



B. Communications Ltd.

Quarterly Report for the Period Ended June 30, 2024

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

Report of the Board of Directors on the State of the Corporation's business for the Period ended June 30, 2024

Chapter C – Condensed Interim Financial Statements for the Period ended June 30, 2024

Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure for the period ended June 30, 2024

THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE HEBREW VERSION OF THE COMPANY'S FINANCIAL STATEMENTS AND THE MANAGEMENT DISCUSSION AND ANALYSIS FOR Q2 2024 (THE "REPORTS"). THE HEBREW VERSION OF THE REPORTS IS THE BINDING VERSION AND THE ONLY VERSION HAVING LEGAL EFFECT. THE ENGLISH TRANSLATION HAS BEEN CREATED FOR THE PURPOSE OF CONVENIENCE ONLY. THE APPROVAL OF THE COMPANY'S BOARD OF DIRECTORS WAS GIVEN TO THE HEBREW VERSION ONLY AND NO SUCH APPROVAL HAS BEEN GIVEN TO THE ENGLISH TRANSLATION. THIS ENGLISH TRANSLATION WAS NOT SUBMITTED TO THE ISRAELI SECURITIES AUTHORITY AND IS NOT REVIEWED BY ANY REGULATORY AUTHORITY.



**Update to Chapter A
(Description of the Corporation's Business)
Of the 2023 Periodic Report¹**

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

Update² 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 to adopt a plan for the 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 above-mentioned period, in transactions on the stock exchange through a stock exchange member. It should be noted that the plan was adopted in writing in accordance with the rules set forth in the directive of the Securities Authority of July 26, 2010 (Position 199-8) regarding the "safe harbor" protection in the buyback of the securities by a corporation. For more details, see the immediate report dated March 13, 2024 (Reference 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 20, 2023 (Reference No.: 2024-01-044379).
- 1.3. For details about purchases of Bezeq ordinary shares carried out by the Company, see Section 2.2 below.
- 1.4. In June 19 2024, Midroog Ltd. established an A3.il rating with a stable horizon for the Company's debentures (series C) and (series F) that were in circulation as of that date. For more details, see immediate report published by the Company on June 16, 2024 (Reference No.: 2024-01-060670).

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 2023 and refers to the item numbers in Chapter A (Description of the Corporation's Business) in said periodic report.

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

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

2.1. Section 1.1.2 - Control of Bezeq and Section 2.16.3 - the Communications Order

Further to the amendment to the Communications Order dated September 19, 2023, according to which, inter alia, the Israeliness requirement can be replaced by instructions from the General Security Service pursuant to Article 13 of the Communications Law - in May 2024 Bezeq was given the aforementioned instructions to replace the Israeliness requirement as detailed in Section 2.16.3.6 of the Periodic Report for the year 2023.

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

The following is a breakdown of Bezeq's share purchases by the Company in 2024 and in accordance with its reporting to Bezeq:

<u>Date</u>	<u>Shares</u>	<u>Total consideration (NIS millions)</u>	<u>Average price per share (NIS)</u>
31.1.2024	3,120,000	Approx. 15	4.82
30.5.2024	990,947	Approx. 4.4	4.47
5.6.2024	680,000	Approx. 3	4.43
6.6.2024	687,502	Approx. 3	4.34
20.6.2024	715,000	Approx. 3	4.20

The Company's current holding rate in Bezeq shares after these purchases and as of the date of publication of this report is approx. 27.29% (26.65% fully diluted).

2.3. 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 and regarding the recommendation of the Bezeq Board of Directors dated August 6, 2024 to the General Assembly of Bezeq shareholders regarding the distribution of a dividend in respect of the profits of the first half of 2024, see Note 7 to the Statements.

The balance of Bezeq's distributable profits as of the date of the report: about NIS 1,170,670,000 (surplus accumulated in the last two years after subtracting distributions made in respect of that period).

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

2.4. Section 1.5.4 - Main results and operational data

2.4.1. Section 1.5.4.1 - Bezeq Fixed Lines (Bezeq's activity as NIO)

Financial data (NIS millions)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenue	1,075	1,091	1,087	1,084	1,130	1,111
Operating profit	383	397	320	310	418	403
Depreciation and amortization	255	252	260	258	256	245
Operating profit before depreciation and amortization (EBITDA) (1)	638	649	580	568	674	648
Share in loss of equity-accounted investee	3	-	-	-	-	-
Net profit	238	258	199	192	261	249
Cash flow from current activities	491	748	584	586	602	608
Payments for investments in property, plant and equipment and intangible assets and other investments	266	270	290	239	281	312
Receipts from the sale of property, plant and equipment and intangible assets	4	2	3	-	1	29
Lease payments	37	31	46	37	35	40
Free cash flow (2)	192	449	251	310	287	285
Operating data						
Number of active subscribers at the end of the period (thousands) (3)	1,409	1,419	1,442	1,454	1,473	1,488
Average monthly revenue per telephony subscriber (NIS) (ARPL) (4)	33	33	33	34	39	41
Outgoing usage minutes (millions)	612	647	652	677	658	705
Incoming usage minutes (millions)	806	838	829	874	852	918
Telephony churn rate (5)	2.1%	3.1%	2.3%	2.8%	2.6%	2.5%
Total number of Internet subscribers at the end of the period (thousands) (6)	1,486	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) (10)	694	635	565	506	424	351
Internet lines at the end of the period - in retail (thousands) (6)	1,014	1,019	1,028	1,029	1,028	1,031
Of this number of subscribers connected to the fiber network at the end of the period - wholesale (in thousands) (6)	442	407	367	335	289	246
Internet lines at the end of the period - in wholesale (thousands) (6)	472	470	467	471	477	474
Of which are subscribers connected to the fiber network at the end of the period (thousands) (6)	252	228	198	171	135	105
Average monthly revenue per Internet subscriber (NIS) - Retail (ARPU) (9)	129	127	125	124	122	120
Fiber optic network deployment at the end of the period (thousands of households available for connection) (10)	2,312	2,191	2,070	1,970	1,835	1,689
Average plan speed for Internet subscriber – retail (Mbps) (8)	426	382	341	315	278	250
Number of Be routers in use by Company customers (thousands)	846	837	831	819	801	786
Number of Be Spot and Be Mesh reception range enhancers of the home internet network (thousands)	449	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 Bezeq's area of activity which neutralizes aspects resulting from variability in capital structure, various taxation aspects and manner and period of amortization of property, plant and equipment and intangible assets. This index is not a substitute for indices based on generally accepted accounting principles, and does not serve as a single index for assessing the Company's 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

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

broadcasting rights under the operating and general expenses item (in the statement of income). For this matter, see Note 5 to the 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 index to evaluate business results and cash flows, since the Company is of the opinion that cash flow is an important liquidity index that reflects the cash derived from its current operations after investing cash in infrastructure and property, plant and equipment and other intangible assets. 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) 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. see also Section 7 of the chapter describing the corporation's business for the year 2023.
- (6) 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.
- (7) In the fourth quarter of 2023, there was a certain decrease in the rate of connection of retail subscribers to Bezeq's fiber network, due to a slowdown in contractor activity as a result of a temporary dispute with the employees' representation and due to the Iron Swords war).
- (8) In plans where there is a range of speeds, the maximum speed in the plan is taken into account.
- (9) Revenue from retail Internet services divided by the average number of retail customers in the period. Starting with the second quarter of 2022, the figure also includes revenue from Internet access service (ISP). For this matter, see Section 7 of the chapter describing the corporation's business for the year 2023.
- (10) As of the date of publication of the report, deployment of fiber optic network – approx. 2.36 million households are available for connection, of which approx. 716K subscribers are connected to the fiber network (of which about 56K retail and about 260K wholesale).

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

2.4.2. To Section 1.5.4.2 - Pelephone

Financial data (NIS millions)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Total revenue	561	583	562	585	585	616
Of which: revenue from interconnect (1)	72	81	79	79	102	111
Total revenue net of interconnect (1)	489	502	483	506	483	505
Revenue from services	420	416	409	450	452	445
Revenue from services net of interconnect (5)	348	335	330	371	350	334
Revenue from sale of end equipment	141	167	153	135	133	171
Operating profit	55	40	37	59	49	51
Derpreciation and amortization	134	138	138	143	135	133
Operating profit before depreciation and amortization (EBITDA) (2)	189	178	175	202	184	184
Net profit	39	30	26	48	41	44
Cash flow fromm operating activity	161	122	240	242	98	133
Payments for investments in property, plant and equipment, intangible assets, and other investments, net	82	82	90	81	82	57
Lease payments	52	79	94	57	49	70
Free cash flow (1)	27	(39)	56	104	(33)	6
Operating data						
Number of postpaid subscribers for the end of the period (thousands) (3)	2,228	2,213	2,202	2,187	2,166	2,159
Number of prepaid subscribers for the end of the period (thousands) (3)	387	398	416	431	427	426
Number of subscribers for the end of the period (thousands) (3)	2,615	2,611	2,618	2,618	2,593	2,585
Of which are subscribers in 5G packages (thousands) (3)	1,152	1,092	1,034	961	898	834
Average monthly revenue per subscriber (ARPU) (NIS) (4)	53	53	52	57	58	57
Average monthly revenue per subscriber (ARPU) net of interconnect fees (NIS) (1)	44	43	42	47	45	43
Subscriber churn rate (Churn Rate) (1)	5.6%	6.5%	5.9%	6.0%	5.9%	6.7%

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

- (1) Average monthly revenue per subscriber (ARPU) excluding revenue from interconnect - the reform to change the interconnect rates regime that began gradually from June 2023 until June 2025, is expected to result in a decrease in interconnect revenues and a decrease in ARPU, therefore Pelephone chose to present the average monthly revenue per subscriber (ARPU) minus the interconnect revenue component, which is in addition to the full ARPU.
- (2) 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.
- (3) 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 revenue from which is significantly lower than the rest of the subscribers. As of the date of publication of Pelephone's report, there are about 1.2 million subscribers in 5G plans.
- (4) The average monthly revenue per subscriber (postpaid and prepaid). The index is calculated by dividing the average monthly revenue from all cellular services from both Pelephone's subscribers and other communication operators, including revenue received from cellular operators using Pelephone's network, repair service and extended warranty in the period by the average active subscriber base in that same period. See also Section 7 of the chapter on the description of the Corporation's business for the year 2022.
- (5) The subscriber churn rate is calculated based on the ratio of the subscribers who disconnected from Pelephone services and the subscribers who became inactive during the period to the average number of active subscribers during the period. See also Section 7 of the chapter describing the corporation's business for the year 2023.

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

2.4.3. To Section 1.5.4.3 - Bezeq International

Financial data (NIS millions)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenue	261	289	304	303	293	312
Of which: revenue from private customers (1)	44	48	55	60	66	72
Operating profit (loss)	18	20	(11)	20	16	14
Depreciation and amortization	26	27	45	29	33	30
Operating profit (loss) before depreciation and amortization (EBITDA) (2)	44	47	34	49	49	44
Net profit (loss)	18	18	(14)	17	13	13
Cash flow from operating activities	19	49	45	36	57	19
Payments for investments in property, plant and equipment and intangible assets and other investments, net (3)	19	14	37	26	20	10
Lease payments	10	12	10	9	9	10
Free cash flow (2)	(10)	23	(2)	1	28	(1)
Operating data						
Subscriber churn rate (4)	10.7%	8.0%	9.0%	11.0%	10.0%	14.7%

(1) Starting in 2023, small customers (SOHO) are included in private customers revenue (notwithstanding what is stated in Footnote 53 to the chapter describing the corporation's business in the 2023 statements).

(2) 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.

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

(4) 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.

2.4.4. To Section 1.5.4.4 - Yes

Financial data (NIS millions)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenue	316	315	316	328	336	329
Operating profit (loss)	(12)	(18)	33	35	26	0
Depreciation, amortization and ongoing impairment	48	58	29	41	46	50
Operating profit before depreciation, amortization and ongoing impairment (EBITDA) (1)	36	40	62	76	72	50
Net profit (loss)	(5)	(13)	27	40	30	5
Cash flow from operating activities	46	93	26	66	31	92
Payments for investments in property, plant and equipment and intangible assets and other investments, net	67	49	30	59	60	30
Lease payments	6	6	6	7	6	6
Free cash flow (1)	(27)	38	(10)	0	(35)	56
Operating data						
Number of TV subscribers (thousands) (2)(3)	567	571	574	576	579	580
Of which are IP subscribers (4)	431	412	392	377	364	348
Of which are Sting+ subscribers	129	124	120	116	111	108
Average monthly revenue per subscriber (ARPU) (NIS) (5)	174	173	175	182	185	185
Subscriber churn rate (6)	3.9%	3.9%	3.1%	3.9%	3.3%	3.5%
Number of subscribers connected to the fiber network (EoP, thousands) (7)	55	46	37	29	21	14

(1) For the definition of operating profit before depreciation and amortization (EBITDA) and free cash flow, see notes

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

- (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 standardized. The number of subscribers registered in respect of non-small business customers is calculated by dividing the total payment received from all non-small business customers by the average revenue 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 as of the date of publication of the report about 150K.
- (4) Number of TV subscribers using Yes+ and STING+ services transmitted via the Internet. As of the date of publication of the report, is about 440K customers, who constitute 78% of all Yes's TV subscribers. The number of IP subscribers and the aforementioned rate also include subscribers who also use the satellite services in parallel.
- (5) Average monthly revenue per TV subscriber is calculated by dividing the total Yes revenue (excluding income from the sale of content to external broadcasters, revenue from end equipment and revenue 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) 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 59K.

2.5. To Section 1.6 - Regulatory oversight - 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 in it 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.

