Convenience translation into English of Cellcom Israel Ltd.'s Quarterly Report for the period ending June 30, 2022 filed with the Israeli Securities Authority, on August 10, 2022

Cellcom

Cellcom Israel Ltd.

QUARTERLY REPORT FOR THE PERIOD ENDING JUNE 30, 2022

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Chapter A

Changes and updates that occurred in the Company's business during the reporting period and thereafter in matters that are required to be described in the Periodic Report - Update to Cellcom Israel Ltd.'s Periodic report for the year 2021 (Reference No.: 2022-01-028480) ("The Company" and "Periodic Report", respectively), as reported in the Company's periodic report for the period ending March 31, 2022 (Reference No: 2022-01-060448) ("First Quarter Report")

1. Regulation 21A Chapter D – Additional Details on the Corporation - The controlling shareholders

   On June 29, 2022, Discount Investment Corporation Ltd. ("DIC"), the indirect controlling shareholder of the Company, reported that DIC's Board of Directors decided (*inter alia*) to instruct DIC's management to examine the sale of DIC's holdings in the Company, in whole or in part, in one transaction or several transactions. As of the date of this report, DIC holds approx. 45.69% of the Company's issued share capital and approx. 47.77% of its voting rights.

   DIC also updated that as of the report's date, DIC received initial inquiries regarding the selling of its said holdings, none of which constitutes a concrete offer to execute a transaction (or transactions), and they will be examined by DIC as part of the examination of realization of its holdings as stated above. DIC also clarified that there is no certainty that any of such inquiries will advance to negotiations or execution on a definitive agreement (or definitive agreements), to their completion, or as to the time and terms of such sale. Such sale shall be subject to the receipt of the required approvals by law.

2. Section 11.4(b) – Competition in the fixed-line telecommunications market – Multi-channel television services

Further to the description in this section, regarding the Director General of Competition's approval, in June 2022, the Second Authority for Television and Radio's Council also approved the application of Keshet Broadcasting Ltd. for the establishment of additional activity of multi-channel broadcasting platform over the internet (OTT), in collaboration with RGE Group Ltd. (two of the Company's primary content providers for its television services) under certain restrictions, for a limited period until September 2025, which at the end of such period there will be a re-examination of the application, the market condition and the Israeli public's interests of or until legislation on this matter, whichever comes first.

3. Section 12.3(e) - Real Estate - Switches and Cell Sites

In June 2022, in response to press publications, the Company reported that in recent months, several bodies approached it with offers to transfer the Company's physical (passive) infrastructure (while continuing to use it). Accordingly, the Company has informed that a preliminary and non-binding proposal (the "Proposal") has been received, which the examination of it is also in the preliminary examination stages, and insofar as any of such inquiries (including the Proposal) will be consolidated into a coherent and actual proposal, the Company will advance with its examination, taking into consideration all relevant considerations, subject to receipt of all the required approvals, and with dialogue with the employees. It is clarified that a comprehensive and orderly examination procedure regarding the Proposal has not yet been completed, accordingly, it is noted that there is no certainty in the opening of negotiations regarding the Proposal.

4. Section 13.5 - Rights of use in frequencies in the area of mobile communications and Section 23.1 - Network sharing agreement with Marathon

   Further to the description in these sections, on June 2022, the Israeli Ministry of Communications amended Wecom Mobile Ltd.'s cellular license (formerly Marathon Mobile Ltd.) and allocated it the frequencies that were assigned to it in the frequency tender held in 2020 which it won together with the Company, which until that date were partially and temporarily assigned in favor of the Company for the benefit of the joint network.

5. Section 18 – Financing

   For details about the private issuance of debentures by way of expanding a current series of the Company's debentures (series L), see note 9(b) to the Company's consolidated financial statements as of June 30, 2022, included in Chapter C of this Quarterly Report ("Interim Financial Statements").

   In addition, on August 10, 2022, the Company reported that it is examining the possibility of issuing and listing for trading on the Tel Aviv Stock Exchange Ltd., of the Company's debenture (series M) by way of issuing a new series, in an offer that will be made to the public, if at all. For more details, see the Company's immediate report dated August 10, 2022, published shortly after this report.

6. Section 18.6 – Credit rating

   Further to the description in this section, on 7 August 2022, S&P Maalot ("Maalot") reaffirmed the Company's rating 'ilA' and the company's debenture series rating and also updated the Company's forecast rating from Stable to Positive.

For details about Maalot's announcement as mentioned above, see the Company's immediate report dated August 7, 2022 (Reference No.: 2022-01-099730) included in this report by way of reference.

7. Section 21.1(1) - Communications Law

Further to the description in this section, on July 4, 2022, Amendment No. 76 to the Communications Law (Telecommunications and Broadcasting) Law, 5742-1982, was published. A central element of the law amendment is the regulation of most of the telecommunications services through the Communications Regulations (Telecommunications and Broadcasting) (a general permit for the provision of Telecommunications services) ("the Permit Regulations") instead of regulating them through licenses, excluding services with special importance such as the cellular service provided by the Company which will be provided subject to a License. The proposed Permit Regulations expected to enter into force on the date of commencement of the law amendment in October 2022.

The Permit Regulations will apply mutatis mutandis to license holders unless resolved otherwise. The process of adjusting the licenses to the Permit Regulations is expected to be completed in the first quarter of 2023, however, to the best of the Company's knowledge, the Israeli Ministry of Communications is examining the possibility to instruct that The Permit regulations will apply to license holders in the relevant subjects as soon as the Permit Regulations enter into force.

8. Section 21.2 – Rate supervision

Further to the description in this section, regarding a hearing about a change in the maximum interconnection fees for calls terminating on the networks of a cellular operator and landline operator, as well as regarding to a change in international calls, in June 2022, the Israeli Minister of Communications (the "Minister") resolved to amend the Communications Regulations (Telecommunications and Broadcasting) (Payments for interconnection), 1982, in accordance with the outline proposed in the hearing.

9. Section 21.3 – The Group's communication licenses

Further to the description in this section and in section 4 of chapter A of the Company's first quarter report, regarding the minister's resolution regarding the migration of subscribers to the "Kosher Line" services, in July 2020, an interim order was issued in a petition submitted to the Supreme Court suspending at this stage the resolution of the Ministry of Communications. As of this date, to the best of the Company's knowledge, the hearing date of the petition should be scheduled for the beginning of next year.

10. Section 21.5(1)b - Provisions in the area of fixed-line communications - Fiber-optic network

Further to the description in this section, regarding a hearing about a reduction of the price of fiber deployment in Bezeq's infrastructures in the Incentive Areas, in July 2022, the Israeli Minister of Communications (the "Minister") resolved to amend the Communications Regulations (Telecommunications and Broadcasting) (Use of the Public Telecommunications Network of a Domestic Operator), 5782-2022, and set a reduced rate for the use of the existing Bezeq's infrastructure in the

Incentive Areas and in a passage area to the Incentive Areas (an area which is not in the Incentive Areas and not one of Bezeq's deployment areas).

11. Section 21.5(3) - Provisions in the area of fixed-line communications - Regulation of OTT multichannel television services

Further to the description in this section, regarding the regulation of the area of broadcasting, in August 2022, the Israeli Ministry of Communications published a document for the public "Hearing – A draft Bill of the principles of the regulation of providing to the public audio-visual content, 5782, 2022", anchoring the proposed regulation in the area of audio-visual content provision ("The Hearing Document"). The Hearing Document includes various mechanisms and arrangements, among others (1) in the area of Sports content supply that include various instructions, including in relation to sports broadcasting rights holders who will be required to provide their sport content for any content provider under non-discriminatory conditions and price and will also be required to offer the sports broadcasts directly to the subscribers; (2) in the area of news delivery, including the possibility that a content provider could own a news company; (3) In the area of investment obligations in the local productions, some of it updated the recommendations of the committee mentioned in the Quarterly Report, including determining an obligation to register with the registry to provide content with a minimum amount of revenue and determining the investment amount in local productions to Israeli and international provide content; (4) in the area of providing content of the Israeli Public Broadcasting Corporation and the Knesset channel. The Hearing Document is subject to the completion of the hearing procedure by the office and a legislative procedure, thus that the final wording, as far as it is adopted, may be substantially different.

12. Section 24.1 – Material pending legal proceedings

Further to the description in this section, in July 2022, the Israeli Supreme Court dismissed an appeal filed over the dismissal of a purported class action filed against the Company, in an amount estimated by the plaintiff to be NIS 150 million, alleging that the Company breaches the provisions of its license by price discrimination against its customers.

Chapter B

Board of Directors' Report on the State of the Company's Affairs

June 30, 2022

The Company’s board of directors hereby respectfully submits the board of directors’ report on the state of the affairs of the Company and its subsidiaries (hereinafter collectively: the “**Group**”) for the period of six and three months ended June 30, 2022 (the “**Report Period**”). The following presentation is limited in scope and relates to events and changes to the affairs of the Group during the Report Period, which are of material effect. This report was prepared according to the Securities (Periodic and Immediate Reports) Regulations, 5730-1970 (the “**Report Regulations**”), and assuming the reader has available the Company’s periodic report for 2021 (ref. no. 2022-01-028306) (“**2021 Periodic Report**”) as updated in the Company's periodic report for the first quarter of 2022 (ref. no. 2022-01-060448).

The Board of Directors’ Explanations on the State of the Company’s Affairs and Operating results

1. **Brief description of the Company, its business, and its activity during the Report Period**

1.1. General

The Company was incorporated in Israel in 1994 as a private company under the laws of the State of Israel, under the name Cellcom Israel Ltd. Until February 8, 2021, the Company’s shares were listed for dual trading on the New York Stock Exchange (NYSE) and on the Tel Aviv Stock Exchange. Since February 9, 2021, the Company’s shares have only been traded on the Tel Aviv Stock Exchange.

In 9 May 2022, registration of the Company’s shares was terminated in the US and its reporting obligations to the United States Securities and Exchange Commission (“**SEC**”) ended.

As of the Report date, the Group is active in the Israeli communications market in two areas of activity, which are reported as reportable segments in the Company’s consolidated financial statements (for details see Note 4 to the Company’s consolidated financial statements as of 30 June 2022 (the “**Financial Statements**”)):

1.1.1. The cellular communications sector (mobile segment) - In the framework of this area of activity, the Group provides its customers with a wide range of cellular telecommunication services in Israel, under the licenses granted by the Ministry of Communications. Also, the Group provides overseas roaming services to its customers and to customers of foreign operators who are visiting Israel. In addition, the Company sells related services and equipment and equipment repair services to its customers. The mobile sector also includes the Company’s revenues arising from the collaboration agreement with WeCom Mobile Ltd. (formerly known as Marathon 018 Xfone Ltd.) ("**WeCom**"). For details see Note 9 (b) to the consolidated financial statements.

1.1.2. The fixed-line communications sector (landline segment) - In the framework of this area of activity, the Group provides internet infrastructure services (based on IBC’s fiber-optic infrastructure and the fixed-line wholesale market), internet based television services ("**Cellcom tv**"), internet access international telephony services, fixed-line telephony services ("**Domestic Operator Services**") for the business and private sectors, and transmission services for business customers and for telecommunication operators on the basis of the Group's independent infrastructure. The communication services are provided under the licenses granted by Ministry of Communications (except for the internet television services that do not require a license). In addition, the Group provides other services such as: Conferencing services, server hosting services, cloud information security services and IOT solutions. Also, the Group offers its business customers equipment related to the fixed-line segment such as servers, information security and communications equipment.

1.2. <u>Review by the Company's management regarding the results of the Group's activity for Q2 2022</u>

The Group is concluded Second quarter of 2022 with a net profit of NIS 39 million, continuing the trend of presenting net profit for the last four quarters.

