November 13, 2023

"Bezeq" - The Israel Telecommunication Corp. Ltd.
Quarterly Report for the Period Ended September 30, 2023

Update to Chapter A (Description of Company Operations) of the Periodic Report for 2022

Directors Report on the State of the Company's Affairs for the Period Ended September 30, 2023

Condensed Interim Financial Statements as at September 30, 2023

Quarterly Report on the Effectiveness of Internal Control Over Financial Reporting and Disclosure for the Period Ended September 30, 2023

Update to Chapter A (Description of Company Operations) of the Periodic Report for 2022

The information contained in this report constitutes a translation of the report published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.

Update to Chapter A (Description of Company Operations) [1] to the Periodic Report for 2022 (the "Periodic Report") "Bezeq" - The Israel Telecommunication Corporation Ltd. (the "Company")

1. General development of the Group's business

On April 23, 2023, the name of DBS Satellite Services (1998) Ltd. was changed to YES TV AND COMMUNICATIONS SERVICES LTD (“**yes**").

Section 1.1.2 – Control in the Company

Regarding the approval of the amendment to the Communications Order (Telecommunications and Broadcasting) (Determination of an Essential Service Provided by Bezeq The Israel Telecommunications Corp. Ltd.), 2022, by the Government of Israel – on March 30, 2023, the Economic Committee of the Knesset approved the amendment. On September 19, 2023, the amendment to the Order was published in the Official Gazette and it came into effect.

Section 1.3 – Investments in the Company’s capital and transactions in its shares; section 1.1.1 – General, and section 1.1.2 – Control in the Company

Below is a breakdown of the acquisition of the Company's shares by B Communications in accordance with its reports to the Company:

Date	No. of shares	Total consideration (NIS millions)	Average price per share (NIS)
April 3, 2023	2,100,000	10	4.75
May 28, 2023	1,417,995	6.8	4.77
May 30, 2023	2,090,000	10	4.79
June 28, 2023	1,100,000	5	4.54
June 29,2023	1,100,000	5	4.57

Subsequent to the acquisition, as at the publication date of the report, B Communications holds 27.08% (26.58% fully diluted) of the Company’s shares.

Further to the amendment to the Communications Order (as described in the update to section 1.1.2), which allows, among other things, an Israeli institutional investor to increase its holding to up to 7.5% in a certain type of means of control in the Company without the approval of the ministers, in September-October 2023, Clal Insurance Enterprises Holdings Ltd., Harel Insurance Investments & Financial Services Ltd., and Migdal Insurance & Financial Holdings Ltd. reported to the Company that they became interested parties in the Company after the rate of their holdings exceeded 5% of the Company's shares.

Section 1.1.5 – Charges regarding transactions of the former controlling shareholder and former officers of the Company

Section 1.1.5.3 regarding the ruling of the Economic Department of the Tel Aviv-Jaffa District Court on the dismissal of some of the charges in the indictment filed against former officers in the Group (referring to payment of the consideration for the purchase of the shares of the subsidiary yes TV and Communication Services Ltd. by the Company, and referring to the conduct of independent committees set up to review the transactions of interested parties) and the appeal of the ruling filed by the State, on July 13, 2023, the Supreme Court handed down a judgment on the appeal, according to which the State's appeal regarding all respondents (with the exception of Eurocom Holdings (1979) Ltd.) was accepted and the case was returned to the district court for further evidentiary investigation.

[1] The update is in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970, and includes material changes or developments that have occurred in the Company’s business in any matter that must be described in the Periodic Report. The update refers to the Company's Periodic Report for 2022 and refers to the section numbers in Chapter A (Description of Company Operations) in that Periodic Report.

Footnote 2 regarding the claim for the Company's debt, which was dismissed in the procedure for the liquidation of Eurocom Communications – on September 18, 2023, the Company's appeal against the dismissal of the claim for the debt was dismissed.

Section 1.4.2 – Dividend distribution

For information about the dividend distributed by the Company in May and October 2023, see Note 7 to the financial statements.

Distributable profits as at the reporting date: NIS 976 million (retained earnings accumulated in the last two years after deduction of the distribution in the period).

Section 1.5.4 – Main results and operational data

Section 1.5.4.1 – Bezeq Fixed-Line (the Company's operations as a domestic carrier)

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

(1) EBITDA (earnings before interest, taxes, depreciation and amortization) is a financial measure that is not based on generally accepted accounting principles. The Company presents this as an additional index for assessing its business results since this is a generally accepted measure in the Company's area of operations that offsets aspects arising from the variance in the capital structure, various tax aspects and methods, and the amortization period for fixed assets and intangible assets. This measure is not a substitute for measures based on GAAP and it is not used as a sole measure for assessing the results of the Company's operations or cash flows. Additionally, the measure presented in this report may be calculated differently from corresponding measures in other companies. The Company's EBITDA is calculated as operating profit before depreciation, amortization and ongoing losses from the impairment of fixed assets and intangible assets. To present fairly its financial activity, the Company presents continuing losses from the impairment of fixed assets and intangible assets in yes and Bezeq International under depreciation and amortization, and continuing losses from the impairment of broadcasting rights under general and operating expenses (in the statement of income). For further information, see Note 5 to the financial statements and section 7 of the chapter Description of Company Operations for 2022.

(2) Free cash flow is a financial measure that is not based on GAAP. Free cash flow is defined as cash from operating activities less cash for the purchase/sale of fixed assets and intangible assets, net, and from 2018, with the application of IFRS 16, lease payments are also deducted. The Company presents free cash flow as an additional measure for assessing its business results and cash flows, since the Company believes that free cash flow is an important indicator of liquidity that reflects cash resulting from operating activities after cash investments in infrastructure and other fixed assets and intangible assets. For further information, see section 7 of the chapter Description of Company Operations for 2022.

(3) Inactive subscribers are subscribers whose Bezeq lines have been physically disconnected (not including subscribers who did not pay their debt to the Company on time in (roughly) the first three months of the collection process).

(4) Calculated according to average number of lines for the period. For further information, see also section 7 of the chapter Description of Company Operations for 2022.

(5) For packages with a range of speeds, the maximum speed per package is taken into account.

(6) The number of telephony subscribers (gross) who left Bezeq Fixed-Line during the period divided by the average number of registered telephony subscribers in the period. For further information, see also section 7 of the chapter Description of Company Operations for 2022.

(7) The total number of internet lines includes retail and wholesale lines. Retail – direct internet lines provided directly by the Company. Wholesale - internet lines provided through a wholesale service to other communications providers. The number of wholesale internet lines includes subscribers of yes fiber. For further information see the yes table

(8) Revenue from retail internet services is divided by the average number of retail customers in the period. For further information see also section 7 of the chapter Description of Company Operations for 2022. As from the second quarter of 2022, this figure also includes revenue for internet access service (ISP).

(9) As at the publication date of the report, deployment of the fiber optic network – 2.014 million households are available for connection, of which, 532 thousand subscribers are connected to the fiber network (of which, 350 thousand retail and 182 thousand wholesale).

Section 1.5.4.2 – Pelephone

Financial data (NIS millions)	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Revenue from services	450	452	445	441	467	446	437
Of which: revenue from interconnect fees (6)	79	102	111	102	106	106	113
Revenue from services less interconnect fees (6)	371	350	334	339	361	340	324
Revenue from the sale of terminal equipment	135	133	171	151	141	153	163
Total revenue	585	585	616	592	608	599	600
Total revenue less interconnect fees (6)	506	483	505	490	502	493	487
Operating profit	59	49	51	17	60	52	64
Depreciation and amortization	143	135	133	135	139	136	122
EBITDA (earnings before interest, taxes, depreciation, and amortization) (1)	202	184	184	152	199	188	186
Net profit	48	41	44	13	50	46	56
Cash flow from operating activities	242	98	133	149	203	244	278
Payments for investments in fixed assets, intangible assets, and other investments, net	81	82	57	0	157	66	72
Lease payments	57	49	70	62	58	47	61
Free cash flow (1)	104	(33)	6	87	(12)	131	145
Performance data							
Number of postpaid subscribers at the end of the period (thousands) (2)	2,187	2,166	2,159	2,149	2,137	2,122	2,093
Number of prepaid subscribers at the end of the period (thousands) (2)	431	427	426	431	538	514	490
Number of subscribers at the end of the period (thousands) (2)	2,618	2,593	2,585	2,580	2,675	2,636	2,583
Of which, G5 subscribers (thousands) (2)	961	898	834	784	738	677	605
Average monthly revenue per user (ARPU) (NIS) (5) (3)	57	58	57	57	58	57	57
Average monthly revenue per user (ARPU) net of interconnect fees (NIS) (6)	47	45	43	44	45	43	42
Churn rate (4)	6.0%	5.9%	6.7%	6.1%	5.7%	5.5%	6.8%

(1) For the definition of EBITDA (earnings before interest, taxes, depreciation, and amortization) and free cash flow, see comments (1) and (2) in the Bezeq Fixed-Line table.

(2) Subscriber figures include Pelephone subscribers (excluding subscribers from other operators hosted on the Pelephone network and excluding IOT subscribers), and do not include inactive subscribers connected to Pelephone's service for six months or more. An inactive subscriber is one who in the past six months has not received one call, has not made one call / sent one SMS, or has performed no browsing activity, or has not paid for Pelephone services. Prepaid subscribers are included in the number of active subscribers from the date on which the subscriber loaded his device, and are removed from the list of active subscribers if the subscriber makes no outgoing use of the device for six months or more. It should be noted that a customer may have more than one subscriber number ("line"). Subscribers include subscribers who use various services (such as data for vehicle media systems), with an average revenue that is significantly lower than for other subscribers. It should be noted that Pelephone markets packages with an increased browsing volume adapted also for 5G requirements, and as at the publication date of the report, Pelephone has one million subscribers for such packages.

(3) Monthly ARPU (postpaid and prepaid). The index is calculated by dividing the average total monthly revenue from cellular services, from Pelephone subscribers and other telecom carriers, including revenue from cellular carriers who use Pelephone's network, repair services, and extended warranty in the period, by the average number of active subscribers in the same period. For further information see also section 7 of the chapter Description of Company Operations for 2022.

(4) The churn rate is calculated at the ratio of subscribers who disconnected from Pelephone's services and subscribers who became inactive in the period, to the average number of active subscribers in the period. For further information see also section 7 of the chapter Description of Company Operations for 2022.

(5) In Pelephone's assessment of the list of prepaid subscribers in the fourth quarter of 2022, it was found that 96 thousand subscribers were included in the list of subscribers even though they did not meet the definition of an active subscriber. Accordingly, the Company derecognized these subscriptions on a one-time basis. Derecognition of these subscribers resulted in an increase of NIS 2 in ARPU for the fourth quarter and the churn rate of subscribers in this quarter remained unchanged.

(6) Revenue from services net of interconnect revenue and ARPU net of interconnect revenue – as part of the reform to change the interconnect fees regime (the "Reform") which will be applied gradually from June 2023 until June 2025, Pelephone elected to present the average monthly revenue from services and ARPU net of interconnect revenue from cellular operators and domestic carrier license holders to which the reform applies.

Section 1.5.4.3 – Bezeq International

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

(1) For the definition of EBITDA (earnings before interest, taxes, depreciation and amortization) and free cash flow, see comments (1) and (2) in the Bezeq Fixed-Line table.

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

(3) The number of internet subscribers who left Bezeq International in the period, divided by the average number of registered internet subscribers in the period. For further information see also section 7 of the chapter Description of Company Operations for 2022.

Section 1.5.4.4 – yes

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

(1) For the definition of EBITDA (earnings before interest, taxes, depreciation and amortization) and free cash flow, see comments (1) and (2) in the Bezeq Fixed-Line table.

(2) Television subscriber – a single household or small business customer In the case of a business customer with more than a certain number of decoders (such as a hotel, kibbutz, or gym), the number of subscribers is standardized. The number of subscribers listed for business customers that are not small businesses, is calculated by dividing the total payment received from all the business customers that are not small businesses by the average revenue per small business customer, which is determined periodically.

(3) The number of television subscribers using yes+ and STINGTV streaming services as at the publication date of the report is 383 thousand subscribers (of which 118 thousand are STINGTV subscribers), representing 67% of all yes subscribers. This figure includes subscribers using satellite services as well.

(4) Average monthly revenue per television subscriber is calculated by dividing the total revenue of yes (excluding revenue from the sale of content to external broadcasting entities, revenue from end equipment, and revenue from ISP) by the average number of customers in the period. For further information see also section 7 of the chapter Description of Company Operations for 2022.

(5) Number of television subscribers who left yes in the period, divided by the average number of registered television subscribers in the period. For further information see also section 7 of the chapter Description of Company Operations for 2022.

(6) As at the publication date of the report, 32 thousand subscribers are connected to the fiber network.

Section 1.6 – Updated forecast

On July 26, 2023, the Company updated the Group's forecast for 2023, based on the information available to it at that time, as follows:

Adjusted net earnings for shareholders is expected to amount to NIS 1.32 billion (compared with NIS 1.2 billion in the original forecast). The change is mainly due to depreciation expenses and financing expenses, net.

Adjusted EBITDA is expected to amount to NIS 3.8 billion (unchanged compared with the original forecast).

CAPEX is expected to amount to NIS 1.75 billion (unchanged compared with the original forecast).

In addition, regarding the scope of the Company's fiber deployment – reaching 2 million households, and regarding financial stability – maintaining a high credit rating in the AA group (both unchanged compared with the original forecast).

The Company's forecasts set out above are forward-looking information, as defined in the Israel Securities Law. The Group's forecasts are based on the Company's assessments, assumptions, and expectations, and among other things, on the Group's assessments for the structure of competition in the telecommunications market and regulation in this sector, on the current economic situation, and accordingly, on the Group's ability to implement its plans for 2023, and taking note of changes that may occur in the foregoing, in business conditions and the effects of regulatory decisions, technology changes, or developments in the structure of the telecommunications market, or insofar as one or more of the risk factors listed in the Periodic Report for 2022 materialize.

Section 1.7 – General environment and the effect of outside factors on the Group's activity

Regarding the temporary order, according to which in 2023, the rate of payment of obligated entities to the incentive fund will be 0% instead of 0.5% – see the update to section 2.16.5.

Armed conflict – Swords of Iron war

Since October 7, 2023, the State of Israel has been in a state of war in the Gaza Strip area as well as a state of growing tension and exchanges of fire along the northern border. The war has affected the Group companies in different ways, reflected in the increase in demand for some of the services, such as internet traffic and the use of fixed-line telephony on the one hand, and on the other, a decrease in roaming and sales of cellular devices, and the cancellation or suspension of business lines within the war zone. Moreover, upon the outbreak of the war, employees were called up to reserve duty and there was a decrease in contractor activity, resulting in a slowdown in deployment and installation of the Company's network. Several regulatory measures were also legislated as part of the State of Israel's management of the war, including legislation of a law for deferral of payment dates for eligible persons and relief for telephone call charges, including calls related to online studies. It should be noted that some of the Group companies initiated the lowering of charges for communities on the Gaza and northern borders.

The Group companies, which provide, among other things, essential communication services to private, commercial, and institutional customers, including state institutions, the security forces, and the health system, have made preparations accordingly and provide solutions for the different needs, including addressing malfunctions, increasing cyber vigilance and preparedness, and assisting the community in many ways. Additionally, the Group companies are constantly reviewing and monitoring developments related to the war.

At this stage, the effects of the war and its consequences as described above have not had a material effect on the Group's activities and business results. The Group's liquidity and financial position also allow it to function well during the war without the need for raising equity or debt. The intensity and duration of the war and its consequences on the state of the Israeli economy and market and on the Group companies cannot be anticipated and depend, among other things, on how the war will develop and the possibility of a slowdown in the economy. In this context, attention is also drawn to the relevant risk factors listed in the Periodic Report (sections 2.20.10, 2.20.14, 3.19.2.9, 4.14.8, 5.18.1.2, and 5.18.1.4).

Some of the information in this section is forward-looking information, as defined in the Israel Securities Law, based on the Company's estimates, assumptions, and forecasts which may not materialize or may materialize in a way that is materially different than anticipated, depending, among other things, on the how the war will develop and the state of the economy as a whole.

Section 1.7.4 – Change in regulation – Amendment 76 to the Communications Law and section 2.16.4 – Wholesale market

Regarding the use of passive infrastructure in wholesale service – on March 29, 2023, the Ministry of Communications (following the hearing on November 22, 2022) resolved to allow all authorized suppliers to make use of the passive infrastructure, including the Company's physical infrastructure, not only in the incentive areas, subject to compliance with security provisions.

Section 1.7.7 – Regulatory aspects relevant to the entire Group or several Group companies

Section 1.7.7.5 regarding a financial sanction in the amount of NIS 6.9 million imposed on the Company – on April 2, 2023, a judgment on the Company's appeal on the sanction approved the agreement of the parties that the amount of the financial sanction will be a reduced amount of NIS 3.4 million, and accordingly, the Consumer Protection Authority reimbursed the Company an amount of NIS 3.7 million (including linkage differences and interest).

2. Domestic fixed-line communications – Bezeq – The Israel Telecommunication Corporation Ltd. (the "Company")

Section 2.6.2 – The internet segment

Regarding the rate of the Company's end-to-end ISP customers out of the Company's retail customers – as at September 30, 2023, the rate was 71%.