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

Regarding Bezeq's entry into the field of electricity supply and the Company's contract in the Memorandum of Understanding with Powergen Ltd. ("**Powergen**") regarding cooperation in the field of electricity - on April 9, 2024, Bezeq's 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 Agreement was also approved by the Powergen Board of Directors, and on May 15, 2024 the Agreement was signed by the parties. 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 entered into force. It should be noted that on April 10, 2024, it was decided by the Electricity Authority to allow the mobility of domestic consumers even without a smart meter (effective from July 2024).

Bezeq has started marketing the activity of the project, which is jointly owned by Bezeq (50%) and Powergen (50%) (the company Bezeq-Gen Ltd. under the brand "Bezeq Energy"), which was established for the purpose of operating in the field of electricity supply and enabling consumers to mobile their electricity supply from the electricity company to Bezeq-Gen Ltd. as part of several discount plans.

On June 27, 2024, the Electricity Authority announced the approval of the transfer of the Company's license for the supply of electricity without means of production to Bezeq-Gen Ltd.

3. Bezeq - Landline interior communications

3.1. To Section 2.2.2 – Telephony

On May 30, 2024, the numbering plan for telephony services, ancillary services, and value-added services in Israel was amended, among other things, for the purpose of the numbering range committee (1-3XXXXXXX) by the Ministry of Communications in favor of IoT and M2M services only. In this framework, the Ministry decided to cancel the assignment of the abbreviated number 1344 for use as a national access code to a joint intelligence center, effective from May 30, 2024.

3.2. To Section 2.2.6 – Other services

Subsection 2.2.6.4 - regarding the transfer of the Company's license to supply electricity without means of production to Bezeq-Gen Ltd., see update to Section 1.9.

3.3. To Section 2.6.2 – The field of Internet

Regarding the percentage of Bezeq's unified Internet customers out of Bezeq's retail customers - this percentage was approximately 81.7% as of June 30, 2024 and approximately 83.1% as of the date of publication of the report.

3.4. To Section 2.7.2 – Landline interior communication infrastructure and equipment

Subsection 2.7.2.3 - regarding the closing of copper networks - on July 22, 2024, the Ministry of Communications published a hearing regarding policy principles for the gradual closing of the copper networks.

In accordance with the hearing, following the work of a ministerial team of the Ministry of Communications that recommended the process of closing the copper networks of Bezeq and Hot Telecom S.M. ("**Hot**"), the Ministry of Communications is considering an outline for the gradual closing of the copper networks and the abolition of the universality obligation in the copper network in three stages.

A. Stage A – 2024

- An infrastructure owner will not be required to deploy a copper network in new construction, provided that he has deployed an advanced network infrastructure (a network based on fiber optic infrastructures (hereinafter: "**the Fiber Network**")) and through which he is able to provide Bezeq services in new construction.
- Exemption from copper deployment will be given to the Company only in relation to new construction in Bezeq's fiber deployment areas as stipulated in its license. In all other areas, Bezeq will be obligated to continue providing service over the copper network everywhere. Insofar as in the future Bezeq deploys a fiber network in these areas, Bezeq will be able to provide service through it instead of through the copper network.
- In areas of new construction, Bezeq will provide the service on its own fiber network and not through another's, noting that Bezeq's obligations to complete the fiber network deployment are until March 14, 2027. In light of the above, in the Bezeq incentive areas, Bezeq will be required to continue deploying and operating the copper until the gradual shutdown of the copper network.
- Bezeq and Hot will be required to provide, over a fiber network, all types of services provided over the copper network (including telephony services and Internet access, even if at different speeds).
- The removal of the copper infrastructure in the underground piping will be carried out by applying to an authorized supplier, as far as this is required, in order to free up space in the piping for the purpose of retiring the infrastructure of the authorized supplier. The retrieval will be carried out by the owner of the infrastructure and at the latest within 3 months, from the date of the request.
- The Ministry is not considering at this time to intervene in the Internet prices of the fiber plans, but for the prices of Bezeq's telephony service over fiber infrastructure, the Ministry finds that there is justification for intervention and that the rate will be as currently stipulated in the regulations.
- Bezeq and Hot will be obliged to offer subscribers who wish to do so a solution of energy backup at a reasonable fee in cases of power outages, for the benefit of the telephony service and the Internet service.

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

- In new construction - Bezeq and Hot will be obligated to deploy underground and not overhead fiber to anyone who needs it, including businesses, except in urban renewal construction (new construction in an existing neighborhood), where it will be possible to deploy the fiber infrastructure in overhead infrastructure as well.
- As a condition for closing the copper network in a certain area, Bezeq and Hot will be required to remove the entire overhead copper infrastructure and all the passive and active components that are used by the copper network and that are not required for the provision of the fiber service. The removal of the overhead infrastructure will be carried out within a year of the closure of the copper in the statistical area. Moreover, Bezeq and Hot will be tasked with burying the fiber network in coordination with the local authority.

B. Stage B - 2025

During the year 2025, where the fiber network through which they provide their services is deployed, the obligation for Bezeq and Hot to connect new retail and wholesale subscribers to the copper infrastructure will be abolished. Also, during the year 2025, the obligation to provide universal service over a copper infrastructure will be abolished in such a way that the infrastructure owner will be entitled to shut down the copper network in a certain statistical area after the number of subscribers (wholesale and retail) connected to its fiber network is not less than 85% of all subscribers (wholesale and retail) of such statistical area. At the same time, the infrastructure owner will be entitled to proactively transfer the customers from the copper infrastructure to the fiber infrastructure at the expense of the subscribers, or to cancel after giving advance notice (3 months in advance to the customers and half a year in advance to the service provider).

C. Stage C – 2030

The year 2030 is a planned target date for the possibility of Bezeq and Hot to close what remains of the copper networks, even if in certain statistical areas they do not reach 85% of the subscribers who will receive service on the fiber infrastructure, provided that there is a fiber infrastructure in those areas and while giving notice to customers.

The proposed amendments will be anchored in the Communications Law or the regulations pursuant thereto, and in the licenses, as the case may be, after the publication of hearing procedures or the execution of a public participation procedure as is customary. Reference to the hearing can be submitted until August 18, 2024.

Bezeq is examining the hearing documents and how it is affected by the closing of the copper networks. Bezeq supports in principle the closing of the networks in view of the development of the fiber networks which enable the provision of advanced services and effectively eliminate the need for the inferior copper networks, as well as in view of the doubling of costs for the network operators resulting from the existence of two parallel networks. In Bezeq's estimation, the closure of its copper network is expected to result in certain savings in Bezeq's operating costs and investments, alongside one-off investments that may be required at a rate that cannot be estimated at this stage.

Some of the information contained in this section is forward-looking information as defined in the Securities Law, 5728-1968, based on Bezeq's estimates regarding the closure of the copper networks and its implications. Accordingly, Bezeq's estimates may not materialize or may materialize partially or otherwise, depending on the decisions made regarding the closure of the copper networks and the schedules in connection therewith.

3.5. Section 2.7.4 - Real estate

Subsection 2.7.4.4(b) - Regarding the amount of the Improvement Levy charge 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 request that includes arrears payments in the amount of approximately NIS 22.8 million. Bezeq submitted to the Appeals Committee a request to reduce the arrears payments in such a way that they would apply to the Improvement Levy principal and index-linked differences only. The Local Committee asked the Appeals Committee to reject Bezeq's request to reduce the arrears payments, except for the period between July 4, 2019 and January 1, 2023, for which it requested that Bezeq be charged interest according to the Interest and Linkage Ruling Law, 5721-1961 (which is lower than the interest according to the Local Authorities Law (Interest and Linkage Differences on Mandatory Payments), 5780-1980 with which Bezeq was charged). No decision has yet been made on the request. It is hereby clarified that the values determined in the aforementioned advisory

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

assessment do not lead to a change in Bezeq's estimates regarding the amount of capital gain recorded in its statements as stated in the Periodic Report for 2023, because Bezeq's estimates were also based on the legal situation in the claim against ILA, which also includes ILA's obligation in the settlement agreement to bear the Improvement Levy for the property.

3.6. 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, included in this report by way of reference.

3.7. Section 2.13.1 - Average and effective interest rate on Bezeq's loans

As of June 30, 2024, Bezeq is not financed by short-term credit (less than a year). The following is the distribution of long-term loans (including current loans):

Loan period	Financing source	Principal amount (NIS millions)	Currency or linkage type	Interest type and the change mechanism	Average interest rate	Effective interest rate	Interest range in 2024
Long-term loans	Banks	819	Non-indexed NIS	Fixed	4.02%	4.06%	-3.20% 5.33%
	Banks	700	Non-indexed NIS	Varies based on the prime interest rate**	6.46%	6.59%	-6.11% 6.53%
	Non-banking sources	4,030	Non-indexed NIS	Fixed	3.67%	3.84%	-2.79% 3.65%
	Non-banking sources	2,552	Indexed NIS	Fixed	1.67%	1.71%	-0.58% 2.20%

* Prime interest rate - 6% (as of August 2024)

For more details about Bezeq's loans, see Note 13 to the 2023 Statements.

3.8. To Section 2.13.6 - Credit rating

On May 2, 2024, Maalot raised the rating of Bezeq, Pelephone, and Yes to the iIAA rating with a stable rating forecast, in view of an improvement in Bezeq's financial relations. 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 the Company's financial positioning at the same time as 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 dated 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.

3.9. To Section 2.16.4 - wholesale market

Section 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 the BSA service rates in relation to which it intends to conduct an economic examination, including examining the scope of the delivery obligation of this service. In accordance with the current hearing:

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

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

	Existing rate in regulations	Proposed rate	Measuring unit
Monthly payment for access service to passive infrastructure, not in the incentive areas and not in infrastructure in an area beyond an incentive area	0.446	0.250	Meter
Monthly payment for an access service to the passive infrastructure in the incentive areas or in infrastructure in an area beyond an incentive area	0.113	0.107	Meter
Monthly payment for a dark fiber service, not in the incentive areas and not in infrastructure in an area beyond an incentive area	0.546	0.300	Meter
Monthly payment for a dark fiber service in the incentive areas or in infrastructure in an area beyond an 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 Bezeq's agreement to collect the low rates starting from this date. These rates will be set as a first tier that will be in effect for 15 months, that is, until June 30, 2025, and they will not be linked to the index at the beginning of 2025. After that, after the completion of the examination procedure for updating the wholesale rates based on the Exxon model, rates will be set that will come into effect after June 30, 2025. A hearing on these rates is expected to be published during the year 2024. It should be noted that in July 2024 the Ministry of Communications sent some of the licensees (including Bezeq) a request for the transfer of information (similar to the information required about two years earlier) for the purpose of building an economic model based on a pricing methodology, compiling a list of up-to-date wholesale services, and determining maximum payments for wholesale services based on the model.

To complete the picture, 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 obligation 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 on updating the wholesale market rates will continue based on Exxon'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 and dark fiber service rates as stated in Section 1 above is not expected to have a material impact on its business results. Also, according to Bezeq, the conclusion of the hearing regarding the BSA service rates and their entry into force is 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 assessments may not materialize or may materialize partially or otherwise, depending on the schedules and decisions of the Ministry.

3.10. Section 2.16.5 - Advanced network - fiber

Subsection 2.16.5.1 - Regarding the incentive areas - on July 3, 2024, a memorandum on the Draft Communications Order (Bezeq and Broadcasting) (Annual Payment Rate to the Incentive Fund), (Temporary Order) was published by the Ministry of Communications, in which it is proposed, by virtue of the authority of the Minister of Communications pursuant to Article 14C(a) To the Communications Law, as a temporary order, that in 2024 the payment rate of the entities liable to the incentive fund will be 0.2% of the taxable income. The temporary order requires the approval of the Minister of Finance and the approval of the Knesset's Economic Committee. In reference to the draft, Bezeq explained that, among other things, in light of the

developments mentioned in the update to Section 2.16.5.3 below, the payment rate for 2024 should be set at 0%. Pelephone and Yes also expressed a position that said payment rate should be set at 0%. It was decided to postpone, at the present time, the date of the announcement regarding the payment rate in 2024 to a later date.

Subsection 2.16.5.3 - Regarding the expansion of Bezeq's deployment areas - on July 7, 2024, Bezeq received the decision of the Ministry of Communications and an appropriate amendment to the Bezeq license allowing Bezeq, in accordance with its request, to deploy an advanced network and provide Bezeq service over it in 33 statistical areas additional to the areas specified in the Bezeq license, in accordance with Articles 14b(a) and 14e(b)(1) of the Communications Law. These are areas from among the "returned areas" that the inter-ministerial tenders committee approved for two winners of incentive tenders to cancel their right to deploy an advanced network in them for various reasons. Accordingly, the updated rate of Bezeq's deployment obligation amounts to approximately 86.2% of households in Israel.

3.11. Section 2.18 - Legal proceedings

Section 2.18.1, Subsections A, C, D (including the procedure indicated in Footnote 39), and E - regarding the continuation of the stay of the proceedings in these cases in view of the investigation by the Securities Authority and the proceedings derived from it - decisions were issued approving the State's requests to submit update notices regarding the continued delay in handling these cases until August 31, 2024.

Section 2.18.1(b) in the matter of two motions for the approval of class actions in which it is alleged that competition has been harmed by Bezeq - in accordance with update notices submitted on May 19, 2024 on behalf of the Attorney General regarding the continued stay in the proceedings in these cases, in view of the progress in the criminal proceedings in Case 4000, further delay of the proceedings is unnecessary at this stage.

Section 2.18.1(c) regarding two motions for approval of class actions in which a misleading detail in Bezeq statements is alleged, 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 submission of an amended agreement, in the month March 2024, a motion was filed for the approval of a revised settlement agreement. A draft consolidated approval request was also attached to the motion.

Section 2.18.2(b) regarding a motion for discovery and review of documents, according to Article 198 of the Companies Law, for the purpose of examining the filing of a motion for a derivative claim on behalf of Bezeq regarding the sale of Bezeq shares in 2016 by the Company, and the judgment canceling the motion - in April 2024, a motion for approval of a derivative claim on behalf of Bezeq and/or a "double derivative" claim on behalf of Yes was submitted by the applicant in the aforementioned procedure 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. It was determined that answers to the motion for approval will be submitted by August 9, 2024, with the state's position regarding the need to delay the procedure being submitted by August 31, 2024.