The Company ended Second quarter of 2022 with revenues of NIS 1,069 million compared to NIS 1,003 million in the corresponding quarter of 2021, reflecting an increase of 6.6%.

Revenues from cellular services in the current quarter increased by ~6.1% compared to the corresponding quarter of 2021 and summed up to NIS 489 million (before neutralizing inter-sector revenues), the increase mostly derives from overseas roaming revenues following in increase in outbound tourism compared to the corresponding quarter when travel abroad was restricted. Revenues in the fixed-line segment increase by ~3.9% compared to the corresponding quarter of 2021 and summed up to NIS 317 million (before neutralizing inter-sector revenues). The increase mostly stems from an increase in revenues from the triple package (internet, fiber-optics and TV). Revenues from end equipment in Q2 2022 increase by ~9.1% compared to the corresponding quarter of 2021 and summed up to NIS 300 million, primarily due to an increase in end sales of phones in the mobile segment.

The Company's operating profit in the current quarter summed up to NIS 95 million compared to a profit of NIS 33 million in the corresponding quarter of last year, an increase of ~187.9%. Most of the increase of the operating profit derives from an increase in revenues from roaming services, improving profitability in end equipment in the mobile segment, and decrease in depreciation expenses as a result estimate changes well, a one-time expense was recorded in the corresponding quarter for a legal claim in a total sum of NIS 32 million.

The Company's Adjusted EBITDA (as defined in section 4.1 below) for the Report Period summed up to NIS 303 million compared to NIS 297 million in the corresponding quarter of last year, an increase of 2.0%, while the Company's net profit summed up to NIS 39 million compared to a loss of NIS 14 million in the corresponding quarter.

The Company ended the quarter with a free cash flow (as defined in section 4.1 below) of NIS

64 million compared to NIS 62 million in the corresponding quarter of 2021, an increase of 3.2%.

Material events during the Report Period and thereafter

A. With reference to debt raising in a way of a private issuance of existing debentures (series L) - see note 9 (b) to the financial statements.

B. Regarding the estimate change - see note 2 (d) of the financial statements.

C. On July, 2022, after the financial statements date, Ms. Natalie Mashan-Zakai was appointed to the position of chairman of the company's board of directors, replacing of Mr. Doron Cohen.

1.3. Covid-19 pandemic

For details regarding the Covid-19 pandemic - see note 9 (a) of the quarterly financial statements.

1.4. The inflation and interest effect on the period's results

During the reporting period, changes occurred in the global economy which affected on both, interest and inflation in Israel.
During the first six month period of 2022, the inflation increased by 3.1%. Also, the Bank of Israel raised the interest rate from the beginning of the year from a rate of 0.1% to a rate of 1.25% in July 2022, an increase of 1.15% for the period.

The Company's assessment of the direct impact of the inflation rate increase on the group:

The main effect of the increase in the inflation rate is on the financing expenses for index-linked debentures. In the first six month period of 2022, the company recorded financing expenses for the index-linked debentures in the amount of approximately NIS 17 million before tax (of which NIS 11 million in the second quarter of 2022).
During the first six month period of 2022, the company made hedging transactions on part of the index exposure and recorded financing profits of NIS 5 million (of which NIS 1 million during the second quarter of 2022).
With reference to the second six month period of 2022, the company cannot accurately estimate the effect of inflation on its results. However, every 1% increase in inflation rate, will cause an increase in the company's expenses due to linking the debentures to the index by approximately NIS 4 million, before tax.
In addition, the company's costs include index-linked lease contracts that the increase of the inflation rate in the first six months of 2022 caused an increase in depreciation expenses by an insignificant amount (rental expenses are recorded as depreciation expenses according to IFRS 16).

The Company's assessment of the indirect impact of the inflation rate increase on the group's results:

Following the increase in the index, there may be increases in input prices (wages, overheads, etc.), which may affect the company's results. At that point, the company does not know how to estimate the impact of this trend.

The Company's assessment of the impact of the interest rate increase on the group's results:

As mentioned above, during the first six months of 2022 period, the interest rate increased by 1.15%. The interest rate increases has no direct effect on the company's cost structure.
However, regarding the recycling of future debt and/or future debt raising, in accordance to the company's needs, the higher the interest rate will be, it might effect on the interest rate in such future debt raising.

The Company's assessment of the impact of the interest rate increase on the examination of goodwill impairment:

The company examined the effect of the interest rate increase on the goodwill impairment that was performed during the 2021 annual report.
The increase in the interest rate caused an increase in the capitalization rate, however, according to a sensitivity test that was tested as part of the annual report for 2021, this increase in the capitalization rate did not cause an impairment in the two reported segments of the company.
For more details regarding the examination of impairment for a cash-generating unit that includes goodwill, see Note 7 to the financial statements.

2. **Financial position**

Section	As of 30 June		Board of directors' explanation
	2022	2021	
	NIS millions		
Current assets	1,869	2,160	The decrease in current assets as of 30 June 2022, compared to current assets as of 30 June 2021, mainly derived from a decrease in the cash section as a result of current repayments of debentures and decrease in customer's balance.
Non-current assets	4,898	4,758	The increase in non-current assets as of 30 June 2022, compared to 30 June 2021, derived from an increase in fixed assets, long-term debtors and right-of-use assets.
Total assets	**6,767**	**6,918**	
Current liabilities	1,925	1,727	The increase in current liabilities as of 30 June 2022, compared to the current liabilities as of 30 June 2021, mainly derived from an increase in current maturities of debentures and payables that were offset against a decrease in provisions section.
Non-current liabilities	2,842	3,306	The decrease in non-current liabilities as of 30 June 2022, compared to 30 June 2021, mainly derived from a decrease in long-term debenture balances for current maturities classified as current liabilities.
Total liabilities	**4,767**	**5,033**	
Equity	**2,000**	**1,885**	The increase derived from current profit for the period.
Total liabilities and equity	**6,767**	**6,918**	

3. **Analysis of the operating results**

3.1. Below is an analysis of the Company's operating results for the period of six and three months ended June 30, 2022, compared to the corresponding period of last year

Section	1-6/2022	1-6/2021	4-6/2022	4-6/2021	Board of directors' explanation
	NIS millions		NIS millions		
Revenues from services	1,527	1,449	769	728	The increase in the six and three month periods compared to corresponding periods, is mainly derived from an increase in roaming revenues and an increase in current revenues from Internet and television in the fixed-line segment.
Revenues from equipment	597	587	300	275	The increase in the six and three months periods compared to corresponding periods, is derived an increase in end equipment in both- the fixed-line segment and the cellular segment.

Section	1-6/2022	1-6/2021	4-6/2022	4-6/2021	Board of directors' explanation
	NIS millions		NIS millions		
Total revenues	**2,124**	**2,036**	**1,069**	**1,003**	
Cost of revenues	(1,502)	(1,496)	(746)	(727)	The increase in the six month period compared corresponding quarter, is mainly derived an increase in internet costs and costs related to the fixed-line segment. The increase in the current quarter is mainly derived an increase in the costs of the end equipment.
Gross profit	**622**	**540**	**323**	**276**	
Gross profit rate from total revenues	**29.3%**	**26.6%**	**30.2%**	**27.5%**	
Sale and marketing, General and administrative costs and credit losses	(466)	(475)	(232)	(233)	The Decrease in the six month period compared corresponding quarter is mainly derived from a decrease in depreciation expenses.
Other income (expenses), net	12	18	4	(10)	The Decrease in the six month period compared corresponding quarter is mainly from performing contracting work of deploying the fiber optics network for IBC. The change in the current quarter, compared to the corresponding quarter, is derived a one-time provision for a claim registered in the corresponding quarter.
Operating profit	**168**	**83**	**95**	**33**	
Financing costs, net	(78)	(87)	(43)	(49)	The Decrease in the six month period compared corresponding quarter is mainly, derived from decrease in interest expenses, as a result of a decrease in the amount of debt, which was partially offset from linkage differences as a result of the increase in the index rate.
Share in the profit (loss) of equity accounted investees	(1)	(2)	2	-	
Profit (loss) before taxes on revenue	**89**	**(6)**	**54**	**(16)**	
Tax benefits (taxes on income)	(22)	(1)	(15)	2	
Profit (loss) for the period	**67**	**(7)**	**39**	**(14)**	

3.2. Below is a summary of the reports on the total profit for each quarter of (NIS millions):

Financial data (million NIS)	Q2'22	Q1'22	Q4'21	Q3'21	Q2'21	Q1'21	Q4'20	Q3'20	Q2'20
Revenue from services cellular segment	489	475	474	474	461	457	465	414	385
Revenue from equipment cellular segment	239	229	242	211	223	240	178	223	147
Total Revenues cellular segment	**728**	**704**	**716**	**685**	**684**	**697**	**643**	**637**	**532**
Revenue from services fixed-line segment	317	323	315	304	305	303	313	327	339
Revenue from equipment fixed-line segment	62	67	77	44	52	72	57	38	25
Total Revenues fixed-line segment	**379**	**390**	**392**	**348**	**357**	**375**	**370**	**365**	**364**
Consolidation adjusments	(38)	(39)	(38)	(39)	(38)	(39)	(40)	(46)	(41)
Total revenues	**1,069**	**1,055**	**1,070**	**994**	**1,003**	**1,033**	**973**	**956**	**855**
Gross profit eqipment	52	52	60	34	41	48	33	22	20
Operational expenses[1]	522	530	522	494	508	493	550	493	485
Adusted EBITDA cellular segment	191	175	180	168	175	161	155	114	125
Adusted EBITDA fixed-line segment	112	111	108	109	122	110	66	117	97
Adjusted EBITDA	303	286	288	277	297	271	221	231	222
Operating profit (loss)	95	73	67	59	33	50	(13)	(6)	(22)
Finanacing expenses, net	43	35	39	39	49	38	42	32	34
Profit (loss) for the period	39	28	21	13	(14)	7	(44)	(37)	(46)
Capital expendtures tangible and intangble assets	135	99	201	165	128	104	159	108	114
Free cashflow	64	52	46	110	62	49	125	44	24
Finance dept ,net	2,098	2,126	2,144	2,162	2,240	2,259	2,276	2,368	1,839
operational Data									
Number of cellular Subscribers	3,346	3,306	3,275	3,246	3,226	3,232	3,204	3,641	2,734
Churn rate for cellular Subscribers	7.0%	7.5%	7.4%	7.2%	8.6%	7.8%	8.4%	8.7%	8.7%
Monthly cellular ARPU (NIS)	49.0	47.7	48.4	48.6	47.7	47.4	48.6	45.7	46.9
TV field Subscribers (thousands)	255	254	252	250	250	254	252	251	245
Internet infrastructure field Subscribers (thousands)	316	311	305	300	296	297	293	289	283
Fiber infrastructure field Subscribers (thousands)	162	150	135	123	113	106	93	80	-

[1] Operating expenses include other expenses and do not include depreciation expenses and the cost of end equipment.

