

Convenience translation into English of Cellcom Israel Ltd.'s Periodic Report for the period ending September 30, 2023 ("**Periodic Report**") filed with the Israeli Securities Authority, on November 15, 2023  
In any case of inconsistency, the Periodic Report in Hebrew shall prevail



## **Cellcom Israel Ltd.**

### **PERIODIC REPORT FOR THE PERIOD**

**ENDING September 30, 2023**

#### **Table of Contents**

**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**

**Chapter B Board of Directors' Report on the Company's State of Affairs**

**Chapter C Financial Statements as of September 30, 2023**

**Chapter D Report regarding the Effectiveness of Internal Control over Financial Reporting and Disclosure pursuant to regulation 38C(a) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970**

## 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 2022 (Reference No.: 2023-01-025194) ("The Company" and "Periodic Report", respectively), as updated in the Company's quarterly reports for the first and second quarters of 2023 (Reference No: 2023-01-052770 and 2023-01-092391' respectively) ("First Quarter Report" and ("Second Quarter Report", respectively)**

### **1. Sections 9.2.2(8), 22.13 and 26.5 - License to supply electricity**

Further to the description in these sections, regarding the Company's activities, as part of a joint venture between the Company and Mashek Energy - Renewable Energies Ltd. ("**Meshek Energy**"), to supply electricity to households and business customers, the Company updates as follows:

#### 1.1 Entering into a founder's agreement

- A. On August 31, 2023, the Company entered into a founder's agreement with Mashek Energy (the "**Founder's Agreement**"), for the establishment of a registered limited partnership ("**Cellcom Energy**" or the "**Partnership**") whose purpose is to operate in marketing, sales and electrical supply to households and business consumers (except the rural sector<sup>1</sup> and certain activities as agreed upon by the parties, regarding which each of the parties will be entitled to act independently). For this purpose, Cellcom Energy will operate to obtain a license to supply electricity without means of production, from the Electricity Authority (the "**License**").

Cellcom Energy as well as Cellcom Energy's general partner will be held in equal parts (50% - 50%) by the parties.

- B. In accordance with the business plan approved by the parties as a part of the Founder's Agreement (the "**Business Plan**"), each of the parties will provide to the partnership, according to its relative share in the partnership's capital, the financing amounts detailed in the business plan (including budget updates, if any, that will be approved during the period of the business plan, which is for 5 years as of January 1, 2024). This funding could be through capital injection, Shareholder loan, credit raising as well as provision of guarantees and collateral, all in accordance with the business plan and as determined by the general partner. In addition, provisions were established regarding additional funding, to the extent necessary for the partnership as determined by the

---

<sup>1</sup> The "Rural Sector"-kibbutzim and cooperative Israeli settlements ("Moshavim Shitufiim") (including major organizations such as organizing kibbutzim and Moshavim Shitufiim), factories operating on kibbutz or moshavim land, and corporations in which a kibbutz or moshav holds at least 26% of their issued capital, as well as other rural settlements to be determined by agreement between the parties.

general partner, as well as a dilution mechanism in cases where a certain party did not provide its part of the funding amounts.

- C. The parties have committed that as long as they hold 25% or more of the partnership's capital, 25% or more of the general partner's share capital, or be entitled to appoint a director in the general partner, they will operate in the collaboration field through Cellcom Energy only, except for certain exceptions as agreed between the parties.
- D. For the purpose of promoting Cellcom Energy's activities, it was agreed that the Company will provide services to the partnership, mainly in sales and customer management, within the framework of a services agreement that will be signed between the parties; It was also agreed that Mashek Energy will sell to Cellcom Energy electricity from four facilities of Mashek Energy (and its related entities), which are integrated solar storage facilities, under the essence conditions that will be detailed in section 1.2 below ("the **Electricity Purchase Agreements**").

In addition, Cellcom Energy will have the first right offer to submit proposals for the purchase of electricity from integrated solar storage facilities that will be established by Meshek Energy and its related entities (as they are established) at the dates agreed upon in the Founder's Agreement and in accordance with the mechanism set forth therein. On the other hand, Meshek Energy (and its related entities) will have the first right offer to submit proposals for the supply of electricity in any procedure conducted by Cellcom Energy for the purchase of electricity, in accordance with the mechanism set forth in the Founder's Agreement. The first rights offer above will remain valid as long as the Company or Meshek Energy, as applicable, will hold at least 30% of Cellcom Energy.