Section 2.6.6 – The Company's deployment and ways of addressing the intensifying competition

Regarding the Company's Be router and upgrading the capacity of the Company's internet network, in May 2023, the Company, together with Nokia International, performed a trial, which demonstrated a capacity to provide speed of up to 25 gigabytes using advanced technologies, and at the same time, announced a future road map for the development of multi-gig speeds and services of up to 10 gigabytes in 2024 and up to 25 gigabytes in 2027, advanced Wi-Fi standards, and upgrades to the Company's Be router. Regarding the number of Be routers used by the Company's customers and marketing information about range extenders see the update to section 1.5.4.1 .

Section 2.7.4 – Real estate

Subsection 2.7.4.4(B) regarding the decision of the appeals committee on January 1, 2023 to dismiss the Company's claims in the appeal filed by the Company on the demand for betterment tax for the property in Sakia – on October 17, 2023 the Company's appeal on this decision was dismissed.

Section 2.9.4 – Nature of the employment agreements in the Company

Further to the move to amend the Communications Order regarding the holding of means of control in the Company (see the update to section 1.1.2) and the negotiations between the Company and the employees' union to amend the collective agreement as a result, on September 18, 2023, the parties signed Amendment No. 7 (the "Agreement") to the special collective agreement of December 2006 and the amendments to it that were signed over the years (the "2006 Agreement"), subsequent to its approval by the certified organs of the Company, including the approval of the general meeting of the Company's shareholders on September 14, 2023.

Below are the main principles of the Agreement:

1. Maintaining the financial robustness of the Company, including maintaining the status of a public company, the current credit/debt rating of the Company, and the rate of holdings in Pelephone that will not fall below 50.01%.
2. Distributing a dividend to the Company's shareholders subject to the law, while maintaining the current credit/debt rating of the Company, when a distribution that does not meet the profit test only requires the consent of the employees organization

3. Payment of a special bonus to the Company's employees in the amount of NIS 75 million, most of which is conditional on the dates and terms set out in the agreement depending on the change in the holdings rate of the current holders of the control permit holders in the Company (or the expiration/cancellation/transfer of the control permit) (the "Terms").
4. If the terms are met, the Company will pay a monthly NIS increment of NIS 2,400 linked to the CPI and the Company will cover the payment of management fees to the pension fund for long-term retirees who retired or will retire from the Company as from July 1, 2023.
5. If the terms are met and if there is no core control in the Company, the employees organization has the right to appoint an additional (second) representative from among the employees, if the number of board members exceeds eleven (11) (including external directors and an employee director).
6. The Agreement is in effect from July 1, 2023 until December 31, 2025, and for some of the arrangements a later validity is determined as set out in the Agreement. The Agreement covers all the claims of the parties and the parties will maintain industrial peace in the matters regulated therein for as long as it is in effect, and in any matter related to changes in the holdings of the present control permit holders, also after its validity expires.

For further information about the Agreement, see the Company's immediate report of August 9, 2023 regarding the notice of the general meeting, which is included in this report by way of reference.

In its financial statements for the third quarter of 2023, the Company recorded a non-recurring provision in the amount of NIS 75 million for the full amount of the special bonus.

The contents of this section and the signing of the Agreement do not indicate that the Company has any information about any possible change of control in the Company.

Section 2.9.5 – Officers and senior management in the Company

On April 20, 2023, the general meeting of the Company's shareholders approved, among other things, amendments to the Company's compensation policy, such that the compensation policy with the amendments will be valid for three years from the approval date. The amendments include application of the compensation policy for the chairman of the board of directors and the option of linking salaries to the CPI, grossing up expenses and related conditions, granting an adjustment period, and a signing bonus for officers. For further information about the revised compensation policy see the immediate report (amended) of April 4, 2023 on the convening of a meeting, included in this report by way of reference.

On November 1, 2023, Gil Sharon, who serves as the chairman of the Company's board of directors, announced his decision to embark on a new path and leave his position as director and chairman of the board of directors of the Company (and the Company’s subsidiaries) within three months, at a date to be agreed between the parties and with a smooth transfer of the position.

Section 2.10.3 – Dependence on suppliers

Regarding the possibility of depending on IBM for hardware and solutions for backup, restoration, system and infrastructure survivability, and storage equipment (the “Systems") – following the termination of the Company's contract with IBM and the Company's alternative contract with DELL, the Company is no longer dependent on IBM for the Systems, and instead, the Company may be dependent on DELL systems.

Section 2.11 – Working capital

For information about the Company’s working capital, see section 1.3 in the Directors Report.

Section 2.13 – Financing

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

Section 2.13.1 – Average and effective interest rates on loans

As at September 30, 2023, the Company is not financed by any short-term credit (less than one year). The following table shows the updated distribution of long-term loans (including current maturities):

Loan term	Source of finance	Principal amount (NIS millions)	Currency or linkage	Type of interest and change mechanism	Average interest rate	Effective interest rate	Nominal interest range in 2023
Long-term loans	Banks	699	Unlinked NIS	Fixed	3.43%	3.36%	3.20%-4.30%
	Banks	700	Unlinked NIS	Variable, based on the annual prime interest rate *	6.71%	6.85%	5.78%-6.78%
	Non-bank sources	3,621	Unlinked NIS	Fixed	3.04%	3.16%	2.79%-4.00%
	Non-bank sources	2,797	CPI-linked NIS	Fixed	1.44%	1.48%	0.58%-2.20%

* Prime interest – 6.25% (as at November 2023 at the publication date of the report)

Section 2.13.4 – Credit received in the reporting period; and section 2.13.5 – Company debentures

On March 26, 2023, the Company completed a public offering of Debentures (Series 13 and 14), by way of expansion of the series traded on the TASE, under the shelf offering report dated March 22, 2023, which was published under the shelf prospectus published on April 7, 2020 and extended by the Israel Securities Authority to April 7, 2023. As part of this public offering, NIS 230,040,000 par value Debentures (Series 13) were issued for a consideration of NIS 182 million and NIS 278,363,000 par value Debentures (Series 14) were issued for a consideration of NIS 238 million. For further information see the Company's shelf offering report dated March 22, 2023 and the Company's immediate report dated March 26, 2023 regarding the offering results, which are included in this report by way of reference.

Section 2.13.6 – Credit rating

On May 3, 2023, Maalot affirmed its ilAA- rating of the Company, Pelephone, and yes and raised the rating outlook from stable to positive, due to the improvement in the Company's financial ratios. In addition, on May 15, 2023, Midroog affirmed its Aa3.il rating for the Company's debentures and upgraded the rating outlook from stable to positive. For further information see the Company's immediate reports dated May 3, 2023 and May 15, 2023, included in this report by way of reference, and section 3 in the Directors Report.

Section 2.16.1 – Control of Company rates

Section 2.16.1.4 regarding a hearing on the format for assessing margin squeeze by owners of fixed-line communication infrastructure – on March 27, 2023, the ruling in the hearing was published, according to which the format for assessing margin squeeze in an advanced fixed-line network will be the format published in the recommendation for the hearing, with a number of changes set out in the ruling, and this format will constitute the calculation method in accordance with Section 17(D) of the Communications Law. The ruling in the hearing is not expected to have a significant effect on the Company's business.

Section 2.16.4 – Wholesale market

Regarding the use of passive infrastructure in wholesale service – see the update to section 1.7.4.

Section 2.16.5 – Advanced network – fiber

Subsection 2.16.5.1 regarding the incentive fund to encourage deployment in incentive areas – on July 31, 2023, the Communications Order (Telecommunications and Broadcasting) (Annual Payment Rate to the Incentive Fund) (Temporary Order), 2023 was published (subsequent to the approval of the

Minister of Communications, the agreement of the Minister of Finance, and the approval of the Economic Committee of the Knesset) according to which, following the reassessment of the Ministry of Communications, it was determined that under the Temporary Order, in 2023, the annual payment of obligated entities to the incentive fund will be at a rate of 0% instead of 0.5%. Further to the Temporary Order, in 2023, a decrease of NIS 40 million is expected in the Group's expenses compared with 2022[2].

Section 2.16.9 – Economic Competition Laws

Subsection 2.16.9.5 regarding the Competition Commissioner's ruling on abuse of the Company's position and unreasonable refusal to supply in contravention of Sections 29A and 29 of the Economic Competition Law and the appeal filed by the Company on this matter – on October 24, 2023, the Company's legal counsel received the judgment of the Competition Tribunal dismissing the appeal filed by the Company. It should be noted that the Company paid the full amount of the sanctions in 2019.

Section 2.18.1 – Pending legal proceedings

Subsection D regarding two motions (which were consolidated) for certification of class actions regarding the transaction for the Company's acquisition of yes shares from Eurocom DBS – on May 23, 2023, in the consolidated procedure together with B Communications and Shaul and Or Elovitch (the "Elovitches"), the applicants filed a motion for certification of a settlement in the consolidated procedure, in which B Communications agreed to pay the equivalent of USD 4.35 million (USD 5.5 million including legal fees, compensation, and other expenses) as compensation for exhausting the claims against it and against the Elovitches (as officers/controlling shareholders in B Communications). In the motion, it was emphasized that the waiver made does not derogate from the allegations regarding the Elovitches in respect of the Company. A ruling on the motion is yet to be handed down.

Subsections B, D, E (including the procedure set out in footnote 46), F – regarding the continuation of the stay of proceedings in these cases due to the investigation by the Israel Securities Authority and the related proceedings – a ruling was handed down approving the State's requests for continuation of the deferral of addressing these cases until July 20, 2024 (subject to submission of reservations, which will be considered). Subsection C – regarding the motion of the state in November 2015, following the state's request regarding the deferral of the proceedings, the court scheduled the case for an internal hearing on January 9, 2024. The applicants filed a motion for continuation of the preliminary proceedings in the case and the motion is being heard. Regarding the motion of March 2018, the court approved the state's motion for a continuation of the stay of proceedings until December 31, 2023.

Subsection G regarding a motion for discovery and review of documents under Section 198 of the Companies Law for assessment before filing a motion for a derivative claim on behalf of the Company in the matter of the sale of the Company's shares in 2016 by B Communications – on September 19, 2023, a judgment was handed down striking out the motion. In accordance with the judgment, the motion was struck out because it was filed more than five years ago and no hearing has been held due to a stay of proceedings in the case. The judgment further held that the dismissal does not toll the statute of limitations on the claims underlying the judgment and no claim will be heard in this matter for the period between the date of the judgment and the date a new claim is filed, if filed.

Section H regarding petitions for disclosure of documents under Section 198A of the Companies Law to review the motion for certification of a derivative claim regarding the ruling of the Competition Commissioner of September 4, 2019, that the Company has abused its position regarding the passive infrastructures – on June 4, 2023 the Haifa District Court handed down its judgment, in which it accepted

[2] In accordance with the explanatory notes to the draft Order, the Company recently applied to the Ministry of Communications under Section 14E of the Communications Law, which allows it to expand the service area set out in the Company's license in accordance with Section 14B of the Communications Law, to up to 10% of the households in the areas included in the Company's notice under Section 14B(a) of the Communications Law. The Company asked to include the requirement to deploy an advanced network and provide internet access service on top of it, in all incentive areas remaining after the incentive tenders (first and second) other than in the Kafr Aqab area, which includes 5 thousand households (an additional 8 thousand households). According to the explanatory notes, from a preliminary review, it appears that the Company meets the terms under the law for approving the request, and in the near future, processing of the request is expected to be completed. It was also stated in the explanatory notes that the Ministry anticipates that some of the winners of the first tender will ask to return some of the winning bids in their winning areas in which they did not deploy.. If these incentive zones are returned, the amounts allocated to them from the incentive fund in the first tender will be returned; however, from the Ministry's review, it emerges that it is highly likely that these amounts will not be enough to hold another tender and to prepare it, the collection of the mandatory payments will need to continue.

the motion in part and ordered the disclosure and review of the appendixes of the report of the claims committee only and not the minutes of the committee's meeting.

In June 2023, two claims were filed against the Company together with a motion to certify them as a class action at the Tel Aviv and Lod district courts, alleging that the Company does not act in compliance with the law regarding sending notice on the termination of fixed-period transactions, in that it does not send a separate notice on the upcoming termination of the benefit period of the fixed-term transaction ,and only notifies the customer of such in the monthly invoice and by sending a text message. In both motions, it was noted that the class action amounts to more than NIS 2.5 million, however an accurate estimate cannot be made. The court approved the applicants' motion to consolidate the two motions into one motion to be heard in the Tel Aviv District Court. Similar claims were also filed against Pelephone (see the update to section 3.16.1) and yes (see the update to section 5.16).

In September 2023, a lawsuit was filed against the Company at the District Court (Central) in Lod together with a motion for certification as a class action, which includes two claims: (1) It is claimed that the Company made a misrepresentation regarding the price of the internet package, since it did not show, in addition to the cost of the internet package, the monthly charge of NIS 19.90 for the router. The claim refers to subscribers to a package that included the infrastructure of the Company and another ISP, who subsequently purchased a new package in which the Company provides ISP and infrastructure services (from April 2022) and they continued to be charged for the router they rented from the Company, without the Company clarifying that the price that was shown does not include the router; (2) It is alleged that the Company adds customers to an antivirus service at a default monthly payment of NIS 14.90 without receiving express consent, in violation of obligations approved in a settlement in an earlier class action against the Company (for information about the conclusion of this proceeding in a settlement, see the Company's immediate report dated May 27, 2021 included in this report by way of reference). The motion states that the amount of the class action cannot be accurately estimated at this stage, and that it is estimated at more than NIS 2.5 million.

3. Cellular – Pelephone Communications Ltd. ("Pelephone")

Section 3.1.8 – Structure of competition in the sector and changes occurring in it

Section 3.1.8.4 – Further to the hearing held at the Ministry of Communications on the subject, on July 16, 2023, the Ministry published a policy document outlining the rules for allocation of a 26-GHz frequency band (and 2100 MHz narrowband) for use by entities other than cellular operators or domestic carriers, for the operation of local private networks (polygon area) per project. Implementation of the policy will require relevant regulatory adjustments and is not expected to have a significant effect on the Company's business.

Section 3.2.1 – Services and section 3.1.5 – Technological changes

Regarding roaming services provided by Pelephone and the development of the use of eSIM technology in these services – as part of Pelephone's activity and its preparation for global trends in the roaming services market, which include more extensive use of eSIM technology in these services, on October 18, 2023, the board of directors of Pelephone approved the acquisition of full ownership in Roamability, which specializes in global roaming services solutions, including wholesale, and including providing a platform for the management and sale of these services. Accordingly, Pelephone acquired 100% of the control and ownership rights in the Company (an American company and an Israeli company) in consideration for an amount that is immaterial for the Group.

Section 3.7 – Property, plant and equipment

Subsection 3.7.1.1 C regarding 2G technology – on June 6, 2023, an updated decision was received by the Minister stating that a license holder will be permitted to continue providing service on the 2G network for M2M (machine-to-machine) purposes only until December 31, 2028, subject to the approval of the administration. In addition, a license holder will be permitted to contact the administration with an additional request to extend the 2G technology service period for M2M purposes only, until December 31, 2030.

Section 3.7.2.2 regarding the permit agreement between Pelephone and the ILA for the use of ILA land for installing and operating telecommunication sites – further to the publication of the decision of the Israel Land Council to extend the umbrella agreement from December 31, 2019 to December 30, 2024, in January 2023, the parties signed an agreement.

Section 3.8.1 – Licenses

Subsection 3.8.2.4 regarding the ongoing tender for 5G 26-GHz frequency bands (the "Tender") – on July 17, 2023, the tender committee informed Pelephone that it had won a series of frequencies in this area, further to its participation in the tender, as follows:

1. 800 M in the 26 GHz range (for 10 years), with the license period as a cellular operator remaining unchanged under the tender and it may be renewed under the provisions of the license ("Allocation of Frequencies).
2. Frequencies will be allocated after expansion of the license and against payment of a license fee in the amount of NIS 4.16 million. The payment date was scheduled for 60 working days after receiving notification of the Tender results from the Tender Committee.

Expansion of the license under the results of the Tender, subject to the approval of the Minister of Communications as set out in the Tender terms. Allocation of the Frequencies will allow Pelephone, among other things, to expand the range of advanced uses on the 5G cellular network, with emphasis on private networks and advanced services that require a particularly high broadband speed, such as hospitals. The cost of integrating this frequency range into 5G technology will be ongoing, and is not expected to be substantial.

Section 3.14.3 – Licensing of site construction

Construction of sites by entities that are not cellular operators – on July 17, 2023, the Ministry of Communications published a decision (and an amendment to the cellular operator license), regarding permitting entities that do not hold a cellular license to establish and lease cellular radio centers (communication sites) and to lease them to cellular operators. The sites will be operated and maintained by the cellular operators (operation and maintenance will be allowed by the parties as subcontractors of the cellular operators). Implementation of the decision requires legislative changes and the establishment of regulations for implementation and its limitations. As at the publication date of the report, and before the establishment of regulations on this matter, Pelephone believes that the decision is not expected to have a material effect on Pelephone's business.

Section 3.15 – Material agreements

Section 3.15.2 regarding the agreement between Pelephone and the Accountant General at the Ministry of Finance (the "Accountant General") – the parties agreed to extend the agreement to May 16, 2024.

Section 3.16.1 – Pending legal proceedings

Subsection C regarding a motion for certification as a class action filed against Pelephone on the grounds that Pelephone, unilaterally and without consent, changed the terms of the agreement by allowing continued internet use once the internet usage limit was reached, instead of blocking it, notwithstanding Pelephone's announcement on the matter – on April 28, 2023, a judgment was handed down approving the settlement between the parties, referring mainly to benefits and compensation in the amount of NIS 18 million.