3.3. Below is central financial data according to sectors of activity (NIS millions):

	Cellular			Fixed-line			Inter-segment adjustments	
	4-6/2022	4-6/2021	Change in %	4-6/2022	4-6/2021	Change in %	4-6/2022	4-6/2021
Revenue from services	489	461	6.1%	317	305	3.9%	(38)	(38)
Revenue from equipment	239	223	7.2%	62	52	19.2%	-	-
Total revenue	728	684	6.4%	379	357	6.2%	(38)	(38)
Adjusted EBITDA[2]	191	175	9.1%	112	122	(8.2)%	-	-
Adjusted EBITDA as a percentage of total revenue	26.2%	25.6%	2.3%	29.6%	34.2%	(13.5)%	-	-

	Cellular			Fixed-line			Inter-segment adjustments	
	1-6/2022	1-6/2021	Change in %	1-6/2022	1-6/2021	Change in %	1-6/2022	1-6/2021
Revenue from services	964	919	4.9%	640	607	5.4%	(77)	(77)
Revenue from equipment	468	462	1.3%	129	125	3.2%	-	-
Total revenue	1,432	1,381	3.7%	769	732	5.1%	(77)	(77)
Adjusted EBITDA	366	336	8.9%	223	232	(3.9)%	-	-
Adjusted EBITDA as a percentage of total revenue	25.6%	24.3%	5.3%	29.0%	31.7%	(8.5)%	-	-

[2] See section 4 below.

4. **Operational and financial indicators (KPIs)**

4.1. As of the Report date, the Company's management is assisted by **financial** performance indicators that are not based on accepted accounting rules, for evaluating, tracking, and presenting the Company's financial performance. These indicators do not constitute a substitute for the information included in the Company's financial statements. Below are the details of the indicators:

Indicator	Calculation/components	Details of the indicator's purposes	Data
Adjusted EBITDA	Represents the net profit before: Net financing costs, taxes, other revenues (costs) that are not part of the Company's current activity (including provisions for legal claims included in miscellaneous expenses), depreciation and amortization, profits (losses) from investee companies and share-based payments. In addition, includes miscellaneous revenues (costs) that are part of the Company's current activity, such as interest revenues for sale transactions in installments and expenses for voluntary retirement program.	The Company presents this indicator as an additional performance indicator, since it believes that it enables operational performance comparisons between periods and between companies, while neutralizing potential discrepancies arising from differences in the capital structure, taxes, age of fixed assets and amortization costs therefor. The adjusted EBITDA does not take into account the requirement of the debt service and additional obligations, including capital investments, and therefore it does not necessarily indicate the amounts to be available for the Company's use. In addition, no comparison can be made between the adjusted EBITDA and the indicators that are similarly referred to and that are reported by other companies due to a change in the calculation of these indicators.	See Section 4.2 below.
Available cash flow	Net cash deriving from current activity plus the proceeds from selling fixed assets or investments, which are related to the day-to-day business, and less cash used for investment activity in fixed assets or other assets, less payments for leases. The available cash flow does not include investment in subsidiaries.	The Company presents this indicator as an additional performance indicator, since it believes that it enables comparisons between the cash production rate from the operational activity and periods, while neutralizing potential discrepancies arising from differences in the capital structure and debt. The free cash flow does not take into account the requirements of the debt service and additional financing activity, and therefore it does not necessarily indicate the amounts to be available for the Company's use. In addition, no comparison can be made between the free cash flow and the indicators that are similarly referred to and that are reported by other companies due to a change in the calculation of these indicators.	See Section 4.3 below.

4.2. Below are details on the adjustments between the net profit and adjusted EBITDA (NIS millions):

Indicator	For the Six months period ended June 30		For the Three months period ended June 30	
	2022	2021	2022	2021
Profit (loss) for the period	67	(7)	39	(14)
Taxes on income (tax benefits)	22	1	15	(2)
Financing costs, net	78	87	43	49
Other expenses (income) than are not part of the Company's current activity	(1)	21	(2)	32
Depreciation and amortization	411	453	203	227
Losses (profits) from equity accounted investees	1	2	(2)	-
Share-based payment	11	11	7	5
Adjusted EBITDA	**589**	**568**	**303**	**297**

4.3. Below are details on the data regarding the Company's free cash flow (NIS millions):

Section	For the Six months period ended June 30		For the three months period ended June 30	
	2022	2021	2022	2021
Net cash deriving from operating activities	478	445	274	245
Cash used for investment activities	(233)	(216)	(135)	(131)
cash used for leases (financing activities)	(129)	(118)	(76)	(52)
Other	-	-	1	-
Free cash flow	**116**	**111**	**64**	**62**

4.4. As of the Report date, the Company's management is assisted by operational performance indicators that are not based on accepted accounting rules, for evaluating, tracking, and presenting each sector's operational performance. Below are the details of the indicators:

Central operational indicators - mobile segment:

Indicator	For the three month period ended June 30			Company's explanations
	2022	2021	Change in %	
No. of cellular subscribers at the end of the period (in thousands)[3]	3,346	3,226	3.7%	The increase in the list of subscribers, compared to the corresponding quarter of last year, derives mostly from continuing to add subscribers and lower churn rate.
Churn rate of cellular subscribers (in %)[4]	7.0%	8.6%	(18.6)%	The decrease in churn rate derives from measures taken by the Company to improve service quality and experience.
Average monthly revenues per cellular subscriber (ARPU)[5] (in NIS)	49.0	47.7	2.7%	The increase in ARPU mainly derives, among others, from increase in revenues from roaming services.

Central operational indicators - fixed-line segment:

Indicator	As of 30 June			Company's explanations
	2022	2021	Change in %	
Internet infrastructure - no. of subscribers (households) as of the end of the period (in thousands)[6]	316	296	6.8%	The increase in the number of subscribers is a result of the Group's continued growth in this area.
Television - no. of subscribers at the end of the period (in thousands)[5]	255	250	2.0%	

[3] The subscribers list data refers to "active" subscribers. (not including data subscribers) For purpose of the subscriber list, one "subscriber" is one line. The Company adds a subscriber to the subscribers list when it joins the service. A subscriber that pays in advance is added to the subscribers list only on the date the charge card is charged. A subscriber that ceased being an "active" subscriber is a subscriber that does not generate revenue and activity on the Cellcom network for six consecutive months. The six months policy is consistent with the policies adopted by other cellular providers in Israel, but the policy of counting the subscribers is not identical between the various cellular providers (the main difference refers to the manner of counting the data subscribers).

[4] The churn rate is calculated according to the ratio of cellular subscribers who disconnected from the Company's services (whether as a result of the subscriber initiating the disconnection or the Group doing so) and of subscribers who became inactive during the period, and the remaining active subscribers at the beginning of the period.

[5] ARPU is calculated by dividing the total average monthly revenues from cellular services for the period, by the number of average active subscribers for the period. Revenues from cellular services *inter alia* include revenues from roaming services and from hosting and network sharing revenue, and monthly revenues from repair services, but they do not include revenues from occasional repair services and from the sale of equipment.

[6] Relating to "active subscribers."

5. **Liquidity**

5.1. Below are the board of directors' explanations on the Company's liquidity situation for the six and three months periods ended 30 June, 2022 compared to the corresponding periods of last year (NIS millions):

Section	1-6/2022	1-6/2021	4-6/2022	4-6/2021	Board of directors' explanation
Cash flow deriving from current activities	478	445	274	245	The increase in the six and three months periods compared to corresponding periods, is mainly derived mostly from the net profit in the current periods compared to a loss in the corresponding periods.
Cash flow used for investment activities	(233)	94	(135)	179	The increase in the six and three months periods compared to corresponding periods, derives from change in deposits and therefore recorded a positive cash flow from investment activity.
Cash flow used for financing activities	(182)	(373)	(73)	(207)	The Decrease in the six and three months periods compared to corresponding periods, derives from loans from financial institutions were repaid last year.
Balance of cash and cash equivalents as of the end of the period	707	885	707	885	

5.2. As of June 30, 2022, the company has a deficit in working capital of approximately 56 million NIS (consolidated) and a total of approximately 441 million NIS (solo). However, the company, as mentioned above, has a continuous positive cash flow from current activities. The majority of the deficit in working capital was created due to a decrease in cash balances and an increase in short-term liabilities, among other things, due to including the current payments of series L debentures in the balance of current liabilities. In February 2022, the company entered into a framework agreement for the provision of credit for a period of two years from the date of the provision of the credit framework from a group of institutional entities in the amount of NIS 250 million that has not yet been used, and was therefore not taken into account in the calculation of working capital. For more details regarding the credit agreement - see Note 19 to the financial statements for December 31, 2021. Also, In July 2022, after the date of the financial statements, the company made a private offering by way of expanding the existing series of debentures with par value of NIS 105 million In return (gross) of approximately NIS 100 million (series

L) which increased the company's cash balance against long-term liabilities. In addition, on August 10, 2022, the company announced that it is considering the possibility of issuing and listing for trading on the Tel Aviv Stock Exchange Ltd. ("the exchange") the company's debentures (series M), by way of issuing a new series, and this in an offer to be offered to the public, if and as much as it is offered. Considering the company's cash balances, the expected free cash flow for two years from the date of the current report, within the framework of the aforementioned credit which, as mentioned, has not yet been used and the company's access to future sources of credit as of June 30, 2022, the board of directors determined that despite the deficit in working capital as of June 30, 2022, there is no liquidity problem in the company.

6. **Financing sources**

6.1. The Company mainly finances its activity through cash flow from current activity, by issuing securities, including debentures and ordinary shares, and with loans from institutional entities.

6.2. Details about the Company’s debentures in circulation, as of 30 June 2022, are attached as a schedule to this Board Report.

6.3. There have been no material changes in credit days received by the Company from its suppliers and in the credit days the Company granted to customers compared to the 2021 Periodic Report.

6.4. As of the Report Date, as determined by the Company’s board of directors and according to the section 5.2 above, there are no warning signs as such are defined in Regulation 10(b)(14) of the Report Regulations, and the Company is in compliance with all financial criteria and the additional terms and obligations set forth in the trust deeds to the liability certificates that it issued.

10 August, 2022

Mr. Daniel Sapir	**Ms. Nataly Mishan-Zakai**
CEO of the Company	**Chairman of the Board of Directors**

Schedule - Details Regarding Debentures in Circulation as of the Report Date

1. Details Regarding Liability Certificates in Circulation:

Series (**)	Date of issue	Par value on the issue date (NIS millions)	Par value on June 30, 2022	Par value on June 30, 2022, including linkage	Accrued interest	Financial statements balance as of June 30, 2022	Stock market value	Type of interest	Payment dates of principal	Payment dates of interest[1]	Terms of linkage	Convertible	Right to early redemption
H [1]	08/07/14 03/02/15* 11/02/15*	949.624	481.797	469.942	4.6	474.542	333.933	Annual interest of 1.98%	From July 5, 2018, until July 5, 2024 (including)	On January 5 and July 5, every year from 2015 until 2024 (including)	Linked (principal and interest) to the Consumer Price Index.	No	Subject to certain terms
I [1]	08/07/14 03/02/15* 11/02/15* 28/03/16*	804.010	450.246	443.993	8.988	452.981	344.978	Annual interest of 4.14%	Eight annual payments: Three equal annual payments of 10% from the principal amount on July 5 of 2018 until 2020 (including), and five equal annual payments of 14% from the principal amount on July 5 of 2021 until 2025 (including).	On January 5 and July 5, every year from 2015 until 2025 (including)	Not Linked	No	Subject to certain terms
J	25/09/16	103.267	93.528	93.230	1.105	94.335	80.687	Annual interest of 2.45%	On July 5 of 2021 until 2026 (including).	On January 5 and July 5, every year from 2017 until 2026 (including)	Linked (principal and interest) to the Consumer Price Index	No	Subject to certain terms
K	25/09/16 01/07/18* 10/12/18*	710.634	604.039	601.919	10.34	612.259	497.195	Annual interest of 3.55%	On July 5 of 2021 until 2026 (including).	On January 5 and July 5, every year from 2017 until 2026 (including)	Not Linked	No	Subject to certain terms
L [2,3,4]	24/01/18 10/12/18* 12/05/20* 01/12/20*	1235.937	1,224.979	1,178.607	14.767	1,193.374	1,185.779	Annual interest of 2.50%	On January 5 of 2023 until 2028 (including).	On January 5 every year from 2019 until 2028 (including)	Not Linked	No	Subject to certain terms
Total		3,803.472	2,854.589	2,787.691	39.800	2,827.491	2,442.572						

(*) On these dates the debenture series were expanded. The information appearing in the table refers to the full series.