- E. From the date of establishment of Cellcom Energy until 31.12.2028, the Company (as long as it owns at least 50% of the rights of Cellcom Energy and the shares of the general partner) will have the right to appoint the Chairman of the board of directors and the Chairman of the general meeting of the general partner of Cellcom Energy, and the aforementioned Chairman will have a casting vote on certain issues determined between the parties, in accordance with and subject to the mechanism agreed between the parties ("the **Casting Vote Mechanism**"). The validity of the casting vote mechanism will be automatically extended for additional periods of 5 years each if the casting vote mechanism is not used in the aforementioned period, more than twice, subject to the approval of the business plan for each additional period by the parties.
- F. As part of the Founder's Agreement, limitations were set on the transfer of rights in Cellcom Energy and in the general partner, and any transfer should be subject to transfer of full holdings of each party, and a right of first refusal

was established that could be activated after a certain period of time from the date of receipt of the license by the partnership as defined in the agreement. Furthermore, starting at the end of 5 years from the date of entry into force of the Founder's Agreement, each of the parties will have the right to purchase the other party's share in the partnership and the general partner, in accordance with the "BMBY" mechanism that was established. To the extent that the Company will initiate the "BMBY" mechanism and acquires the share of Mashek Energy in the partnership and in the general partner, then Mashek Energy will be entitled to cancel the Electricity Purchase Agreements, according to the mechanism and periods stipulated in the Founder's Agreement.

## 1.2. Entering into Electricity Purchase Agreements

- A. Simultaneously with the signing of the Founder's Agreement, the Company and Mashek Energy entered into 4 Electricity Purchase Agreements for Cellcom Energy with an entity related to Mashek Energy ("the **Manufacture**") for a period of 20 years from the date on which each production facility will be associated with Cellcom Energy, in accordance for each of the aforementioned agreements (Subject to, inter alia, to what is stated in section 1.1.f. above), and this from 4 production facilities that will be established by Mashek Energy and entities related to it during the year 2024, with an installed solar power of approximately 45 megawatts DC and a storage capacity of approximately 100 megawatt hour, in relation to all facilities
- B. The total payments expected by Cellcom Energy in connection with the purchase of electricity from the four production facilities, for the term of the agreements in the aggregate, is approximately NIS 500 million, which will be partly linked to the Consumer Price Index with an agreed ceiling, and partly to the production rate (a weighted production component rate that is published by the Electricity Authority - "the **Weighted Rate**") ("the **Linkage Mechanism**") in addition, floor and ceiling rates linked to the consumer price index were set that Cellcom Energy will have to pay in respect of supply of electric power from any such production facility. Such consideration embodies a discount at the agreed rate from the Weighted Rate.
- C. At the time the parties signed the Electricity Purchase Agreements, the Company and Mashek Energy provided parent company guarantees (limited in amount) according to their part, to guarantee the payments of Cellcom Energy to the manufacturer in accordance with the agreements. The amount of such guarantees will be updated in accordance with the Linkage Mechanism as of the date of signing the Electricity Purchase Agreements, in the aggregate for the entire period of such agreements.

- D. If the commercial operation of each of the production facilities (after receiving approval for commercial operation from the Israel Electricity Company (IEC)), in accordance with the Electricity Purchase Agreements, did not occur until various dates as determined, during the year 2024, an agreed compensation will be paid to Cellcom Energy in accordance with the agreed mechanism, and if the commercial operation has not occurred until the end of 12 months from the aforementioned date, the manufacture will be entitled to cancel the Electricity Purchase Agreements so that they will end at the end of the said 12 months and in such case a mechanism agreed between the parties for the purchase of electricity will be activated. In addition, if the manufacturer does not meet its obligations regarding the scope and hours of electricity supplied to Cellcom Energy according to the agreement, in relation to each of the production facilities separately, Cellcom Energy will be paid the agreed compensation up to a compensation ceiling in accordance with the agreed mechanism, If the manufacturer reaches the compensation ceiling, Cellcom Energy will have the right to cancel the agreement.
- .1.3. The entry and validity of the Founder's Agreement, including the Electricity Purchase Agreements, is conditional on obtaining the approval of the Competition Authority (without conditions that are unacceptable to either party), within 90 days from the date of signing.
- 1.4. In light of the rights granted to the Company as part of the Founder's Agreement, (including the casting vote mechanism as mentioned in section 1.1.e. above), the Company is expected to consolidate Cellcom Energy's results in its financial statements as long as the casting vote mechanism remains in effect.
- 1.5. It should be noted that in accordance with the business plan as attached to the Founder's Agreement, Cellcom Energy aims to reach a market share of approximately 270,000 electricity consumers by the end of 2028.