Subsection F regarding a motion for certification of a class action filed against Pelephone, claiming that there is no price marking on products sold by Pelephone, contrary to the provisions of the Consumer Protection Law and the provisions of the Consumer Protection Regulations (Various Rules for Publishing Prices of Products and Services), 1991 – on September 19, 2023, a judgment was handed down confirming the withdrawal of the applicant and striking out the motion.

In June 2023, two similar claims were filed against Pelephone at the Central District Court, together with motions for their certification as class actions. The claims refer to the fact that Pelephone does not act in compliance with the law regarding sending notice on the upcoming termination of fixed-period transactions. According to one of the claims, the amount of the class action is at least NIS 13.2 million, however an accurate estimate cannot be made, and according to the second claim, the amount of the class action is over NIS 2.5 million, however an accurate estimate cannot be made. On September 10, 2023, a ruling was handed down approving the consolidation of the two motions and on September 11, 2023, a consolidated motion was filed. According to the consolidated motion, the class action amounts to more than NIS 2.5 million, however an accurate estimate cannot be made. Similar motions to certification of the class action were also filed against the Company (see the update to section 2.18.1) and yes (see the update to section 5.16).

4. Internet services, international communications, and ICT solutions – Bezeq International Ltd. (“Bezeq International”)

No update.

5. Multichannel TV – yes Television and Communication Services Ltd. ("yes")

Section 5.1.2 – Restrictions, legislation and special constraints in the area of activity

Further to the hearing regarding the Draft Bill on Principles for Regulating Public Broadcasting of Audiovisual Content, 2022 (the "Hearing"), in July 2023 the Ministry of Communications published the Communications Memorandum of Law (Broadcasting), 2023 which includes the wording of the bill (the "Memorandum” and the “Bill”, respectively).

In accordance with the Bill and its explanatory notes, the Bill is intended to amend the legislation based on the recommendations of various committees over the years (the most recent of which was the Folkman Committee) and to revise the obligations and rights applicable to all players in the audiovisual market in several ways, including as set out below (according to which the Bill is scheduled to come into effect on January 2024, other than specific arrangements for which provisions were initially set for later dates as set out in the Memorandum):

1. A new authority will be established in place of the Cable and Satellite Broadcasting Council and the Second Authority for Television and Radio, which will regulate the entire audiovisual content market in a way that will disregard the manner and technology for distribution of content, oversee competition for the supply of audiovisual content, and will be authorized to issue directives for preventing actions that may impair competition in the sector.
2. A limited and focused set of core obligations will apply to the major players in the market, including registration (in this matter, it was proposed to set up three separate registers – for content providers, Israeli channels, and news providers), investment in local productions (see subsection 6 below), distribution of the Israel Broadcasting Corporation and Knesset channel content, and obligations relating to sport and consumerism, where the scope of such obligations will vary according to the level of the content provider’s revenues.
3. The existing restrictions on the economic models in the audiovisual content market will be lifted (while maintaining some of the provisions regarding interchange costs). In all matters relating to the traditional platforms (including yes) – the prohibitions applicable to them regarding broadcasting of commercials and producing new content will be cancelled. In addition, a transitional provision was established, according to which holders of a television broadcasting license, as defined in the Second Authority Law, which are subject to the transfer arrangements set out in the Communications Law and the Broadcasting Law, will be required to allow the continued transfer of channels to registered licensed providers in accordance with these laws and with the required changes, until the beginning of 2027.
4. Separate regulations will be established for providing news content to the public.
5. Regulations will be established regarding public broadcast of sports content to avoid broadcast of significant sports channels through a single content provider, and to ensure the accessibility of sports channels with particular importance to the Israeli public.
6. Obligations will be defined for investing in local productions, which will apply, with the required changes, to all local and international content providers whose scope of activity in Israel is significant, as well as to independent Israeli commercial channels. For example, content providers with a medium volume of activity will be required to invest 2% of their annual revenue in local productions (in this regard, this will also include the revenue from the supply of audiovisual content in Israel of a corporation associated with the content provider), while content providers with a large volume of activity (such as yes) will be required to invest 4% of their revenue.
7. In addition, several changes were made to the Bill regarding the provisions included in the hearing, including transfer of the Idan+ system to an app and establishing related arrangements; prohibition of a content provider to promote news providers on the remote control; the obligation to provide declared sports events on a channel that is completely open; and the authority to ask for viewing data from the content providers. The Memorandum further stated that in the near future, another memorandum is expected to be published to complement the implementation of this Memorandum, referring to regulation of the radio sector.

yes filed its response to the Memorandum. Since this is a legislative memorandum, at this stage it is not known which of the provisions of the Memorandum, if any, will be anchored as binding legislation, and what the contents and arrangements of such legislation will be, therefore at this stage, it is difficult to estimate how yes will be affected by the legislation and the regulations that will be established following the Memorandum.

Section 5.5.1 – Competition

Section 5.5.1 regarding the competitors in the market – in April 2023, Keshet and RGE launched a joint venture to set up and operate a multichannel broadcasting platform, under the name freetv. In June 2023, the venture was launched commercially.

Section 5.9.2 – Dependence on content suppliers

As at the publication date of the report, yes is negotiating to extend the agreements with the local sports channel providers and yes believes that the agreements will be extended.

The assessment of yes is forward-looking information as defined in the Israel Securities Law, and it may not materialize, or it may materialize in a way that is materially different than anticipated, among other things, depending on whether the relevant parties reach the agreements for that purpose.

Section 5.12 – Financing

In November 2023, the Company approved a credit facility or capital investment in yes for a total amount of up to NIS 40 million, for 15 months from October 1, 2023. This approval is instead of similar approval given in August 2023 (and not in addition to it).

Section 5.14 – Restrictions and control over yes

Section 5.14.1.3 regarding the obligation to invest in local productions – see the update to section 5.16.

Section 5.16 – Legal proceedings

In April 2023, a petition was filed with the High Court of Justice on behalf of a number of organizations of creators, performers, producers, screenwriters, and editors against the Council, the chairman of the Council, yes, and Hot, petitioning the Court to order the Council and the chairman of the Council to respond and to explain why they will not order Hot and yes to include their revenue from additional services provided by them, which are not satellite or cable multichannel television services including telephony services, internet access services, and OTT multichannel television services, to calculate their obligations for annual investments in local productions under the Communications Law (see section 5.14.1.3 of the chapter Description of Company Operations for 2022). In July 2023, a judgment was handed down ordering the dismissal of the petition while retaining the claims of the parties.

In June 2023, a claim was filed against yes at the Central Lod District Court, together with a motion for certification as a class action. The claim refers to the allegation that yes does not act in compliance with the law regarding sending notice on the upcoming termination of fixed-period transactions, in that it does not send a separate and independent notice on the termination date of the benefit period, in addition to informing the customer of such in the monthly invoice and by sending a text message. In the motion, it is stipulated that at this stage, it is estimated that the class action amounts to more than NIS 2.5 million. It should be noted that similar motions on the same subject (failure to provide notice as required on the termination of a fixed-term transaction) were filed against the Company (see the update to section 2.18.1) and Pelephone (see the update to section 3.16.1).

In August 2023, a claim was filed against yes at the Central Lod District Court, together with a motion for certification as a class action. The claim refers to the allegation that yes does not act in compliance with the law, including Section 18B(a1)(3) of the Consumer Protection Law, 1981, the provisions of its license, and the provisions of the Consumer Protection Regulations (Telephony Services), 2012 regarding the waiting time until a representative responds to a call. In the motion, it is stipulated that at this stage, it is estimated that the class action amounts to more than NIS 2.5 million.

In August 2023, a claim was filed against yes at the Central Lod District Court, together with a motion for certification as a class action. The case refers to the allegation that yes breaches its obligations towards its customers who subscribed to the yes Unlimited plan, by not allowing them, as promised, free and full viewing, without additional payment, of all the channels that it broadcasts, whether they existed when they first subscribed or whether they were added and will be added to its broadcasts over the years. In addition, according to the allegations in the motion, yes charges additional payment for set top boxes that support HD or 4K broadcasts, despite its commitment to provide yes Unlimited content subscribers up to seven (7) set top boxes without any additional fee, where the terms of the plan is not limited to the type of set top boxes. The motion states that the amount of the claim for all members of the class is estimated at NIS 107 million.

Section 5.17 – Goals and strategy

Section 5.17.1 regarding the gradual migration of yes from satellite broadcasts to internet broadcasts (OTT) – see the update to section 1.5.4.4 (comment 3).

November 13, 2023	
Date	Bezeq The Israel Telecommunication Corporation Ltd.

Names and titles of signatories:
Gil Sharon, Chairman of the Board of Directors
Ran Guron, CEO

Chapter B -

Board of Directors’ Report on the State of the Company’s Affairs for the Period Ended September 30, 2023

The information contained in this report constitutes a translation of the report published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.

Board of Directors' Report on the State of the Company's Affairs for the Period Ended September 30, 2023

We hereby present the Board of Directors’ Report on the state of affairs of Bezeq - The Israel Telecommunication Corporation Ltd. (the "Company”) and the consolidated Group companies (the Company and the consolidated companies, jointly – the “Group”), for the nine months ended September 30, 2023 (the "Period") and for the three months then ended (the “Quarter”).

The Board of Directors’ Report contains a condensed review of its subject matter and was prepared taking into account that the Board of Directors' Report as at December 31, 2022 is also available to the reader.

For information about the investigation by the Israel Securities Authority and Israel Police, see Note 1.2 to the financial statements. The independent auditors have drawn attention to the matter in their opinion on the financial statements..

In its financial statements, the Group reports on the following four main operating segments:

1. Domestic fixed line communications
2. Cellular communications
3. ISP, international telecommunications and ICT solutions (“Bezeq International Services”)
4. Multichannel television

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

The Group’s results:

	1-9.2023	1-9.2022	Change		7 -9.2023	7-9.2022	Change	
	NIS million			%	NIS million			%
Net profit	951	891	60	6.7	297	302	(5)	(1.7)
EBITDA (1)	2,795	2,763	32	1.2	895	934	(39)	(4.2)
Adjusted EBITDA (1)	2,897	2,829	68	2.4	974	947	27	2.9

(1) For the non-GAAP financial measures, see below.

The net profit is affected, among others, by the increase in net profit of yes, cancellation of the Group’s expenses for the optic fiber deployment incentive fund, the decrease in financing expenses in the domestic fixed line communications sector and on the other hand the recording of a non-recurring provision in the amount of NIS 75 million for the amount of the special grant paid to the Company's employees under the amendment of the collective agreement.

For further information see section 1.2 below.

Non-GAAP based financial measures

As at the reporting date, the Group's management uses non-GAAP financial performance indexes for assessing and presenting the Group's financial performance. These indexes are not a substitute for the information included in the Company's financial statements.

Breakdown of the indexes:

Index	Calculation and objectives of the index
EBITDA (earnings before interest, taxes, depreciation and amortization)	Defined as earnings before financing expenses/income, taxes, depreciation and amortization. The EBITDA index is a generally accepted measure used in the Group's area of operations, which offsets effects arising from the variance in the capital structure, various taxation aspects, and the depreciation method and period for fixed and intangible assets. . The Group's EBITDA is calculated as operating profit before depreciation, amortization and impairment (including ongoing losses from impairment of fixed and intangible assets, as described in Note 5 to the financial statements).
Adjusted EBITDA	Calculated as EBITDA net of other net operating expenses/income, non-recurring losses/gains from impairment/appreciation, and equity compensation plan expenses. The index allows comparison of operating performance of various periods by adjusting the effects of irregular non-recurring expenses/income. It should be noted that the EBITDA index should not be adjusted to indexes similarly designated by other companies due to a possible difference in the way the index is calculated.

Breakdown of the calculation of these indexes:

	1-9.2023	1-9.2022	7 -9.2023	7-9.2022
	NIS million			
Operating profit	**1,399**	1,389	**425**	466
Depreciation, amortization, and impairment	**1,396**	1,374	**470**	468
EBITDA	**2,795**	2,763	**895**	934
Other operating expenses, net	**93**	59	**77**	10
Expenses for equity based compensation	**9**	7	**2**	3
Adjusted EBITDA	**2,897**	2,829	**974**	947

1. The Board of Directors' explanations on the state of the Company's affairs, results of operations, equity, cash flows, and additional matters

1.1 Financial position – Assets

	Sept 30, 2023	Sept 30, 2022	Change		Explanation
	NIS million			%	
Cash and current investments	2,694	2,397	297	12.4	There is an increase in the cash balances in all the major segments of the Group. For further information see section 1.3 below.
Current and non-current trade and other receivables	2,222	2,256	(34)	(1.5)	The decrease is due to, among others, cancellation of insurance indemnification with respect to the provision for a legal claim in the domestic fixed line communications segment.
Inventories	94	98	(4)	(4.1)	
Broadcasting rights	54	63	(9)	(14.3)	
Right-of-use assets	1,902	1,779	123	6.9	The increase is due to the cost of the additional contracts that came into effect in the Bezeq International Services segment (see Note 15.4 to the financial statements) and an increase in the CPI, offset by a decrease mainly in the cellular communications segment with respect to ongoing depreciation expenses.
Fixed assets	6,772	6,532	240	3.7	The increase is mainly attributable to the domestic fixed line communications segment, among other things, due to the progress made in the fiber network deployment project.
Intangible assets	900	922	(22)	(2.4)	
Deferred expenses and non-current investments	251	235	16	6.8	
Total assets	14,889	14,282	607	4.3	

1.1 Financial position (contd.) – Liabilities and equity

	Sept 30, 2023	Sept 30, 2022	Change		Explanation
	NIS million			%	
Debt to financial institutions and debenture holders	7,708	8,038	(330)	(4.1)	The decrease in the debt is due to repayment of debentures and loans, offset mainly by the expansion of Debentures (Series 13 and 14) in the first quarter of 2023.
Liabilities for leases	2,101	1,934	167	8.6	The increase is due to the cost of the additional contracts that came into effect in the Bezeq International Services segment (see Note 15.4 to the financial statements) and an increase in the CPI.
Trade and other payables	1,841	1,613	228	14.1	The increase is mainly attributable to the domestic fixed line communications segment.
Dividend payable	392	294	98	33.3	On September 14, 2023, the general meeting of the Company's shareholders approved the distribution of a cash dividend in the amount of NIS 392 million. The dividend was paid subsequent to reporting date on October 11, 2023, see Note 7.2 to the financial statements.
Employee benefits	562	466	96	20.6	The increase is due to the recording of a non-recurring provision in the current quarter with respect to the amount of the special grant that will be paid to the Company's employees under the amendment to the collective agreement (see Note 15.5 to the financial statements) and due to the increase in provisions for early retirement and voluntary redundancy in the Group in 2022, offset by payments for employee resignations.
Provisions	122	214	(92)	(43.0)	The decrease is mainly due to the cancellation of the provision for a legal claim against the balance of insurance indemnification in the Domestic Fixed Line Communications segment.
Deferred tax liabilities	70	73	(3)	(4.1)	
Derivatives and other non-current liabilities	151	137	14	10.2	
Total liabilities	12,947	12,769	178	1.4	
Total equity	1,942	1,513	429	28.4	Equity constitutes 13.1% of the total balance sheet compared with 10.6% of the total balance sheet as at September 30, 2022. The increase in equity is due to profits, offset by the distribution of dividends.
Total liabilities and equity	14,889	14,282	607	4.3	

1.2 Operating results

1.2.1 Highlights

	1-9.2023	1-9.2022	Change		7-9.2023	7-9.2022	Change		Explanation
	NIS million			%	NIS million			%	
Revenue	6,872	6,742	130	1.9	2,265	2,262	3	0.1	The increase is mainly attributable to the domestic fixed line communications and multichannel television segments, offset by a decrease in revenue in the cellular communications and Bezeq International Services segments.
General and operating expenses	2,542	2,509	33	1.3	815	848	(33)	(3.9)	It should be noted that the expenses in the period and in the quarter were affected, among other things, by a decrease in expenses for the fiber deployment incentive fund in view of the interim order issued in the current quarter, according to which, in 2023, the rate of payments payable by entities to the incentive fund will be 0% instead of 0.5%, and a decrease in interconnect fees paid to communication carriers due to the tariff decrease starting in June 15, 2023. For further information see section 1.2.2 below.
Salaries	1,442	1,411	31	2.2	478	470	8	1.7	The increase is mainly attributable to the domestic fixed line communications segment in the period, among other things, also due to the public sector salary agreement.
Depreciation, amortization and impairment	1,396	1,374	22	1.6	470	468	2	0.4	The increase is attributable to the domestic fixed line communications and cellular communications segments.
Other operating expenses, net	93	59	34	57.6	77	10	67	-	The increase is attributable to the domestic fixed line communications segment due to the recording of a non-recurring provision in the amount of NIS 75 million for the amount of the special grant to be paid to the segment employees under the amendment of the collective agreement, offset by a decrease in expenses relating to the provision for legal claims, see Notes 10 and 15.5 to the financial statements.
Operating profit	1,399	1,389	10	0.7	425	466	(41)	(8.8)	
Financing expenses, net	182	225	(43)	(19.1)	54	73	(19)	(26.0)	The decrease is mainly attributable to the domestic fixed line communications segment, see Note 11 to the financial statements.
Income taxes	266	273	(7)	(2.6)	74	91	(17)	(18.7)	
Profit for the period	951	891	60	6.7	297	302	(5)	(1.7)	

1.2.2 Operating segments

A. Breakdown of revenue and operating profit by Group operating segments:

	1-9.2023		1-9.2022		7-9.2023		7-9.2022	
	NIS million	% of total revenue	NIS million	% of total revenue	NIS million	% of total revenue	NIS million	% of total revenue
Revenue by operating segment								
Domestic fixed line communications	**3,325**	**48.4**	3,249	48.2	**1,084**	**47.9**	1,086	48.0
Cellular communications	**1,786**	**26.0**	1,807	26.8	**585**	**25.8**	608	26.9
Bezeq International services	**908**	**13.2**	920	13.6	**303**	**13.4**	311	13.8
Multichannel television	**993**	**14.4**	947	14.0	**328**	**14.5**	315	13.9
Others and adjustments	**(140)**	**(2.0)**	(181)	(2.6)	**(35)**	**(1.6)**	(58)	(2.6)
Total	**6,872**	**100**	6,742	100	**2,265**	**100**	2,262	100

	1-9.2023		1-9.2022		7 -9.2023		7-9.2022	
	NIS million	% of segment revenue	NIS million	% of segment revenue	NIS million	% of segment revenue	NIS million	% of segment revenue
Operating profit by operating segment								
Domestic fixed line communications	**1,131**	**34.0**	1,167	35.9	**310**	**28.6**	388	35.7
Cellular communications	**159**	**8.9**	176	9.7	**59**	**10.1**	60	9.9
Bezeq International services	**50**	**5.5**	30	3.3	**20**	**6.6**	17	5.5
Multichannel television (2)	**2**	**0.2**	(36)	(3.8)	**(6)**	**(1.8)**	(22)	(7.0)
Others and adjustments	**57**	**-**	52	-	**42**	**-**	23	-
Consolidated adjusted operating profit % of Group revenue	**1,399**	**20.4**	1,389	20.6	**425**	**18.8**	466	20.6

(2) Results of the multichannel television segment are presented net of the total effect of impairment recognized as from the fourth quarter of 2018 (for further information, see Notes 5.1 and 13 to the financial statements).