(**) As of 30 June 2022, the Company's debentures (Series H, I, K, and L) are material and constitute more than 5% of the Company's total liabilities as presented in the Financial Statements. In addition, as of 30 June 2022, the Company's net debt to adjusted EBITDA[7] ratio was 1.82, including the total interest accrued in the books. There was no cause for early redemption during the Reporting Period.

(***) In July 2022, after the date of the financial statements, the company expanded the series L with par value of NIS 105 million. For details, see note 9 (c) to the quarterly financial statements.

(1) Half-annual payments, except for Series L.

(2) In February, 2016, in accordance with an exchange offer of the Company's debentures (Series H and I) in part of the Company's debentures (Series D and E), respectively, the Company replaced a principal in the amount of NIS 555 million. The Company's debentures (Series D) in the fund in the amount of NIS 844 million of the Company's debentures (Series H) and a fund in the amount of NIS 272 million in the Company's debentures (Series E) in the fund in the amount of approximately NIS 335 million of the Company's debentures (Series I). The Company's debentures (Series D and E) fully paid in July 2017 and January 2017, respectively.

(3) In December 2019, the Company made an acquisition of debentures (Series L) of the Company in the amount of approximately NIS 10 million.

(4) In May 2020, the Company issued debentures (Series L) with a par value of approximately NIS 222 million.

(5) In December 2020, the Company issued debentures (Series L) with a par value of approximately NIS 400 million.

2. Details regarding the trustee:

Series	Name of the trust company	Name of responsible person for the liability certificate	Contac	Address for delivery of documents
Series H	Mishmeret Trust Services Company Ltd.	CPA Ram Sabati	email: office@mtrust.co.il Tel: 03-6374354	48 Menachem Begin Road, Tel Aviv 6618001,
Series I	Mishmeret Trust Services Company Ltd.	CPA Ram Sabati	email: office@mtrust.co.il Tel: 03-6374354	48 Menachem Begin Road, Tel Aviv 6618001
Series J	Mishmeret Trust Services Company Ltd.	CPA Ram Sabati	email: office@mtrust.co.il Tel: 03-6374354	48 Menachem Begin Road, Tel Aviv 6618001
Series K	Mishmeret Trust Services Company Ltd.	CPA Ram Sabati	email: office@mtrust.co.il Tel: 03-6374354	48 Menachem Begin Road, Tel Aviv 6618001
Series L	Strauss Lazer, Trust Company (1992) Ltd.	Orit Lazer	email: ori@slcpa.co.il Tel: 03-6237777	94 Igal Alon Street, Tel Aviv 6789139

[7] The net debt to adjusted EBITDA ratio is the ratio between the Company's net debt to the adjusted EBITDA in a period of 12 consecutive months, when neutralizing one-time events. In this respect, "net debt" is defined as credit and loans from banking corporations and others (with no undertaking for leases deriving from the implementation of the provisions in IFRS 16), and undertakings for debentures, less cash and cahs equivalents and current investments in marketable securities. "Adjusted EBIDTA" – see the definition in Section 4.1 above.

3. Details regarding the rating of debentures:

Series	Name of rating company	Rating as of the issue date	Rating as of the Report date	Additional ratings between the issue and Report date		Details regarding the intention of the rating company to change the rating
				Rating dates(1)	The rating	
Series H	Maalot Standard & Poor's Ltd. ("**Maalot**")	A+	A	06/2014, 08/2014, 01/2015, 09/2015, 03/2016, 08/2016, 06/2017, 01/2018, 06/2018, 08/2018, 12/2018, 03/2019, 08/2019, 05/2020, 08/2020, 11/2020, 08/2021, 08/2022(1)	A+, A	In August 2022 (after the financial statements date), Maalot updated the Company's rating forecast from A with a stable outlook to a rating of A with a positive outlook.
Series I	Maalot	A+	A	06/2014, 08/2014, 01/2015, 09/2015, 03/2016, 08/2016, 06/2017, 01/2018, 06/2018, 08/2018, 12/2018, 03/2019, 08/2019, 05/2020, 08/2020, 11/2020, 08/2021, 08/2022(1)	A+, A	
Series J	Maalot	A+	A	08/2016, 06/2017, 01/2018, 06/2018, 08/2018, 12/2018, 03/2019, 08/2019, 05/2020, 08/2020, 11/2020, 08/2021, 08/2022(1)	A+, A	
Series K	Maalot	A+	A	08/2016, 06/2017, 01/2018, 06/2018, 08/2018, 12/2018, 03/2019, 08/2019, 05/2020, 08/2020, 11/2020, 08/2021, 08/2022(1)	A+, A	
Series L	Maalot	A+	A	01/2018, 06/2018, 08/2018, 12/2018, 03/2019, 08/2019, 05/2020, 08/2020, 11/2020, 08/2021, 07/2022, 08/2022(1)	A+, A	

(1) In June 2014, August 2014, January 2015, September 2015, March 2016, August 2016, June 2017, January 2018, June 2018, August 2018 and December 2018, Maalot ratified the Company's A+ rating with a stable outlook. In March 2019, Maalot updated the Company's rating forecast from A+ with a stable outlook to a rating of A+ with a negative outlook. In August 2019, Maalot updated the Company's rating forecast from A+ with a negative outlook to a rating of A with a negative outlook. In May 2020, August 2020, and November 2020, Maalot ratified the Company's rating of A with a negative outlook. In August 2021, Maalot updated the Company's rating forecast from A with a negative outlook to a rating of A with a stable outlook. In July 2022, Maalot ratified the Company's A rating with a stable outlook. In August 2022, Ma'lot updated the company's rating forecast from A with a stable outlook to A with a positive outlook.

4. Additional undertakings:

4.1. The Company's debentures (Series H to L) are not secured and include, in addition to accepted terms and undertakings, the following undertakings:

a. A negative pledge undertaking, subject to certain exceptions. Failure to comply with this undertaking shall be deemed a cause for acceleration.

b. An undertaking not to distribute more than 95% of the profits suitable for distribution under the Companies Law (the "**Profits**"); provided that (1) should the Company's net debt to EBITDA[6] ratio exceed the ratio of 3.5:1, the Company shall not distribute more than 85% of the Profits; (2) should the Company's net debt to EBITDA ratio exceed 4:1, the Company shall not distribute more than 70% of the Profits; and (3) should the Company's net debt to EBITDA ration exceed 5:1, or 4.5:1 during four consecutive quarters, the Company shall not distribute dividends.

c. And undertaking to rate the debentures through a rating company (insofar as this is under the Company's control).

d. An undertaking to pay additional interest of 0.25% for a two-point decrease in the rating of the debentures Series H to K, and 0.5% for a two points decrease in the rating of debentures Series L, and additional interest of 0.25% for any point decrease in the rating of the debentures until the maximum addition of 1%, compared to their rating before their issue.

e. The Company's undertaking not to issue additional debentures of any series should the Company not meet the financial criteria, or if such issue would cause a decrease in the rating of the debentures.

4.2. In addition, the Company's debentures include events of default, including:

a. Accelerating a different debt of the Company (cross default) by a non-supplier lender, except with respect to a debt of NIS 150 million or less. Such debt acceleration restriction shall not apply to a cross default caused by a different series of Company debentures.

b. A case where the Company shall cease to be active in the cellular communications area and/or ceased to hold its RTM License for a period exceeding 60 days.

c. Trading suspension of the debentures on the Tel Aviv Stock Exchange, for a period exceeding 45 days.

d. Making a distribution that does not comply with the Company's undertaking with respect to the restrictions on distributing profits.

e. Failure to rate the debentures for a period exceeding 60 days.

f. A court request or order to stay proceedings against the Company or submitting a motion for a creditors settlement.

g. Selling a substantive part of the Company's assets or a merger (except for certain exceptions).

h. Failure to publish financial statements on time.

i. A net debt to EBITDA ratio that exceeds 5:1, or that exceeds 4.5:1 during four consecutive quarters.

j. Failure to comply with the Company's undertaking not to create any pledges.

k. A material deterioration in the Company's business compared to the condition thereof on the issue date of the debentures, and real concern that the Company would not be able to repay the debentures on time.

l. A substantial concern that the Company shall not meet, its material obligations towards the debenture holders.

m. Including a note in the Company's financial statements regarding a concern of the Company continued existence as a "going concern" for a period of two consecutive quarters.

n. Violating the Company's undertaking with respect to the issue of additional debentures.

Cellcom Israel Ltd.
Condensed Consolidated Interim Financial Statements

As at June 30, 2022

Condensed Consolidated Interim Financial Statements as of June 30, 2022

Contents

Auditors' review report to the shareholders of
Cellcom Israel Ltd.

Introduction

We have reviewed the accompanying financial information of Cellcom Israel Ltd. and subsidiaries (hereinafter - the "Company"), which comprises the condensed consolidated statement of financial position as of June 30, 2022 and the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of this interim financial information for this interim period in accordance with IAS 34, "Interim Financial Reporting". In addition, they are responsible for the preparation of this interim financial information for this interim period in accordance with chapter 4 of the provisions of the Securities Regulations (periodic and immediate report) 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not reviewe the condensed interim financial information of certain consolidated companies, whose assets included in consolidation constitute approximately 1% of total consolidated assets as of June 30, 2022 and whose revenues included in consolidation constitute approximately 12% of total consolidated revenues for the six and three months period then ended. Also, we did not review the financial statements of investments in equity accounted investees, whose investments constitute approximately NIS 132 million as of June 30, 2022, and whose share in losses constitute approximately NIS 14 million and NIS 7 million respectively, for the six and three months period then ended.
The condensed interim financial information for this interim period of those companies were reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to amounts included for those companies, is based on the review reports of the other auditors.

Scope of review

We conducted our review in accordance with (Israel) Review Standard No. 2410, issued by the Israeli Institute of Certified Public Accountants regards "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." 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 auditing principles generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not present fairly, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

In addition to the previous paragraph, based on our review and the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not present, in all material respects, in accordance with chapter 4 of the provisions of the Securities Regulations (Periodic and immediate reports) 1970.