**The above in connection with the Company's engagement in the Founder's Agreement, including the Electricity Purchase Agreements and the entry into force of these agreements, as well as in connection with the business plan as stated above, including all that is stated regarding the expectation of obtaining the license, the services that the parties will provide to Cellcom Energy and the sale of electricity by Meshek Energy and their scope and the consideration for such services as well as models, evaluations, estimates and subjective analyzes carried out and used by the Company for its evaluations within the framework of the aforementioned engagements are forward-looking statements, as defined in the Securities Law, 1968, which may or may not materialize or materialize differently (including substantially) from what is described above, and this, inter alia, due to factors and/or influences which cannot be estimated in advance, including dependence of such agreements on obtaining the approval of the Competition Authority (without conditions that are unacceptable to either party), changes that may occur in the business plan and the expected start dates of the activity, Including changes that may occur the electricity sector and regulatory changes (including in connection with electricity rates), dates for obtaining required permits, changes in**

**construction and financing costs of projects that form the basis of such engagements, effects of market competition on the business plan, a changing economic and geopolitical environment, and more.**

**2. Section 15.7.3 - compensation policy for officers of the Company**

Further to the description in this section, on August 21, 2023, the Extraordinary General Meeting of the Company's shareholders approved, after the approval of the Compensation Committee and approval of the Company's Board of Directors, the Compensation Policy for the officers of the Company, for a period of 3 years commencing August 12, 2023 and approved the renewal of indemnification and exemption letters of the Company currently in office and/or that may hold office from time to time, who are the controlling shareholders of the Company and/or with respect to which the controlling shareholder of the Company could be deemed to have a personal interest in granting said letters as of August 12, 2023.

**3. Section 18.4 - Investments**

Further to the description in this section, on September 2023 IBC entered into an additional credit facility agreement in the amount of NIS 450 million, from Israeli financial lenders, which will remain in effect until December 31, 2025. Amounts drawn by IBC for this credit facility will be repaid until October 15, 2034.

**4. Section 4 to the first Quarter Report - General license to provide radio telephone mobile services**

Further to the description in this section, regarding the approval of the Economic Committee of The Knesset of the amendment to the Communications Order (Approval of the Communications Order (Telecommunication and Broadcasting) (Defining an Essential Service Provided by "Bezeq", the Israel Telecommunications Corp. Ltd.) (Amendment), 5782-2022) ("**Communication Order**"), the Company updates that on September 19, 2023 the amendment to the Communication Order was published in the official records of the state of Israel and entered into effect.

**5. Section 7 to the Second Quarter Report - Material pending legal proceedings**

Further to the description in this section, regarding a judgment was issued by the Israeli Supreme Court (the "**judgment**") accepting an appeal filed against a decision on a request for approval of a class action against the Company (which was partially rejected by the Jerusalem District Court), That determined, among other things, that the Company illegally increased the price of a basic plan it provided to its customers, and that the discount period was limited in time, without giving sufficient notices about the end of the discount period and the request for further hearing in connection with the judgment, The Company updates that on August 17, 2023, the court rejected the request.

In addition, in connection with a request to approve class action received by the Company in June 2023, pursuant to the aforesaid judgment, alleging that the Company charged its customers in transactions for a fixed period, without giving them sufficient notice of the price increase, the Company updates that on September 21, 2023, a judgment was issued by the Jerusalem District Court, for deletion of such request.

For more details, see Note 8 to the financial statements as of September 30, 2023.

# **Chapter B**

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

**September 30, 2023**

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 nine and three months ended September 30, 2023 (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, 1970 (the "**Report Regulations**"), and assuming the reader has available the Company's periodic report for 2022 (ref. no. 2023-01-025194) ("**2022 Periodic Report**").

## **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. The company's securities are traded on the Tel Aviv Stock Exchange Ltd.

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 September 2023 (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, cellular and equipment and equipment repair services to its customers. The mobile segment also includes the Company's revenues arising from the collaboration agreement with WeCom Mobile Ltd. (formerly known as Marathon 018 Xfone Ltd.) ("**WeCom**").

1.1.2. **The fixed-line communications sector (landline segment)** - In the framework of this area of activity, the Group provides internet services (broadband services, based on IBC's and Bezeq fiber-optic infrastructure and the fixed-line wholesale market and internet access services (ISP)), internet based television services ("**Cellcom TV**"), international telephony services ("**International Operator Services**"), domestic fixed-line telephony services ("**Domestic Operator Services**"), and transmission services for business customers and for telecommunication operators on the basis of the Group's independent infrastructure Bezeq infrastructure. Similarly, the Group provides additional services such as: IOT solutions, Conferencing services, cloud computing services and server hosting services. In addition, the Group sells equipment related to the fixed-line segment such as computers and communication



equipment (servers, routers and switches, and more), software and integration of information security products, Electricity supply services to customers, in addition, the group sales of stationary end equipment for fixed-line segment.

#### 1.2. Review by the Company's management regarding the results of the Group's activity for the Third quarter of 2023

The Group is concluded the Third quarter of 2023 with a net profit of NIS 53 million, compared to NIS 41 million in the corresponding quarter of 2022. An increase of 29.3%.