This is in accordance with the way the Group's COO assesses the performance of the segment and decides about the allocation of resources for the segment In addition, see Note 14.3 for selected condensed information from the financial statements of yes TV and Communications Ltd

1.2.2 Operating segments (contd.)

B. Domestic fixed line communications

	1-9.2023	1-9.2022	Change		7-9.2023	7-9.2022	Change		Explanation
	NIS million			%	NIS million			%	
Internet revenue	**1,453**	1,329	124	9.3	**489**	452	37	8.2	The increase is mainly due to an increase in the retail ARPU, which is mainly due to an increase in the number of fiber network subscribers, supplementary terminal equipment, and the provision of ISP services since April 2022. In addition, there was an increase in the volume of wholesale fiber internet activities and the use of the Company's infrastructure.
Revenue from data communications, transmission and others	**1,103**	1,076	27	2.5	**360**	363	(3)	(0.8)	The increase in revenue in the period is due to data communications and transmission services for businesses, and an increase in infrastructure work. The increase was mostly offset by a decrease in revenue from ISP transmission services resulting from subscribers switching to the Company due to the regulatory reform for end-to-end internet service.
Fixed line telephony revenue	**506**	597	(91)	(15.2)	**148**	188	(40)	(21.3)	The decrease is due to a reduction in ARPL due to the decrease in telephony rates of the Ministry of Communications in April 2022 and the further decrease in July 2023, the decrease in interconnect fees starting in June 15, 2023, and decrease in traffic volume. There has also been a decrease in the number of lines.
Revenue from cloud and digital services	**263**	247	16	6.5	**87**	83	4	4.8	The increase is mainly due to virtual exchange and cloud services
Total revenue	**3,325**	3,249	76	2.3	**1,084**	1,086	(2)	(0.2)	
General and operating expenses	**581**	556	25	4.5	**189**	199	(10)	(5.0)	The change in expenses is mainly due to an increase in subcontracting expenses and materials mainly for the fiber network deployment and paid for work, offset by a decrease in expenses for the fiber deployment incentive fund in view of the interim order issued in the current quarter, which states that in 2023, the rate of payments payable by entities to the incentive fund will be 0% instead of 0.5%, and a decrease in interconnect fees paid to communication carriers due to the tariff decrease starting on June 15, 2023.
Salaries	**766**	733	33	4.5	**250**	242	8	3.3	The increase is due to salary increases (including minimum wage), hiring of new employees and in the period, also due to a one-time grant to permanent employees as a result of the public sector salary agreement, offset mainly by resignation of employees, and an increase in capitalization of investment salary.
Depreciation and amortization	**759**	739	20	2.7	**258**	252	6	2.4	
Other operating expenses, net	**88**	54	34	63.0	**77**	5	72	-	The increase is due to the recording of a non-recurring provision in the amount of NIS 75 million with respect to the amount of the special grant to be paid to the Company's employees under the amendment to the collective agreement, see Note 15.5 to the financial statements. The increase was partially offset in the period due to a decrease in provision expenses for legal claims.
Operating profit	**1,131**	1,167	(36)	(3.1)	**310**	388	(78)	(20.1)	
Financing expenses, net	**206**	249	(43)	(17.3)	**59**	79	(20)	(25.3)	The decrease in net financing expenses is mainly due to an increase in financing income from investments, a decrease in linkage differentials with respect to debentures, mainly due to a lower index increase and in the period also due to costs with respect to early redemption of debentures, which were recognized in the corresponding period. This offset a decrease in financing income with respect to employee benefits that were recognized in the corresponding period and quarter, and in the period also by offsetting an increase in loan interest expenses.
Income taxes	**223**	222	1	0.5	**59**	74	(15)	(20.3)	
Segment profit	**702**	696	6	0.9	**192**	235	(43)	(18.3)	

1.2.2 Operating segments (contd.)

C. Cellular communications

	1-9.2023	1-9.2022	Change		7-9.2023	7-9.2022	Change		Explanation
	NIS million			%	NIS million			%	
Revenue from services less interconnect fees (3)	**1,055**	1,025	30	2.9	**371**	361	10	2.8	The increase is mainly due to ongoing growth in the number of subscribers, including 5G subscriber plans and an increase in revenue from roaming services. This increase was partially offset by a decrease in revenue from hosting services.
Interconnect revenue (3)	**292**	325	(33)	(10.2)	**79**	106	(27)	(25.5)	The decrease in interconnect revenue is mainly the result of the tariff decrease in June 2023.
Sale of terminal equipment	**439**	457	(18)	(3.9)	**135**	141	(6)	(4.3)	The decrease is mainly due to a decrease in the volume of devices sold, which was partially offset by an increase in wholesale sales.
Total revenue	**1,786**	1,807	(21)	(1.2)	**585**	608	(23)	(3.8)	
General and operating expenses	**971**	995	(24)	(2.4)	**301**	327	(26)	(8.0)	The decrease is mainly due to a decrease in expenses attributable to interconnect revenue (parallel to the decrease in revenue) and expenses with respect to the fiber deployment incentive fund. Conversely, roaming expenses increased (parallel to the increase in revenue) and in the period network costs and frequency fees increased (in view of, among others, the increase in electricity rates and the CPI in the period).
Salaries	**246**	237	9	3.8	**82**	78	4	5.1	The increase is mainly due to the effects of the collective agreement signed in December 2022. The increase in the period was partially offset by a decrease in the number of employees.
Depreciation and amortization	**411**	397	14	3.5	**143**	139	4	2.9	The increase in the period is mainly due to the revision of the estimated cost of right-of-use assets in the corresponding period with respect to past periods. This increase was partially offset by a decrease in depreciation due to fully depreciated assets.
Other operating expenses (income), net	**(1)**	2	(3)	-	**-**	4	(4)	(100)	
Operating profit	**159**	176	(17)	(9.7)	**59**	60	(1)	(1.7)	
Financing income, net	**16**	23	(7)	(30.4)	**4**	7	(3)	(42.9)	The decrease is mainly due to a decrease in interest revenue from the parent company in view of loan repayments partially offset by an increase in interest revenue from deposits and a decrease in expenses for exchange rate differentials.
Income taxes	**42**	47	(5)	(10.6)	**15**	17	(2)	(11.8)	
Segment profit	**133**	152	(19)	(12.5)	**48**	50	(2)	(4.0)	

(3) Interconnect revenue – under the reform of the regulated interconnect rates (the "Reform"), gradually from June 2023 through June 2025, interconnect revenue from MRT carriers and domestic operators for which the reform applies, will be presented separately

1.2.2 Operating segments (contd.)

D. Bezeq International services

	1-9.2023	1-9.2022	Change		7-9.2023	7-9.2022	Change		Explanation
		NIS million		%		NIS million		%	
Revenue	**908**	920	(12)	(1.3)	**303**	311	(8)	(2.6)	The decrease in revenue is mainly due to a decrease in revenue from ISP services, mainly due to a decrease in the number of subscribers as a result of the regulatory reform for end-to-end internet service beginning in April 2022. This decrease is mainly offset by an increase in the Company's overall business operations, mainly due to the consolidation of the subsidiary CloudEdge in the second quarter last year and an increase in its operations, due to an increase in revenue from equipment, licensing and services contracts, international capacities, and server farm operations.
Operating and general expenses and impairment	**596**	613	(17)	(2.8)	**199**	200	(1)	(0.5)	The decrease in expenses is mainly due to a decrease in expenses for the use of internet infrastructure in view of the decrease in operations in this segment. This decrease was partially offset, mainly due to an increase in expenses due to the consolidation of CloudEdge's operations in the second quarter last year and an increase in these operations, an increase in expenses for sale of equipment, licensing and service contracts, and international capacities.
Salaries	**164**	175	(11)	(6.3)	**55**	60	(5)	(8.3)	The decrease in salary expenses is mainly due to the ongoing downsizing of the Company's workforce, partially offset by the salary increase of the subsidiary, CloudEdge.
Depreciation, amortization and impairment	**92**	99	(7)	(7.1)	**29**	32	(3)	(9.4)	The decrease is due to lower impairment of assets that was partially offset by an increase in depreciation of right-of-use assets.
Other operating expenses, net	**6**	3	3	100	**-**	2	(2)	(100)	The increase in the period is mainly due to updating the provision for legal claims.
Operating profit	**50**	30	20	66.7	**20**	17	3	17.6	
Financing expenses, net	**7**	4	3	75	**3**	1	2	200	The increase is mainly due to an increase in financing expenses with respect to the leasing of buildings.
Segment profit	**43**	26	17	65.4	**17**	16	1	6.3	

1.2.2 Operating segments (contd.)

E. Multichannel television (proforma) (4)

	1-9.2023	1-9.2022	Change		7-9.2023	7-9.2022	Change		Explanation
	NIS million			%	NIS million			%	
Revenue	**993**	947	46	4.9	**328**	315	13	4.1	The increase is mainly due to an increase in revenue from integrated television and fiber bundles as well as from new content packages, mainly from collaborations with international content providers.
General and operating expenses	**669**	633	36	5.7	**224**	217	7	3.2	The increase is mainly due to an increase in expenses for the fiber activities and in the period also due to an increase in expenses with respect to collaborations with international content providers.
Salaries	**141**	145	(4)	(2.8)	**47**	51	(4)	(7.8)	The decrease is mainly due to adjustment of salary capitalizations.
Depreciation and amortization	**181**	203	(22)	(10.8)	**62**	69	(7)	(10.1)	The decrease is mainly due to assets that were fully depreciated and a change in the estimated useful life of assets.
Other operating expenses, net	**-**	2	(2)	(100)	**1**	-	1	-	
Operating profit (loss)	**2**	(36)	38	-	**(6)**	(22)	16	(72.7)	
Financing (income), net	**(15)**	(6)	(9)	150	**(6)**	(1)	(5)	500	The increase is mainly due to an increase in the value of forward transactions as a result of changes in the USD exchange rate.
Income taxes	**1**	2	(1)	(50.0)	**1**	1	-	-	
Segment profit (loss)	**16**	(32)	48	-	**(1)**	(22)	21	(95.5)	

(4) Results of the multichannel television segment are presented net of the total effect of impairment recognized as from the fourth quarter of 2018 (for further information, see Notes 5.1 and 13 to the financial statements). This is in accordance with the way the Group's COO assesses the performance of the segment and decides about the allocation of resources for the segment.

In addition, see Note 14.3 for selected condensed information from the financial statements of yes TV and Communications Ltd. and the table below.

1.2.2 Operating segments (contd.)

F. Results of yes TV and Communication Services Ltd. – Comparison between accounting profit or loss and proforma profit or loss

	1-9.2023		1-9.2022		7-9.2023		7-9.2022	
	Accounting profit or loss	Proforma profit or loss	Accounting profit or loss	Proforma profit or loss	Accounting profit or loss	Proforma profit or loss	Accounting profit or loss	Proforma profit or loss
	NIS million							
Revenue	**993**	**993**	947	947	**328**	**328**	315	315
General and operating expenses	**651**	**669**	645	633	**205**	**224**	216	217
Salaries	**146**	**141**	150	145	**48**	**47**	53	51
Depreciation and amortization	**137**	**181**	142	203	**41**	**62**	46	69
Other operating expenses (income)	**(2)**	**-**	2	2	**(1)**	**1**	-	-
Operating profit (loss)	**61**	**2**	8	(36)	**35**	**(6)**	-	(22)
Financing income, net	**(15)**	**(15)**	(6)	(6)	**(6)**	**(6)**	(1)	(1)
Income tax	**1**	**1**	2	2	**1**	**1**	1	1
Profit (loss)	**75**	**16**	12	(32)	**40**	**(1)**	-	(22)

1.3 Cash flow

	1-9.2023	1-9.2022	Change		7 -9.2023	7-9.2022	Change		Explanation
		NIS million		%		NIS million		%	
Net cash flow from operating activities	**2,547**	2,609	(62)	(2.4)	**919**	641	278	43.4	The increase in net cash flow from ongoing operations in the quarter is attributable to all the main operating segments of the Group, mainly from the domestic fixed line communications segment due to working capital changes, mainly for employee benefits. The decrease in net cash from operating activities in the period is due to the bringing forward of the crediting dates with the credit card companies in the corresponding period, and due to the deferral of collection from customers from the fourth quarter of 2021 to the first quarter of 2022 as a result of sanctions by employees in the cellular communications and the Bezeq international services segments in 2021. The decrease in the period is mainly offset by an increase in cash flows from ongoing operations in the domestic fixed line communications segment, mainly due to working capital changes for employee benefits.
Net cash used in investing activities	**(1,777)**	(1,882)	105	(5.6)	**(388)**	(645)	257	(39.8)	The decrease in net cash flows used for investment operations is due to payments in the corresponding quarter for 5G frequencies in the amount of NIS 88 million in the cellular communications segment, a decrease in the acquisition of fixed assets, an increase in interest received from bank deposits and in the quarter, also due to a decrease in net investments (in the period, offset by an increase in net investments) in bank deposits and other financial investments in the domestic fixed line communications segment.
Net cash used in financing activities	**(358)**	(831)	473	(56.9)	**(130)**	(121)	(9)	7.4	The decrease in net cash flows used for financing activities in the period is mainly due to the partial early redemption of Debentures (Series 9) in the corresponding period, and to the expansion of Debentures (Series 13 and 14) in the current period.
Net increase (decrease) in cash	**412**	(104)	516	-	**401**	(125)	526	-	

<u>Average volume in the reporting period</u>

Long-term liabilities (including current maturities) to financial institutions and debenture holders: NIS 7,631 million

Supplier credit: NIS 970 million

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

<u>Working capital</u>

As at September 30, 2023, the Company has (based on the separate financial information) surplus working capital in the amount of NIS 278 million, compared with surplus working capital in the amount of NIS 541 million as at September 30, 2022.

The Group's surplus working capital as at September 30, 2023, amounted to NIS 397 million, compared with surplus working capital in the amount of NIS 518 million as at September 30, 2022.

The decrease in surplus working capital in the Group and in the Company is mainly due to an increase in current liabilities, offset mainly by an increase in cash balances.

1.4 Update of the effects of inflation and the rising interest rate on the results of the Group's operations

As noted in Note 30.5.1 to the annual financial statements, changes in the rate of inflation affect the Group's profitability and its future cash flows, mainly due to its CPI-linked liabilities. The Group implements a policy for reduction and partial hedging of exposure to the CPI and the USD-NIS exchange rate, through the execution of forward transactions. See further information about the hedging transactions in Note 30.6 to the annual report.

In the nine months ended September 30, 2023, the increase in the CPI was reflected in the Group's financing expenses by an amount of NIS 85 million (NIS 72 million after hedging), a decrease of NIS 44 million (NIS 27 million after hedging) compared with the corresponding period. It should be noted that the net effect of the increase in the interest rate in the market on the results of the Group's operations was not material in the reporting period.

Based on the volume of the Group's CPI linked debt as at September 30, 2023, every 1% increase in the CPI is expected to cause an increase in the Group's financing expenses of NIS 28 million, before weighting the effect of the hedging transactions. Furthermore, based on the Company's current debt at variable interest, every 1% change in the Bank of Israel interest rate is expected to increase the Group's annual financing costs by NIS 7 million and accordingly, is not expected to have a material effect on the results of the Group's operations.