Further to Bezeq's immediate report dated November 13, 2020 (Reference No. 2020-01-122415) regarding a motion for approval of a class action filed in the Tel Aviv District Court (Economic Department) by a Bezeq shareholder against Bezeq, the Company, the CEO of Bezeq, and members of the Bezeq Board of Directors, at the times relevant to the motion, claiming damages due to Bezeq's alleged reporting and disclosure failures in connection with reporting to the public on the phenomenon of double subscribers in the field of ISP Internet services - on June 3, 2024, the Court decided to partially approve the claim as a class action. In accordance with the Court's decision, the plaintiff class was defined as including everyone who purchased Bezeq shares starting on October 5, 2020 (instead of starting on August 17, 2020 as defined in the motion for approval) until October 30, 2020 and held the aforementioned shares or part of them on October 30, 2020, with the exception of the respondents and/or anyone on their behalf and/or entities associated with them. Also, the Court decided not to approve the class action against the Company, and the action against it was dismissed. It should be noted that as of the publication date of the Periodic Report for 2022, this procedure is no longer classified by Bezeq as a material procedure, since the amount of damages claimed under it is below the materiality threshold. At the same time, for the sake of prudence and since Bezeq published an immediate report on its receipt when the motion for approval was submitted, and since at that time the procedure was classified as a material procedure, Bezeq deemed it fit to update regarding this procedure.

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

4.1. Section 3.10.1 – End equipment suppliers

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 was signed on May 26, 2024.

5. Bezeq International - Internet services, international communication and ICT solutions

No updates.

6. Yes - Multi-channel TV

6.1. Section 5.12 - Financing

In August 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 August 31, 2025. This approval is instead of a similar approval given in May 2024 (and not in addition to it).

6.2. Section 5.15 – Material agreements

Agreement with Partner Communications Ltd

On July 8, 2024, Yes entered into an agreement with Partner Communications Ltd. ("Partner"), under which Partner will be allowed to market to the subscriber an app for viewing audio-visual content, which will be made available to it and supported by Yes, based on the Sting+ service operated by Yes ("**the Service**" and "**the Agreement**", respectively), with certain changes stipulated in the Agreement. According to the Agreement, Yes will be entitled to a monthly payment based on the amount of Partner subscriptions to the service, which will not be less than a total of approximately NIS 5.3 million (including lawful VAT) plus linkage differences according to the conditions stipulated in the Agreement.

In accordance with the provisions of the Agreement, Yes and Partner will work to meet the commercial launch date of the Service as early as possible, and in any case within nine months from the date of signing the Agreement or six months from the date of approval by the Competition Authority to enter into the Agreement, whichever is later ("**Commercial Launch Date**").

The term of the Agreement is for 5 years from the Commercial Launch Date, with Partner having the right to extend the term of the Agreement for another year. Also, Partner will be entitled to bring the Agreement to an early termination, for any reason, with a 6-month advance notice that will not be given before 36 months have passed from the Commercial Launch Date. At the end of the Agreement period (including insofar as the additional period is realized), Partner will be entitled to continue to provide the service in accordance with the terms of the Agreement for a transitional period not to exceed 18 months. Bezeq and Yes estimate that the contribution due to the agreement to the business activity of Bezeq Group is not expected to be material.

Completion and execution of the Agreement are subject to the existence of preconditions, which include the approval of the Competition Authority as aforementioned, and approval in connection with the receipt of the certificates required for Yes in order to comply with its obligations under the Agreement. As of the date of publication of the report, there is no certainty that the Agreement will enter into force, taking into account the need for the conditions to be fulfilled.

The information stated in this section regarding the entry into force of the Agreement and the Commercial Launch Date is forward-looking information, as defined in the Securities Law, which may not materialize or materialize in a materially different way than expected, depending, among other things, on the variables mentioned above, among other things, due to factors beyond the control of Yes, including the need for the approval of the Competition

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

Authority and other approvals and the manner of implementation of the Agreement by the parties.

6.3. **Section 5.16 – Pending legal proceedings**

Regarding a motion for approval of a derivative claim on behalf of Bezeq and/or a "double derivative" claim on behalf of Yes against Mr. Shaul Elovitch and the Company that was submitted 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).

Subsection E - Regarding a motion for approval of a class action filed against Yes, the main concern of which is the claim that yes violates the provisions of the law and the provisions of its license regarding the waiting time required in order to receive a response from a representative from the beginning of the call - on June 3, 2024, a ruling was received striking the motion, while preserving the right of the applicants to submit a new motion, which will also include an evidentiary infrastructure included in the motion, and while preserving all Yes's claims.

7. The Company

7.1. **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 it was determined by the Court that the respondents must submit their position by April 15, 2024, and that the Attorney General must submit his position by May 7, 2024. The respondents' response was received at the mentioned time, the Attorney General's response was submitted on May 16, 2024, and 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. The parties to the settlement agreement submitted their position on May 27, 2024, according to which the settlement agreement submitted to the Court must be approved. In accordance with a Court order dated June 30, 2024, on July 1, 2024, an advertisement was published in two newspapers detailing the main conditions established in the settlement agreement. It was also determined in the aforementioned order and stated in the advertisement that it will be possible to submit notices of objection to the settlement agreement until August 15, 2024. In addition, on July 21, 2024, the Attorney General submitted a motion for an extension of the deadline for submitting his updated notice regarding the delay of the proceedings until August 31, 2024. The Court approved the requested extension.

7.2. Following the procedure described in Section 2.18.2(b) of the Periodic Report, on April 9, 2024, the applicant in said procedure submitted a motion for approval of a derivative claim on behalf of Bezeq against the Company. For more details, see Section 3.11 above.

7.3. **Section 6.2.2 - Legal proceedings**

In the matter of a claim with a motion for approval as a class action filed by a private person against the Company, Bezeq, as well as other respondents for compensation for damages caused, as alleged in the motion, due to Bezeq's reporting and disclosure failures and concealment of material information from the investing public, on June 3, 2024 the decision of the the Tel Aviv District Court (Economic Department) was received, according to which the claim against the Company is dismissed in full, and accepted in part with respect to Bezeq and the other respondents.

August 6, 2023

Date

B Communications Ltd.

Names and roles of signatories:

Darren Glatt, Chairman of the Board of Directors

Tomer Raved, CEO



Chapter B
Report of the Board of Directors
on the State of Affairs of the Corporation
for the Period Ended June 30, 2024

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 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 periods of six and three months ended June 30, 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.

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 communications, and ICT solutions (hereinafter: "Bezeq International Services")
4. Multi-channel TV

Group Results

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

	1-6/2024	1-6/2023	Change		4-6/2024	4-6/2023	Change	
	NIS millions		NIS millions	%	NIS millions		NIS millions	%
Net profit	533	572	(39)	(6.8)	262	286	(24)	(8.4)
Adjusted net profit	541	614	(73)	(11.9)	265	318	(53)	(16.7)
EBITDA*	1,814	1,876	(62)	(3.3)	905	952	(47)	(4.9)
Adjusted EBITDA*	1,822	1,918	(96)	(5.0)	908	984	(76)	(7.7)
Free cash flow*	641	577	64	11.1	175	236	(61)	(25.8)

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

The decrease in profit was mainly due to a decrease in revenues in all the main segments of the Group.

For more information see Chapter 1.2 below.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2024

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
Adjusted net profit	Defined as net profit excluding other operating income/expenses, net after tax, and one-off 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/incomes of a one-off nature.
EBITDA (Earnings Before Interest, Depreciation and Amortization)	Defined as profit before financing income/expenses, taxes, depreciation, and amortization. The EBITDA index is an accepted index in the Group's field of activity which neutralizes aspects due to differences in the capital structure, various aspects of taxation and the manner and period of the amortization of property, plant and equipment and intangible assets. The Group's EBITDA is calculated as operating profit before depreciation, amortization and impairment (including ongoing losses from impairment of property, plant and equipment and intangible assets as described in Note 5 to the Statements).
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 adjusted EBITDA index should not be compared to indices with a similar name reported by other companies due to a possible difference in the way the index is calculated.
Free cash flow	Defined as cash that arose 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:

	1-6/2024	1-6/2023	4-6/2024	4-6/2023
	NIS millions		NIS millions	
Net profit	533	572	262	286
Excluding other operating expenses (income), net	(3)	35	(4)	28
Excluding expenses on capital compensation plan	11	7	7	4
Adjusted EBITDA	541	614	265	318

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2024

	1-6/2024	1-6/2023	4-6/2024	4-6/2023
	NIS millions		NIS millions	
Operating profit	879	950	443	484
Depreciation, amortization, and impairment	935	926	462	468
EBITDA	1,814	1,876	905	952
Excluding other operating expenses (income), net	(3)	35	(4)	28
Excluding expenses on capital compensation plan	11	7	7	4
Adjusted EBITDA	1,822	1,918	908	984

	1-6/2024	1-6/2023	4-6/2024	4-6/2023
	NIS millions		NIS millions	
Net profit	533	572	262	286
Excluding other operating expenses (income), net	(3)	35	(4)	28
Excluding expenses on capital compensation plan	11	7	7	4
Adjusted net profit	541	614	265	318

	1-6/2024	1-6/2023	4-6/2024	4-6/2023
	NIS millions		NIS millions	
Net cash generated from current operations	1,705	1,622	706	773
Minus cash for the purchase/sale of PP&E and intangible assets, net	834	822	427	439
less payments for leases	230	223	104	98
Free cash flow	641	577	175	236

Report of the Board of Directors on the state of affairs of the corporation for the Period ended June 30, 2024

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

1.1 Financial position

	June 30, 2024	June 30, 2023	Increase (decrease)		Explanation
	NIS millions	%	NIS millions	%	
Cash, restricted cash, and current investments	3,010	2,849	161	5.7	The increase was due, among other things, to the issuance of debentures in the current period, 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	2,133	2,188	(55)	(2.5)	
Inventory	107	125	(18)	(14.4)	The decrease was due to the cellular communication segment, mainly due to stocking up in the corresponding period.
Right-of-use assets	1,765	1,924	(159)	(8.3)	The decrease was due to the Bezeq International services segment, as a result of the amendment of the server farm lease agreement (Bnei Zion) as well as the cellular communication segment, mainly due to current depreciation expenses.
Property, plant and equipment	6,977	6,725	252	3.8	The increase was mainly due to the landline interior communications segment, partly due to the progress of the fiber network deployment project.
Intangible assets	3,274	3,248	26	0.8	
Deferred expenses and non-current investments	324	326	(2)	(0.6)	Increase, among other things, due to Bezeq's investment in the Company Bezeq-Gen Ltd., offsetting classification of long-term deposits as current investments in the Company. Regarding Bezeq's entry into the field of electricity supply, see Notes 14.3 and 15.5 to the Statements.
Total assets	17,590	17,385	205	1.2	

Report of the Board of Directors on the state of affairs of the corporation for the Period ended June 30, 2024

1.1. Financial position (Cont.)

	June 30, 2024	June 30, 2023	Increase (decrease)	
	NIS millions	%	NIS millions	%
Debt to financial institutions and bondholders	9,835	10,117	(282)	(2.8)
Liabilities in respect of leases	1,943	2,098	(155)	(7.4)
Trade payables	1,916	1,774	142	8.0
Employee benefits	548	514	34	6.6
Provisions	135	148	(13)	(8.8)
Deferred tax liabilities	338	328	10	3.0
Other liabilities	203	152	51	33.6
Total liabilities	14,918	15,131	(213)	(1.4)
Non-controlling interests	2,415	2,138	277	13.0
Equity attributed to shareholders of the company	257	116	141	121.6
Total equity	2,672	2,254	418	18.5
Total liabilities and equity	17,590	17,385	205	1.2

Explanation
The decrease in debt resulted from the repayment of the Company's Series C debentures in the third quarter of 2023, as well as from the repayment of loans and debentures in the landline interior communications segment, offsetting the issuance of debentures in the period through the expansion of Series 11 and 13 of Bezeq, as well as the receipt of loans by Bezeq.
The decrease was due to the Bezeq International services segment, as a result of the revision of the server farm lease agreement (Bnei Zion), as well as the cellular communication segment, mainly due to ongoing payments during the period.
The increase was due to an increase in beneficiaries in the landline interior communications segment.
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 Bezeq Group, and due to the recording of 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.
The increase was due to an increase in long-term advance revenue in the landline interior communications segment.
Equity as of June 30, 2024 constitutes approximately 15.2% of the total balance sheet, compared to approximately 13.0% of the total balance sheet on June 30, 2023.