The Company concluded the Third quarter of 2023 with revenues of NIS 1,125 million compared to NIS 1,115 million in the corresponding quarter of 2022.

Revenues from cellular services in the current quarter summed up to NIS 508 million (before neutralizing inter-segment revenues). Revenues from cellular communication sector services, excluding the revenue of interconnect services and others (mainly interconnect services) increased by 7.2% and summed up to 418 million NIS compared to 390 million NIS in the corresponding quarter.

Revenues in the fixed-line segment increased by ~6.6% compared to the corresponding quarter of last year and summed up to NIS 355 million (before neutralizing inter-segment revenues). The increase is mainly due to an increase in the number of subscribers and revenues from landline packages that include internet and television services, an increase in revenues from international operator connections as well as an increase in revenues from the sale electrical power.

Revenues from end equipment in the Third quarter of 2023 decreased by ~3.2% compared to the corresponding quarter of 2022 and summed up to NIS 301 million. Most of the decrease was partly due to the timing of the launch of the new iPhone model, which took place last year in September and this year in October, which was partially offset by an increase as a result of high sales of stationary end equipment in the current quarter.

The Company's operating profit in the current quarter summed up to NIS 111 million compared to a profit of NIS 95 million in the corresponding quarter of last year, a increase of ~16.8%. The main increase in operating profit is mostly due to an increase in current revenue from cellular packages and internet and television services.

The Company's Adjusted EBITDA (as defined in section 4.1 below) for the Report Period summed up to NIS 337 million compared to NIS 311 million in the corresponding quarter of last year, an increase of around 8.4%.

The Company ended the quarter with a free cash flow (as defined in section 4.1 below) of NIS 77 million compared to NIS 38 million in the corresponding quarter of 2022, In the nine-month period ended 30 September 2023, the total available cash flow amounted to NIS 198 million compared to NIS 154 million in the corresponding period, a increase of 28.6%.

### 1.3. Material events during or after the report period:

- a. For details regarding claims, see note 8 to interim financial statements.
- b. In July 2023, after the date of the financial statements, it was published in the Communications Order records (Telecommunications and Broadcasts) (Annual Rate of Payment to the Incentive Fund for 2023) (Temporary Order), 2023, according to which in 2023 the payment rate of a taxable entity (including the Company) to the incentive fund will be 0% of its taxable income as stated (instead of 0.5%). The enactment of the aforementioned order will result a saving in the company's expenses in 2023 in the amount of about NIS 18 million, before tax.
- c. In February 2022, the Company contractually engaged with an interested party from the institutional group (the "Lender") in a credit facility agreement of up to NIS 250 million, for a 24-month period from the date the credit facility was provided ("Credit Facility"), which will allow the Company to obtain loans per the Company's choice, which are not linked to any index. In August 2023 the Company extended the Credit Facility period until August 2025 (instead of February 2024), under similar terms, except for changes to the loan terms that are not material to the Company (including shortening of the long-term loan period (which shall be under a fixed-interest track only) to 4 years, and a certain increase in the interest rate on the loans and a fee for not utilizing the credit facility). For more information see Note 8C to the Financial Statements.
- d. In August 2023, Maalot updated the company's rating forecast from A with a positive outlook to A+ with a stable outlook.
- e. In October 2023, after the end of the reporting period, "Iron Swords" Operation broke out (hereinafter the "War") in Israel. The war caused a slowdown in commercial activity as well as temporary closure of shopping malls and commercial centers in some areas in Israel, which caused a decrease in revenue from end-user equipment. In addition, the war caused a decrease in inbound and outbound tourism, which led to a decrease in revenue from roaming services. These effects may continue for as long as the war is ongoing.

The Company has examined its sources of financing and liquidity as well as the Company's access to future credit sources, and estimates that it possesses the financial strength to deal with the effects of the war, partly in light of the diversity of its fields of activity and the scope of its liquid balances.

It should be noted that because this is an ongoing crisis that is outside the Company's control and characterized by uncertainty, as of the date of the financial statements, there is no certainty with respect to the scope of the effect on the Company and on the Israeli economy as a whole. Such across-the-board effects, insofar as they materialize, in whole or part, may affect the Company's businesses and the results of its activity.

- f. In August 31, 2023, the Company contractually engaged in a founders agreement with Meshek Energy (the "Founders Agreement"), for the establishment of a registered limited partnership ("Cellcom Energy" or the "Partnership"), the purpose of which is to operate in the area of marketing, sales and supply of electricity to private and business customers (with

the exception of the rural sector<sup>1</sup> and certain activities as agreed upon by the parties, for which each of the parties will be entitled to act independently). To such end, Cellcom Energy shall take necessary action to obtain a license for supplying electricity without means of production, from the Electricity Authority (the "License"). For additional information see Note 9 F' for the consolidated financial statements

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

During the Third quarter of 2023, the inflation increased by 0.77% increase by 1.23% in last year (in the first nine months of 2023 an increase of 3.25% increase by 4.4% in last year). Also, the Bank of Israel raised the interest rate from the beginning of the year from a rate of 3.25% to a rate of 4.75% as of September 30, 2023.