1.5 War in Gaza

Since October 7, 2023, the State of Israel has been in a state of war in the Gaza Strip area as well as a state of tension with exchanges of fire along the northern border. This state of war has affected the Group companies in different ways, reflected in the increase in demand for some of the services, such as internet traffic and the use of fixed line telephony on the one hand, and on the other, a decrease in roaming and sales of cellular devices, and the cancellation or suspension of business lines within the war zone. Moreover, upon the outbreak of the war, employees were called up to reserve duty and there was a decrease in contractor operations, resulting in a slowdown in deployment and installation of the Company's network. Several regulatory measures were also legislated as part of the State of Israel's management of the war, including the legislation of a law for deferral of payment dates for eligible persons and relief for telephone call charges, including calls relating to online studies. It should be noted that some of the Group companies initiated lowering of charges for villages in the Gaza Strip and northern border areas.

The Group companies, which provide, among other things, essential communication services to private, commercial and institutional customers, including State institutions, the security forces and the health system, have prepared accordingly and provide solutions for various needs, including troubleshooting, increasing cyber system vigilance and preparedness and assisting the community in various ways. Moreover, the Group companies regularly review and closely monitor developments related to the war.

At this stage, the effects of the war and its consequences as described above have not had a material effect on the Group's activities and business results. The Group's liquidity and financial position also allow it to function well during the war without the need for raising equity or debt. The intensity and duration of the war and its consequences on the state of the Israeli economy and market and on the Group companies cannot be anticipated and depend, among other things, on how the war will develop and the possibility of a slowdown in the economy. In this context, attention is also drawn to the relevant risk factors listed in Chapter A (Description of the Company's Operations) to the 2022 Periodic Report (sections 2.20.10, 2.20.14, 3.19.2.9, 4.14.8, 5.18.1.2, 5.18.1.4).

Part of the information contained in this section is forward-looking information as defined under the Securities Law, based on the Company's estimates, assumptions and forecasts, which may not materialize or may materialize in a materially different manner than anticipated, depending, among other things, on how the war will develop and its intensity, and the state of the economy as a whole.

2. Disclosure concerning the Company's financial reporting

2.1 Disclosure concerning valuations

Below is a breakdown concerning a very material valuation pursuant to Regulation 8B(9) of the Israel Securities Regulations (Periodic and Immediate Reports), 1970. For further information, see Note 5 to the financial statements.

	yes Television and Communication Services Ltd. ("yes")(5) **Very material valuation** **Attached to the financial statements as at September 30, 2023**
Subject of the valuation	Review of impairment of yes assets as at September 30, 2023
Date of the valuation	September 30, 2023; the valuation was signed on November 8, 2023
Value shortly before the valuation date if reevaluation based on the valuation had not been required under GAAP, including depreciation and amortization	The carrying amount prior to impairment as at September 30, 2023, is negative in the amount of NIS 14 million
Value based on the valuation	The total value of the operations of yes is negative in the amount of NIS 131 million. Given the negative value of operations, the net value of yes assets and liabilities was set at the higher of their fair value or zero. Accordingly, the recoverable amount of yes, which is obtained by stating the balance sheet items at fair value, net of selling costs, in accordance with IAS 36 requirements, amounted to a negative amount of NIS 51 million. Based on the valuation, in the nine and three months ended September 30, 2023, the Group recognized impairment loss in the amount of NIS 164 million and NIS 37 million, respectively
Valuator's identity and profile	The valuation was prepared by Prof. Hadas Gelander, Partner and Head of Valuations and Economic Modeling in the Economic Department at Ernst Young (Israel) Ltd. Prof. Gelander holds a bachelor's degree in accounting from the College of Management – Academic Studies, Rishon Lezion; MBA from the Hebrew University of Jerusalem; PhD (with honors) from the Ben Gurion University, Beer Sheva; and is a Certified Public Accountant in Israel. In her position, Prof. Gelander oversees projects for leading companies in Israel and worldwide, in diverse sectors such as technology, finance, pharmaceuticals, energy, infrastructures, real estate, and industry. As part of her duties, she assists and advises companies in the preparation of valuations for business purposes (fair value valuations and opinions) and for accounting purposes (including purchase price allocation, valuation of intangible assets, and valuation of employee options, etc), and has provided professional economic opinions as an expert court witness. The valuator is not dependent on the Company. The Company undertook to indemnify the valuator for any damages in excess of three times her fee, other than if she acted with malicious intent or gross negligence.

	yes Television and Communication Services Ltd. ("yes")(5) Very material valuation Attached to the financial statements as at September 30, 2023
Valuation model	First stage – the value in use was revised using the discounted cash flow (DCF) method, compared with the valuation as at December 31, 2022. Based on the valuation prepared by the valuator and the assessment of the management of yes, there were no changes in the period that could testify to material changes requiring revision of the forecasts of yes, forecasts that were used for preparing the valuation as at December 31, 2022. Nonetheless, the calculation of the value in use in the first and second quarters of 2023 was adjusted, mainly due to the timing differences in payments to suppliers in the third quarter of 2023. Second stage – the net fair value of yes assets and liabilities, net of selling costs, as at September 30, 2023, was determined.
Assumptions used by the valuator in the valuation	Discount rate – 10% (after tax) Permanent growth rate – 1% Scrap value percentage of total value set in the valuation – N/A In addition, assumptions were made concerning the fair value, net of selling costs, of yes assets.

(5) Notwithstanding the negative value of the operations of yes, the Company supports yes by approving credit facilities or investing in the equity of yes (see Note 4.1 to the financial statements). The Company's support of yes is due, among other things, to the current and expected contribution of the operations of yes to the overall operations of Bezeq Group.

2.2 Due to legal claims filed against the Group, which at this stage cannot be assessed or for which exposure cannot be estimated, the independent auditors have drawn attention to these claims in their opinion on the financial statements.

2.3 Material events in the reporting period and subsequent material events

For further information about material events in the reporting period and subsequent to the date of the financial statements, see Note 15 to the financial statements.

3. <u>Information about a debenture series</u>

In March 2023, the Company raised capital by way of expansion of Debentures (Series 13 and 14), in the amount of NIS 415 million.

On March 20, 2023 and March 22, 2023, Maalot announced a rating of ilAA- for the debentures issued by the Company under the expansion of Series 13 and 14. It should be noted that, in addition, on May 3, 2023, Maalot ratified the Company's rating of ilAA- and upgraded its rating outlook from stable to positive, in view of the improvement in the Company's financial ratios.

In addition, on March 19, 2023 and March 22, 2023, Midroog announced a rating of Aa3.il with stable outlook for Debentures (Series 13 and 14) issued by the Company under the expansion of Series 13 and 14. On May 15, 2023, Midroog ratified the Aa3.il rating for the Company's debentures and upgraded the rating outlook from stable to positive.

The rating reports are attached to this Board of Directors' Report by way of reference.

4. Miscellaneous

For further information about the liabilities of the Company and the companies consolidated in its financial statements as at September 30, 2023, see the reporting form to be posted by the Company on the MAGNA system on November 14, 2023.

We thank the managers, employees and shareholders of the Group's companies.

Gil Sharon	Ran Guron
Chairman of the Board of Directors	CEO

Signed on: November 13, 2023

Chapter C:

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

The information contained in these financial statements constitutes a translation of the financial statements published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.

Contents

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Auditors' Review Report to the Shareholders of

Bezeq - The Israel Telecommunication Corporation Ltd.

Introduction

We have reviewed the accompanying financial information of Bezeq -The Israel Telecommunication Corporation Ltd. and its subsidiaries (hereinafter – "Group") comprising the condensed consolidated interim statement of financial position as of September 30, 2023 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine and three-month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with IAS 34 "Interim Financial Reporting" and are also responsible for the preparation of the financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements (Israel) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity," of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

KPMG

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Explanatory Paragraph

Without qualifying our abovementioned conclusion, we draw attention to Note 1.2 of the financial information, which refers to that stated in Note 1.3 to the annual consolidated financial statements, regarding the Israel Securities Authority's (ISA) and the Israel Police investigation of the suspicion of committing offenses under the Securities Law and Penal Code, with respect inter alia to transactions related to the former controlling shareholder, and notifying the Tel Aviv District Attorney's Office (Taxation and Economy) regarding the consideration of the company's prosecution and holding a hearing on suspicion of bribery and reporting in order to mislead a reasonable investor, and as mentioned in that note, regarding the indictment filed against the former controlling shareholder for various offenses, including bribery and misleading information in an immediate report and regarding the filing of an indictment against the former controlling shareholder in the company and former senior executives in the Bezeq Group, which accuses the defendants of receiving anything fraudulently in aggravated circumstances, and reporting offenses under the Securities Law. In addition, subsequent to the investigation opening, a number of civil legal proceedings were initiated against the company, former officers of the company as well as companies from the group that previously controlled the company, including requests 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 their results on the Company, and on the financial statements and on the estimates used in the preparation of these financial statements, if any.

In addition, without qualifying our abovementioned conclusion, we draw attention to lawsuits filed against the group which in this stage cannot be assessed or the exposure in respect thereof cannot yet be calculated, as set forth in Note 6.

Somekh Chaikin

Certified Public Accountants (Isr.)

November 13, 2023

Condensed Consolidated Interim Statements of Financial Position

		September 30, 2023	September 30, 2022	December 31, 2022
		(Unaudited)	(Unaudited)	(Audited)
Assets	**Note**	**NIS million**	**NIS million**	**NIS million**
Cash and cash equivalents		**1,153**	869	741
Investments	12.1	**1,541**	1,528	910
Trade receivables		**1,539**	1,461	1,440
Other receivables		**245**	350	288
Inventory		**94**	98	85
Total current assets		**4,572**	4,306	3,464
Trade and other receivables		**438**	445	460
Broadcasting rights		**54**	63	57
Right-of-use assets		**1,902**	1,779	1,746
Fixed assets		**6,772**	6,532	6,542
Intangible assets		**900**	922	912
Deferred expenses and non-current investments		**251**	235	231
Total non-current assets		**10,317**	9,976	9,948
Total assets		**14,889**	14,282	13,412

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Condensed Consolidated Interim Statements of Financial Position (cont.)

		September 30, 2023	September 30, 2022	December 31, 2022
		(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	**Note**	**NIS million**	**NIS million**	**NIS million**
Debentures, loans and borrowings		**1,092**	964	921
Current maturities of lease liabilities		**459**	471	456
Trade and other payables		**1,841**	1,613	1,590
Dividend payable		**392**	294	-
Employee benefits		**301**	273	399
Provisions	6	**90**	173	168
Total current liabilities		**4,175**	3,788	3,534
Loans and debentures		**6,616**	7,074	6,352
Lease liabilities		**1,642**	1,463	1,452
Employee benefits		**261**	193	201
Derivatives and other liabilities		**151**	137	151
Deferred tax liabilities		**70**	73	61
Provisions		**32**	41	37
Total non-current liabilities		**8,772**	8,981	8,254
Total liabilities		**12,947**	12,769	11,788
Equity attributable to the Company's shareholders				
Share capital		**3,879**	3,878	3,878
Share premium		**386**	384	384
Reserves		**398**	397	396
Equity deficit		**(2,722)**	(3,147)	(3,035)
Total equity attributable to the Company's shareholders		**1,941**	1,512	1,623
Non-controlling interests		**1**	1	1
Total equity		**1,942**	1,513	1,624

Total liabilities and equity	**14,889**	14,282	13,412

Gil Sharon	**Ran Guron**	**Tobi Fischbein**
Chairman of the Board of Directors	Chief Executive Officer	CFO Bezeq Group

Date of approval of the financial statements: November 13, 2023

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Condensed Consolidated Interim Statements of Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues (Note 8)	**6,872**	6,742	**2,265**	2,262	8,986
Operating expenses					
General operating expenses (Note 9)*	**2,542**	2,509	**815**	848	3,389
Salaries	**1,442**	1,411	**478**	470	1,872
Depreciation, amortization and impairment*	**1,396**	1,374	**470**	468	1,868
Other operating expenses, net (Note 10)	**93**	59	**77**	10	220
Total operating expenses	**5,473**	5,353	**1,840**	1,796	7,349
Operating profit	**1,399**	1,389	**425**	466	1,637
Financial expenses (income) (Note 11)					
Financial expenses	**316**	334	**104**	99	424
Financial income	**(134)**	(109)	**(50)**	(26)	(123)
Financial expenses, net	**182**	225	**54**	73	301
Profit before income tax	**1,217**	1,164	**371**	393	1,336
Income tax	**266**	273	**74**	91	336
Net profit for the period attributable to the Company's shareholders	**951**	891	**297**	302	1,000
Basic and diluted earnings per share (NIS)	**0.34**	0.32	**0.11**	0.11	0.36

* For information about an impairment loss recognized in the reporting period, see Note 5.

Condensed Consolidated Interim Statements of Comprehensive Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Net profit for the period	**951**	891	**297**	302	1,000
Remeasurement of a defined benefit plan, net of tax – will not be carried to profit and loss	**-**	53	**-**	16	56
Additional items of other comprehensive income (loss), net of tax – will be carried to profit and loss	**(4)**	(1)	**-**	-	(6)
Total comprehensive income for the period attributable to the Company's shareholders	**947**	943	**297**	318	1,050

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Share premium	Capital reserve for transactions between a corporation and a controlling shareholder	Capital reserve for employee options	Other reserves	Equity deficit	Total	Noncontrolling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
	Attributable to shareholders of the Company								
Nine months ended September 30, 2023 (unaudited)									
Balance at January 1, 2023	**3,878**	**384**	**390**	**38**	**(32)**	**(3,035)**	**1,623**	**1**	**1,624**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**951**	**951**	**-**	**951**
Other comprehensive (loss) for the period, net of tax	**-**	**-**	**-**	**-**	**(4)**	**-**	**(4)**	**-**	**(4)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(4)**	**951**	**947**	**-**	**947**
Transactions with shareholders recognized directly in equity									
Dividend to the Company's shareholders (Note 7)	**-**	**-**	**-**	**-**	**-**	**(638)**	**(638)**	**-**	**(638)**
Share-based payment	**-**	**-**	**-**	**9**	**-**	**-**	**9**	**-**	**9**
Exercise of options to shares	**1**	**2**	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**
Balance at September 30, 2023	**3,879**	**386**	**390**	**44**	**(36)**	**(2,722)**	**1,941**	**1**	**1,942**
Nine months ended September 30, 2022 (unaudited)									
Balance at January 1, 2022	3,878	384	390	27	(26)	(3,557)	1,096	-	1,096
Profit for the period	-	-	-	-	-	891	891	-	891
Other comprehensive income for the period, net of tax	-	-	-	-	(1)	53	52	-	52
Total comprehensive income for the period	-	-	-	-	(1)	944	943	-	943
Transactions with shareholders recognized directly in equity									
Dividend to the Company's shareholders	-	-	-	-	-	(534)	(534)	-	(534)
Share-based payment	-	-	-	7	-	-	7	-	7
Business combination	-	-	-	-	-	-	-	1	1
Balance at September 30, 2022	3,878	384	390	34	(27)	(3,147)	1,512	1	1,513

The accompanying notes are an integral part of the condensed consolidated interim financial statements

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

	Share capital	Share premium	Capital reserve for transactions between a corporation and a controlling shareholder	Capital reserve for employee options	Other reserves	Equity deficit	Total	Noncontrolling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
	Attributable to shareholders of the Company								
Three months ended September 30, 2023 (unaudited)									
Balance at July 1, 2023	**3,879**	**386**	**390**	**42**	**(36)**	**(2,627)**	**2,034**	**1**	**2,035**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**297**	**297**	**-**	**297**
Other comprehensive (loss) for the period, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**297**	**297**	**-**	**297**
Transactions with shareholders recognized directly in equity									
Dividend to the Company's shareholders (Note 7)	**-**	**-**	**-**	**-**	**-**	**(392)**	**(392)**	**-**	**(392)**
Share-based payment	**-**	**-**	**-**	**2**	**-**	**-**	**2**	**-**	**2**
Balance at September 30, 2023	**3,879**	**386**	**390**	**44**	**(36)**	**(2,722)**	**1,941**	**1**	**1,942**
Three months ended September 30, 2022 (unaudited)									
Balance at July 1, 2022	3,878	384	390	31	(27)	(3,171)	1,485	-	1,485
Profit for the period	-	-	-	-	-	302	302	-	302
Other comprehensive income for the period, net of tax	-	-	-	-	-	16	16	-	16
Total comprehensive income for the period	-	-	-	-	-	318	318	-	318
Transactions with shareholders recognized directly in equity									
Dividend to the Company's shareholders	-	-	-	-	-	(294)	(294)	-	(294)
Share-based payment	-	-	-	3	-	-	3	-	3
Business combination	-	-	-	-	-	-	-	1	1
Balance at September 30, 2022	3,878	384	390	34	(27)	(3,147)	1,512	1	1,513

The accompanying notes are an integral part of the condensed consolidated interim financial statements

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

	Share capital	Share premium	Capital reserve for transactions between a corporation and a controlling shareholder	Capital reserve for employee options	Other reserves	Equity deficit	Total	Noncontrolling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
	Attributable to shareholders of the Company								
Year ended December 31, 2022 (audited)									
Balance at January 1, 2022	3,878	384	390	27	(26)	(3,557)	1,096	-	1,096
Profit for the year 2022	-	-	-	-	-	1,000	1,000	-	1,000
Other comprehensive income (loss) for the year, net of tax	-	-	-	-	(6)	56	50	-	50
Total comprehensive income (loss) for the year 2022	-	-	-	-	(6)	1,056	1,050	-	1,050
Transactions with shareholders recognized directly in equity									
Dividend to the Company's shareholders	-	-	-	-	-	(534)	(534)	-	(534)
Share-based payment	-	-	-	11	-	-	11	-	11
Business combination	-	-	-	-	-	-	-	1	1
Balance at December 31, 2022	3,878	384	390	38	(32)	(3,035)	1,623	1	1,624

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Condensed Consolidated Interim Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from operating activities					
Profit for the period	**951**	891	**297**	302	1,000
Adjustments:					
Depreciation, amortization and impairment loss	**1,396**	1,374	**470**	468	1,868
Financial expenses, net	**198**	268	**56**	86	351
Capital loss (gain), net	**1**	(1)	**3**	(4)	(8)
Share-based payment	**9**	7	**2**	3	11
Income tax expenses	**266**	273	**74**	91	336
Change in trade and other receivables	**(146)**	355	**(30)**	11	342
Change in inventory	**(23)**	(37)	**22**	(8)	(21)
Change in trade and other payables	**116**	(117)	**71**	(98)	(56)
Change in provisions	**(3)**	30	**(5)**	2	24
Change in employee benefits	**(38)**	(230)	**49**	(118)	(91)
Change in other liabilities	**2**	(2)	**(1)**	6	18
Income tax paid, net	**(182)**	(202)	**(89)**	(100)	(271)
Net cash provided by operating activities	**2,547**	2,609	**919**	641	3,503
Cash flows for investing activities					
Purchase of fixed assets	**(988)**	(1,020)	**(313)**	(347)	(1,353)
Investment in intangible assets and deferred expenses	**(275)**	(264)	**(93)**	(80)	(346)
Investment in bank deposits and other financial investments	**(1,211)**	(1,651)	**(101)**	(472)	(1,835)
Proceeds from repayment of bank deposits and other financial investments	**609**	1,098	**100**	326	1,895
Proceeds from the sale of fixed assets	**36**	31	**1**	10	40
Payment to Ministry of Communications for frequencies	**-**	(88)	**-**	(88)	(88)
Government grant received for frequencies	**-**	-	**-**	-	74
Interest received from bank deposits	**42**	11	**14**	3	23
Miscellaneous	**10**	1	**4**	3	5
Net cash used in investing activities	**(1,777)**	(1,882)	**(388)**	(645)	(1,585)

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Condensed Consolidated Interim Statements of Cash Flows (cont.)