Report of the Board of Directors on the state of affairs of the corporation for the Period ended June 30, 2024

1.2. Enterprise results

1.2.1. Key results

	1-6/2024	1-6/2023	Increase (decrease)		4-6/2024	4-6/2023	Increase (decrease)		
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Revenues	4,447	4,607	(160)	(3.5)	2,192	2,299	(107)	(4.7)	There was a decrease in revenues in all the main segments of the Group. The decrease was due, among other things, to the reduction in telephony rates and interconnection rates. For more information see Chapter 1.2.2 below.
Operating and general expenses	1,671	1,731	(60)	(3.5)	813	846	(33)	(3.9)	The decrease in expenses was due, among other things, to a decrease in interconnection payments to communication operators, as a result of the reduction of rates in June 2023 and a further reduction in June 2024, mainly in the cellular communication segment.
Salary	965	965	-	-	478	473	5	1.1	
Depreciation, amortization and impairment	935	926	9	1.0	462	468	(6)	(1.3)	
Other operating expenses (income), net	(3)	35	(38)	-	(4)	28	(32)	-	The decrease was due to the recording of a provision for settlement in a claim against the Company in the corresponding quarter, as well as from the landline interior communications segment. For more information, see Note 10 to the Statements.
Operating Profit	879	950	(71)	(7.5)	443	484	(41)	(8.5)	
Financing expenses, net	161	186	(25)	(13.4)	94	98	(4)	(4.1)	For more information, see Note 11 to the Statements.
Share in losses of equity-accounted investees	3	-	3	-	3	-	3	-	Starting with the second quarter of 2024, Bezeq records its share of the net operating results of Bezeq-Gen in its statements. Regarding Bezeq's entry into the field of electricity supply, see Notes 4.3 and 15.5 to the Statements.
Taxes on income	182	192	(10)	(5.2)	84	100	(16)	16.0	(
Profit for the period	533	572	(39)	(6.8)	262	286	(24)	(8.4)	

Report of the Board of Directors on the state of affairs of the corporation for the Period ended June 30, 2024

1.2.2. Activity segments

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

Revenues by operating segments	1-6/2024		1-6/2023		4-6/2024		4-6/2023	
	NIS millions	% of total revenue	NIS millions	% of total revenue	NIS millions	% of total revenue	NIS millions	% of total revenue
Interior landline communication	2,166	48.7	2,241	48.6	1,075	49.0	1,130	49.2
Cellular communication	1,144	25.7	1,201	26.1	561	25.6	585	25.5
Bezeq International services	550	12.4	605	13.1	261	11.9	293	12.7
Multi-channel TV	631	14.2	665	14.4	316	14.5	336	14.6
Others and adjustments	(44)	(1.0)	(105)	(2.2)	(21)	(1.0)	(45)	(2.0)
Total Revenues	4,447	100	4,607	100	2,192	100	2,299	100

Operating profit (loss) by operating segment	1-6/2024		1-6/2023		4-6/2024		4-6/2023	
	NIS millions	% of segment revenue	NIS millions	% of segment revenue	NIS millions	% of segment revenue	NIS millions	% of segment revenue
Interior landline communication	780	36.0	821	36.6	383	35.6	418	37.0
Cellular communication	95	8.3	100	8.3	55	9.8	49	8.4
Bezeq International services	38	6.9	30	5.0	18	6.9	16	5.5
Multi-channel TV *	(44)	(7.0)	8	1.2	(25)	(7.9)	13	3.9
Others and adjustments	10	-	(9)	-	12	-	(12)	-
Consolidated operating profit / percentage of Group revenues	879	19.8	950	20.6	443	20.2	484	21.1

* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized since the fourth quarter of 2018 (For more information see Notes 5 and 13 to the Statements). This is in accordance with the way the Group's chief operating decision maker evaluates the segment's performance and makes decisions regarding the allocation of resources to the segment. In addition, see Note 14.4 for a summary of selected data from the statements of Yes Television and Communication Services Ltd.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2024

1.2.2. Activity segments (Cont.)- b. Interior landline communications segment

	1-6/2024	1-6/2023	Increase (decrease)		4-6/2024	4-6/2023	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Internet revenues	995	964	31	3.2	494	485	9	1.9	The increase was 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, offsetting a decrease in wholesale market revenues due to the decrease in access rates to hubs as of April 1, 2024.
Landline telephony revenues	281	358	(77)	(21.5)	138	176	(38)	(21.6)	The decrease was due to a decrease in the average revenues per telephone line as a result of 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 further decrease starting from June 15, 2024, and a decrease in the volume of traffic. There was also a decrease in the number of lines.
Transmission, data communication, and other	716	743	(27)	(3.6)	356	380	(24)	(6.3)	The decrease was mainly due to a decrease in paid work and in revenues from transmission for Internet Service Providers (ISP) due to the transfer of subscribers to the Company following the Unified Internet reform. The decrease was offset by an increase in data transmission and communication services for businesses.
Cloud and digital services	174	176	(2)	(1.1)	87	89	(2)	(2.2)	The decrease was mainly due to a decrease in revenues from business directory (B144), offsetting an increase in cloud services.
Total revenues	2,166	2,241	(75)	(3.3)	1,075	1,130	(55)	(4.9)	
Operating and general expenses	370	392	(22)	(5.6)	187	197	(10)	(5.1)	The decrease was mainly due to a decrease in the expenses on subcontractors for the deployment of the fiber network and paid work, as well as a decrease in interconnection payments to communication operators, mainly due to a decrease in rates as of June 15, 2023 and a further decrease as of June 15, 2024, offset by an increase in advertising expenses.
Salary	518	516	2	0.4	258	253	5	2.0	The increase was due to salary updates, hiring employees, an increase in actuarial provisions and capital compensation plans and, in the period, also due to a decrease in salary discount for investment. The increase was offset due to the retirement of employees, the return of reserve benefits from National Insurance due to the impact of the war and, in the period, also due to a one-off grant for permanent employees following the wage agreement in the public sector in the corresponding period.
Depreciation and amortization	507	501	6	1.2	255	256	(1)	(0.4)	
Other operating expenses (income), net	(9)	11	(20)	-	(8)	6	(14)	-	The change was due to capital gains from the sale of real estate and a decrease in provision expenses for claims.
Operating profit	780	821	(41)	(5.0)	383	418	(35)	(8.4)	

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2024

1.2.2. Activity segments (Cont.)

b. Interior landline communications segment – Cont.

	1-6/2024	1-6/2023	Increase (decrease)		4-6/2024	4-6/2023	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Financing expenses, net	122	147	(25)	(17.0)	70	71	(1)	(1.4)	The decrease in financing expenses, net in the period 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 period compared to the corresponding period, offsetting an increase in interest expenses due to the issuance of debentures during the period, see Chapter 3 below.
Share in loss of equity-accounted investee	3	-	3	-	3	-	3	-	Starting with the second quarter of 2024, Bezeq records its share of the net operating results of Bezeq-Gen in its statements. Regarding Bezeq's entry into the field of electricity supply, see Notes 4.3 and 15.5 to the Statements.
Taxes on income	159	164	(5)	(3.0)	72	86	(14)	(16.3)	
Segment profit	496	510	(14)	(2.7)	238	261	(23)	(8.8)	

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2024

1.2.2. Activity segments (Cont.)

C. Cellular communications segment

	1-6/2024	1-6/2023	Increase (decrease)		4-6/2024	4-6/2023	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Revenues from services net of interconnect *	683	684	(1)	(0.1)	348	350	(2)	(0.6)	The decrease in revenues from roaming services due to the impact of the war was mainly offset by growth in the subscriber base, including subscribers in 5G packages. In addition, there was an increase in revenues in light of the acquisition of the subsidiary Roamability in the fourth quarter of 2023.
Interconnect expenses *	153	213	(60)	(28.2)	72	102	(30)	(29.4)	The decrease was mainly due to the reduction in interconnect rates.
Revenues from the sale of end equipment	308	304	4	1.3	141	133	8	6.0	The increase was mainly due to an increase in selling prices and, in the quarter, also to an increase in the quantities of units sold.
Total revenues	1,144	1,201	(57)	(4.7)	561	585	(24)	(4.1)	
Operating and general expenses	609	670	(61)	(9.1)	293	319	(26)	(8.2)	The decrease was mainly due to a decrease in expenses attributable to interconnect revenues and a reduction in the costs of roaming services, in parallel with a reduction in the attributed revenues. On the other hand, there was an increase in expenses due to the acquisition of the subsidiary Roamability as mentioned above. In addition, in the quarter there was an increase in the costs of end equipment and, on the other hand, a decrease in advertising expenses.
Salary	162	164	(2)	(1.2)	79	80	(1)	(1.3)	The decrease was mainly due to an increase in discounts of salary 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	272	268	4	1.5	134	135	(1)	(0.7)	
Other expenses (income), net	6	(1)	7	-	-	2	(2)	-	Other operating expenses, net in the period mainly include employee retirement expenses as well as expenses on financial sanctions.
Operating profit	95	100	(5)	(5.0)	55	49	6	12.2	
Financing expenses (income), net	4	(12)	16	-	4	(6)	10	-	The decrease was mainly due to a decrease in interest income from loans given to the parent company and repaid during the year 2023.
Income taxes	22	27	(5)	(18.5)	12	14	(2)	(14.3)	
Segment profit	69	85	(16)	(18.8)	39	41	(2)	(4.9)	

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

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2024

1.2.2. Activity segments (Cont.)

d. Bezeq International services

	1-6/2024	1-6/2023	Increase (decrease)		4-6/2024	4-6/2023	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Revenues	550	605	(55)	(9.1)	261	293	(32)	(10.9)	The decrease was due to a decrease in revenues from Internet services (ISP) in private activity, mainly due to a decrease in the number of subscribers following the Unified Internet reform, as well as a decrease in revenues from international calls and revenues from Internet services for businesses. This decrease was partially offset by an increase in the activity of the subsidiary CloudEdge from an increase in revenues from equipment, licensing, and service contracts
Operating and general expenses	359	397	(38)	(9.6)	166	189	(23)	(12.2)	The decrease was mainly due to a decrease in expenses on the use of Internet infrastructure in view of a decrease in private activity in this area, a decrease in expenses on international calls and expenses on Internet for businesses, as well as a decrease in management and general expenses. This decrease was partially offset by an increase in the operating expenses of the subsidiary CloudEdge, in the expenses on server farms and, in the period, also due to an increase in the expenses on equipment, licensing, and service contracts
Salary	104	109	(5)	(4.6)	51	55	(4)	(7.3)	The decrease was mainly due to a continuous decrease in the number of Bezeq employees.
Depreciation, amortization, and impairment	53	63	(10)	(15.9)	26	33	(7)	(21.2)	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 as well as a decrease in depreciation
Other operating expenses (income), net	(4)	6	(10)	-	-	-	-	-	The change in the period was due to the recording of revenue for the amendment of the server farm (Bnei Zion) lease agreement as well as a decrease in the expenses on provisions for claims.
Operating profit	38	30	8	26.7	18	16	2	12.5	
Financing expenses, net	2	4	(2)	(50.0)	-	3	(3)	-	The decrease in net financing expenses was mainly due to an increase in interest revenue and a decrease in exchange rate differential expenses.
Segment profit	36	26	10	38.5	18	13	5	38.5	

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2024

1.2.2. Activity segments (Cont.)

e. Multi-channel TV (pro forma) *

	1-6/2024	1-6/2023	Increase (decrease)		4-6/2024	4-6/2023	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Revenues	631	665	(34)	(5.1)	316	336	(20)	(6.0)	The decrease was mainly due to a decrease in the average revenue per subscriber (including the effects of the war in light of not collecting from customers on the conflict line) as well as a decrease in content sales to external entities, which were partially offset by an increase in revenue from combined television and fiber plans.
Operating and general expenses	454	445	9	2.0	229	220	9	4.1	The increase was due to an increase in fiber activity costs as well as the costs of collaboration with international content providers, which were partially offset due to a decrease in content expenses.
Salary	92	94	(2)	(2.1)	45	44	1	2.3	
Depreciation and amortization	125	119	6	5.0	63	59	4	6.8	The increase is mainly due to an increase in investments in streamers and an increase in salary discounts, offset by fully depreciated assets.
Other expenses (income), net	4	(1)	5	-	4	-	4	-	The increase was due to an increase in claims provision expenses.
Operating profit (loss)	(44)	8	(52)	-	(25)	13	(38)	-	
Financing income, net	(12)	(9)	(3)	(33.3)	(7)	(4)	(3)	(75.0)	The increase was mainly due to an increase in the value of forward transactions as a result of a change in the dollar exchange rate.
Segment profit (loss)	(32)	17	(49)	-	(18)	17	(35)	-	

* 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 and 13 to the Statements).

This is in accordance with the way the Group's main operational decision maker evaluates the sector's performance and makes decisions regarding the allocation of resources to the segment.

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

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2024

1.2.2. Activity segments (Cont.)

f. Yes Multichannel TV Services Ltd. (Cont.) - Comparison between accounting profit and proforma profit

	1-6/2024		1-6/2023		4-6/2024		4-6/2023	
	Accounting P&L	Proforma P&L	Accounting P&L	Proforma P&L	Accounting P&L	Proforma P&L	Accounting P&L	Proforma P&L
	NIS millions				NIS millions			
Revenues	631	631	665	665	316	316	336	336
Operating and general expenses	456	454	446	445	229	229	218	220
Salary	95	92	98	94	47	45	46	44
Depreciation and amortization	106	125	96	119	48	63	46	59
Other expenses (income), net	4	4	(1)	(1)	4	4	-	-
Operating profit (loss)	(30)	(44)	26	8	(12)	(25)	26	13
Financing income, net	(12)	(12)	(9)	(9)	(7)	(7)	(4)	(4)
Segment profit (loss)	(18)	(32)	35	17	(5)	(18)	30	17

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2024

1.3. Cash flow

	1-6/2024	1-6/2023	Increase (decrease)		4-6/2024	4-6/2023	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Net cash flow from operating activities	1,705	1,622	83	5.1	706	773	(67)	(8.7)	The increase in net cash flow from operating activity in the period was due to changes in working capital offsetting a decrease in profit. The decrease in net cash flow from operating activity in the quarter was due to an increase in Income Tax paid, net in the landline interior communications segment and a decrease in profit, offsetting changes in working capital.
Net cash flow used for Investing activities	(1,507)	(1,849)	342	18.5	(87)	(1,012)	925	91.4	The decrease in net cash flow used for investment activity was mainly due to an increase in restricted cash and cash equivalents in the Company in the corresponding quarter, as well as due to an increase in investment, net in bank deposits and other financial investments in the landline interior communications segment. The decrease in net cash flow used for investment activity in the quarter was mainly due to an increase in restricted cash and cash equivalents in the Company in the corresponding quarter, as well as to net proceeds from the repayment of deposits in banks and other financial investments, compared to net investment in the corresponding quarter in the landline interior communications segment.
Net cash flow derived from (used for) financing activities	153	274	(121)	(44.2)	(764)	(2)	(762)	38,100.0)	The decrease in net cash flow resulting from financing activity in the period was mainly due to a higher repayment of debentures and loans in the period compared to the corresponding period, as well as from a larger dividend payment to non-controlling interests in the period compared to the corresponding period, offsetting an increase in the issuance of debentures in the period compared to the corresponding period in the landline interior communications segment. The increase in net cash flow used for financing activities in the quarter was mainly due to the issuance of debentures in the Company in the corresponding period, a higher repayment of debentures and loans in the corresponding quarter in the landline interior communications segment, as well as a larger dividend payment to non-controlling interests in the quarter compared to a corresponding quarter.
Net increase (decrease) in cash	351	47	304	(646.8)	(145)	(328)	183	55.8	

Average volume in the reported half

Long-term liabilities (including current liabilities) to financial institutions and bondholders: approx. NIS 9,692 million.