#### **Below is the assessment of the direct impact of the increase in the inflation rate on the group:**

Most of the impact of the increase in inflation rate is on financing expenses for CPI-linked debentures. In the first nine months of 2023, the Company recorded financing expenses for linkage to the CPI of debentures totaling approximately NIS 12 million before tax. In July 2023, the Company repaid a linked debenture; after such repayment the Company's linked debt is NIS 185 million. The outstanding balance of CPI-linked debt summed up to NIS 233 million at the end of the third quarter of 2023

In 2023, following the repayment of the principal in July 2023 as set forth above, every increase of 1% to the inflation rate shall cause an increase to the Company's expenses due to CPI linkage of debentures in the amount of approximately NIS 2 million, before tax.

Also, the Company's cost structure includes CPI-linked lease agreements, the inflation rate increase affected the increase of amortization expenses by an amount that is not material (rent is recorded as amortization expenses according to IFRS 16).

#### **Below is the assessment of the indirect impact of an increase in the inflation rate on the group's results:**

Following the increase of CPI in the market, there is an increase in the prices of the Company's inputs, which cause an increase in the Company's expenses. The Company works on an ongoing basis to mitigate the increase in the price of inputs by actions to reduce costs.

---

<sup>1</sup> "The rural sector" - kibbutzim and cooperative moshavim (including central organizations such as the shopping organization of kibbutzim and cooperative moshavim), enterprises operating on kibbutz or moshavim land, and corporations in which a kibbutz or moshavim holds at least 26% of their issued capital, as well as other rural settlements to be determined by agreement between the parties.

**Below is the assessment of the impact on the company regarding the increase in the interest rate:**

As mentioned above, during the first nine months of 2023, interest rates in the market increased to 4.75%, such rise in interest rates does not directly impact the Company's cost structure.

However, with regards to future debt refinancing and/or future debt issuances, according to the Company's needs, should interest rates be higher such could impact the interest rates of such future debt financing.

**Below is the assessment impact of the increase in interest rate on the examination of goodwill impairment:**

The company examined the effect of the interest rate increase during the first nine months of 2023 on the goodwill impairment that was performed during the 2022 annual report. The interest rate hike was already known at the time of publishing the annual report, hence it did not lead to an increase in capitalization rate, and therefore did not cause an impairment in both of the Company's reporting segments. For more details regarding the examination of impairment for a cash-generating unit that includes goodwill, see Note 13 B to the financial statements.

## 2. Financial position

Section	As of 30 September,		Board of directors' explanation
	2022	2023	
	NIS millions		
<b>Current assets</b>	2,010	1,538	Decrease in cash and deposits mostly used for repayment of debentures during the quarter.
<b>Non-current assets</b>	4,920	4,972	Increase mostly due to fixed asset investments.
<b>Total assets</b>	<b>6,930</b>	<b>6,510</b>	
<b>Current liabilities</b>	1,918	1,910	
<b>Non-current liabilities</b>	2,964	2,377	Decrease in debentures liability as a result of repayment.
<b>Total liabilities</b>	<b>4,882</b>	<b>4,287</b>	
<b>Equity</b>	<b>2,048</b>	<b>2,223</b>	Increase from profit for the period.
<b>Total liabilities and equity</b>	<b>6,930</b>	<b>6,510</b>	

### 3. Analysis of the operating results

3.1. Below is an analysis of the Company's operating results for the period of three and nine months ended September 30, 2023, compared to the corresponding period of last year:

Section	1-9/2022	1-9/2023	7-9/2022	7-9/2023	Board of directors' explanation
	NIS millions		NIS millions		
<b>Revenues from services</b>	2,331	2,442	804	824	Increase in revenue from cellular packages and roaming packages, as well as increase in fixed-line segment revenues from internet television and electricity. Increase partially offset by decrease in interconnect revenues.
<b>Revenues from equipment</b>	908	834	311	301	The decrease was partly due to the timing of the launch of the new iPhone model, which took place last year in September and this year in October, which was partially offset by an increase as a result of high sales of stationary end equipment in the current quarter.
<b>Total revenues</b>	<b>3,239</b>	<b>3,276</b>	<b>1,115</b>	<b>1,125</b>	
<b>Cost of revenues</b>	(2,292)	(2,252)	(790)	(763)	Increase in cost of sales for end-user equipment in the fixed-line segment which was offset by decrease in interconnect costs.
<b>Gross profit</b>	<b>947</b>	<b>1,024</b>	<b>325</b>	<b>362</b>	
<b>Gross profit rate from total revenues</b>	<b>29.2%</b>	<b>27.5%</b>	<b>29.1%</b>	<b>32.2%</b>	
<b>Sale and marketing, General and administrative costs and credit losses</b>	(705)	(746)	(239)	(260)	Increase in depreciation and salary expenses.
<b>Other income (expenses), net</b>	21	(25)	9	9	
<b>Operating profit</b>	<b>263</b>	<b>253</b>	<b>95</b>	<b>111</b>	
<b>Financing costs, net</b>	(117)	(108)	(39)	(33)	Decrease in financing expenses in quarter mostly due to decrease in interest expenses and debentures linkage.