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows for financing activities					
Issue of debentures and receipt of loans	**415**	300	**-**	-	400
Repayment of debentures and loans	**(62)**	(435)	**(4)**	(6)	(1,320)
Principal and interest payments for leases	**(331)**	(309)	**(108)**	(106)	(420)
Interest paid	**(134)**	(121)	**(18)**	(9)	(232)
Dividend paid	**(246)**	(240)	**-**	-	(534)
Costs for early repayment of loans and debentures	**-**	(26)	**-**	-	(26)
Payment for expired hedging transactions	**-**	-	**-**	-	(18)
Net cash used in financing activities	**(358)**	(831)	**(130)**	(121)	(2,150)
Net increase (decrease) in cash and cash equivalents	**412**	(104)	**401**	(125)	(232)
Cash and cash equivalents at the beginning of the period	**741**	973	**752**	994	973
Cash and cash equivalents at the end of the period	**1,153**	869	**1,153**	869	741

The accompanying notes are an integral part of the condensed consolidated interim financial statements

1. General

1.1 Reporting entity

Bezeq - The Israel Telecommunication Corporation Ltd. (the "Company”) is a company registered in Israel whose shares are traded on the Tel Aviv Stock Exchange. The condensed consolidated financial statements of the Company as of September 30, 2023 include those of the Company and its subsidiaries (jointly – the "Group”). The Group is a major provider of communications services in Israel (see also Note 13 – Segment Reporting).

1.2 Investigations by the Israel Securities Authority and the Israel Police

For information about investigations by the Israel Securities Authority and the Israel Police into suspected offenses under the Securities Law and the Penal Law, *inter alia* in connection with transactions involving the Company's former controlling shareholder, as well as the notice by the Tel Aviv District Attorney's Office (Taxation and Economics Division) that it was considering prosecuting the Company and summoning it to a hearing, see Note 1.3 to the Annual Financial Statements.

On July 13, 2023, the Supreme Court handed down a judgment on the State's appeal against dismissal of some of the charges in the indictment filed against former officers in the Group (referring to the consideration paid by the Company for the purchase of the shares of the subsidiary yes Television and Communication Services Ltd., and referring to the conduct of independent committees established to review the transactions of interested parties). The State's appeal was accepted regarding all respondents (except for Eurocom Holdings (1979) Ltd.) and the case was returned to the District Court for further evidentiary clarification.

As mentioned in Note 1.3.3 to the Annual Financial Statements, the Company does not have complete information about the investigations, their content, or the material and evidence in the possession of the law enforcement authorities on this matter Accordingly, the Company is unable to assess the effects, if any, of the investigations, their findings and their results on the Company, on its financial statements and on the estimates used in the preparation of the financial statements.

2. Basis of Preparation

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

2.2 The condensed consolidated interim financial statements do not contain all the information required in full annual financial statements, and they should be reading the context of the annual financial statements of the Company and its subsidiaries as of December 31, 2022 and for the year then ended, and their accompanying notes (the "Annual Financial Statements”). The notes to the condensed consolidated interim financial statements include only the material changes that have occurred from the date of the most recent Annual Financial Statements until the date of these consolidated interim financial statements.

2.3 The condensed consolidated interim financial statements were approved by the Board of Directors on November 13, 2023.

2.4 Use of estimates and judgments

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

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

3. Reporting Principles and Accounting Policy

3.1 The Group's accounting policy applied in these condensed consolidated interim financial statements is consistent with the policy applied in the Annual Financial Statements.

4. Group Entities

A detailed description of the Group entities appears in Note 12 to the Annual Financial Statements. Below is a description of the material changes that occurred in connection with the Group entities since the publication of the Annual Financial Statements.

4.1 yes Television and Communications Services Ltd. ("yes")

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

4.1.2 On November 13, 2023, the Company's Board of Directors approved a credit facility or capital investment for yes in the amount of NIS 40 million for 15 months, as of October 1, 2023 until December 31, 2024, in lieu of a similar undertaking from August 2023. It should be noted that thus far in 2023, yes has not made any use of the credit facilities provided by the Company.

The management of yes believes that the financial resources at its disposal, which include, among others, the continuation of the existing policy of a working capital deficit and the Company's credit facility and capital investments, will be adequate for the operational needs of yes for the coming year.

4.1.3 See Note 5.1 below for information about an impairment of assets recognized by yes in the financial statements as of September 30, 2023.

4.2 Bezeq International Ltd.

See Note 5.2 below for information about an impairment of assets recognized by Bezeq International in the financial statements as of September 30, 2023.

5. Impairment

5.1 Impairment in the Multichannel Television segment (yes)

Further to Note 10.5 to the Annual Financial Statements regarding impairment recognized in 2022, the valuation as of December 31, 2022 presented a value-in-use significantly lower than the carrying amount of yes.

Based on an examination performed by an external appraiser on September 30, 2023, and based on the yes management's assessment, it has been found that in the nine months since the previous valuation there have been no changes that could indicate a material change requiring a revision of yes's projections relating to the forecast used in preparing the valuation as at December 31, 2022.

Nevertheless, due to timing differences in the forecast used for preparing the valuation at December 31, 2022, an adjustment was made in the calculation of the value-in-use at September 30, 2023. The adjustment in the valuations for the first and second quarters of 2023 mainly stems from the trade payables balance as of the date of the valuations, resulting from the timing of payments to content and equipment vendors made during the third quarter of 2023.

The revised enterprise value as of September 30, 2023, considering the adjustment made, is a negative amount of NIS 131 million.

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

Thus, in light of the negative enterprise value, yes reduced its assets as of September 30, 2023, to their net fair value in a negative amount of NIS 51 million.

Based on a valuation of the fair value of yes assets, carried out by an external appraiser on September 30, 2023, the carrying amount of the amortizable assets is NIS 37 million higher than their net fair value. Therefore, the Group recognized in the nine and three months ended September 30, 2023, an impairment loss of NIS 164 million and NIS 37 million, respectively.

Provided below are details regarding yes's enterprise value and the net fair value of the assets and liabilities as determined by an external appraiser, as well as impairment losses that were recognized:

	Enterprise value of yes (by the DCF method)	Net fair value of yes assets and liabilities	Net carrying amount of yes assets and liabilities, before impairment recognition	Impairment loss
	NIS million	NIS million	NIS million	NIS million
As of September 30, 2023 and for the three months ended on the same date (unaudited)	**(131)**	**(51)**	**(14)**	**(37)**
As of June 30, 2023 and for the three months ended on the same date (unaudited)	(129)	(85)	(27)	(58)
As of March 31, 2023 and for the three months ended on the same date (unaudited)	(159)	(145)	(76)	(69)
Total impairment recognized in the nine months ended September 30, 2023				**164**
As of December 31, 2022 and for the year ended on the same date (audited)	(103)	(88)		(275)

Allocation of impairment loss to Group assets:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Broadcasting rights*	**79**	111	**16**	32	149
Fixed assets**	**56**	56	**14**	18	76
Intangible assets**	**30**	29	**10**	8	45
Other receivables (prepaid expenses)*	**-**	7	**(2)**	3	3
Rights of use of leased assets **	**(1)**	2	**(1)**	-	2
Total impairment recognized	**164**	205	**37**	61	275

* The expense was presented under general operating expenses
** The expense was presented under depreciation, amortization and impairment expenses

For information about the method used by yes to measure the fair value (Level 3) of the assets less costs to sell, see Note 10.5 to the Annual Financial Statements.

5.2 Impairment in the ISP, International Communications Services and ICT Solutions segment (Bezeq International)

Further to Note 10.6 to the Annual Financial Statements regarding impairment of the Bezeq International cash-generating unit in 2022 – the valuation as of December 31, 2022 presented a value-in-use that is significantly lower than the carrying amount of Bezeq International.

Based on an examination performed by an external appraiser on September 30, 2023, and based on Bezeq International management's assessment, it has been found that in the nine months since the previous valuation there have been no changes that could indicate a material change requiring a revision of Bezeq International's projections relating to the forecast used in preparing the valuation as at December 31, 2022.

However, due to an update of the discount rate, the revised enterprise value as of September 30, 2023 is a negative NIS 162 million.

Thus, in light of the negative enterprise value, as determined in the valuation on September 30, 2023, Bezeq International reduced its assets to their net fair value amounting to a negative NIS 4 million.

Based on a valuation of the fair value of Bezeq International's assets, carried out by an external appraiser on September 30, 2023, the carrying amount of the amortizable assets is NIS 15 million higher than their net fair value. Therefore, the Group has recognized in the nine and three months ended September 30, 2023, an impairment loss of NIS 57 million and NIS 15 million, respectively.

Provided below are details regarding Bezeq International's enterprise value and the net fair value of the assets and liabilities as determined by an external appraiser, as well as impairment losses that were recognized:

	Enterprise value of Bezeq International (by the DCF method)	Net fair value of Bezeq International assets and liabilities	Net carrying amount of Bezeq International assets and liabilities, before impairment recognition	Impairment loss
	NIS million	NIS million	NIS million	NIS million
As of September 30, 2023 and for the three months ended on the same date (unaudited)	**(162)**	**(4)**	**11**	**(15)**
As of June 30, 2023 and for the three months ended on the same date (unaudited)	(162)	(27)	(6)	(21)
As of March 31, 2023 and for the three months ended on the same date (unaudited)	(162)	(5)	16	(21)
Total impairment recognized in the nine months ended September 30, 2023				**(57)**
As of December 31, 2022 and for the year ended on the same date (audited)	(166)	(22)		(104)

Allocation of impairment loss to Group assets:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Fixed assets and intangible assets **	**37**	55	**9**	17	71
Short-term and long-term prepaid expenses *	**12**	17	**3**	5	21
Long-term prepaid expenses for bandwidth capacity**	**8**	8	**3**	3	12
Total impairment recognized	**57**	80	**15**	25	104

* The expense was presented under general operating expenses.

** The expense was presented under depreciation, amortization and impairment expenses.

For information about the method used by Bezeq International to measure the fair value (Level 3) of the assets less costs to sell, see Note 10.6 to the Annual Financial Statements.

6. Contingent Liabilities

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

In the opinion of the managements of the Group companies, based, *inter alia*, on legal opinions as to the likelihood of success of the Legal Claims, the financial statements include adequate provisions of NIS 84 million, where provisions are required to cover the exposure arising from such Legal Claims.

In the opinion of the managements of the Group companies, the additional exposure (beyond those provisions) as of September 30, 2023, for Legal Claims filed against Group companies on various matters, which are unlikely to be realized, amounts to NIS 1.8 billion. There is also additional exposure of NIS 2.6 billion for Legal Claims the chances of which cannot yet be assessed. In addition, motions have been filed against the Group companies, to certify class actions which do not specify the exact amount of the claim and for which the Group has additional exposure beyond the aforesaid. The amounts of the exposure in this Note are nominal.

6.2 Following are details of the Group's contingent liabilities as of September 30, 2023, classified into groups of claims with similar characteristics:

Claims group	Nature of the claims	Balance of provision	Additional exposure	Exposure for claims whose chances cannot yet be assessed
		NIS million		
Customer claims	Mainly motions for certification of class actions (and claims by virtue thereof) on grounds of unlawful collection of payment and faulty service provided by the Group companies.	**84**	**1,705**	**795**
Claims by enterprises and companies	Claims alleging liability of the Group companies in respect of their activities and/or investments.	**-**	**68**	(1) **1,808**
Claims by employees and former employees of the Group's companies	Mainly individual legal claims filed by employees and former employees of the Group concerning various payments.	**-**	**1**	**-**
Miscellaneous	Other lawsuits, including claims in tort (excluding claims whose insurance coverage is not disputed), or claims related to real estate, infrastructure, suppliers, etc.	**-**	**27**	**3**
Total legal claims against the Company and subsidiaries(2)		**84**	**1,801**	**2,606**

(1) Includes two motions to certify class actions for a total of NIS 1.8 billion, filed in June 2017 against the Company, officers of the Group and companies of the group of the Company's controlling shareholder at the time, with respect to the transaction for the Company's acquisition of yes shares from Eurocom DBS Ltd. In accordance with a court decision, a consolidated motion is expected to be filed instead of these two motions. For now, the proceeding has been stayed, in view of the criminal proceeding that is being conducted following the investigation by the Securities Authority (described in Note 1.2) and at the request of the Attorney General, until July 20, 2024.

(2) See also Note 6.6 to the Annual Financial Statements.

On October 17, 2023, a ruling was handed down dismissing the administrative appeal filed by the Company against the decision of the Appeals Committee. The Appeals Committee referred the proceeding to a deciding appraiser track for determination of the betterment tax amount, plus there is also an undertaking by the Israel Land Authority to indemnify the Company in full for the tax amount.

Accordingly, the Company recorded in the financial statements of the present quarter a NIS 45 million liability in respect of the additional estimated payment for the betterment tax, and in parallel recognized an indemnification asset in the same amount.

6.3 After the financial statements date, a class action certification motion was filed against the Company, without a financial assessment. As of the approval date of the financial statements, it is not yet possible to assess the chances of the claim.

7. Equity

7.1 Share capital

	September 30, 2023	September 30, 2022	December 31, 2022
	Number of shares	Number of shares	Number of shares
	(Unaudited)	(Unaudited)	(Audited)
Authorized share capital	**2,849,485,753**	2,849,485,753	2,849,485,753
Issued and paid-up share capital	**2,766,820,448**	2,765,547,168	2,765,566,594

7.2 Dividend distribution

7.2.1 See Note 20.2.1 to the Annual Financial Statements regarding the dividend distribution policy approved by the Company's Board of Directors on March 13, 2023.

7.2.2 On April 20, 2023, the General Meeting of the Company's shareholders approved (pursuant to the recommendation of the Company's Board of Directors from March 13, 2023) the distribution of a cash dividend to the Company's shareholders for a total of NIS 246 million (representing as of the effective date of the distribution NIS 0.0889220 per share). The dividend was paid on May 11, 2023.

7.2.3 On September 14, 2023, the General Meeting of the Company's shareholders approved (pursuant to the recommendation of the Company's Board of Directors from August 8, 2023) the distribution of a cash dividend to the Company's shareholders totaling NIS 392 million(representing as of the effective date of the distribution NIS 0.1416805 per share). The dividend was paid after the financial statements date on October 11, 2023.