Provider credit: approx. NIS 956 million.

Short-term customer credit: approx. NIS 1,485 million. Long-term customer credit: approx. NIS 270 million.

Working capital

The Group's consolidated working capital surplus as of June 30, 2024 amounted to approximately NIS 1,007 million, compared to a working capital surplus of approximately NIS 511 million as of June 30, 2023.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2024

The Company's working equity surplus (according to the "Solo" Statements) as of June 30, 2024 amounted to approximately NIS 122 million, compared to a working equity surplus of approximately NIS 39 million as of June 30, 2023.

Bezeq (according to the "Solo" Statements) as of June 30, 2024, has a working equity surplus in the amount of approximately NIS 864 million, compared to a working equity surplus of approximately NIS 469 million as of June 30, 2023.

The increase in the working equity surplus in the Group and the Company was mainly due to an increase in cash and cash equivalents balances, mainly offset by an increase in payable balances.

Report of the Board of Directors on the state of affairs of the corporation for the Period ended June 30, 2024

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 June 30, 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. Plan for the buyback 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, during the first half of 2024, the Company purchased 1,500,000 of the Company's shares in exchange for a total of about 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 stated in Note 30.5.1 to the annual financial statements, changes in the inflation rate affect the Group's profitability and 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 six-month period that ended on June 30, 2024, the increase in the consumer price index was manifested in financing expenses in respect of Bezeq Group's financial debt to the extent of approximately NIS 48 million (approximately NIS 39 million after hedging), a decrease of about NIS 16 million (about NIS 13 million after hedging) in the corresponding period. It should be noted that the effect of the increase in the consumer price index on the operational results of the Group has not been material. 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 scope of the Group's index-linked debt as of June 30, 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, this is before considering the effect of hedging transactions.

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

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

Report of the Board of Directors on the state of affairs of the corporation for the Period ended June 30, 2024

1.7. State of war - "Iron Swords"

As of October 7, 2023, the State of Israel has been in a state of war, with varying 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 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 on the Bezeq network, which subsequently returned to its regular level. 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 position 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.

Report of the Board of Directors on the state of affairs of the corporation for the Period ended June 30, 2024

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

2.1. Disclosure regarding valuations

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

	Yes Television Services Ltd. ("Yes") (*) Highly material valuation as of June 30, 2024 Attached to Bezeq's Statements as of June 30, 2024
Identification of subject of valuation	Examination of the impairment of the assets of Yes as of June 30, 2024.
Timing of the valuation	June 30, 2024; The valuation was signed on August 4, 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 June 30, 2024 is zero.
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 (value-in-use) approach, has a negative value of approximately NIS 58 million. It should be noted that the fair value minus cost of sale of Yes's assets for that date amounted to a negative value of approximately NIS 76 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 the fair value minus cost of sale, whichever is higher, i.e., a negative value of approximately NIS 58 million. Based on the valuation, the Group recognized in the quarter an impairment loss in the amount of approximately NIS 58 million, and in six months - loss of about NIS 126 million.
Identification and characterization of the valuator	The valuation was performed by CPA Guy Feibish, Partner, Valuations and Economic Models Field in the Economic Department of Ernst Young (Israel) Ltd. CPA Feibish 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 Israel and the world and accompanies transactions in Israel and abroad and has led complex valuations for a variety of purposes, including financial reporting, taxation, regulatory compliance, and capital raising in a variety of sectors, including real estate, retail, Industry, energy and communication. Also, as part of his role, he accompanies companies in the planning and implementation of business processes. In addition, CPA has experience in providing financial opinions for the needs of legal proceedings and/or commercial disputes. The valuator has no dependence on Bezeq. Bezeq undertook to indemnify the valuator for damages in excess of three times her fee unless he acted maliciously or through gross negligence.
Valuation model	The cash flow discounting method - (DCF).
The assumptions according to which the valuator performed the valuation	Discount rate – 12% (after tax). The rate of permanent growth - 1%. The percentage of the scrap value out of the total value determined in the valuation - irrelevant.

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

Report of the Board of Directors on the state of affairs of the corporation for the Period ended June 30, 2024

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

2.3. Current and subsequent material events

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

3. Details related to debentures

3.1. On January 9, 2024, Ma'alot announced the rating of iIAA-minus with a positive rating horizon (see immediate report Ref. 2024-01-004668), and Midroog announced the rating Aa3.il with a positive rating horizon (see immediate report Ref. 2024-01-004623), for the debentures that will be issued by Bezeq through the expansion of Series 11 and 13.

On January 11, 2024, Bezeq completed a public offering of debentures (Series 11 and 13) by way of expanding 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 in debentures (Series 11) were issued to the public for a total of approximately NIS 539 million, and NIS 432,123,000 in debentures (Series 13) were issued to the public for a total of approximately NIS 353 million.

On May 2, 2024, Maalot raised Bezeq's rating from iIAA minus to iIAA with a stable rating forecast in view of an improvement in Bezeq's financial relationships (see immediate report Ref. No. 2024-01-042343).

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 together with the improvement in the ratio of debt coverage to EBITDA to levels that support this rating (see immediate report Ref. 2024 -01-048802).

3.2. On June 16, 2024, Midroog Ltd. determined an A3.il rating with a stable horizon for the Company's debentures (Series 6) that were in circulation as of that date (see immediate report Ref. No. 2024-01-060670).

3.3. Financial clauses in the Company's debentures

In accordance with the Company's debentures, to comply with the LTV condition, the LTV ratio as of June 30, 2024 was 55.7%.

The Company's net debt balance as of June 30, 2024 is approximately NIS 1,870 million and consists of the principal balance and accrued interest as of the balance sheet date for its debentures in the amount of NIS 2,016 million, minus cash balances, restricted cash, and short-term investments in the amount of NIS 146 million.

2. Miscellaneous

For information regarding the balance of liabilities of the reporting corporation in its financial statements as of June 30, 2024, see the form to be reported by the Company on the MAGNA system on August 9, 2024.

Darren Glatt
Chairman of the Board of Directors

Tomer Raved
CEO

Date of signing: August 6, 2024



Chapter C

Condensed Consolidated Interim Financial Statements As of June 30, 2024 (Unaudited)

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

Table of contents	Page
Auditors' reports	3
Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)	
Condensed Consolidated Interim Financial Statements of Financial Position	4
Condensed Consolidated Interim Financial Statements of P&L	6
Condensed Consolidated Interim Financial Statements of Comprehensive Income	7
Condensed Consolidated Interim Financial Statements of Changes in Equity	8
Condensed Consolidated Interim Financial Statements of Cash Flows	11
Notes to the condensed consolidated financial statements	13
1 General	
2 Basis of preparation of the financial statements	
3 Reporting rules and accounting policies	
4 Group entities	
5 Impairment	
6 Contingent liabilities	
7 Equity	
8 Revenues	
9 Operating and general expenses	
10 Other operating expenses (income), net	
11 Financing expenses, net	
12 Financial instruments	
13 Segmental reporting	
14 Summary of selected data from the financial statements of Bezeq Israel Telecommunications Company Ltd., Pelephone Ltd., Bezeq International Ltd., and Yes Television Services Ltd. (Yes)	
15 Current and subsequent material events	



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

To
Shareholders of B Communications Ltd.

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

Introduction

We reviewed the attached financial information of B Communications Ltd. and its subsidiaries (hereinafter - the Group), which includes the condensed consolidated report of financial position as of June 30, 2024 and the condensed consolidated statements of income, comprehensive profit, changes in equity and cash flows for the periods of six and three months that ended on the same date. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with the international accounting standard IAS 34 "Financial Reporting for Interim Periods", and they are also responsible for editing financial information for these interim periods according to Chapter D of the Securities Regulations (Periodic and Immediate Financial Reports), 5730-1970. Our responsibility is to express a conclusion on financial information for these interim periods based on our review.

Scope of our review

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

Conclusion

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

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

Emphasis paragraph (drawing attention)

Without limiting our above conclusion, we draw attention to what is stated in Note 1.2 to the statements which refers to Note 1.3 to the annual consolidated statements, regarding the investigation by the Securities Authority and the Israel Police of a suspicion of committing offenses under the Securities Law and the Penal Code concerning, *inter alia*, transactions related to Bezeq's former controlling shareholder and regarding 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 indictments against the former controlling shareholder in Bezeq and former senior executives in the Bezeq Group which attribute to the defendants offenses of aggravated obtaining by deceit, 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

August 6, 2024

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

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

Condensed consolidated interim statements of financial position as of				
		June 30, 2024	June 30, 2023	December 31, 2023
		(Unaudited)	(Unaudited)	(Audited)
Assets	Note	NIS millions	NIS millions	NIS millions
Cash and cash equivalents		996	801	644
Restricted cash and cash equivalents		17	500	-
Investments *	12.1	1,997	1,548	1,248
Trade receivables		1,475	1,501	1,477
Other receivables		223	276	166
Inventory		107	125	82
Total current assets		4,815	4,751	3,617
Trade and other receivable		435	411	446
Right-of-use assets		1,765	1,924	1,870
Property, plant and equipment		6,977	6,725	6,828
Intangible assets		3,274	3,248	3,280
Deferred expenses and non-current investments		324	*326	*312
Total non-current assets		12,775	12,634	12,736
Total assets		17,590	17,385	16,353

* Including restricted deposits.

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

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

		June 30, 2024	June 30, 2023	December 31, 2023
		(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	Note	NIS millions	NIS millions	NIS millions
Debentures, loans and credit		1,064	1,585	1,074
Current maturities of liabilities in respect of leases		426	447	433
Trade payables		1,916	1,774	1,758
Employee benefits		294	320	332
Provisions	6	108	114	111
Total current liabilities		3,808	4,240	3,708
Loans and debentures		8,771	8,532	7,829
Leasing liabilities		1,517	1,651	1,608
Employee benefits		254	194	251
Derivatives and other liabilities		203	152	160
Deferred tax liabilities		338	328	322
Provisions		27	34	29
Total non-current liabilities		11,110	10,891	10,199
Total liabilities		14,918	15,131	13,907
Equity:	7			
Attributed to the shareholders of the Company		257	116	189
Attributed to non-controlling interests		2,415	2,138	2,257
Total equity		2,672	2,254	2,446
Total liabilities and equity		17,590	17,385	16,353

Darren Glatt
Chairman of the Board of
Directors

Tomer Raved
CEO

Itzik Tadmor
CFO

Date of approval of the financial statements: August 6, 2024

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

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

Condensed consolidated interim Statements of P&L

	For the period of six months ended June 30		For the period of three months ended June 30		December 31, 2023
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues (Note 8)	4,447	4,607	2,192	2,299	9,103
Operating expenses					
Operating and general expenses (Note 9) *	1,671	1,731	813	846	3,381
Salary	965	965	478	473	1,926
Depreciation, amortization and impairment *	935	926	462	468	1,867
Other operating expenses (income), net (Note 10)	(3)	35	(4)	28	180
Total operating expenses	3,568	3,657	1,749	1,815	7,354
Operating profit	879	950	443	484	1,749
Financing expenses (income) (Note 11)					
Financing expenses	283	271	163	150	518
Financing income	(112)	(85)	(69)	(52)	(169)
Financing expenses, net	161	186	94	98	349
Profit after financing expenses, net	718	764	349	386	1,400
Share in loss of equity-accounted investee, net	3	-	3	-	-
Profit before taxes on income	715	764	346	386	1,400
Income tax expenses	182	192	84	100	346
Net profit for the period	533	572	262	286	1,054
Net profit for the period attributable to:					
Shareholders of the company	110	95	54	37	187
Non-controlling interests	423	477	208	249	867
Net profit for the period	533	572	262	286	1,054
Profit per share (NIS)					
Basic profit per share	1.03	0.88	0.50	0.33	1.75
Diluted profit per share	1.03	0.88	0.50	0.33	1.74

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

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

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

Condensed consolidated interim statements of comprehensive income

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024 (Unaudited) NIS	2023 (Unaudited) NIS	2024 (Unaudited) NIS	2023 (Unaudited) NIS	2023 (Audited) NIS millions
Profit for the period	533	572	262	286	1,054
Reassessment of defined benefit plan, net of tax – will not be transferred to P&L	-	-	-	(1)	18
Additional other comprehensive income (loss) items, net of tax - will be transferred to P&L	3	(4)	-	(6)	(6)
Total comprehensive income for the period	536	568	262	279	1,066
Comprehensive profit for the period attributable to:					
Shareholders of the company	111	94	54	35	190
Non-controlling interests	425	474	208	244	876
Total comprehensive income for the period	536	568	262	279	1,066