Tel Aviv, Israel
August 10, 2022

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

Condensed Consolidated Interim Statements of Financial Position

	June 30 2021	June 30 2022	December 31 2021
	NIS millions		NIS millions
	(Unaudited)		(Audited)
Current assets			
Cash and cash equivalents	885	**707**	644
Current deposits	102	**23**	23
Trade receivables	950	**858**	927
Current tax assets	7	**11**	12
Other receivables, including derivatives	51	**61**	44
Deferred expenses - right of use	58	**67**	62
Inventory	107	**142**	88
	2,160	**1,869**	1,800
Non- current assets			
Trade and other receivables	161	**198**	163
Deferred expenses - right of use	321	**332**	327
Property, plant and equipment, net	1,360	**1,419**	1,383
Intangible assets and others, net	2,154	**2,142**	2,129
Investments in equity accounted investees	140	**131**	134
Right-of-use assets, net	616	**669**	629
Deferred tax assets	6	**7**	5
	4,758	**4,898**	4,770
	6,918	**6,767**	6,570
Current liabilities			
Current maturities of debentures and of loans from financial institutions	381	**567**	383
Current tax liabilities	2	**8**	7
Current maturities of lease liabilities	211	**192**	184
Trade payables and accrued expenses	704	**742**	737
Provisions	179	**109**	109
Other payables, including derivatives	250	**307**	290
	1,727	**1,925**	1,710
Non- current liabilities			
Debentures	2,744	**2,221**	2,373
Long-term lease liabilities	442	**514**	478
Provisions	29	**25**	29
Other long-term liabilities	40	**17**	1
Liability for employee rights upon retirement, net	11	**13**	13
Deferred taxes liabilities	40	**52**	45
	3,306	**2,842**	2,939
	5,033	**4,767**	4,649
Equity			
Total equity	1,885	**2,000**	1,921
	6,918	**6,767**	6,570

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

August 10, 2022			
Date of approving the financial statements	Nataly Mishan-Zakai Chairman of the board	Daniel Sapir CEO	Gadi Attias CFO

Condensed Consolidated Interim Statements of Income

	For the six month period ended June 30		For the three month period ended June 30		Year ended December 31
	2021	2022	2021	2022	2021
	NIS millions		NIS millions		NIS millions
	(Unaudited)		(Unaudited)		(Audited)
Revenues	2,036	**2,124**	1,003	**1,069**	4,100
Cost of revenues	(1,496)	**(1,502)**	(727)	**(746)**	(2,963)
Gross profit	540	**622**	276	**323**	1,137
Selling and marketing expenses	(327)	**(321)**	(159)	**(156)**	(666)
General and administrative expenses	(148)	**(142)**	(74)	**(74)**	(301)
Credit losses	-	**(3)**	-	**(2)**	(5)
Other income (expenses), net	18	**12**	(10)	**4**	44
Operating profit	83	**168**	33	**95**	209
Financing income	5	**18**	1	**12**	3
Financing expenses	(92)	**(96)**	(50)	**(55)**	(168)
Financing expenses, net	(87)	**(78)**	(49)	**(43)**	(165)
Share in profit (losses) of equity accounted investees	(2)	**(1)**	-	**2**	(5)
Profit (Loss) before taxes on income	(6)	**89**	(16)	**54**	39
Tax benefit (taxes on income)	(1)	**(22)**	2	**(15)**	(12)
Profit (Loss) for the period	(7)	**67**	(14)	**39**	27
Profit (Loss) per share					
Basic profit (loss) per share (in NIS)	(0.04)	**0.41**	(0.09)	**0.23**	0.17
Diluted profit (loss) per share (in NIS)	(0.04)	**0.40**	(0.09)	**0.23**	0.16

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For the six month period ended June 30		For the three month period ended June 30		Year ended December 31
	2021	2022	2021	2022	2021
	NIS millions		NIS millions		NIS millions
	(Unaudited)		(Unaudited)		(Audited)
Profit (Loss) for the period	(7)	**67**	(14)	**39**	27
Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss					
Changes in fair value of cash flow hedges, net of tax	1	**1**	-	**1**	1
Total other comprehensive income for the period that after initial recognition in comprehensive income was or will be transferred to profit or loss, net of tax	1	**1**	-	**1**	1
Other comprehensive loss items that will not be transferred to profit or loss					
Re-measurement of defined benefit plan, net of tax	-	**-**	-	**-**	(2)
Total other comprehensive loss for the period that will not be transferred to profit or loss, net of tax	-	**-**	-	**-**	(2)
Total other comprehensive profit (loss) for the period, net of tax	1	**1**	-	**1**	(1)
Total comprehensive profit (loss) for the period	(6)	**68**	(14)	**40**	26

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to owners of the Company				
	Share capital	Share premium	Capital reserves	Retained earnings	Total
	NIS millions				
For the six months period ended June 30, 2022 (Unaudited)					
Balance as of January 1, 2022 (Audited)	**2**	**792**	**(1)**	**1,128**	**1,921**
Comprehensive income for the period, net of tax					
Profit for the period	**-**	**-**	**-**	**67**	**67**
Other comprehensive income for the period, net of tax	**-**	**-**	**1**	**-**	**1**
Share based payments	**-**	**-**	**-**	**11**	**11**
Balance as of June 30, 2022 (Unaudited)	**2**	**792**	**-**	**1,206**	**2,000**

	Attributable to owners of the Company				
	Share capital	Share premium	Capital reserves	Retained earnings	Total
	NIS millions				
For the six months period ended June 30, 2021 (Unaudited)					
Balance as of January 1, 2021 (Audited)	2	792	(2)	1,088	1,880
Comprehensive income for the period, net of tax					
Loss for the period	-	-	-	(7)	(7)
Other comprehensive income for the period, net of tax	-	-	1	-	1
Share based payments	-	-	-	11	11
Balance as of June 30, 2021 (Unaudited)	2	792	(1)	1,092	1,885

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

Condensed Consolidated Interim Statements of Changes in Equity (cont'd)

	Attributable to owners of the Company				
	Share capital	Share premium	Capital reserves	Retained earnings	Total
	NIS millions				
For the three-month period ended June 30, 2022 (Unaudited)					
Balance as of April 1, 2022 (Audited)	**2**	**792**	**(1)**	**1,160**	**1,953**
Comprehensive income for the period, net of tax					
Profit for the period	**-**	**-**	**-**	**39**	**39**
Other comprehensive income for the period, net of tax	**-**	**-**	**1**	**-**	**1**
Share based payments	**-**	**-**	**-**	**7**	**7**
Balance as of June 30, 2022 (Unaudited)	**2**	**792**	**-**	**1,206**	**2,000**

	Attributable to owners of the Company				
	Share capital	Share premium	Capital reserves	Retained earnings	Total
	NIS millions				
For the three-month period ended June 30, 2021 (Unaudited)					
Balance as of April 1, 2021 (Audited)	2	792	(1)	1,101	1,894
Comprehensive income for the period, net of tax					
Loss for the period	-	-	-	(14)	(14)
Share based payments	-	-	-	5	5
Balance as of June 30, 2021 (Unaudited)	2	792	(1)	1,092	1,885

Condensed Consolidated Interim Statements of Changes in Equity (cont'd)

	Attributable to owners of the Company				
	Share capital	Share premium	Capital reserve	Retained earnings	Total
	NIS millions				
For the year ended December 31, 2021 (Audited)					
Balance as of January 1, 2021	2	792	(2)	1,088	1,880
Comprehensive income for the year					
Profit for the year	-	-	-	27	27
Other comprehensive profit (loss) for the year, net of tax	-	-	1	(2)	(1)
Transactions with owners recognized directly in equity					
Share based payments	-	-	-	15	15
Balance as of December 31, 2021	2	792	(1)	1,128	1,921

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

Condensed Consolidated Interim Statements of Cash Flows

	For the six months period ended June 30		For the three months period ended June 30		Year ended December 31
	2021	2022	2021	2022	2021
	NIS millions		NIS millions		NIS millions
	(Unaudited)		(Unaudited)		(Audited)
Cash flows from operating activities					
Profit (Loss) for the period	(7)	**67**	(14)	**39**	27
Adjustments for:					
Depreciation and amortization	453	**411**	227	**203**	896
Share based payments	11	**11**	5	**7**	15
Net change in fair value of investment property	3	**4**	1	**2**	7
Taxes on income (tax benefit)	1	**22**	(2)	**15**	12
Financing expenses, net	87	**78**	49	**43**	165
Other expenses (income)	(11)	**1**	2	**-**	(8)
Share in losses (profit) of equity accounted investees	2	**1**	-	**(2)**	5
Changes in operating assets and liabilities:					
Change in inventory	(34)	**(54)**	10	**(39)**	(15)
Change in trade receivables (including long-term amounts)	34	**(12)**	57	**9**	54
Change in deferred expenses - right of use (including long-term amounts)	(33)	**(40)**	(15)	**(19)**	(77)
Change in other receivables (including long-term amounts)	(8)	**(11)**	1	**24**	5
Change in trade payables, accrued expenses and provisions	(51)	**(30)**	(101)	**(21)**	(23)
Change in other liabilities (including long-term amounts)	7	**34**	28	**14**	2
Payments for derivative hedging contracts, net	(3)	**-**	2	**2**	(5)
Income tax paid	(6)	**(4)**	(5)	**(3)**	(8)
Net cash from operating activities	445	**478**	245	**274**	1,052
Cash flows from investing activities					
Acquisition of property, plant, and equipment	(131)	**(120)**	(79)	**(78)**	(366)
Acquisition of intangible assets and others	(101)	**(114)**	(49)	**(57)**	(232)
Change in current investments, net	327	**-**	310	**-**	407
Recepits from other derivative contracts, net	(1)	**-**	(3)	**(1)**	(2)
Interest received	-	**1**	-	**1**	1
Net cash from (used in) investing activities	94	**(233)**	179	**(135)**	(192)

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

Condensed Consolidated Interim Statements of Cash Flows (cont'd)

	For the six months period ended June 30		For the three months period ended June 30		Year ended December 31
	2021	2022	2021	2022	2021
	NIS millions		NIS millions		NIS millions
	(Unaudited)		(Unaudited)		(Audited)
Cash flows from financing activities					
Receipts for derivative contracts, net	-	**3**	-	**3**	2
Payments for long-term loans from financial institutions	(187)	**-**	(150)	**-**	(188)
Repayment of debentures	-	**-**	-	**-**	(389)
Interest paid	(80)	**(72)**	(11)	**(10)**	(123)
Payment of principal of lease liabilities	(106)	**(113)**	(46)	**(66)**	(235)
Net cash used in financing activities	(373)	**(182)**	(207)	**(73)**	(933)
Changes in cash and cash equivalents	166	**63**	217	**66**	(73)
Cash and cash equivalents as at the beginning of the period	719	**644**	668	**640**	719
Effects of exchange rate changes on cash and cash equivalents	-	**-**	-	**1**	(2)
Cash and cash equivalents as at the end of the period	885	**707**	885	**707**	644

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

Note 1 - Reporting Entity

Cellcom Israel Ltd. ("the Company") is a company incorporated and domiciled in Israel and its official address is 10 Hagavish Street, Netanya 4250708, Israel. The condensed consolidated interim financial statements of the Group as of June 30, 2022, comprise the Company and its subsidiaries (together referred to as the "Group") and the Group’s holdings in included entities. The Group operates and maintains a cellular mobile telephone system in Israel and provides cellular telecommunications services, landline telephony services, internet services, international calls services, television over the internet services and transmission services. The Company is controlled by Koor Industries Ltd. (directly and through agreements with other shareholders of the Company), a wholly owned subsidiary of Discount Investment Corporation Ltd. ("DIC."). DIC is a company without controlling shareholders the shares of which are traded on the Tel Aviv Stock Exchange Ltd. (TASE). The Company's shares are traded on the Tel Aviv Stock Exchange (TASE). On 9 May 2022, the Company’s shares where deregistered in the US thus concluding its reporting obligations towards the SEC. For additional information see Note 35 of the Annual Financial Statements for the year 2021(hereinafter - “the Annual Financial Statements”).

Note 2 - Basis of Preparation of the Financial Statements

A. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2021.

These condensed consolidated interim financial statements were authorized for issue by the Company’s Board of Directors on August 10, 2022.

B. Functional and presentation currency

These condensed consolidated financial statements are presented in New Israeli Shekels ("NIS"), which is the Group's functional currency, and are rounded to the nearest million. NIS is the currency that represents the primary economic environment in which the Group operates.

C. Basis of measurement

These condensed consolidated financial statements have been prepared on the basis of historical cost except for the following assets and liabilities: current investments and derivative financial instruments that are measured at fair value through profit or loss, Investment property is measured at fair value, deferred tax assets and liabilities, assets and liabilities in respect of employee benefits and provisions and investments in included companies

D. Use of estimates and judgments

The estimates and underlying assumptions that were applied in the preparation of these interim financial statements are consistent with those applied in the preparation of the Annual Financial Statements.

