			
Financing expenses	**2**	2	8
Financing income	**(7)**	(7)	(17)
Financing income, net	**(5)**	(5)	(9)
Profit (loss) before income taxes	**(13)**	5	103
Income taxes	**-**	-	1
Profit (loss) for the period	**(13)**	5	102

15. Current and subsequent material events

15.1. Regarding the additional purchase of Bezeq's shares by the Company in January 2024, see Note 4.4.

15.2. During the month of January 2024, Bezeq carried out an expansion of Series 11 and 13 debentures for a total of approximately NIS 892 million.

15.3. Regarding Bezeq's entry into the field of electricity supply and Bezeq's engagement in the memorandum of understanding with Powergen Ltd. ("Powergen") regarding cooperation in the field of electricity - on April 9, 2024, the Bezeq Board of Directors approved a contract between the Company and Powergen in a detailed shareholders' agreement based on the principles established in the memorandum of understanding (the "Agreement"), the signing of the Agreement was also approved by the Powergen board of directors, and the Agreement was signed on May 15, 2024.

15.4. Regarding the buyback of the Company's shares, which was approved by the Company's Board of Directors on March 12, 2024, see Note 7.

15.5. Regarding the distribution of a cash dividend by Bezeq on May 9, 2024 and the Company's share of said dividend, see Note 4.3.

15.6. See Note 8.5 to the annual reports regarding the amendment of the hosting services agreement signed by Bezeq International with Serverfarm.

Condensed Separate Interim Financial Information
As of March 31, 2024
(Unaudited)

Table of Contents	Page

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 March 31, 2024 and for a period of the three months that ended on the same 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 4.4 which refers to Note 1.2 in the annual consolidated financial 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, as well as regarding all stated in this note on the filing of an indictments 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 in aggravating circumstances, fraud and breach of trust in a corporation, 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 3 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

May 21, 2024

Condensed Interim Financial Position Information as of

	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	**43**	*54	81
Restricted cash and cash equivalents	**10**	*10	-
Short-term investments and deposits	****58**	8	**43
Other receivables	**3**	2	3
Total current assets	**114**	74	127
Long-term deposits	**-**	**27	**8
Investment in equity- accounted investee	**2,106**	1,948	2,022
Total non-current assets	**2,106**	1,975	2,030
Total assets	**2,220**	2,049	2,157
Liabilities			
Trade payables	**28**	26	8
Provisions	**20**	-	20
Total current liabilities	**48**	26	28
Debentures	**1,946**	1,910	1,940
Total non-current liabilities	**1,946**	1,910	1,940
Total liabilities	**1,994**	1,936	1,968
Equity	**226**	113	189
Total liabilities and equity	**2,220**	2,049	2,157

* Reclassified.
** Including restricted deposits

Darren Glatt	**Tomer Raved**	**Itzik Tadmor**
Chairman of the Board of Directors	CEO	CFO

Date of approval of the financial statements: May 21, 2024

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

Condensed Interim P&L Information

	For period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Operating expenses			
Salaries	**1**	1	4
Operating and general expenses	**2**	1	7
Other expenses, net	**-**	-	19
Total operating expenses	**3**	2	30
Operating loss	**(3)**	(2)	(30)
Financing expenses (income) (See Note 2)			
Financing expenses	**23**	23	110
Financing income	**(2)**	-	(5)
Financing expenses (income), net	**21**	23	105
Loss after financing expenses, net	**(24)**	(25)	(135)
Share in the profits of equity-accounted investee, net	**80**	83	322
Net profit for the period	**56**	58	187

Condensed Interim Comprehensive Income Information

	For period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Net profit for the period	**56**	58	187
Other comprehensive income items, net of tax	**1**	1	3
Total comprehensive income for the period	**57**	59	190

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

Condensed Interim Cash Flows Information

	For a period of three months ended March 31		For year ended December 31
	2024	**2023**	**2023**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS millions	**NIS millions**	**NIS millions**
Cash flows from operating activities			
Profit for the period	**56**	58	187
Adjustments:			
Share in profits of equity-held investee companies, net	**(80)**	(83)	(322)
Financing expenses, net	**20**	22	106
Share-based compensation	*****	-	*
Change in receivables and credit balances	**2**	-	(1)
Change in other payables	**-**	(1)	(3)
Change in provisions	**-**	-	20
Net cash used for operating activities	**(2)**	(4)	(13)
Cash flows from investing activities			
Change in deposits and investments, net	**(6)**	55	40
Investment in affiliated company	**(15)**	-	(37)
Classification as restricted cash and cash equivalents	**(10)**	(10)	-
Dividend received from the subsidiary	**-**	-	172
Interest / dividend received in cash	**1**	-	4
Net cash derived from (used for) investing activities	**(30)**	55	179
Cash flows for financing activities			
Debenture issuance	**-**	-	500
Repayment of debentures principal	**-**	-	(497)
Repurchase of shares	**(6)**	-	(23)
Interest paid	**-**	-	(76)
Net cash used for financing activities	**(6)**	-	(96)
Increase (decrease) in cash and cash equivalents	**(38)**	41	70
Effect of changes in foreign currency exchange rate	**-**	-	(2)
Cash and cash equivalents at the beginning of the period	**81**	13	13
Cash and cash equivalents at the end of the period	**43**	54	81