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

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

Condensed consolidated interim statements of changes in equity

	Shareholders' equity	Premium on shares	Treasury shares	Other funds	Loss balance	equity attributable to shareholders of the company	Non-controlling interests	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For period of six months ended June 30, 2024 (unaudited)								
Balance as of January 1, 2024	12	1,495	(160)	(32)	(1,126)	189	2,257	2,446
Net profit for the period	-	-	-	-	110	110	423	533
Other comprehensive income for the period, net of tax	-	-	-	1	-	1	2	3
Total comprehensive income for the period	-	-	-	1	110	111	425	536
Transactions recognized directly in equity								
Share-based compensation	-	-	-	-	-	-	11	11
Transactions with non-controlling interests	-	-	-	-	(23)	(23)	(6)	(29)
Buyback of shares	-	-	(20)	-	-	(20)	-	(20)
Dividend distribution for non-controlling interests (Note 4.4)	-	-	-	-	-	-	(272)	(272)
Balance as of June 30, 2024	12	1,495	(180)	(31)	(1,039)	257	2,415	2,672
For period of six months ended June 30, 2023 (unaudited)								
Balance as of January 1, 2023	12	1,495	(137)	(30)	(1,286)	54	1,842	1,896
Net profit for the period	-	-	-	-	95	95	477	572
Other comprehensive loss for the period, net of tax	-	-	-	(1)	-	(1)	(3)	(4)
Total comprehensive income (loss) for the period	-	-	-	(1)	95	94	474	568
Transactions recognized directly in equity								
Share-based compensation	-	-	-	-	-	-	7	7
Dividend distribution for non-controlling interests (Note 4.4)	-	-	-	-	(32)	(32)	(5)	(37)
Buyback of shares	-	-	-	-	-	-	(180)	(180)
Balance as of June 30, 2023	12	1,495	(137)	(31)	(1,223)	116	2,138	2,254

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

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

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

For period of three months ended June 30, 2024 (unaudited)

Balance as of April 1, 2024	12	1,495	(167)	(31)	(1,083)	226	2,475	2,701
Net profit for the period	-	-	-	-	54	54	208	262
Total comprehensive income for the period	-	-	-	-	54	54	208	262
Transactions recognized directly in equity								
Share-based compensation	-	-	-	-	-	-	7	7
Transactions with non-controlling interests	-	-	-	-	(10)	(10)	(3)	(13)
Buyback of shares	-	-	(13)	-	-	(13)	-	(13)
Dividend distribution for non-controlling interests (Note 4.4)	-	-	-	-	-	-	(272)	(272)
Balance as of June 30, 2024	12	1,495	(180)	(31)	(1,039)	257	2,415	2,672

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

Balance as of April 1, 2023	12	1,495	(137)	(29)	(1,228)	113	2,075	2,188
Net profit for the period	-	-	-	-	37	37	249	286
Other comprehensive loss for the year, net of tax	-	-	-	(2)	-	(2)	(5)	(7)
Total comprehensive income (loss) for the period	-	-	-	(2)	37	35	244	279
Transactions recognized directly in equity								
Buyback of shares	-	-	-	-	-	-	4	4
Dividend distribution for non-controlling interests (Note 4.4)	-	-	-	-	(32)	(32)	(5)	(37)
Balance as of June 30, 2023	-	-	-	-	-	-	(180)	(180)

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

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

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

For year ended December 31, 2023 (audited)

Balance as of January 1, 2023	12	1,495	(137)	(30)	(1,286)	54	1,842	1,896
Net profit for the year 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 2023	-	-	-	(2)	192	190	876	1,066
Transactions recognized directly in equity								
Share-based compensation	-	-	-	-	-	-	10	10
Dividend distribution for 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 statements form an integral part hereof.

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

Condensed consolidated interim statements of cash flows					
	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from operating activities					
Profit for the period	533	572	262	286	1,054
Adjustments:					
Depreciation, amortization and impairment	935	926	462	468	1,867
Capital gains, net	(12)	(2)	(10)	(1)	(2)
Share in losses of equity-accounted	3	-	3	-	-
Financing expenses, net	162	202	93	111	364
Share-based compensation	11	7	7	4	10
Income tax expenses	182	192	84	100	346
Change in trade and other receivables	(28)	(118)	37	(13)	(10)
Change in inventory	(38)	(45)	6	11	(15)
Change in trade and other payables	68	43	(97)	(130)	59
Change in provisions	-	22	2	18	18
Change in employee benefits	(34)	(87)	(45)	(56)	(3)
Change in other liabilities	3	3	(10)	3	23
Income tax paid, net	(80)	(93)	(88)	(28)	(269)
Net cash derived from operating activities	1,705	1,622	706	773	3,442
Cash flows from investing activities					
Purchase of property, plant and equipment	(645)	(675)	(333)	(340)	(1,333)
Investment in intangible assets and deferred expenses	(196)	(182)	(98)	(101)	(375)
Investment transactions, net	(702)	(561)	325	(185)	(245)
Proceeds from the sale of property, plant and equipment	7	35	4	2	39
Purchase of subsidiary net of cash purchased	-	-	-	-	(14)
Increase in cash and cash equivalents	(17)	(500)	(7)	(500)	-
Interest received from bank deposits	43	28	19	21	72
Miscellaneous	3	6	3	4	21
Net cash used for investing activities	(1,507)	(1,849)	(87)	(1,099)	(1,835)

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

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

Condensed consolidated interim statements of cash flows (Cont.)

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows for financing activities					
Issuance of debentures and receipt of loans	1,084	915	-	500	1,015
Repayment of debentures and loans	(220)	(58)	(220)	(58)	(1,409)
Transaction of non-controlling interests	(29)	(27)	(13)	(27)	(37)
Leasing principal and interest payments	(230)	(223)	(104)	(98)	(484)
Buyback of shares	(20)	-	(14)	-	(23)
Interest paid	(160)	(153)	(141)	(139)	(312)
Dividend distributed to non-controlling interests	(272)	(180)	(272)	(180)	(466)
Receipt for expired hedging transactions	-	-	-	-	4
Miscellaneous	-	-	-	-	(3)
Net cash derived from (used for) financing activities	153	274	(764)	(2)	(1,715)
Net increase (decrease) in cash and cash equivalents	351	47	(145)	(328)	(108)
Effect of changes in foreign currency exchange rate	1	-	1	-	(2)
Cash and cash equivalents for the beginning of the period	644	754	1,140	1,129	754
Cash and cash equivalents at the end of the	996	801	996	801	644

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

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 June 30, 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 its summons to a hearing, see Note 1.3 to the annual statements.

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

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

2. Basis of preparation of the statements

2.1. The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, which deals with interim financial reporting and in accordance with the provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

2.2. The condensed consolidated interim financial statements do not include all the information required in full annual financial statements and these reports should be read in the context of the annual financial statements of the Company and its subsidiaries as of December 31, 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 condensed consolidated interim financial statements only the material changes that occurred from the date of the last annual financial statements to the date of these interim financial statements.

2.3. This concise consolidated interim financial statements was approved by the Company's Board of Directors on August 6, 2024.

2.4. Use of estimates and discretion

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

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

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

3. Reporting rules and accounting policies

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 applied

International Financial Reporting Standard IFRS18 - Presentation and Disclosure in Financial Statements:

This standard replaces International Accounting Standard IAS1 - Presentation of Financial Statements. The purpose of the standard is to provide an improved structure and content to the statements, in particular the P&L statement. The standard includes new disclosure and presentation requirements as well as requirements that were brought in by International Accounting Standard IAS1 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 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 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 the initial application of the standard is for annual periods, starting 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 the Group's entities since the publication of the annual statements.

4.1. Yes TV and Communication Services Ltd. (Yes)

4.1.1. As of June 30, 2024, Yes has a positive equity in the amount of NIS 5 million, as well as a working equity deficit in the amount of NIS 186 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 August 6, 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 July 1, 2024 until August 31, 2025, instead of a similar commitment from May 2024. It should be noted that so far, during 2024, Yes did not utilize the credit facilities provided by Bezeq in any way.

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

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

- 4.1.2. See Note 5.1 below regarding impairment of assets recognized by Yes in the financial statements as of June 30, 2024.

4.2. Bezeq International Ltd.

See Note 5.2 below regarding impairment of assets recognized by Bezeq International in the statements as of June 30, 2024.

4.3. Bezeq-Gen Ltd.

Further to what is described in Note 15.5 below, Bezeq owns 50% of Bezeq-Gen Ltd. (Bezeq-Gen), a company held under joint control that meets the definition of a joint venture. Starting from the second quarter of 2024, Bezeq began to record its share of the net activity results of Bezeq Gen in its statements.

4.4. Dividends distribution by Bezeq

- 4.4.1. 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.

- 4.4.2. On April 17, 2024, the General Assembly of Bezeq's shareholders (following the recommendation of Bezeq's Board of Directors of March 11, 2024) approved the distribution of a cash dividend to Bezeq's shareholders in a total amount of NIS 374 million (which, as of the day determining the distribution, is NIS 0.1351691 per share). The dividend was paid on May 9, 2024. The Company's share of the aforementioned dividend is approximately NIS 102 million.

- 4.4.3. On August 6, 2024, Bezeq's Board of Directors decided to recommend to the General Meeting of Bezeq's shareholders to distribute a cash dividend to Bezeq's shareholders in the total amount of NIS 407 million. As of the date of approval of the financial statements, the said dividend has not yet been approved by the General Meeting of the Bezeq shareholders. The Company's share of the said dividend, when approved, is about NIS 111 million.

4.5. Investment in Bezeq

During the first half of 2024, the Company purchased 6,193,449 ordinary shares of the subsidiary Bezeq for a total amount of approximately NIS 29 million. After the aforementioned purchases and as of the date of the statements, the Company holds 27.3% of the issued share capital and voting rights in Bezeq.

5. Impairment

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

Further to Note 10.5 to the Annual Statements regarding impairment recognized in 2023, the valuation as of December 31, 2023 presented a value-in-use substantially lower than the book value of Yes.

In accordance with the examination conducted by an external valuator as of June 30, 2024 and in accordance with the assessment of Yes' Management, it was found that during the six months that have elapsed since the date of the previous valuation, there have been no changes that may indicate a material change requiring the update of Yes' forecasts in the years 2025 and onwards in relation to the forecast used for preparing the valuation as of December 31, 2023.

In parallel, in light of the prolongation of the war, an adjustment was made to the 2024 forecast in the calculation of the value-in-use for June 30, 2024. Also, an adjustment was made for an unusual change in working capital as a result of 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. As of June 30, 2024, this balance was partially disposed of).

The current value of the activity as of June 30, 2024, taking into account the adjustment made in the previous quarter and in addition to the promotion in time and the effect of the discount rate is negative and amounts to a total of NIS 58 million. The nominal capital price used in the valuation is 12% (after tax), and a permanent growth rate of 1% was assumed.

Therefore, in light of the negative enterprise value, Yes amortized its assets as of June 30, 2024 up to the value in use or the fair value, net of these assets or zero, whichever is higher.

Based on the fair value assessment of Yes' assets, which was performed by an external valuator as of June 30, 2024, the book value of the depreciable assets is about NIS 58 million higher than the value of its assets. Therefore, the Group recognized, in the period of three months ended June 30, 2023, an impairment loss of approximately NIS 58 million, and in the period of six months ended June 30, 2023, an impairment loss of approximately NIS 126 million.

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

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

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

	Yes' enterprise value (according to the DCF method)	Fair value of Yes' liabilities and equity, net	Book value of Yes' liabilities and equity, net before recognition of impairment	Impairment loss
	NIS millions	NIS millions	NIS millions	NIS millions
As of June 30, 2024 and for the period of three months that ended on that date (unaudited)	(58)	(76)	-	(58)
As of March 31, 2024 and for the period of three months that ended on that date (unaudited)	(76)	(95)	(8)	(68)
Total impairment recognized in period of six months that ended June 30, 2024				(126)
As of December 31, 2023 and for the year that ended on that date (audited)	(24)	(60)		(204)

It should be noted that the evaluation of the value-in-use is sensitive to the net cash flow in the representative year in general, and to the evaluation of the ARPU level (average revenue 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 approximately NIS 60 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 70 to NIS 77 million.

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

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Broadcasting rights *	50	63	28	28	103
PP&E **	35	42	15	16	62
Intangible assets **	34	20	14	13	37
Other payables (advance expenses) *	7	2	1	1	(1)
Rights to use leased assets**	-	-	-	-	3
Total impairment recognized	126	127	58	58	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 to the annual financial statements.

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

5.2. Impairment in the Internet, international communications, and ICT solutions services 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 June 30, 2024, it was found that during the six months that passed from the date of the previous valuation, there were no material changes in the market, or regulatory changes that could have a material effect on Bezeq International's forecasts for years to come, and there were no material changes in the discount rate. Therefore, as of June 30, 2024, no further adjustment is required for the change in Bezeq International's enterprise value and it remains at a negative amount of NIS 194 million, as determined in the valuation as of December 31, 2023.

The net fair value of Bezeq International's assets as of June 30, 2024 is positive in the amount of NIS 1 million.

In light of the fact that the enterprise value is lower than the net fair value of liabilities and equity, Bezeq International reduced its assets to the amount of the net fair value of these assets. As of June 30, 2024, the book value of the depreciable assets is higher than the fair value, net by about NIS 19 million. Therefore, in the six- and three-month periods that ended on June 30, 2024, the Group recognized an impairment loss in the amount of about NIS 42 million and NIS 19 million, respectively.

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

	Yes' enterprise value (according to the DCF method)	Fair value of Yes' liabilities and equity, net	Book value of Yes' liabilities and equity, net before recognition of impairment	Impairment loss
	NIS millions	NIS millions	NIS millions	NIS millions
As of June 30, 2024 and for the period of three months that ended on that date (unaudited)	(194)	1	20	(19)
As of March 31, 2024 and for the period of three months that ended on that date (unaudited)	(194)	(26)	(3)	(23)
Total impairment recognized in period of six months that ended June 30, 2024				(42)
As of December 31, 2023 and for the year that ended on that date (audited)	(194)	(23)		(87)

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

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

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

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Property, plant and equipment and intangible assets **	23	28	12	14	57
Short-term and long-term advance expenses *	11	9	4	3	17
Rights to use leased vehicle assets **	-	-	-	-	1
Long-term advance payments for capacities **	8	5	3	4	12
Total impairment recognized	42	42	19	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 Bezeq International determined the fair value (at level 3) of the assets minus exercise costs, see Note 10.6 to the Annual Statements.