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

D. Use of estimates and judgments (cont'd)

The company examines every year the estimate of the useful life of the customer acquisition assets and the installations in the customer's home.

As part of the test, it was found that the average life expectancy of customers increased as a result of a decrease in customer abandonment rates.

In view of the above, on April 1, 2022, the company updated the estimated useful life of customer acquisition assets and installation assets for three years and five years, respectively.

	For the three month and six month period ended June 30	For the six month period ending December 31	of one year ending on For a period December 31			
	2022	2022	2023	2024	2025	2026
	NIS millions					
Decrease (increase) in depreciation expenses	19	17	8	(27)	(12)	(5)

E. Exchange rates and known Consumer Price Indexes are as follows:

	Exchange rates of US$	Consumer Price Index (points)*
As of June 30, 2022	**3.50**	**235.86**
As of June 30, 2021	3.26	226.47
As of December 31, 2021	3.11	228.70
Increase (decrease) during the period:		
Six month end June 30, 2022	**12.54%**	**3.13%**
Six month end June 30, 2021	1.40%	1.40%
Three months ended June 30, 2022	**10.20%**	**1.93%**
Three months ended June 30, 2021	(2.20%)	1.30%
Year ended December 31, 2021	(3.27%)	2.40%

*According to 1993 base index.

Note 3 - Significant Accounting Policies

The accounting policies of the Group in these condensed consolidated interim financial statements are the same as those applied in the Annual Financial Statements.

Note 4 - Operating Segments

The Group operates in two reportable segments, as described below, which are the Group's strategic business units. The strategic business unit's allocation of resources and evaluation of performance are managed separately. The operating segments were determined based on internal management reports reviewed by the Group's chief operating decision maker (CODM). The CODM does not examine the balance of assets or liabilities for those segments and therefore, they are not presented.

- Cellular segment - the segment includes the cellular communications services, cellular equipment and supplemental services.
- Fixed-line segment - the segment includes landline telephony services, internet services, television services, transmission services, landline equipment and supplemental services.

The accounting policies of the reportable segments are the same as described in the annual financial statements in Note 3, regarding Significant Accounting Policies.

	For the six months period ended June 30, 2022				
	NIS millions				
	(Unaudited)				
	Cellular	**Fixed-line**	**Reconciliation for consolidation**	**Consolidated**	**Reconciliation of subtotal Adjusted segment EBITDA to loss for the period**
External revenues	**1,425**	**699**	**-**	**2,124**	
Inter-segment revenues	**7**	**70**	**(77)**	**-**	
Adjusted segment EBITDA *	**366**	**223**			**589**
Depreciation and amortization					**(411)**
Taxes on income					**(22)**
Financing income					**18**
Financing expenses					**(96)**
Other income					**1**
Share based payments					**(11)**
Share in losses of equity accounted investees					**(1)**
Profit for the period					**67**

Note 4 - Operating Segments (cont'd)

	For the six months period ended June 30, 2021				
	NIS millions				
	(Unaudited)				
	Cellular	**Fixed-line**	**Reconciliation for consolidation**	**Consolidated**	**Reconciliation of subtotal Adjusted segment EBITDA to loss for the period**
External revenues	1,374	662	-	2,036	
Inter-segment revenues	7	70	(77)	-	
Adjusted segment EBITDA *	336	232			568
Depreciation and amortization					(453)
Taxes on income					(1)
Financing income					5
Financing expenses					(92)
Other expenses					(21)
Share based payments					(11)
Share in losses of equity accounted investees					(2)
Loss for the period					(7)

	For the three months period ended June 30, 2022				
	NIS millions				
	(Unaudited)				
	Cellular	**Fixed-line**	**Reconciliation for consolidation**	**Consolidated**	**Reconciliation of subtotal Adjusted segment EBITDA to loss for the period**
External revenues	**725**	**344**	**-**	**1,069**	
Inter-segment revenues	**3**	**35**	**(38)**	**-**	
Adjusted segment EBITDA *	**191**	**112**			**303**
Depreciation and amortization					**(203)**
Taxes on income					**(15)**
Financing income					**12**
Financing income					**(55)**
Other income					**2**
Share based payments					**(7)**
Share in profit of equity accounted investees					**2**
Profit for the period					**39**

	For the three months period ended June 30, 2021				
	NIS millions				
	(Unaudited)				
	Cellular	Fixed-line	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Adjusted segment EBITDA to loss for the period
External revenues	681	322	-	1,003	
Inter-segment revenues	3	35	(38)	-	
Adjusted segment EBITDA *	175	122			297
Depreciation and amortization					(227)
Tax benefit					2
Financing income					1
Financing expenses					(50)
Other expenses					(32)
Share based payments					(5)
Loss for the period					(14)

	Year ended December 31, 2021				
	NIS millions				
	(Audited)				
	Cellular	Fixed-line	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Adjusted segment EBITDA to loss for the year
External revenues	2,769	1,331	-	4,100	
Inter-segment revenues	13	141	(154)	-	
Adjusted segment EBITDA *	684	449			1,133
Depreciation and amortization					(896)
Taxes on income					(12)
Financing income					3
Financing expenses					(168)
Other expenses					(13)
Share based payments					(15)
Share in losses of equity accounted investees					(5)
Profit for the year					27

* Adjusted segment EBITDA as reviewed by the Group's CODM, represents the net profit before interest (financing expenses, net), taxes, other income (expenses) that are not part of the Company's current activity, depreciation and amortization, profits (losses) of equity account investees and share based payments. In addition, including other income (expenses) that are part of the Company's current activity, such as interest income in respect of transactions sale transactions in instalments and expenses in respect of a voluntary retirement plan. Adjusted Segment EBITDA is not a financial measure under IFRS and is not comparable to other similarly titled measures for other companies.

Note 5 - Financial Instruments

Fair value

(1) Financial instruments measured at fair value for disclosure purposes only

The book value of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, current investments, including derivatives, trade and other payables, including derivatives and other long-term liabilities, are equal or approximate to their fair value.

The fair values of the remaining financial liabilities and their book values as presented in the consolidated statements of financial position are as follows:

	Jun-30				December 31,	
	2021		2022		2021	
	Book value	Fair value	Book value	Fair value	Book value	Fair value*
	NIS millions		NIS millions		NIS millions	
Debentures including current maturities and accrued interest	(3,171)	(3,351)	**(2,827)**	**(2,865)**	(2,811)	(2,935)

* The fair value of the debentures is determined according to the market price at the reporting date.
In July 2022, after the end of the reporting period, the company repaid a total of NIS 422 million from the balance of the debentures for principal and interest (in July 2021, NIS 421 million for principal and interest and in January 2022, NIS 55 million for interest).

Note 6 - Revenues

Composition

	For the six month period ended		For the three month period ended		For the year ended
	2021	2022	2021	2022	2021
	(Unaudited)				(Audited)
	NIS millions				
Revenues from equipment	587	**597**	275	**300**	1,161
Revenues from services					
Cellular services	868	**910**	436	**462**	1,762
Land-line communications services	537	**571**	270	**284**	1,086
Other services	44	**46**	22	**23**	91
Total revenues from services	1,449	**1,527**	728	**769**	2,939
Total revenues	2,036	**2,124**	1,003	**1,069**	4,100

Note 7 - Impairment testing for cash-generating unit containing goodwill

As of December 31, 2021, the Company performed a quantitative assessment for each of its cash generating units and assessment if a reduction for the goodwill impairment for its cellular and fixed-line segments are required. The recoverable amount of each of the Company's cash-generating units was evaluated by the company with the assistance of an external appraiser using the Value In Use model which was calculated using discounted cash flows method based on a projected five-year cash flows. The five-year projected cash flows were estimated in light of the long-term growth rate. The Company used a relevant discount rate, which reflected the specific risks associated with the future cash flows of its cash-generating units.

At the end of the second quarter of 2022, the Company examined if there are internal and external indications that could lead to a change in the assessment of the work performed as of December 31, 2021, and concluded that there are no indications that require an assessment of a goodwill impairment.

Determining the fair value of cash generating units requires significant judgment, including judgments about the appropriate discount rates, terminal growth rates, weighted average costs of capital and the amount and timing of projected future cash flows. The Company will continue to monitor the fair value of its cash generating units to determine whether events and changes in circumstances such as deterioration in the business climate or operating results, continuous decline in the share price, changes in management’s business strategy or downward adjustments to the Company’ cash flows projections, warrant further impairment testing in future periods.

Note 8 - Contingent Liabilities

The provision recorded in the financial statements as of June 30, 2022, in respect of all lawsuits against the Group amounted to NIS 79 million.

Most of the purported class actions that are filed against the Group are claims by end customers of the Group, primarily for allegations regarding unlawful charges, conduct in breach of law or license, or breach of agreements with the customers, while causing pecuniary and non-pecuniary damages to the customers (hereinafter: “Consumer Claims”). In addition, various legal proceedings have been brought against the Group by employees, subcontractors, suppliers, authorities and others, most for allegations of violation of law with respect to termination of employment and mandatory payments to employees, allegations for breach of contract, copyright infringement, patent infringement and mandatory payments to authorities (hereinafter: “Other Claims”).

Following the reporting period, two claims and motions for approval as class actions ended in an amount estimated by the plaintiffs at approximately NIS 157 million, with no impact on the company's results.

Note 8 - Contingent Liabilities (cont'd)

Described hereunder are the outstanding lawsuits against the Group, as of 30 June, 2022, classified into groups with similar characteristics. The amounts presented below are calculated based on the claims amounts as of the date of their submission to the Group:

Group of claims	Claim amount	Claim amount for claims without an estimate of chance of success	Total
	NIS million		
Consumer Claims	**1,304 (1) (2)**	**5**	**1,309**
Other Claims	**14**	**-**	**14**
Total	**1,318**	**5**	**1,323**

(1) Includes a claim against the Group and additional defendants together in sum of approx. NIS 300 million, without separately noting the amount claimed from the Group, and two other claims against the Group and additional defendants while the amount claimed from the Group was estimated by the plaintiffs at approx. NIS 10 million.

(2) There are additional claims against the Group for which no claim amount was noted, for which Group may have additional exposure.

Described hereunder the number and amount of the claims as at June 30, 2022, divided down by amount of the claim:

Claim amount	Number of claims	Total claims amount (NIS millions)
Up to NIS 100 million *	45	458
NIS 100-500 million	2	555
Unquantified claims	12	-
Against the Group and other defendants together without specifying the amount claimed from the Group	1	300
Against the Group and other defendants together, in which the amount claimed from the Group has been quantified	2	10
Unquantified claims against the Group and other defendants	5	-
Total	**67**	**1,323**

* Including 32 claims filed against the Group by employees, subcontractors, suppliers, authorities and others as of June 30, 2022, in a total amount of approximately NIS 14 millions.

Note 9 - Material events during and after the reporting period

A. Update on the Corona virus measures and possible implications

Further to Note 1B of the 2021 annual financial statements, during the first half of 2022, most of the restrictions regarding travel abroad have been removed. Therefore, the company's roaming revenues grew compared to the corresponding period last year.

The Company examined its financing resources and liquidity and estimates that it has adequate financial fortitude to contend with the implications of the pandemic, inter alia in light of its diverse areas of activity and scope of liquid balances. The Company has examined the impact of the pandemic on the existing balances as in the Company's report of financial position including current assets, inventory, fixed assets, and the impact on changes to lease agreements and has not made adjustments in material amounts due to the pandemic.

It is noted that as this is a crisis of ongoing nature that is outside the Company's control, characterized by uncertainty, among others, with respect to the end of the pandemic, as of the date of the financial statements there is no certainty with respect to the scope of impact on the Company and the economy at large, inter alia in light of the condition in the markets for dealing with the pandemic in Israel and the world, unemployment numbers, private consumption, concern for development of a local or global rescission, heightened inflation, or another outbreak of the virus. Materialization of sweeping implications as such, all or part, could have an adverse effect on the Company's business and results of its activity.