Section	1-9/2022	1-9/2023	7-9/2022	7-9/2023	Board of directors' explanation
	NIS millions		NIS millions		
Share in the loss of equity accounted investees	(2)	(4)	(1)	(3)	
Profit before taxes on income	144	141	55	75	
Taxes on income	(36)	(40)	(14)	(22)	
Profit for the period	108	101	41	53	

3.2 Below is a summary of financial and operational data in a quarterly breakdown (NIS millions):

Financial data (NIS millions)	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23
Revenue from services private cellular segment	314	310	304	320	331	329	323	339	356
Revenue from services business cellular segment	48	50	50	56	59	58	57	59	62
Revenue from other services (mainly IC) <sup>2</sup>	112	114	121	113	120	112	124	113	90
<b>Total revenues from services cellular segment</b>	<b>474</b>	<b>474</b>	<b>475</b>	<b>489</b>	<b>510</b>	<b>499</b>	<b>504</b>	<b>511</b>	<b>508</b>
Revenue from equipment cellular segment	211	242	229	239	246	214	230	188	204
<b>Total Revenues cellular segment</b>	<b>685</b>	<b>716</b>	<b>704</b>	<b>728</b>	<b>756</b>	<b>713</b>	<b>734</b>	<b>699</b>	<b>712</b>
Revenue from services private fixed-line segment	175	175	178	179	183	179	180	184	187
Revenue from services business fixed-line segment	101	112	117	110	122	113	122	137	135
Revenue from services other fixed-line segment (mainly inter-segment)	28	28	27	29	28	28	28	30	33
<b>Total revenues from services fixed-line segment</b>	<b>304</b>	<b>315</b>	<b>322</b>	<b>318</b>	<b>333</b>	<b>320</b>	<b>330</b>	<b>351</b>	<b>355</b>
Revenue from equipment fixed-line segment	44	77	68	61	65	67	56	59	97
<b>Total Revenues fixed-line segment</b>	<b>348</b>	<b>392</b>	<b>390</b>	<b>379</b>	<b>398</b>	<b>387</b>	<b>386</b>	<b>410</b>	<b>452</b>
Consolidation adjustments	(39)	(38)	(39)	(38)	(39)	(39)	(39)	(39)	(39)
<b>Total revenues</b>	<b>994</b>	<b>1,070</b>	<b>1,055</b>	<b>1,069</b>	<b>1,115</b>	<b>1,061</b>	<b>1,081</b>	<b>1,070</b>	<b>1,125</b>
Gross profit equipment	34	60	52	51	48	50	56	41	45
Operational expenses <sup>3</sup>	494	522	530	521	548	524	552	551	536
Adjusted EBITDA cellular segment	168	180	175	191	205	197	211	213	217
Adjusted EBITDA fixed-line segment	109	108	111	112	106	100	95	108	120
Adjusted EBITDA <sup>4</sup>	277	288	286	303	311	297	306	321	337
Operating profit	59	67	73	95	95	95	92	50	111
Financing expenses, net	39	39	35	43	39	38	38	37	33
Profit for the period	13	21	28	39	41	49	43	5	53
Capital expenditures tangible and intangible assets	165	201	99	135	250	108	185	191	157
Free cashflow	110	46	52	64	38	76	69	52	77
Finance debt ,net	2,162	2,144	2,126	2,098	2,090	2,047	2,010	1,991	1,937
<b>Operational Data</b>									
Number of cellular Subscribers (thousands) <sup>5</sup>	3,246	3,275	3,306	3,346	3,410	3,452	3,466	3,487	3,523

Churn rate for cellular Subscribers <sup>6</sup>	7.2%	7.4%	7.5%	7%	7%	7.1%	7.4%	7.2%	7.3%
Monthly cellular ARPU (NIS) <sup>7</sup>	48.6	48.4	47.7	49	50.3	48.2	48.6	49.0	48.3
Monthly cellular ARPU (NIS) without IC	36.9	36.7	35.8	37.7	38.6	37.5	36.6	38.2	39.7
TV field Subscribers (thousands)	250	252	254	255	256	257	259	260	261
Internet infrastructure field Subscribers (thousands) <sup>8</sup>	300	305	311	316	319	323	329	334	342
Fiber infrastructure field Subscribers (thousands)	123	135	150	162	175	188	204	219	240

<sup>2</sup> IC in this component refers to mutual connection fee rates paid by a cellular operator or an international services operator or an international operator for completing a call on the company's cellular network or for sending an SMS message to the company's cellular network.