8. Revenues

	Nine months ended September 30		Three months ended September 30		**Year ended December 31**
	2023	**2022**	**2023**	**2022**	**2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Domestic fixed-line communications – Bezeq fixed-line					
Internet infrastructure	**1,420**	1,283	**480**	437	1,729
Fixed-line telephony	**492**	583	**144**	183	762
Transmission and data communication	**721**	669	**244**	224	897
Cloud and digital services	**263**	247	**87**	83	331
Other services	**232**	213	**68**	76	261
	3,128	2,995	**1,023**	1,003	3,980
Cellular communications – Pelephone					
Cellular services and terminal equipment	**1,323**	1,322	**443**	457	1,755
Sale of terminal equipment	**432**	454	**133**	142	604
	1,755	1,776	**576**	599	2,359
Multichannel Television – yes	**992**	947	**327**	315	1,277
ISP, International Communications Services, and ICT Solutions – Bezeq International	**856**	879	**288**	297	1,183
Other	**141**	145	**51**	48	187
Total revenues	**6,872**	6,742	**2,265**	2,262	8,986

9. General Operating Expenses

	Nine months ended September 30		Three months ended September 30		**Year ended December 31**
	2023	**2022**	**2023**	**2022**	**2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Terminal equipment and materials	**604**	576	**202**	182	782
Interconnectivity and payments to domestic and international telecommunications operators	**580**	554	**181**	192	743
Content costs (including content impairment)	**401**	418	**123**	138	567
Marketing and general	**325**	390	**93**	131	532
Maintenance of buildings and sites	**198**	184	**71**	69	247
Services and maintenance by subcontractors	**384**	339	**127**	119	454
Vehicle maintenance	**50**	48	**18**	17	64
Total general operating expenses	**2,542**	2,509	**815**	848	3,389

10. Other Operating Expenses, Net

	Nine months ended September 30		Three months ended September 30		**Year ended December 31**
	2023	**2022**	**2023**	**2022**	**2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
One-time provision – amendment to labor agreement	**75**	-	**75**	-	-
Capital loss (gain) (mainly from the sale of real estate)	**1**	(1)	**3**	(4)	(8)
Provision (reversal of provision) for claims	**20**	52	**2**	7	55
Employee termination expenses (income) due to early retirement at the Company	**-**	11	**(4)**	7	78
Employee termination expenses for early retirement and efficiency agreement at Pelephone, Bezeq International and yes	**6**	2	**2**	2	102
Other income	**(9)**	(5)	**(1)**	(2)	(7)
Total other operating expenses, net	**93**	59	**77**	10	220

11. Financial Expenses, Net

	Nine months ended September 30		Three months ended September 30		**Year ended December 31**
	2023	**2022**	**2023**	**2022**	**2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Interest expenses for financial liabilities	**177**	155	**60**	53	211
Financial expenses for lease liabilities	**45**	32	**17**	12	43
Linkage differences	**72**	99	**20**	29	117
Exchange rate differences	**-**	13	**-**	4	8
Costs for early repayment of loans and debentures	**-**	26	**-**	-	26
Other financial expenses	**10**	9	**3**	1	19
Financial expenses for employee benefits	**12**	-	**4**	-	-
Total financial expenses	**316**	334	**104**	99	424
Change in fair value of financial assets measured at fair value through profit or loss	**39**	26	**19**	2	23
Interest income from investments	**52**	14	**19**	7	24
Income from credit in sales	**17**	17	**6**	5	20
Financial income from employee benefits	**-**	41	**-**	11	40
Exchange rate differences	**5**	-	**2**	-	-
Other financial income	**21**	11	**4**	1	16
Total financial income	**134**	109	**50**	26	123
Financial expenses, net	**182**	225	**54**	73	301

12. Financial Instruments

12.1 Composition of investments

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Shekel bank deposits (1)	**774**	1,396	734
Foreign currency bank deposits	**-**	12	10
Investment in money funds	**735**	100	151
Derivative instruments	**32**	20	15
	1,541	1,528	910

(1) Shekel bank deposits are set to mature by April 2024.

12.2 Fair value

A. Financial instruments at fair value for disclosure purposes only

The table below shows the differences between the carrying amount and the fair value of financial liabilities. The methods used to determine the fair values of financial instruments are described in Note 30.8 to the Annual Financial Statements.

	September 30, 2023		September 30, 2022		December 31, 2022	
	Carrying amount (including accrued interest)	Fair value	Carrying amount (including accrued interest)	Fair value	Carrying amount (including accrued interest)	Fair value
	(Unaudited)		(Unaudited)		(Audited)	
	NIS million		NIS million		NIS million	
Loans from banks and financial institutions (unlinked)	**1,473**	**1,390**	1,557	1,495	1,530	1,462
Debentures issued to the public (CPI-linked)	**2,738**	**2,652**	3,051	3,050	2,402	2,373
Debentures issued to the public (unlinked)	**2,859**	**2,715**	2,866	2,751	2,657	2,541
Total	**7,070**	**6,757**	7,474	7,296	6,589	6,376

B. Fair value hierarchy

The table below presents an analysis of the financial instruments measured at fair value, specifying the assessment method. The methods used to determine the fair value are described in Note 30.7 to the Annual Financial Statements.

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Level 1 – Investment in money funds at fair value through profit or loss	**735**	100	151
Level 2 – Forward contracts	**67**	32	42

13. Segment Reporting

	Nine months ended September 30, 2023 (Unaudited)						
	Domestic fixed-line communi-cations	**Cellular communi-cations**	**Bezeq International services**	**Multichannel television***	**Other**	**Adjustments**	**Consolidated**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Revenues from external sources	**3,128**	**1,755**	**856**	**992**	**141**	**-**	**6,872**
Inter-segment revenues	**197**	**31**	**52**	**1**	**2**	**(283)**	**-**
Total revenues	**3,325**	**1,786**	**908**	**993**	**143**	**(283)**	**6,872**
Depreciation, amortization and impairment	**759**	**411**	**92**	**181**	**3**	**(50)**	**1,396**
Segment results – operating profit (loss)	**1,131**	**159**	**50**	**2**	**(2)**	**59**	**1,399**
Financial expenses	**301**	**25**	**15**	**6**	**-**	**(31)**	**316**
Financial income	**(95)**	**(41)**	**(8)**	**(21)**	**-**	**31**	**(134)**
Total financial expenses (income), net	**206**	**(16)**	**7**	**(15)**	**-**	**-**	**182**
Segment profit (loss) after financial expenses, net	**925**	**175**	**43**	**17**	**(2)**	**59**	**1,217**
Income tax	**223**	**42**	**-**	**1**	**-**	**-**	**266**
Segment results – net profit (loss)	**702**	**133**	**43**	**16**	**(2)**	**59**	**951**

	Nine months ended September 30, 2022 (Unaudited)						
	Domestic fixed-line communi-cations	**Cellular communi-cations**	**Bezeq International services**	**Multichannel television***	**Other**	**Adjustments**	**Consolidated**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Revenues from external sources	2,995	1,776	879	947	145	-	6,742
Inter-segment revenues	254	31	41	-	3	(329)	-
Total revenues	3,249	1,807	920	947	148	(329)	6,742
Depreciation, amortization and impairment	739	397	99	203	2	(66)	1,374
Segment results – operating profit (loss)	1,167	176	30	(36)	8	44	1,389
Financial expenses	331	27	7	6	1	(38)	334
Financial income	(82)	(50)	(3)	(12)	-	38	(109)
Total financial expenses (income), net	249	(23)	4	(6)	1	-	225
Segment profit (loss) after financial expenses, net	918	199	26	(30)	7	44	1,164
Income tax	222	47	-	2	2	-	273
Segment results – net profit (loss)	696	152	26	(32)	5	44	891

* Results of the Multichannel Television segment are presented net of the total effect of impairment recognized as from the year 2018. This is in accordance with the way the Group's chief operating decision maker assesses the segment's performance and decides on resource allocations for the segment. In addition, see Note 14.3 for condensed selected information from yes's financial statements.

	Three months ended September 30, 2023 (Unaudited)						
	Domestic fixed-line communi-cations	Cellular communi-cations	Bezeq International services	Multichannel television*	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	**1,022**	**576**	**288**	**328**	**51**	**-**	**2,265**
Inter-segment revenues	**62**	**9**	**15**	**-**	**1**	**(87)**	**-**
Total revenues	**1,084**	**585**	**303**	**328**	**52**	**(87)**	**2,265**
Depreciation, amortization and impairment	**258**	**143**	**29**	**62**	**1**	**(23)**	**470**
Segment results – operating profit (loss)	**310**	**59**	**20**	**(6)**	**2**	**40**	**425**
Financial expenses	**96**	**8**	**6**	**1**	**-**	**(7)**	**104**
Financial income	**(37)**	**(12)**	**(3)**	**(7)**	**-**	**9**	**(50)**
Total financial expenses (income), net	**59**	**(4)**	**3**	**(6)**	**-**	**2**	**54**
Segment profit after financial expenses, net	**251**	**63**	**17**	**-**	**2**	**38**	**371**
Income tax	**59**	**15**	**-**	**1**	**(1)**	**-**	**74**
Segment results – net profit (loss)	**192**	**48**	**17**	**(1)**	**3**	**38**	**297**

	Three months ended September 30, 2022 (Unaudited)						
	Domestic fixed-line communi-cations	Cellular communi-cations	Bezeq International services	Multichannel television*	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	1,003	599	297	315	48	-	2,262
Inter-segment revenues	83	9	14	-	-	(106)	-
Total revenues	1,086	608	311	315	48	(106)	2,262
Depreciation, amortization and impairment	252	139	32	69	-	(24)	468
Segment results – operating profit (loss)	388	60	17	(22)	1	22	466
Financial expenses	100	11	2	1	1	(16)	99
Financial income	(21)	(18)	(1)	(2)	-	16	(26)
Total financial expenses (income), net	79	(7)	1	(1)	1	-	73
Segment profit (loss) after financial expenses, net	309	67	16	(21)	-	22	393
Income tax	74	17	-	1	(1)	-	91
Segment results – net profit (loss)	235	50	16	(22)	1	22	302

* Results of the Multichannel Television segment are presented net of the total effect of impairment recognized as from the fourth quarter of 2018. This is in accordance with the way the Group's chief operating decision maker assesses the segment's performance and decides on resource allocations for the segment. In addition, see Note 14.3 for condensed selected information from yes's financial statements.

	Year ended December 31, 2022 (Audited)						
	Domestic fixed-line communi-cations	Cellular communi-cations	Bezeq International services	Multichannel television*	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	3,980	2,359	1,183	1,277	187	-	8,986
Inter-segment revenues	326	40	56	-	6	(428)	-
Total revenues	4,306	2,399	1,239	1,277	193	(428)	8,986
Depreciation, amortization and impairment	1,005	532	134	274	4	(81)	1,868
Segment results – operating profit (loss)	1,460	193	(30)	(48)	6	56	1,637
Financial expenses	424	42	9	8	-	(59)	424
Financial income	(92)	(68)	(8)	(14)	-	59	(123)
Total financial expenses (income), net	332	(26)	1	(6)	-	-	301
Segment profit (loss) before income tax	1,128	219	(31)	(42)	6	56	1,336
Income tax expenses (income)	279	54	1	1	1	-	336
Segment results – net profit (loss)	849	165	(32)	(43)	5	56	1,000

* Results of the Multichannel Television segment are presented net of the total effect of impairment recognized as from the fourth quarter of 2018. This is in accordance with the manner in which the Group's chief operating decision maker assesses the segment's performance and decides on resource allocations for the segment. In addition, see Note 14.3 for condensed selected information from yes's financial statements.

14. Condensed Financial Statements of Pelephone, Bezeq International and yes

14.1 Pelephone Communications Ltd.

Selected data from the statement of financial position:

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

Selected data from the statement of income:

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

14.2 Bezeq International Ltd.

Selected data from the statement of financial position:

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

Selected data from the statement of income:

	Nine months ended September 30		Three months ended September 30		**Year ended December 31**
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues	**908**	920	**303**	311	1,239
Operating expenses					
General operating expenses and impairment	**596**	613	**199**	200	827
Salaries	**164**	175	**55**	60	237
Depreciation, amortization and impairment	**92**	99	**29**	32	134
Other expenses, net	**6**	3	**-**	2	71
Total operating expenses	**858**	890	**283**	294	1,269
Operating profit (loss)	**50**	30	**20**	17	(30)
Financial expenses (income)					
Financial expenses	**15**	7	**6**	2	9
Financial income	**(8)**	(3)	**(3)**	(1)	(8)
Financial expenses, net	**7**	4	**3**	1	1
Profit (loss) before income tax	**43**	26	**17**	16	(31)
Income tax expenses	**-**	-	**-**	-	1
Profit (loss) for the period	**43**	26	**17**	16	(32)

14.3 yes Television and Communications Services Ltd. ("yes")

Selected data from the statement of financial position:

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

Selected data from the statement of income:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues	**993**	947	**328**	315	1,277
Operating expenses					
General operating expenses and impairment	**651**	645	**205**	216	867
Depreciation, amortization and impairment	**137**	142	**41**	46	199
Salaries	**146**	150	**48**	53	200
Other operating expenses (income), net	**(2)**	2	**(1)**	-	3
Total operating expenses	**932**	939	**293**	315	1,269
Operating profit	**61**	8	**35**	-	8
Financial expenses (income)					
Financial expenses	**6**	6	**1**	1	8
Financial income	**(21)**	(12)	**(7)**	(2)	(14)
Financial income, net	**(15)**	(6)	**(6)**	(1)	(6)
Profit before income tax	**76**	14	**41**	1	14
Income tax expenses	**1**	2	**1**	1	1
Profit for the period	**75**	12	**40**	-	13

15. Significant Events in the Reported Period and after the Financial Statements Date

15.1 See Note 7.2 regarding dividend distributions during and after the reported period.

15.2 In March 2023, the Company raised financing by way of opening Debenture Series 13 and 14, in the amount of NIS 415 million.

15.3 On May 9, 2023, the Company issued a new shelf prospectus following receipt of a permit.

15.4 Pursuant to the hosting services agreement Bezeq International signed with Serverfarm in October 2021, Bezeq International received during the second quarter its part in the Bnei Zion server farm, in respect of which a right-of-use asset and a lease liability were recorded in the amount of NIS 197 million. For further details, see also Note 8.5 to the Annual Report.

15.5 On August 6, 2023 and August 8, 2023, the Audit Committee of the Company's Board of Directors and the Company's Board of Directors (respectively) approved an amendment to the collective agreement between the Company and the workers' organization and the Histadrut (General Federation of Labor), stating, inter alia, that a special grant of NIS 75 million is to be paid to the Company's employees for past services, Most of the grant will be conditional on dates and conditions set in the agreement, subject to a change in the holding percentage of the Company's current control permit holders (or the expiry/revocation/transfer of the control permit) (the "Conditions"). The amendment to the agreement was approved by the General Meeting of the Company's shareholders on September 14, 2023. Due to the signing of the amendment to the agreement and its approval, the Company recorded a onetime provision of NIS 75 million for the entire amount of the special grant.

Condensed Separate Interim Financial Information as of September 30, 2023

The information contained in these financial statements constitutes a translation of the financial statements published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.

Contents	Page

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 of Bezeq - The Israel Telecommunication Corporation Ltd. (hereinafter - "the Company") as of September 30, 2023 and for the nine and three-month periods then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements (Israel) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of separate interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Explanatory Paragraph

Without qualifying our abovementioned conclusion, we draw attention to Note 6 of the financial information, which refers to Note 1.3 to the annual consolidated financial statements, regarding the Israel Securities Authority's (ISA) and the Israel Police investigation of the suspicion of committing offenses under the Securities Law and Penal Code, with respect inter alia to transactions related to the former controlling shareholder, and notifying the Tel Aviv District Attorney's Office (Taxation and Economy) regarding the consideration of the company's prosecution and holding a hearing on suspicion of bribery and reporting in order to mislead a reasonable investor, and as mentioned in that note, regarding the filing of an indictment against the former controlling shareholder for various offenses, including bribery and misleading information in an immediate report and regarding the filing of an indictment against the former controlling shareholder in the company and

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former senior executives in the Bezeq Group, which accuses the defendants of receiving anything fraudulently in aggravated circumstances, and reporting offenses under the Securities Law. In addition, subsequent to the investigation opening, a number of civil legal proceedings were initiated against the company, former officers of the company as well as companies from the group that previously controlled the company, including requests 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 their results on the Company, and on the financial statements and on the estimates used in the preparation of these financial statements, if any.

In addition, without qualifying our abovementioned conclusion, we draw attention to lawsuits filed against the Company which in this stage cannot be assessed or the exposure in respect thereof cannot yet be calculated, as set forth in Note 6.

Somekh Chaikin

Certified Public Accountants (Isr.)

November 13, 2023

Condensed Separate Interim Information on Financial Position

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Cash and cash equivalents	**643**	551	286
Investments	**1,529**	1,521	905
Trade receivables	**768**	731	684
Other receivables	**119**	181	211
Total current assets	**3,059**	2,984	2,086
Trade and other receivables	**245**	239	253
Fixed assets	**5,809**	5,602	5,629
Intangible assets	**248**	244	243
Goodwill	**265**	265	265
Investment in investees	**2,010**	3,197	2,803
Right-of-use assets	**642**	653	645
Non-current and other investments	**182**	163	164
Total non-current assets	**9,401**	10,363	10,002
Total assets	**12,460**	**13,347**	**12,088**

Condensed Separate Interim Information on Financial Position (cont.)