B. The company's network sharing agreement with Marathon (Xfone)

Further to Note 31D of the 2021 annual financial statements, in March 2022, the transaction was completed for acquiring Marathon (018) Xfone Ltd. ("Marathon") by Klir Communications Holding LP, controlled by Yariv Lerner and Klirmark Fund (the "Buyer") according to the creditors' arrangement, and the updated network sharing agreement between Marathon and the Company (the "Agreement") came into effect.

C. Expansion of debentures (series L)

In July 2022, after the end of the reporting period, the company issued debenture, through the expansion of an existing series of debentures (series L), in the amount of 105 million par value and in exchange for a total amount of approximately NIS 100 million, reflecting an annual effective interest rate of 4.5%.
For more details about the terms of the debentures, see Note 19 to the annual financial statements.

D. Share-based payment

In January 2022 the Company's board of directors approved granting options to the Company's CEO Daniel Sapir, the resolution of the board was approved by the general meeting of the Company's shareholders in February 2022. The granted options shall vest in five equal batches of 224,734 options each, upon the lapse of one, two, three, four and five years from the date of grant. The options can be exercised within 36 months of vesting of each batch. Fair value of the granted options was calculated according to an average estimate of NIS 5.9 per option. The assumptions underlying the fair value calculation: average of no risk interest – 0.4%, weighted average of expected duration – 4 years, and expected volatility – 46.3%.

In March 2022 the Company's board of directors approved allocation to eligible employees, according to a collective bargaining agreement of the Company with its employees, of approx. 3.1 million options for ordinary shares of the Company, to vest in 4 equal batches over a period of 4 years, with a total value of NIS 14 million and approx. 851 thousand RSUs of the Company, with a total value of NIS 14 million vesting in 4 equal batched over a period of 4 years.

Note 9 - Material event in the reporting period (cont'd)

D. Share-based payment (cont'd)

In February, April and June 2022 (after the end of the reporting period), the Company's board of directors approved 3.4 million options to officers and other senior employees, vesting in 3 equal batches upon the lapse of one, two and three years from the date of grant, with a total value of NIS 11 million and an exercise price in the range of NIS 18.4-20.4.
The options included in the first batch can be exercised within 18 months of vesting and the options included in the second and third batch can be exercised within 12 months of vesting.

Cellcom Israel Ltd.

Separate Interim Financial Information

As at June 30, 2022

(Unaudited)

Contents

The accompanying review report is a non-binding translation into English of the original review report published in Hebrew. The version in Hebrew is the approved text.

To
The Shareholders of
Cellcom Israel Ltd.
Netanya, Israel

Re: <u>Auditors' special report on separate financial information in accordance with Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports) – 1970</u>

Introduction

We have reviewed the separate financial information disclosed in accordance with Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Cellcom Israel Ltd (hereafter - the Company) as of June 30, 2022 and for the six and three months periods then ended. This separate financial information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on this separate financial information based on our review.

We did not review the financial information included in the financial statements of investees, the total net assets less total liabilities of which amounted to NIS 75 million as of June 30, 2022, and the Company's share in the loss of those investees amounted to NIS 14 million and NIS 7 million respectively, for the six and three months periods then ended. The financial statements of those investees were reviewed by other independent auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those investees, is based on the reports of the other independent auditors.

Scope of review

We conducted our review in accordance with (Israel) Review Standard No. 2410, issued by the Israeli Institute of Certified Public Accountants regards "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." 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 auditing principles generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not present fairly, in all material respects, in conformity with Regulation 38D to the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

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Tel Aviv, Israel August 10, 2022	Kesselman & Kesselman Certified Public Accountants (Isr.) A member firm of PricewaterhouseCoopers International Limited

Kesselman & Kesselman, Derech Menachem Begin 146, Tel-Aviv 6492103, Israel,
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Condensed Interim Information of Financial Position

	June 30, 2021	June 30, 2022	December 31, 2021
	NIS millions		NIS millions
	(Unaudited)		(Audited)
Current assets			
Cash and cash equivalents	658	**447**	387
Trade receivables	913	**585**	765
Current tax assets	6	**42**	11
Other receivables, includes derrivities	39	**18**	37
Inventory	58	**81**	47
	1,674	**1,173**	1,247
Non- current assets			
Trade and other receivables	185	**212**	183
Property, plant and equipment, net	1,261	**1,333**	1,291
Intangible assets and others, net	413	**418**	398
Investments in equity accounted investees	2,188	**2,234**	2,313
Loans from investees and capital notes	378	**388**	383
Right-of-use assets, net	591	**633**	589
	5,016	**5,218**	5,157
	6,690	**6,391**	6,404
Current liabilities			
Current maturities of debentures and of loans from financial institutions	381	**567**	383
Current maturities of lease liabilities	198	**175**	167
Trade payables and accrued expenses	559	**445**	469
Provisions	108	**102**	102
Loans from investees companies	90	**270**	210
Other payables, including derivatives	203	**35**	262
	1,539	**1,594**	1,593
Non- current liabilities			
Debentures	2,744	**2,221**	2,373
Long-term lease liabilities	429	**494**	455
Provisions	29	**25**	29
Other long-term liabilities	40	**12**	1
Liability for employee rights upon retirement, net	9	**13**	12
Deferred taxes liabilities	15	**32**	21
	3,266	**2,797**	2,891
	4,805	**4,391**	4,484
Equity			
Equity attributable to owners of the Company	1,885	**2,000**	1,920
	6,690	**6,391**	6,404

The accompanying notes are an integral part of these condensed separate interim financial statements.

August 10, 2022			
Date of approving the financial statements	Nataly Mishan-Zakai Chairman of the Board of Directors	Daniel Sapir CEO	Gadi Attias CFO

Condensed Interim Information of Profit or Loss

	Six-month period ended June 30,		Three months period ended June 30,		Year ended December 31
	2021	2022	2021	2022	2021
	NIS millions		NIS millions		NIS millions
	(Unaudited)				(Audited)
Revenues	1,336	**1,368**	664	**705**	2,660
Cost of revenues	(1,083)	**(1,057)**	(530)	**(538)**	(2,116)
Gross profit	253	**311**	134	**167**	544
Selling and marketing expenses	(210)	**(199)**	(101)	**(94)**	(428)
General and administrative expenses	(107)	**(102)**	(52)	**(55)**	(219)
Credit losses	-	**-**	(1)	**-**	(2)
Other income (expenses), net	22	**16**	(8)	**7**	48
Operating income (loss)	(42)	**26**	(28)	**25**	(57)
Financing income	10	**17**	3	**11**	18
Financing expenses	(92)	**(93)**	(48)	**(53)**	(171)
Financing expenses, net	(82)	**(76)**	(45)	**(42)**	(153)
Share in profit of investees companies	115	**130**	56	**66**	241
Profit (loss) before taxes on income	(9)	**80**	(17)	**49**	31
Tax benefit (Taxes on income)	2	**(13)**	3	**(10)**	(4)
Profit (loss) for the period	(7)	**67**	(14)	**39**	27

The accompanying notes are an integral part of these condensed separate interim financial statements.

Condensed Interim Information of Cash Flows

	Six months period ended June 30,		Three- month period ended June 30,		Year ended December 31,
	2021	2022	2021	2022	2021
	NIS millions		NIS millions		NIS millions
	(Unaudited)				(Audited)
Profit (loss) for the period	(7)	**67**	(14)	**39**	27
Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss					
Changes in fair value of cash flow hedges transferred to profit or loss, net of tax	1	**1**	-	**1**	1
Total other comprehensive income for the period that after initial recognition in comprehensive income was or will be transferred to profit or loss, net of tax	1	**1**	-	**1**	1
Other comprehensive income items that will not be transferred to profit or loss					
Re-measurement of defined benefit plan, net of tax	-	**-**	-	**-**	(2)
Total other comprehensive loss for the period that will not be transferred to profit or loss, net of tax	-	**-**	-	**-**	(2)
Total other comprehensive profit (loss), net of tax	1	**1**	-	**1**	(1)
Total comprehensive prfit (loss) for the period	(6)	**68**	(14)	**40**	26

The accompanying notes are an integral part of these condensed separate interim financial statements.

	Six months period ended June 30,		Three-month period ended June 30,		Year ended December 31,
	2021	2022	2021	2022	2021
	NIS millions		NIS millions		NIS millions
Cash flows from operating activities	(Unaudited)				(Audited)
Profit (loss) for the period	(7)	**67**	(14)	**39**	27
Adjustments for:					
Depreciation and amortization	371	**334**	186	**159**	729
Share-based payments	11	**11**	5	**7**	15
Net change in fair value of investment property	3	**4**	1	**2**	7
Tax on income (tax benefit)	(2)	**13**	(3)	**10**	4
Financing expenses, net	82	**76**	45	**42**	153
Other income	(11)	**-**	-	**-**	(11)
Share in profit of equity accounted investees	(115)	**(130)**	(56)	**(66)**	(241)
Changes in operating assets and liabilities:					
Change in inventory	(17)	**(34)**	9	**(18)**	(6)
Change in trade receivables (including long-term amounts)	(24)	**121**	43	**54**	125
Change in other receivables (including long-term amounts)	-	**(23)**	5	**17**	(5)
Change in trade payables, accrued expenses and provisions	(6)	**(64)**	(28)	**(45)**	(96)
Change in other liabilities (including long-term liabilities)	56	**4**	27	**(12)**	76
Payments for derivative hedging contracts, net	(3)	**(1)**	2	**-**	(5)
Income tax paid	(4)	**(1)**	(3)	**-**	(8)
Net cash from operating activities	334	**377**	219	**189**	764
Cash flows from investing activities					
Acquisition of property, plant and equipment	(112)	**(114)**	(62)	**(74)**	(308)
Acquisition of intangible assets and others	(87)	**(92)**	(43)	**(45)**	(167)
Investments in investee companies	(1)	**-**	-	**-**	2
Change in current investments, net	310	**-**	310	**-**	310
Receipts for other derivative contracts, net	(1)	**-**	(3)	**-**	-
Interest received	-	**1**	-	**1**	1
Net cash from (used in) investing activities	109	**(205)**	202	**(118)**	(162)

The accompanying notes are an integral part of these condensed separate interim financial statements.

	Six months period ended June 30,		Three-month period ended June 30,		Year ended December 31,
	2021	2022	2021	2022	2021
	NIS millions		NIS millions		NIS millions
Cash flows from financing activities	(Unaudited)				(Audited)
Receipts for derivative contracts, net	-	**3**	-	**4**	1
Repayment of long-term loans from financial institutions	(187)	**-**	(150)	**-**	(187)
Repayment of debentures	-	**-**	-	**-**	(389)
Interest paid	(80)	**(71)**	(11)	**(11)**	(121)
Receipts of loan from investees	-	**60**	-	**30**	120
Payment of principal of lease liabilities	(96)	**(104)**	(42)	**(57)**	(215)
Net cash used in financing activities	(363)	**(112)**	(203)	**(34)**	(791)
Changes in cash and cash equivalents	80	**60**	218	**37**	(189)
Cash and cash equivalents as at the beginning of the period	578	**387**	440	**409**	578
Effects of exchange rate changes on cash and cash equivalents	-	**-**	-	**1**	(2)
Cash and cash equivalents as at the end of the period	658	**447**	658	**447**	387

The accompanying notes are an integral part of these condensed separate interim financial statements.