<sup>3</sup> Operating expenses include other expenses and do not include depreciation expenses and the cost of end equipment.

<sup>4</sup> See definition in Section 4 below.

<sup>5</sup> 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).

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> Relating to "active subscribers."



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

	Cellular			Fixed-line			Inter-segment adjustments	
	7-9/2022	7-9/2023	Change in %	7-9/2022	7-9/2023	Change in %	7-9/2022	7-9/2023
Revenue from services	510	508	(0.4%)	333	355	6.6%	(39)	(39)
Revenue from equipment	246	204	(17.1%)	65	97	49.2%	-	-
<b>Total revenue</b>	<b>756</b>	<b>712</b>	<b>(5.8%)</b>	<b>398</b>	<b>452</b>	<b>13.6%</b>	<b>(39)</b>	<b>(39)</b>
Adjusted EBITDA	205	217	5.9%	106	120	13.2%	-	-
Adjusted EBITDA as a percentage of total revenue	27.1%	30.5%	12.5%	26.6%	26.5%	(0.4%)	-	-

	Cellular			Fixed-line			Inter-segment adjustments	
	1-9/2022	1-9/2023	Change in %	1-9/2022	1-9/2023	Change in %	1-9/2022	1-9/2023
Revenue from services	1,474	1,523	3.3%	973	1,036	6.5%	(116)	(117)
Revenue from equipment	714	622	(12.9%)	194	212	9.3%	-	-
<b>Total revenue</b>	<b>2,188</b>	<b>2,145</b>	<b>(2.0%)</b>	<b>1,167</b>	<b>1,248</b>	<b>6.9%</b>	<b>(116)</b>	<b>(117)</b>
Adjusted EBITDA	571	641	12.3%	329	323	(1.8%)	-	-
Adjusted EBITDA as a percentage of total revenue	26.1%	29.9%	14.6%	28.2%	25.9%	(8.2%)	-	-

#### 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
<b>Adjusted EBITDA</b>	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.
<b>Available cash flow</b>	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 Nine months period ended September 30		For the Three months period ended September 30	
	2022	2023	2022	2023
Profit for the period	108	101	41	53
Taxes on income	36	40	14	22
Financing costs, net	117	108	39	33
Other (income) expenses than are not part of the Company's current activity	(1)	42	-	(2)
Depreciation and amortization	620	651	209	222
Loss from equity accounted investees	2	4	1	3
Share-based payment	18	18	7	6
<b>Adjusted EBITDA</b>	<b>900</b>	<b>964</b>	<b>311</b>	<b>337</b>

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

Section	For the Nine months period ended September 30		For the Three months period ended September 30	
	2022	2023	2022	2023
Net cash deriving from operating activities	828	909	350	292
Cash used for investment activities	(601)	(399)	(368)	26
Change in deposits (*)	120	(119)	120	(180)
Cash used for leases (financing activities)	(193)	(193)	(64)	(61)
<b>Free cash flow</b>	<b>154</b>	<b>198</b>	<b>38</b>	<b>77</b>

(\*) Changes in deposits are not part of the company's free cash flow.

## 5. Liquidity

5.1. Below are the board of directors' explanations on the Company's liquidity situation for the nine and three-months period ended 30 September, 2023 compared to the corresponding periods of last year (NIS millions):

Section	1-9/2022	1-9/2023	7-9/2022	7-9/2023	Board of directors' explanation
Balance of cash and cash equivalents as of the beginning of the period	644	773	707	574	
Cash flow deriving from current activities	828	909	350	292	As a result of changes in working capital, payment for lawsuits.
Cash flow from (used in) investment activities	(601)	(399)	(368)	26	Unfreezing of deposits in favor of debenture repayment.
Cash flow from (used in) financing activities	(176)	(883)	6	(492)	In the corresponding quarter, bonds were issued to repay principal and debenture interest.
Balance of cash and cash equivalents as of the end of the period	695	400	695	400	

5.2. As of 30 September 2023, the Company has a negative working capital of 372 million NIS (consolidated) that mostly derives from payment of debentures that will be repaid in the coming year and sorted according to the current maturities of debentures. It is noted that the Company executed a credit facility agreement for until August 2025 from making the credit facility available, from an institutional body in the amount of 250 million NIS that has not yet been used, and an additional Credit Facility agreement with a banking corporation in a total amount of up to NIS 50 million for a 12-month period that has not yet been used.