6. Contingent liabilities

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

In the opinion of the managements of the Group companies, which is based, among other things, on legal opinions regarding the chances of the legal claims, the statements included adequate provisions in the amount of NIS 102 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 June 30, 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 2 billion. Additional exposure in the amount of approximately NIS 2.5 billion in respect of claims the chances of which is not yet possible to assess at this stage. In addition, motions were filed against the Group companies to recognize the claims as class actions that did not specify an exact amount of the claim, for which the Group has additional exposure beyond the aforementioned.

The exposure amounts in this Note are nominal.

- 6.2. The following is a description of the contingent liabilities of the Bezeq Group that were in effect as of June 30, 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 the Group companies.	80	1,868	671
Claims by enterprises and companies	Legal claims in which the liability of the Group companies is claimed in connection with their operations and / or investments.	20	68	1,808 ⁽¹⁾
Claims of employees and former employees of Bezeq Group companies	Mainly individual claims filed by employees and former employees of the Group concerning various payments.	-	2	-
Miscellaneous	Other legal claims, including tort claims (except for claims in which there is no dispute about the existence of insurance coverage), real estate, infrastructure, suppliers, etc.	2	23	8
Total legal claims against the Company and the consolidated companies⁽²⁾		102	102	1,961

- (1) The total includes two motions for approval of a class action in the total amount of NIS 1.8 billion filed in June 2017 against the Company, Bezeq, officers in the Bezeq Group and companies from the then controlling group of Bezeq regarding the purchase of Yes shares By Bezeq from Eurocom DBS Ltd. In accordance with a court decision, a consolidated motion is expected to replace these two motions. The proceedings are delayed in light of the criminal proceedings that are being conducted following the investigation of the Securities Authority (as described in Note 1.2) and at the request of the Attorney General at this stage, until August 31, 2024.

6. Contingent liabilities (Cont.)

- (2) On May 23, 2023, the Company signed a settlement agreement in the amount of approximately USD 5.5 million (approx. NIS 20 million) in respect of two motions for the approval of class action lawsuits filed in June 2017, inter alia, against the company, Bezeq, officers in Bezeq Group as well as companies from the then controlling group of the Company and Bezeq regarding the transaction to purchase DBS shares by Bezeq from Eurocom DBS Ltd. The settlement amount does not include offsetting the insurance company's participation by virtue of the officers' insurance.

At this stage, the settlement agreement has been submitted for approval by the District Court in Tel Aviv (Economic Department) 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 the Company's former controlling shareholder and Chairman of the Board of Directors only) and Or Elovitch (in his capacity as a former director in the Company only) in the motions for approval.

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

7. Equity

	As of June 30, 2024	As of June 30, 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	(12,173,530)	(9,080,317)	(10,673,530)
Issued and paid up capital, net	104,162,263	107,255,476	105,662,263

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. As part of the aforementioned buyback plan, the Company purchased a total of 1,500,000 of its shares for approximately NIS 20 million.

As of the date of approval of the financial statements, Searchlight and the Forer family hold approximately 67.20% and 12.72%, respectively, of the Company's net issued and paid-up share capital.

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

8. Revenues

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Interior landline communication - Bezeq Fixed Lines					
Internet - infrastructure	985	940	489	474	1,907
Transmission and data communication	511	477	254	241	974
Landline telephony	274	348	135	171	632
Cloud and digital services	174	176	87	89	349
Other services	120	164	60	89	295
	2,064	2,105	1,025	1,064	4,157
Mobile radio telephone - Pelephone					
Cellular services and end equipment	823	880	413	444	1,724
Sale of end equipment	307	299	141	131	585
	1,130	1,179	554	575	2,309
Multi-channel TV - Yes	631	665	316	336	1,308
Internet (ISP), international communications, and ICT solutions– Bezeq International	521	568	247	279	1,139
Other	101	90	50	45	190
Total Revenues	4,447	4,607	2,192	2,299	9,103

9. Operating and general expenses

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS	NIS	NIS millions	NIS
End equipment and materials	398	402	182	181	825
Connectivity and payments to communications operators in Israel and abroad	347	399	169	197	762
Content costs (including content impairment)	263	278	135	137	530
Marketing and general	247	236	121	126	439
Maintenance of buildings and sites	126	127	64	63	257
Services and maintenance by subcontractors	254	257	122	126	504
Vehicle maintenance	36	32	20	16	64

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

Total operating and general expenses	1,671	1,731	813	846	3,381
---	--------------	--------------	------------	------------	--------------

10. Other operating expenses (income), net

	For period of six months ended June 30		For period of three months ended June 30		For year ended December
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS	NIS	NIS millions	NIS
Capital gain (mainly from exercise of real estate)	(12)	(2)	(10)	(1)	(2)
Creation of provision for claims	9	37	4	28	44
Expenses in respect of the termination of an employer-employee relationship in early retirement in Bezeq	5	4	2	1	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	5	4	1	4	17
One-off provision – amendment of collective agreement with the employees	-	-	-	-	75
Other income	(10)	(8)	(1)	(4)	(11)
Other operating expenses (income), net	(3)	35	(4)	28	180

11. Financing expenses, net

	For period of six months ended June 30		For period of three months ended June 30		For year ended December
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS	NIS millions	NIS	NIS
Interest expenses in respect of financial liabilities	186	176	95	96	344
Financing expenses for liabilities in respect of leases	34	28	18	16	63
Linkage and exchange rate differences	39	52	32	31	92
Other financing expenses	15	7	13	3	9
Financing expenses in respect of employee benefits	9	8	5	4	10
Total financing expenses	283	271	163	150	518
Income from credit grossing in sales	13	11	6	4	22
Change in the fair value of financial assets measured at fair value through statement of income	43	20	31	12	26
Other financing income	66	54	32	36	121
Total financing income	122	85	69	52	169
Total financing expenses, net	161	186	94	98	349

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

12. Financial instruments

12.1. Investments composition

	June 30, 2024	June 30, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Shekel deposits in banks (1)	933	884	484
Investments in financial funds and marketable assets measured at fair value	1,042	641	759
Derivative instruments	22	23	5
Total	1,997	1,548	1,248

(1) Deposits in NIS in banks due before January 2025.

12.2. Fair value

Financial instruments measured at fair value for disclosure purposes only

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

	As of June 30, 2024		As of June 30, 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)	1,529	1,455	1,471	1,400	1,546	1,500
Debentures issued to the public (index-linked)	2,487	2,397	2,703	2,653	2,436	2,387
Debentures issued to the public (non-linked)	5,148	4,966	5,270	5,070	4,238	4,148
Total	9,164	8,818	9,444	9,123	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 in Note 30.7 to the annual statements.

	June 30, 2024	June 30, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Level 1 - Investment in financial funds and marketable securities measured at fair value through income	1,042	641	759
Level 2 - Forward contracts	55	55	25

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

13. Segmental reporting

For period of six months ended June 30, 2024 (unaudited)							
	Interior landline communicati on	Cellular communicati on *	Internet, international communications, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustmen ts	Consolidate d
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenue	2,064	1,130	521	631	101	-	4,447
Inter-segmental revenue	102	14	29	-	-	(145)	-
Total revenue	2,166	1,144	550	631	101	(145)	4,447
Depreciation, amortization, and impairment	507	272	53	125	2	(24)	935
Segment results - operating profit (loss)	780	95	38	(44)	1	9	879
Financing expenses	208	18	8	2	-	47	283
Financing income	(86)	(14)	(6)	(14)	-	(2)	(122)
Total financing expenses (income), net	122	4	2	(12)	-	45	161
Segment profit (loss) after financing expenses, net	658	91	36	(32)	1	(36)	718
Share in loss of equity- accounted investee, net	3**	-	-	-	-	-	3
Income taxes	159	22	-	-	1	-	182
Segment results - net profit	496	69	36	(32)	-	(36)	533
For period of six months ended June 30, 2023 (unaudited)							
	Interior landline communicati on	Cellular communicati on *	Internet, international communications, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustmen ts	Consolidate d
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenue	2,106	1,179	568	664	90	-	4,607
Inter-segmental revenue	135	22	37	1	1	(196)	-
Total revenue	2,241	1,201	605	665	91	(196)	4,607
Depreciation, amortization, and impairment	501	268	63	119	2	(27)	926
Segment results - operating profit (loss)	821	100	30	8	(4)	(5)	950
Financing expenses	205	17	8	5	-	36	271
Financing income	(58)	(29)	(4)	(14)	-	20	(85)
Total financing expenses (income), net	147	(12)	4	(9)	-	56	186
Segment profit (loss) after financing expenses, net	674	112	26	17	(4)	(61)	764
Income taxes	164	27	-	-	1	-	192
Segment results - net profit	510	85	26	17	(5)	(61)	572

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

** Starting from the second quarter of 2024, Bezeq began to record its share of Bezeq Gen's losses. See Note 4.3.

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

For period of three months ended June 30, 2024 (unaudited)							
	Interior landline communicati on	Cellular communicatio n *	Internet, international communication s, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustmen ts	Consolidate d
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenue	1,025	554	247	316	50	-	2,192
Inter-segmental revenue	50	7	14	-	-	(71)	-
Total revenue	1,075	561	261	316	50	(71)	2,192
Depreciation, amortization, and impairment	255	134	26	63	2	(18)	462
Segment results - operating profit (loss)	383	55	18	(25)	1	11	443
Financing expenses	119	11	4	-	-	29	163
Financing income	(49)	(7)	(4)	(7)	2	(4)	(69)
Total financing expenses (income), net	70	4	-	(7)	2	25	94
Segment profit (loss) before financing expenses, net	313	51	18	(18)	(1)	(14)	349
Share in loss of equity-accounted investee, net	3**	-	-	-	-	-	3
Income taxes	72	12	-	-	-	-	84
Segment results - net profit (loss)	238	39	18	(18)	(1)	(14)	262

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

For period of three months ended June 30, 2023 (unaudited)							
	Interior landline communication	Cellular communication * *	Internet, international communication s, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustmen ts	Consolidate d
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenue	1,065	574	280	335	45	-	2,299
Inter-segmental revenue	65	11	13	1	1	(91)	-
Total revenue	1,130	585	293	336	46	(91)	2,299
Depreciation, amortization, and impairment	256	135	33	59	-	(15)	468
Segment results - operating profit	418	49	16	13	(3)	(9)	484
Financing expenses	107	7	4	3	-	29	150
Financing income	(36)	(13)	(1)	(7)	-	5	(52)
Total financing expenses (income), net	71	(6)	3	(4)	-	34	98
Segment profit (loss) after financing expenses, net	347	55	13	17	(3)	(43)	386
Income taxes	86	14	-	-	-	-	100
Segment results - net profit (loss)	261	41	13	17	(3)	(43)	286
For year ended December 31, 2023 (audited)							
	Interior landline communication	Cellular communication * *	Internet, international communication s, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustmen ts	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenue	4,157	2,309	1,139	1,308	190	-	9,103
Inter-segmental revenue	255	39	73	1	2	(370)	-
Total revenue	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
Financing 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 starting from 2018. This is in accordance with the way the Group's chief operating decision maker evaluates the segment's performance and makes decisions regarding the allocation of resources to the segment. In addition, see Note 14.4 to the condensed selected data from the financial statements of Yes.

** Starting from the second quarter of 2024, Bezeq began to record its share of Bezeq Gen's losses. See Note 4.3.

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

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

14.1. Bezeq the Israel Telecommunications Corporation Ltd.

Data from the statement of financial position:

	June 30, 2024	June 30, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	3,239	2,730	2,155
Non-current assets	9,449	9,567	9,226
Total assets	12,688	12,297	11,381
Current liabilities	2,375	2,261	2,317
Long-term liabilities	7,895	8,002	6,868
Total liabilities	10,270	10,263	9,185
Equity	2,418	2,034	2,196
Total liabilities and equity	12,688	12,297	11,381

Data from the statement of income:

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
)))	d)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues	2,166	2,241	1,075	1,130	4,412
Operating expenses					
Salary	518	516	258	253	1,028
Depreciation, amortization, and impairment	507	501	255	256	1,019
Operating and general expenses	370	392	187	197	769
Other operating expenses (income), net	(9)	11	(8)	6	145
Total operating expenses	1,386	1,420	692	712	2,961
Operating profit	780	821	383	418	1,451
Financing expenses (income)					
Financing expenses	208	205	119	107	370
Financing income	(86)	(58)	(49)	(36)	(114)
Financing expenses, net	122	147	70	71	256
Profit after financing expenses, net	658	674	313	347	1,195
Share in the profits of equity-accounted investee, net	83	144	46	82	288
Profit before income taxes	741	818	359	429	1,483

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

Income taxes	159	164	72	86	294
Profit for the period	582	654	287	343	1,189

14.2. Pelephone Communications Ltd.

Data from the statement of financial position:

	June 30, 2024	June 30, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	785	857	722
Non-current assets	2,119	2,593	2,110
Total assets	2,904	3,450	2,832
Current liabilities	679	713	659
Long-term liabilities	769	833	789
Total liabilities	1,448	1,546	1,448
Equity	1,456	1,904	1,384
Total liabilities and equity	2,904	3,450	2,832

Data from the P&L statement:

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Income from services	836	897	420	452	1,756
Income from end equipment sales	308	304	141	133	592
Total revenues	1,144	1,201	561	585	2,348
Operating expenses					
Operating and general expenses	609	670	293	319	1,278
Salary	162	164	79	80	323
Depreciation, amortization and impairment	272	268	134	135	549
Total operating expenses	1,043	1,102	506	534	2,150
Other operating expenses (income), net	6	(1)	-	2	2
Operating profit	95	100	55	49	196
Financing expenses (income)					
Financing expenses	18	17	11	7	35
Financing income	(14)	(29)	(7)	(13)	(48)
Financing expenses (income), net	4	(12)	4	(6)	(13)
Profit before income taxes	91	112	51	55	209
Income taxes	22	27	12	14	50
Profit for the period	69	85	39	41	159