(*) An amount less than NIS 1 million.

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

Notes to the Condensed Separate 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 financial statements for 2023.

1.2. Main methods of preparing the financial data

The condensed interim financial information is presented in accordance with the provisions of Regulation 38D (hereinafter - "the Regulation") and Schedule 10to the Securities Regulations (Periodic and Immediate Reports), 5770-1970 (hereinafter – “Schedule 10") regarding the condensed interim financial information of the Corporation (hereinafter: “the Report”). The Report should be read alongside the separate financial information as of the day and year ended December 31, 2023, and alongside the condensed consolidated interim financial statements as of March 31, 2023 (hereinafter: "the Consolidated Financial 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, 2023.

For accounting policy for new incidents, see Note 3.2 to the Consolidated Financial Statements.

2. Financing expenses, net

	For a period of three months ended March 31		For year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Interest expenses in respect of debentures	**23**	23	108
Exchange rate differences	**-**	-	2
Total financing expenses	**23**	23	110
Interest income from investments in marketable debentures and bank deposits	**1**	-	4
Change in the fair value of financial assets measured at fair value through P&L	**1**	-	1
Total financing income	**2**	-	5
Financing expenses, net	**21**	23	105

3. Contingent liabilities

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

4. Material subsequent events

4.1. For information regarding an additional purchase of Bezeq shares by the Company in January 2024, see Note 4.4 to the Consolidated Statements.

4.2. For information regarding the buyback of the Company's shares which was approved by the Company's Board of Directors on March 2024, see Note 7 to the Consolidated Statements.

4.3. For information regarding the dividend distribution by Bezeq on May 9, 2024 and the Company's share of said dividend, see Note 4.3 to the Consolidated Statements.

4.4. For information regarding the investigation by the Securities Authority and the Police, see Note 1.2 to the Consolidated Statements.

Chapter E

Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure for the Period ended March 31, 2024

1. <u>Report on the internal control over financial reporting and disclosure:</u>

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 reasonable 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 that the Corporation is required to disclose 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 annual report on the effectiveness of the internal control over financial reporting and disclosure which was attached to the Company's periodical report for the period ended December 31, 2023 (hereinafter - the last annual report on internal control), the Board of Directors and Management evaluated the internal control in the corporation; Based on this assessment, the Board of Directors and Management of the corporation came to the conclusion that the aforementioned internal control, as of December 31, 2023, is effective.

Until the date of the report, the Board of Directors and Management have not been informed of any event or matter that may change the evaluation of the effectiveness of internal control that appeared in the last annual report on internal control;

As of the date of the report, based on the evaluation of the effectiveness of internal control in the last annual report on internal control, and based on information brought to the attention of the Management and the Board of Directors as stated above, the internal control is effective.

Regarding the investigations by the Israel Securities Authority and the Israel Police, as specified in Section 1.1.7 of the chapter describing the Corporation's business in the 2023periodic report, the Corporation does not yet have complete information regarding the investigations (mainly regarding transactions related to the previous controlling shareholder of the Company and Bezeq and the former Chairman of the Bezeq Board of Directors, Mr. Shaul Elovitch , regarding the purchase of Yes shares and the provision of satellite communication services to Yes), their content, and the materials and evidence available to the law authorities in the matter (even though in January 2021 Bezeq received the core of the investigation material in connection with Case 4000, and even though on February 1, 2024 an agreement was signed between the State of Israel and Bezeq for termination of proceedings stipulated on the conditions in this case). Accordingly, the Corporation is still unable to assess all the effects of the investigations, their findings, and their effect on the Corporation and its statements.

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 periodical report of B Communications Ltd. (hereinafter – the Corporation) for 2024 (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: May 21, 2024

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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 first quarter of 2024 (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 vulnerabitlies 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: May 21, 2024

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Itzik Tadmor, Chief Financial Officer