Note 1- Basis of Preparation of the Financial Information

A. Definitions

Presented hereunder is condensed financial information from the Group’s condensed consolidated financial statements as of June 30, 2022 (hereinafter – the condensed consolidated financial statements), which are issued as part of the periodic reports, and which are attributed to the Company itself (hereinafter – condensed separate financial information), and are presented in accordance with Regulation 38D (hereinafter – the Regulation) and the tenth addendum to the Securities Regulations (Periodic and Immediate Reports) – 1970 (hereinafter – the tenth addendum) regarding condensed separate interim financial information of an entity.
The condensed separate financial statements must be read together with the annually condensed separate financial statements as of December 31, 2021 and together with the consolidated financial statements.

Unless stated otherwise, all the terms presented in the separate financial information are as defined in the Company's consolidated financial statements as of December 31, 2021 (hereinafter: "the annually consolidated financial statements").

"The Company" – Cellcom Israel Ltd.

"Investee companies" – Subsidiaries and companies accounted on the equity basis.

"Inter-company transactions" – transactions between the company and her investees.

"Inter-company balance", "Inter-company revenues and expenses", "Inter-company cash flows" – balances, revenues or expenses, and cash flows, depending on the matter, arising from inter-company transactions, which eliminated in the consolidated financial statements.

B. Basis of preparation of the financial Information

Accounting Policy in the condensed separate interim financial information, is in accordance with the accounting policies, which detailed in the separate financial information as of December 31, 2021.

Note 2 - Commitments, loans and significant transactions with Investees

A. Investments and ownership interest in investee companies

	Company's ownership interest in the investee	Company's investments in investee as of		
		June 30,		December 31,
		2021	**2022**	2021
		NIS millions		NIS millions
Cellcom Fixed Line Communication L.P.	100%	1,525	**1,521**	1,626
Golan Telecom Ltd.	100%	394	**402**	401
Dynamica Cellular Ltd.	100%	129	**179**	151
I.B.C (Unlimited) Holdings L.P.	23%	139	**132**	133
Other Companies	-	1	**-**	2
		2,188	**2,234**	2,313

Note 2 - Commitments, loans and significant transactions with Investees (cont'd)

B. Loans to investee companies

	June 30,		December 31,
	2021	2022	2021
	NIS millions		
Loan to Golan Telecom Ltd. *	128	**138**	133
Capital Note - Golan Telecom Ltd.	250	**250**	250
	376	**388**	383

* The loan was granted as part of the sharing network agreement singing in 2017, half of which in includes an annual interest rate of 1.85% and is linked to the CPI, the other half includes an interest rate of 3.5% and is not linked.

C. Loans from investee companies

	June 30,		December 31,
	2021	2022	2021
	NIS millions		
Short-term loan from Cellcom Fixed Line Communication L.P. *	90	**270**	210

* The loan includes an annual interest rate of 2.6% and is not linked.

Note 3 - Events during and after the reporting period

A. For additional information regarding the Covid-19 virus and his possible effects on the company, see Note 9 A for the consolidated financial statements.

B. For additional information regarding the completion of the purchase of Marathon, see Note 9 B for the consolidated financial statements.

C. For additional information regarding the issue of additional bonds, see Note 9 C for the consolidated financial statements.

D. For additional information regarding Share-based payment, see Note 9 D for the consolidated financial statements.

Quarterly Report regarding the Effectiveness of Internal Control over Financial Reporting and Disclosure Pursuant to regulation 38C(a) of the Regulations:

The Management, under the supervisions of the Board of Directors of Cellcom Israel Ltd. (hereafter: the "**Company**") is responsible for determining and maintaining appropriate internal control over financial reporting and disclosure in the Company.

In this regard, the members of the Management are as follows:

1. Daniel Sapir, CEO
2. Gadi Atias, CFO

The internal control over financial reporting and disclosure includes the existing controls and procedures in the Company, which were determined by the Chief Executive Officer and the senior corporate financial officer or under their supervision, or by someone who in practice carries out these functions, under the supervision of the Company's Board of Directors and which are intended to provide a reasonable degree of assurance regarding the reliability of financial reporting and the preparation of the reports according to the provisions of the law and to ensure that the information which the Company is required to disclose in the reports that it publishes according to the provisions of the law is gathered, processed, summarized and reported on the dates and in the format prescribed by law.

The internal control includes, among other things, controls and procedures that were determined to ensure that the information which the Company is required to disclose as aforesaid, was accumulated and submitted to the Company's Management, including the Chief Executive Officer and the senior corporate financial officer or someone who in practice fulfills these functions, in order to facilitate decision making at the appropriate time, with regard to the disclosure requirements.

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

In the quarterly report on the effectiveness of the internal control over financial reporting and disclosure which was attached to the quarterly report for the period ended on March 31, 2022 (hereinafter: the "**The Last Quarterly Report on Internal Control**"), the internal control was found to be effective.

Until to the date of the report, the Board of Directors and Management were not made aware of any event or matter that would have changed their assessment of the effectiveness of internal control, as it was found in the Last Quarterly Report on Internal Control.

As of the date of the report and based on the effectiveness of the internal control stated in the Last Quarterly Report on Internal Control and on the information brought to the attention of the Management and the Board of Directors as mentioned above, the internal control is effective.

<u>**Executive Statements**</u>

<u>**The Statement of the CEO according to Regulation 38C(d)(1)**</u>

The undersigned, Daniel Sapir, states as follows:

1. I have reviewed the quarterly report of Cellcom Israel Ltd. (hereinafter – the "**Company**") for the second quarter of 2022 (hereinafter – the "**Reports**");
2. Based on my knowledge, the Reports do not contain any misrepresentation of a material fact or omit any representation of material fact required so that the representations included therein, in light of the circumstances under which such representations were made, are not misleading with respect to the Reports period;
3. Based on my knowledge, the financial statements and other financial information included in the Reports adequately reflect in all material aspects the financial position, the results of operations and cash flows of the Company for the dates and periods to which the Reports relate;
4. I have disclosed to the Company's auditor, the Board of Directors and the Company's audit committee, based on my most recent assessment regarding the internal control over financial reporting and disclosure:
    a. All material deficiencies and weaknesses in determining or operating the internal control over financial reporting and disclosure, which could reasonably adversely affect the Company's ability to gather, process, summarize or report financial data so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with law; and –
    b. Any fraud, whether or not material, that involves the CEO or anyone directly subordinated to the CEO or that involves other employees who have a significant role in internal control over financial reporting and disclosure.
5. I, by myself or together with others in the Company:
    a. have determined such controls and procedures, or ascertained the determination and fulfillment of controls and procedures under my supervision, intended to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Law (Annual Financial Statements) – 2010, is made known to me by others in the Company and the subsidiaries, particularly during the period in which the Reports are being prepared; and –
    b. have determined such controls and procedures, or ascertained the determination and fulfillment of such controls and procedures under my supervision, intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
    c. No event or matter during the course of the period between the date of the last report (quarterly or annual) and the date of this report has been brought to my attention that would change the conclusion of the Board of Directors and Management with respect to the effectiveness of the internal control over the Company's financial reporting and disclosure.

The foregoing does not derogate from my responsibility or the responsibility of any other person under any law.

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Daniel Sapir

CEO

August 10, 2022

<u>The Statement of the Highest Ranking Officer in Finance according to Regulation 38C(d)(2)</u>

The undersigned, Gadi Atias, states as follows:

1. I have reviewed the interim financial statements and other financial information included in the interim period reports of Cellcom Israel Ltd. (hereinafter – the "**Company**") for the second quarter of 2022 (hereinafter – the "**Reports**" or the " Interim Period Reports ");
2. Based on my knowledge, the interim financial statements and other financial information included in the interim period reports do not contain any misrepresentation of a material fact or omit any representation of material fact required so that the representations included therein, in light of the circumstances under which such representations were made, are not misleading with respect to the Reports period;
3. Based on my knowledge, the interim financial statements and other financial information included in the interim period reports, adequately reflect in all material aspects the financial position, the results of operations and cash flows of the Company for the dates and periods to which the Reports relate;
4. I have disclosed to the Company's auditor, the Board of Directors and the Company's audit committee, based on my most updated assessment regarding the internal control over financial reporting and disclosure:
    a. All material deficiencies and weaknesses in determining or operating the internal control over financial reporting and disclosure to the extent it relates to the interim financial statements and other financial information included in the interim period reports, which could reasonably adversely affect the Company's ability to gather, process, summarize or report financial data so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with law; and –
    b. Any fraud, whether or not material, that involves the CEO or anyone directly subordinated to the CEO or that involves other employees who have a significant role in internal control over financial reporting and disclosure.
5. I, by myself or together with others in the Company:
    a. have determined such controls and procedures, or ascertained the determination and fulfillment of controls and procedures under my supervision, intended to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Law (Annual Financial Statements) – 2010, is made known to me by others in the Company and the subsidiaries, particularly during the period in which the Reports are being prepared; and –
    b. have determined such controls and procedures, or ascertained the determination and fulfillment of such controls and procedures under my supervision, intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
    c. No event or matter has been brought to my attention which occurred during the period between the date of the last report (quarterly or annual) and the date of this report that relates to the interim financial statements and any other financial information that is included in the interim period reports, that would change the conclusion of the Board of Directors and Management with respect to the effectiveness of the internal control over the Company's financial reporting and disclosure.

The foregoing does not derogate from my responsibility or the responsibility of any other person under any law.

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Gadi Atias

CFO

August 10,- 2022

August 10, 2022

To:
The Board of Directors of Cellcom Israel Ltd (the "Company")
10 Hagavish St., Netanya

Dear members of the Board of Directors,

Re: <u>Consent letter in relation to an April 2021 shelf prospectus of Cellcom Israel Ltd</u>

We hereby inform you that we consent to the inclusion of our reports as indicated hereunder (including by way of reference) in a shelf offering as may be published by the Company, if published, by virtue of a prospectus of the Company dated April 2021:

1. An auditor's review report dated May 19, 2021, on the Company's condensed consolidated financial information as of March 31, 2021, and for the three-month period then ended.

2. An auditor's report dated May 19, 2021, on the condensed separate financial information of the Company as of March 31, 2021 and for the three-month period then ended.

3. An auditor's review report dated August 11, 2021, on the Company's condensed consolidated financial information as of June 30, 2021, and for the six and three-month periods then ended.

4. An auditor's report dated August 11, 2021, on the condensed separate financial information of the Company as of June 30, 2021 and for the six and three-month periods then ended.

5. An auditor's review report dated November 15, 2021, on the Company's condensed consolidated financial information as of September 30, 2021, and for each of the nine and three-month periods then ended.

6. An auditor's report dated November 15, 2021, on the condensed separate financial information of the Company as of September 30, 2021 and for the nine and three-month periods then ended.

7. An auditor's report dated March 9, 2022, on the Company's consolidated financial statements as of December 31, 2021 and 2020, and for each of the three years in the period ended on December 31, 2021.

8. An auditor's report dated March 9, 2022, on the audit of components of internal control over financial reporting of the Company as of December 31, 2021.

9. An auditor's report dated March 9, 2022 on the separate financial information of the Company according to Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970 as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021.

10. An auditor's review report dated May 18, 2022 on the condensed consolidated financial information of the Company dated March 31, 2022 and for the three-month period then ended.

11. An auditor's report dated May 18, 2022 on the separate condensed financial information of the Company as of March 31, 2022 and for the three-month period then ended.
12. An auditor's review report dated August 10, 2022 on the condensed consolidated financial information of the Company dated June 30, 2022 and for the six and three-month periods then ended.

13. An auditor's report dated August 10, 2022 on the condensed separate financial information of the Company as of June 30, 2022 and for six and three -month periods then ended.

Sincerely,
Kesselman & Kesselman
Certified Public Accountants
PwC Israel

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