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

14.3. Bezeq International Ltd.

Data from the statement of financial position:

	June 30, 2024	June 30, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	410	399	406
Non-current assets	490	577	594
Total assets	900	976	1,000
Current liabilities	358	393	391
Long-term liabilities	283	366	388
Total liabilities	641	759	779
Equity	259	217	221
Total liabilities and equity	900	976	1,000

Data from the P&L statement:

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues	550	605	261	293	1,212
Operating expenses					
Operating and general expenses	359	397	166	189	800
Salary	104	109	51	55	216
Depreciation, amortization, and impairment	53	63	26	33	137
Other operating expenses (income), net	(4)	6	-	-	20
Total operating expenses	512	575	243	277	1,173
Operating profit	38	30	18	16	39
Financing expenses (income)					
Financing expenses	8	8	4	4	17
Financing income	(6)	(4)	(4)	(1)	(7)
Financing expenses, net	2	4	-	3	10
Profit for the period	36	26	18	13	29

Condensed Consolidated Interim Financial Statements as of June 30, 2024 (Unaudited)

14.4. Yes TV and Communication Services Ltd. (Yes)

Data from the statement of financial position:

	June 30, 2024	June 30, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	247	236	235
Non-current assets	296	270	283
Total assets	543	506	518
Current liabilities	433	429	385
Long-term liabilities	53	72	60
Total liabilities	486	501	445
Capital	57	5	73
Total liabilities and capital	543	506	518

Data from the statement of income:

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues	631	665	316	336	1,309
Operating expenses					
Operating and general expenses	456	446	229	218	861
Salary	106	96	48	46	166
Depreciation, amortization, and impairment	95	98	47	46	193
Other operating expenses (income), net	4	(1)	4	-	(5)
Total operating expenses	661	639	328	310	1,215
Operating profit (loss)	(30)	26	(12)	26	94
Financing expenses (income)					
Financing expenses	2	5	-	3	8
Financing income	(14)	(14)	(7)	(7)	(17)
Financing income, net	(12)	(9)	(7)	(4)	(9)
Profit (loss) before income taxes	(18)	35	(5)	30	103
Income taxes	-	-	-	-	1
Profit (loss) for the period	(18)	35	(5)	30	102

15. Material current and subsequent events

- 15.1. During the month of January 2024, Bezeq raised funds by way of expansion of debentures Series 11 and 13 in the amount of approximately NIS 892 million.
- 15.2. See Note 4.4.2 above regarding the distribution of a cash dividend by Bezeq on May 9, 2024.
- 15.3. Regarding the resolution of the Bezeq Board of Directors dated August 6, 2024 to recommend to the General Assembly of Bezeq shareholders the distribution of a cash dividend to the Bezeq shareholders and the Company's share of said dividend, see Note 4.4.3.
- 15.4. See Note 8.5 to the Annual Statements regarding the amendment of the hosting services agreement signed by Bezeq International with ServerFarm.
- 15.5. Regarding Bezeq's entry into the field of electricity supply and Bezeq's contract 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 an engagement between Bezeq and PowerGen in a detailed shareholder agreement based on the principles established in the memorandum of understanding ("the Agreement"). The Agreement was also approved by the PowerGen board of directors, and the Agreement was signed on May 15, 2024. Bezeq has started marketing the activity of the venture, which is jointly owned by Bezeq (50%) and PowerGen (50%) (the company Bezeq-Gen Ltd. under the brand "Bezeq Energy"), which was established for the purpose of operating in the field of electricity supply and enabling consumers to switch their electricity supply from the IEC to Bezeq-Gen Ltd. on several discounted routes. On June 27, 2024, the Electricity Authority announced the approval of the transfer of Bezeq's license to supply electricity without means of production to Bezeq-Gen Ltd.



**B. Communications Ltd.
Condensed Separate Interim
Financial Information
As of June 30, 2024
(Unaudited)**

Condensed Separate Interim Financial Information as of June 30, 2024 (unaudited)

Table of Contents	Page
Auditors' review report	3
Condensed Separate Interim Financial Information as of June 30, 2024 (unaudited)	
Condensed Interim Financial Position Data	4
Condensed Interim P&L Data	5
Condensed Interim Comprehensive Income Data	5
Condensed Interim Cash Flows Data	6
Notes to Condensed Separate Interim Financial Information	7



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 June 30, 2024 and for the periods of six and three months that ended on that date. The separate financial information is within the responsibility of the Company's Board of Directors and Management. It is our responsibility to provide a conclusion on the separate interim financial information for said interim periods based on our review.

Scope of our review

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

Conclusion

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

Emphasis paragraph (drawing attention)

Without limiting our above conclusion, we draw attention to what is stated in Note 4 which refers to Note 1.2 in the annual consolidated statements, regarding the investigation by the Securities Authority and the Israel Police of a suspicion of committing offenses under the Securities Law and the Penal Code concerning, *inter alia*, transactions related to the former controlling shareholder in Bezeq and the announcement of the Tel Aviv District Attorney's Office (Taxation and Economy) regarding the consideration of Bezeq's prosecution and regarding 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 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

August 6, 2024

Condensed Separate Interim Financial Information as of June 30, 2024 (unaudited)

Condensed Interim Financial Position Data as of			
	June 30, 2024	June 30, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	80	49	81
Restricted cash and cash equivalents	17	500	-
Short-term investments and deposits	49	23	43
Other receivables	3	2	3
Total current assets	149	574	127
Long-term deposits	-	27	8
Investment in equity- accounted investee	2,086	1,979	2,022
Total non-current assets	2,086	2,006	2,030
Total assets	2,235	2,580	2,157
Liabilities			
Current maturities of debentures	-	497	-
Trade and other payables	7	18	8
Provisions	20	20	20
Total current liabilities	27	535	28
Debentures	1,951	1,929	1,940
Total non-current liabilities	1,951	1,929	1,940
Total liabilities	1,978	2,464	1,968
Equity	257	116	189
Total liabilities and equity	2,235	2,580	2,157

* Including restricted deposits.

Darren Glatt
Chairman of the Board of Directors

Tomer Raved
CEO

Itzik Tadmor
CFO

Date of approval of the financial statements: August 6, 2024

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

Condensed Separate Interim Financial Information as of June 30, 2024 (unaudited)

Condensed Interim P&L Data					
	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Operating expenses					
Salary	2	2	1	1	4
Operating and general expenses	3	3	1	2	7
Other operating expenses, net	-	19	-	19	19
Total operating expenses	5	24	2	22	30
Operating loss	(5)	(24)	(2)	(22)	(30)
Financing expenses (income) (See Note 2)					
Financing expenses	48	59	25	36	110
Financing income	(4)	(1)	(2)	(1)	(5)
Financing expenses, net	44	58	23	35	105
Loss after financing expenses, net	(49)	(82)	(25)	(57)	(135)
Share in profits of equity-accounted investee, net	159	177	79	94	322
Net profit for the period	110	95	54	37	187

Condensed Interim Comprehensive Income Data					
	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profit for the period	110	95	54	37	187
Other comprehensive income (loss) items, net of tax	1	(1)	-	(2)	3
Total comprehensive income for the period	111	94	54	35	190

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

Condensed Separate Interim Financial Information as of June 30, 2024 (unaudited)

Condensed Interim Cash Flows Data					
	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS	NIS	NIS	NIS	NIS
	millions	millions	millions	millions	millions
Cash flows from operating activities					
Net profit for the period	110	95	54	37	187
Adjustments:					
Share in profits of equity-accounted investee, net	(159)	(177)	(79)	(94)	(322)
Financing expenses, net	45	60	24	38	106
Share-based compensation	*	*	*	*	*
Change in other payables	1	(2)	1	(1)	(3)
Change in trade payables	(1)	(2)	(3)	(2)	(1)
Change in provisions	-	20	-	20	20
Net cash used for operating activities	(5)	(6)	(3)	(2)	(13)
Cash flows from investing activities					
Change in deposits and investments, net	2	40	7	(15)	40
Increase in cash and cash equivalents	(17)	(500)	(7)	(500)	-
Investment in affiliated company	(29)	(27)	(13)	(27)	(37)
Interest and dividend received in cash	2	-	1	-	4
Dividend received from the subsidiary	102	66	102	66	172
Net cash derived from (used for) investing activities	60	(421)	90	(476)	179
Cash flows for financing activities					
Repayment of debentures principal	-	-	-	-	(497)
Issuance of debentures	-	500	-	500	500
Buyback of shares	(20)	-	(14)	-	(23)
Interest paid	(37)	(37)	(37)	(37)	(76)
Net cash derived from (used for) financing activities	(57)	463	(51)	463	(96)
Increase (decrease) in cash and cash equivalents	(2)	36	36	(15)	70
Effect of changes in foreign currency exchange rate	1	-	1	-	(2)
Cash and cash equivalents at the beginning of the period	81	13	43	64	13
Cash and cash equivalents at the end of the period	80	49	80	49	81

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

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

Notes to condensed interim financial information

1. Method of preparation of the financial data

1.1. Definitions

"The Company" - "B Communications" Ltd.

"Associated Company", "Group", "Holding Company": as these terms are defined in the Company's consolidated statements for 2023.

1.2. Main methods of preparing the financial data

The following is the condensed financial data from the condensed consolidated interim statements of the Group as of June 30, 2024 (hereinafter: the "Consolidated Statements"), attributed to the Company itself ("hereinafter: the "Condensed Separate Interim Financial Information") presented in accordance with the provisions of Regulation 38D (hereinafter - the "Regulation") and Schedule 10 to the Securities Regulations (Periodic and Immediate Reports), 5770-1970 (hereinafter – "Schedule 10") regarding the Condensed Separate Interim Financial Information of the Corporation. This Condensed Separate Interim Financial Information should be read alongside the Consolidated Statements as of the day and year ended December 31, 2023 and alongside the condensed consolidated interim statements as of June 30, 2023 (hereinafter: the "Consolidated Statements").

The accounting policy in this Condensed Separate Interim Financial Information is in accordance with the accounting policy rules which are specified in the Consolidated Statements as of the day and year ended December 31, 2023.

2. Financing expenses, net

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Interest expenses in respect of debentures	48	59	25	36	108
Exchange rate differences	-	-	-	-	2
Total financing expenses	48	59	25	36	110
Interest income from investments in marketable securities and bank deposits	2	1	1	1	4
Change in the fair value of financial assets measured at fair value through income	1	-	-	-	1
Exchange rate differences	1	-	1	-	-
Total financing income	4	1	2	1	5
Financing expenses, net	44	58	23	35	105

3. Contingent liabilities

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

4. Material current and subsequent events

- 4.1. For information regarding the distribution of a dividend by Bezeq during the second quarter of 2024 and its share in the said dividend and a distribution subject to the approval of the Bezeq General Assembly, see Note 4.4 to the Consolidated Statements as of June 30, 2024.
- 4.2. For information regarding an additional purchase of Bezeq shares by the Company during the first half of 2024, see Note 4.5 to the Consolidated Statements as of June 30, 2024.
- 4.3. For information regarding the buyback of the Company's shares which was approved by the Company's Board of Directors in March 2024, see Note 7 to the Consolidated Statements as of June 30, 2024.
- 4.4. For information regarding the investigation by the Securities Authority and the Police, see Note 1.2 to the Consolidated Statements as of June 30, 2024.



Chapter E

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

for the Period ended June 30, 2024

1. Report on the internal control over financial reporting and disclosure:

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

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

For this purpose, the members of Management are:

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

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

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

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

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

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

In the quarterly report regarding the effectiveness of the internal control over the financial reporting and the disclosure which was attached to the quarterly report for the period ending on March 31, 2024 (hereinafter - the quarterly report regarding the latest internal control), the internal control was found to be effective.

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

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

Regarding the investigations by the Israel Securities Authority and the Israel Police, as detailed in Section 1.1.7 of the chapter describing the Corporation's business in the periodic report for 2023, the Corporation does not yet have complete information regarding the investigations (mainly regarding transactions related to the former controlling shareholder of the Company and Bezeq and 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, the materials and evidence in the possession of the law authorities in this case (although in January 2021, Bezeq received the core of the investigation material in connection with Case 4000, and although on February 1, 2024, an agreement was signed between the State of Israel and Bezeq for the conditional termination of proceedings in this case). following Bezeq's summons for a hearing on this matter. Accordingly, the Corporation is still unable to assess all the effects of the investigations, findings and results on the Corporation and on the statements. For this matter, see Note 1.3 to the 2023 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 quarterly report of B Communications Ltd. (hereinafter – the “Corporation”) for the second quarter of 2024 (hereinafter - "the Statements");
- (2) To my knowledge, the 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 my knowledge, the financial statements and other financial information contained in the Statements adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods to which the statements relate;
- (4) I revealed to the Corporation's Auditor, the Board of Directors, the Audit Committee and the committee for examining the Corporation's financial statements, based on my most recent assessment of the internal control over financial reporting and disclosure:
 - (A) Any significant deficiencies and material vulnerabilities in the determination or exercise of internal control over 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 Statements; -
- (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: August 6, 2024

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 second 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 vulnerabilities in the determination or exercise of internal control over financial reporting and disclosure as it relates to interim financial statements and other financial information contained in interim financial statements that are likely to adversely affect a corporation's ability to collect, process, summarize or report financial information in such a way as to cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; And

(B) Any fraud, whether material or immaterial, involving the CEO or his subordinates directly or involving other employees who have a significant role in the internal control over financial reporting and disclosure;

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

(A) Have established controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my attention by others in the Corporation and its subsidiaries, in particular during the preparation period of the Statements; 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: August 6, 2024

Itzik Tadmor, Chief Financial Officer