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Liabilities			
Debentures, loans and borrowings	**1,089**	962	920
Trade and other payables	**928**	735	709
Dividend payable	**392**	294	-
Employee benefits	**211**	210	277
Current maturities of lease liabilities	**108**	114	115
Provisions (Note 5)	**53**	128	127
Total current liabilities	**2,781**	2,443	2,148
Loans and debentures	**6,615**	7,074	6,352
Loans from subsidiaries	**205**	1,490	1,140
Employee benefits	**234**	163	161
Lease liabilities	**578**	576	570
Derivatives and other liabilities	**80**	89	77
Deferred tax liabilities	**26**	-	17
Total non-current liabilities	**7,738**	9,392	8,317
Total liabilities	**10,519**	11,835	10,465
Equity			
Share capital	**3,879**	3,878	3,878
Share premium	**386**	384	384
Reserves	**398**	397	396
Equity deficit	**(2,722)**	(3,147)	(3,035)
Total equity attributable to the Company's shareholders	**1,941**	1,512	1,623

Total liabilities and equity	**12,460**	**13,347**	**12,088**

Gil Sharon	**Ran Guron**	**Tobi Fischbein**
Chairman of the Board of Directors	Chief Executive Officer	CFO Bezeq Group

Date of approval of the financial statements: November 13, 2023

The accompanying notes are an integral part of the separate financial information

Condensed Separate Interim Information on Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues (Note 2)	**3,325**	3,249	**1,084**	**1,086**	4,306
Operating expenses					
Salaries	**766**	733	**250**	242	970
Depreciation and amortization	**759**	739	**258**	252	1,005
General operating expenses (Note 3)	**581**	556	**189**	199	759
Other operating expenses, net (Note 4)	**88**	54	**77**	5	112
Total operating expenses	**2,194**	2,082	**774**	698	2,846
Operating profit	**1,131**	1,167	**310**	388	1,460
Financial expenses (income)					
Financial expenses	**301**	331	**96**	100	424
Financial income	**(95)**	(82)	**(37)**	(21)	(92)
Financial expenses, net	**206**	249	**59**	79	332
Profit after financial expenses, net	**925**	918	**251**	309	1,128
Share in profits of investees, net	**249**	195	**105**	67	151
Profit before income tax	**1,174**	1,113	**356**	376	1,279
Income tax	**223**	222	**59**	74	279
Profit for the period attributable to the Company's shareholders	**951**	891	**297**	302	1,000

Condensed Separate Interim Information on Comprehensive Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit for the period	**951**	891	**297**	302	1,000
Items of other comprehensive income (loss), net of tax	**(4)**	52	**-**	16	50
Total comprehensive income for the period attributable to the Company's shareholders	**947**	943	**297**	318	1,050

The accompanying notes are an integral part of the separate financial information

Condensed Separate Interim Information on Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from operating activities					
Profit for the period	**951**	891	**297**	302	1,000
Adjustments:					
Depreciation and amortization	**759**	739	**258**	252	1,005
Share in profits of investees, net	**(249)**	(195)	**(105)**	(67)	(151)
Financial expenses, net	**192**	258	**56**	81	334
Capital loss (gain), net	**2**	(3)	**2**	(4)	(11)
Share-based payment	**3**	2	**1**	(2)	3
Income tax expenses	**223**	222	**59**	74	279
Change in trade and other receivables	**(115)**	1	**(60)**	(8)	1
Change in trade and other payables	**111**	(19)	**83**	(31)	29
Change in provisions	**1**	24	**-**	(2)	24
Change in employee benefits	**8**	(204)	**57**	(112)	(135)
Miscellaneous	**2**	9	**2**	4	24
Net cash provided by operating activities due to transactions with subsidiaries	**45**	31	**9**	12	53
Income tax paid, net	**(137)**	(154)	**(73)**	(72)	(225)
Net cash provided by operating activities	**1,796**	1,602	**586**	427	2,230
Cash flows from investing activities					
Investment in intangible assets and other investments	**(137)**	(116)	**(40)**	(35)	(157)
Proceeds from the sale of fixed assets	**30**	27	**-**	8	36
Investment in bank deposits and other financial investments	**(1,211)**	(1,651)	**(101)**	(472)	(1,835)
Proceeds from repayment of bank deposits and other financial investments	**609**	1,098	**100**	326	1,895
Purchase of fixed assets	**(695)**	(742)	**(199)**	(259)	(978)
Dividend received	**115**	-	**-**	-	-
Interest received from bank deposits	**32**	10	**9**	3	19
Miscellaneous	**1**	2	**1**	1	3
Net cash provided by investing activities with subsidiaries	**-**	10	**-**	10	10
Net cash used in investing activities	**(1,256)**	(1,362)	**(230)**	(418)	(1,007)

Condensed Separate Interim Information on Cash Flows (cont.)

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from financing activities					
Issue of debentures and receipt of loans	**415**	300	**-**	-	400
Repayment of debentures and loans	**(64)**	(434)	**(6)**	(6)	(1,320)
Costs for early repayment of loans and debentures	**-**	(26)	**-**	-	(26)
Interest paid	**(134)**	(122)	**(18)**	(10)	(230)
Dividend paid	**(246)**	(240)	**-**	-	(534)
Payment of principal and interest for a lease	**(112)**	(103)	**(37)**	(34)	(138)
Payment for expired hedging transactions	**-**	-	**-**	-	(18)
Net cash provided by (used in) financing activities due to transactions with subsidiaries	**(42)**	234	**(4)**	60	227
Net cash provided by (used in) financing activities	**(183)**	(391)	**(65)**	10	(1,639)
Net increase (decrease) in cash and cash equivalents	**357**	(151)	**291**	19	(416)
Cash and cash equivalents at the beginning of the period	**286**	702	**352**	532	702
Cash and cash equivalents at the end of the period	**643**	551	**643**	551	286

The accompanying notes are an integral part of the separate financial information.

Notes to the Condensed Separate Interim Financial Information

1. Manner of Preparing Financial Information

1.1 Definitions

The "Company" – Bezeq- The Israel Telecommunication Corporation Ltd.

"Associate," the "Group," "Investee" – as these terms are defined in the Company's Consolidated Financial Statements for 2022.

1.2 Principles used for preparing financial information

The condensed separate interim financial information is presented in accordance with Regulation 38D (the "Regulation") of the Securities Regulations (Periodic and Immediate Reports),1970 and the Tenth Schedule to those regulations (the "Tenth Schedule"), concerning a corporation's condensed separate interim financial information. This should be read together with the separate financial information as of and for the year ended December 31, 2022 and together with the condensed consolidated interim financial statements as of September 30, 2023 (the "Consolidated Statements").

The accounting policy applied in this condensed separate interim financial information is consistent with the policy set out in the separate financial information as of and for the year ended December 31, 2022.

2. Revenues

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	**2022**	**2023**	**2022**	**2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Internet infrastructure	**1,453**	1,329	**489**	452	1,789
Transmission and data communications	**865**	856	**290**	283	1,132
Fixed-line telephony	**506**	597	**148**	188	780
Cloud and digital services	**263**	247	**87**	83	331
Other services	**238**	220	**70**	80	274
Total revenues	**3,325**	3,249	**1,084**	1,086	4,306

3. General Operating Expenses

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Maintenance of buildings and sites	**86**	85	**31**	31	113
Marketing and general	**121**	133	**33**	45	189
Interconnectivity and payments to telecom operators	**65**	77	**19**	25	100
Services and maintenance by subcontractors	**178**	146	**59**	57	203
Vehicle maintenance	**31**	27	**12**	10	37
Terminal equipment and materials	**100**	88	**35**	31	117
Total general operating expenses	**581**	556	**189**	199	759

4. Other Operating Expenses, Net

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
One-time provision – amendment to labor agreement	**75**	-	**75**	-	-
Capital loss (gain) from the sale of fixed assets	**2**	(3)	**2**	(4)	(11)
Employee termination expenses (income) due to early retirement	**-**	11	**(4)**	7	78
Other expenses (mainly reversal of provision for claims)	**11**	46	**4**	2	45
Total other operating expenses, net	**88**	54	**77**	5	112

5. Contingent Liabilities

5.1 During the normal course of business, legal claims were filed against the Company or there are various legal proceedings pending against it (in this section – “Legal Claims”).

In the opinion of the Company's management, based, *inter alia*, on legal opinions as to the likelihood of success of the Legal Claims, the financial statements include adequate provisions in the amount of NIS 53 million, where provisions are required to cover the exposure arising from such Legal Claims.

Furthermore, motions to certify class actions have been filed against the Company, which do not specify the exact amount of the claim and for which the Group has additional exposure beyond the aforesaid.

Breakdown of the Company’s contingent liabilities as of September 30, 2023:

Balance of provision	Additional exposure*	Exposure for claims whose chances cannot yet be assessed*
NIS million		
53	**683**	(1)**2,467**

* Nominal

(1) Includes two motions to certify class actions for a total of NIS 1.8 billion, filed in June 2017 against the Company, officers of the Group and companies of the group of the Company's controlling shareholder at the time, with respect to the transaction for the Company's acquisition of yes shares from Eurocom DBS Ltd. In accordance with a court decision, a consolidated motion is expected to be filed instead of these two motions. For now, the proceeding has been stayed, in view of the criminal proceeding that is being conducted following the investigation by the Securities Authority, as described in Note 1.2 of the Consolidated Statements, and at the request of the Attorney General, until July 20, 2024.

5.2 See Note 6.6 to the Annual Consolidated Statements regarding long-term other receivables and authorities in an amount of NIS 106 million for permit fees and betterment tax paid by the Company to the Israel Land Authority and the Or Yehuda local authority for the sale of the Sakia property in 2019.

On October 17, 2023, a ruling was handed down dismissing the administrative appeal filed by the Company against the decision of the Appeals Committee. The Appeals Committee referred the proceeding to a deciding appraiser track for determination of the betterment tax amount, plus there is also an undertaking by the Israel Land Authority to indemnify the Company in full for the tax amount.

Accordingly, the Company recorded in the financial statements of the present quarter a NIS 45 million liability in respect of the additional estimated payment for the betterment tax, and in parallel recognized an indemnification asset in the same amount.

5.3 For further information concerning contingent liabilities, see Note 6 to the Consolidated Statements.

5.4 After the financial statements date, a class action certification motion was filed against the Company, without a financial assessment. As of the approval date of the financial statements, it is not yet possible to assess the chances of the claim.

6. Significant Events in and Subsequent to the Reporting Period

6.1 Regarding the investigation by the Israel Securities Authority and the Israel Police, see Note 1.2 to the Consolidated Statements.

6.2 On November 13, 2023, the Company's Board of Directors approved to provide yes with a credit facility or capital investment of NIS 40 million for 15 months, as of October 1, 2023. This approval is in lieu of the approval given in August 2023 (and not in addition to it).

6.3 Regarding an impairment loss in respect of Bezeq International and yes, see Note 5 to the Consolidated Statements.

6.4 In March 2023, Pelephone paid a cash dividend to the Company totaling NIS 115 million as well as a dividend of NIS 235 million against early repayment of loans given to the Company.

6.5 In June and in August, Pelephone paid a NIS 350 million dividend to the Company each time against early repayment of loans given to the Company.

6.6 On November 8, 2023, Pelephone's Board of Directors approved payment of a NIS 247 million dividend to the Company, of which NIS 132 million in cash and NIS 115 million against early repayment of loans given to the Company.

6.7 See Note 7.2 to the Consolidated Statements regarding dividend distributions by the Company during the reported period.

6.8 For information regarding amendment of the collective agreement, see Note 15.5 to the Consolidated Statements.

6.9 For information about additional significant events during and after the reported period, see Note 15 to the Consolidated Statements.

Chapter E:
Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure for the Period Ended September 30, 2023

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

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

Management, under the supervision of the Board of Directors of Bezeq - The Israel Telecommunication Corporation Ltd. (the "Company"), is responsible for establishing and maintaining appropriate internal control over financial reporting and disclosure in the Company.

For this matter, the members of Management are:

1. Ran Guron, CEO
2. Eyal Kamil, VP Operations and Logistics
3. Amir Nachlieli, Legal Counsel
4. Erez Hasdai, VP Economics and Regulation
5. Guy Hadass, VP Corporate Communications, Responsibility and Governance Relations
6. Tobi Fischbein, CFO Bezeq Group
7. Tali Poleg, VP Marketing
8. Moran Kita, VP Human Resources
9. Meni Baruch, VP Technologies and Network
10. Nurit Kantor, VP Private Customers Division
11. Nir David, VP Business Customers Division

In addition to the said members of Management, the following serve in the Company:

1. Lior Segal, Internal Auditor
2. Michal Kuperstein, Group Corporate Secretary and Internal Compliance Officer

Internal control over financial reporting and disclosure includes controls and procedures in the Company, which were planned by the CEO[1] and the most senior financial officer, or under their supervision, or by whoever fulfills those functions in practice, under the supervision of the Board of Directors of the Company, and were designed to provide reasonable assurance as to the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Company is required to disclose in the reports it publishes in accordance with the provisions of the law is collected, processed, summarized and reported on the date and in the format laid down in law.

Internal control includes, *inter alia*, controls and procedures planned to ensure that the information the Company is required to disclose as aforesaid, is accumulated and forwarded to the Management of the Company, including to the CEO and the most senior financial officer or to whoever fulfills those functions in practice, in order to enable decisions to be made at the appropriate time in relation to the disclosure requirements.

Due to its structural limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that misstatement or omission of information from the reports will be prevented or will be detected.

In the quarterly report on the effectiveness of internal control over financial reporting and disclosure, that was attached to the quarterly report for the period ended June 30, 2023 (the "Last Quarterly Report on Internal Control"), the internal control was found to be effective.

[1] Regarding the transfer of the CEO's authority in matters connected with investees of the Company to the Board of Directors – see Section 1.1.3 of the chapter "Description of Company Operations" in the Periodic Report for 2022.

Up to the reporting date, no event or matter was brought to the attention of the Board of Directors and Management that could change the evaluation of the effectiveness of internal control, as found by the Last Quarterly Report on Internal Control.

As at the reporting date, based on that stated in the Last Quarterly Report on Internal Control, and based on information that was brought to the attention of the Board of Directors and Management as aforesaid, internal control is effective.

Concerning the investigations of the Israel Securities Authority and the Israel Police, as detailed in section 1.1.5 of the Description of Company Operations chapter in the Company's periodic report for 2022, the Company does not have complete information about the investigations, their content, or the material and evidence in the possession of the law enforcement authorities on this matter (although in January 2021 the Company received the core investigation material in connection with Case 4000, further to a summons it received to a hearing in this matter, as detailed in Section 1.1.5.2 of the chapter "Description of Company Operations"). Accordingly, the Company is unable to assess the effects, if any, of the investigations, their findings and their outcome on the Company, on its financial statements and on the estimates used in the preparation of the financial statements.

2. Declaration of Executives:

A. Declaration of the CEO in accordance with Regulation 38C(d)(1) of the Securities Regulations (Periodic and Immediate Reports), 1970:

I, Ran Guron, declare that:

1. I have reviewed the quarterly report of Bezeq- The Israel Telecommunication Corporation Ltd. (the "Company") for the third quarter of 2023 (the "Reports").
2. To the best of my knowledge, the Reports do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period of the Reports.
3. To the best of my knowledge, the financial statements and other financial information in the Reports reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of the dates and for the periods presented in the Reports.
4. I have disclosed the following to the Independent Auditor of the Company, to the Company's Board of Directors, and to the Audit and the Financial Statements Review Committees of the Board of Directors of the Company, based on my most recent evaluation of internal control over financial reporting and disclosure:
   A. All the significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure which are reasonably likely to adversely affect the Company's ability to collect, process, summarize or report financial information, in a way that could cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law;

   B. Any fraud, whether or not material, that involves the CEO or anyone directly subordinate to the CEO, or which involves other employees who have a significant role in the Company's internal control over financial reporting and disclosure
5. I, alone or together with others in the Company:
   A. Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to ensure that material information relating to the Company, including its subsidiaries as defined in the Israel Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Company and in the subsidiaries, particularly during the period of preparation of the Reports;

   B. Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to provide reasonable assurance regarding 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. No event or matter that occurred in the period between the date of the last report (quarterly or periodic, as applicable) and this reporting date was brought to my attention that would change the conclusion of the Board of Directors and Management concerning the effectiveness of internal control over the Company's financial reporting and disclosure.

Nothing in the foregoing shall derogate from my responsibility or that of anyone else in law.

Date: November 13, 2023

Ran Guron, CEO

B. **Declaration of the most senior financial officer in accordance with Regulation 38C(d)(2) of the Israel Securities Regulations (Periodic and Immediate Reports), 1970:**

I, Tobi Fischbein, declare that:

1. I have reviewed the interim financial statements and other financial information included in the reports for the interim period of Bezeq - The Israel Telecommunication Corporation Ltd, (the "Company") for the third quarter of 2023 (the "Reports" or the "Reports for the Interim Period").
2. To the best of my knowledge, the interim financial statements and other financial information included in the Reports for the Interim Period do not include any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period of the Reports.
3. To the best of my knowledge, the financial statements and other financial information included in the Reports for the Interim Period reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of the dates and for the periods presented in the Reports:
4. I have disclosed the following to the Independent Auditor of the Company, to the Company's Board of Directors, and to the Audit and the Financial Statements Review Committees of the Board of Directors of the Company, based on my most recent evaluation of internal control over financial reporting and disclosure:

    A. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure, insofar as it relates to the interim financial statements and other financial information included in the Reports for the Interim Period, which are reasonably likely to adversely affect the Company's ability to collect, process, summarize or report financial information, in a way that could cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law;

    B. Any fraud, whether or not material, that involves the CEO, or anyone directly subordinate to the CEO, or which involves other employees who have a significant role in the Company's internal control over financial reporting and disclosure.

5. I, alone or together with others in the Company:

    A. Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to ensure that material information relating to the Company, including its subsidiaries as defined in the Israel Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Company and in the subsidiaries, particularly during the period of preparation of the Reports;

    B. Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to provide reasonable assurance regarding 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. No event or matter that occurred in the period between the date of the last report (quarterly or periodic, as applicable) and this reporting date was brought to my attention, in respect of the interim financial statements and any other financial information included in the Reports for the Interim Period, that would, in my opinion, change the conclusion of the Board of Directors and Management concerning the effectiveness of internal control over the Company's financial reporting and disclosure.

Nothing in the foregoing shall derogate from my responsibility or that of anyone else in law.

Date: November 13, 2023

Tobi Fischbein, CFO Bezeq Group