5.3. Considering the Company's cash balances, the free cash flow anticipated for two years from the date of this report, the aforementioned credit facility not yet used and the Company's access to future sources of credit as of September 30 2023, and in light of the reason specified above for the existence of a working capital deficit for the Company, the board of directors has determined that despite the working capital deficit as of September 30 2023, there is no liquidity problem for the Company.

5.4. As of the Report Date, as determined by the Company's board of directors and according to the section 5.3 above, there are no warning signs as such are defined in Regulation 10(b) (14) of the Report Regulations.

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 September 30 2023, 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 2022 Periodic Report.
- 6.4. 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.

14 November, 2023

---

**Mr. Daniel Sapir**

**CEO of the Company**

---

**Ms. Nataly Mishan-Zakai**

**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 September 30, 2023	Par value on 30 September, 2023, including linkage	Accrued interest	Financial statements balance as of 30 September, 2023	Stock market value	Type of interest	Payment dates of principal	Payment dates of interest <sup>(1)</sup>	Terms of linkage	Convertible	Right to early redemption
H <sup>(1)</sup>	08/07/14 03/02/15* 11/02/15*	949.624	169.268	166.058	0.799	166.857	168.121	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 <sup>(1)</sup>	08/07/14 03/02/15* 11/02/15* 28/03/16*	840.010	225.123	222.428	2.221	224.649	224.155	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	63.785	63.602	0.372	63.974	63.346	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	390.849	389.586	3.307	392.893	378.381	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 <sup>(2,3,4,5)</sup>	24/01/18 10/12/18* 12/05/20* 01/12/20*	1,235.937	1,130.482	1,095.696	20.751	1,116.720	1,066.157	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
M <sup>6</sup>	08/09/22	394.915	394.915	391.464	4.452	395.916	380.461	Annual interest of 4.73%	On January 5 of 2025 until 2030 (including).	On January 5 and July 5, every year from 2023 until 2030 (including)	Not Linked	No	Subject to certain terms
Total		4,198.387	2,374.421	2,329.108	31.902	2,361.010	2,280.621						

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

(\*\*) As of 30 September 2023, the Company's debentures (Series I, K, L and M) are material and constitute more than 5% of the Company's total liabilities as presented in the Financial Statements. In addition, as of 30 September, 2023, the Company's net debt to adjusted EBITDA<sup>9</sup> ratio was 1.54, including the total interest accrued in the books. As of September 30 2023, the Company equity is NIS 2,223 million. There was no cause for early redemption during the Reporting Period.

(1) 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.

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

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

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

(5) 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 financial statements.

(6) In September 2022, the company issued debentures (Series M) in the amount of NIS 395 million par value. For details, see note 9 (d) to the financial statements.

---

<sup>8</sup> 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 cash equivalents and current investments in marketable securities. "Adjusted EBITDA" – see the definition in Section 4.1 above.

## 2. Details regarding the trustee:

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

## 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 <sup>(1)</sup>	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, 08/2023 <sup>(1)</sup>	A+, A	In August 2023, Maalot updated the Company's rating forecast from A with a positive outlook to A+ with stable outlook to a rating.
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, 08/2023 <sup>(1)</sup>	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, 08/2023 <sup>(1)</sup>	A+, A	



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 <sup>(1)</sup>	The rating	
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, 08/2023 <sup>(1)</sup>	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, 08/2023 <sup>(1)</sup>	A+, A	
Series M	Maalot	A+	A	08/2022, 09/2022, 08/2023	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. In August 2023, Maalot confirmed the Company's rating improvement from A with a positive outlook to A+ with a stable 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<sup>8</sup> 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 ratio exceed 5:1, or 4.5:1 during four consecutive quarters, the Company shall not distribute dividends and/or if the Company equity will be less than NIS 700 million, for two consecutive quarters.

- 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 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 maintain minimum Company equity of no less than NIS 700 million, for two consecutive quarters.

- k. Failure to comply with the Company's undertaking not to create any pledges.
- l. 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.
- m. A substantial concern that the Company shall not meet, its material obligations towards the debenture holders.
- n. 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.
- o. Violating the Company's undertaking with respect to the issue of additional debentures.

**Cellcom Israel Ltd.**  
**Condensed Consolidated Interim Financial Statements**

**As at September 30, 2023**

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

---

### Contents

	<b>Page</b>
Auditors' review report .....	2
Condensed Consolidated Interim Statements of Financial Position .....	3
Condensed Consolidated Interim Statements of Income .....	4
Condensed Consolidated Interim Statements of Comprehensive Income .....	5
Condensed Consolidated Interim Statements of Changes in Equity .....	6
Condensed Consolidated Interim Statements of Cash Flows .....	9
Notes to the Condensed Consolidated Interim Financial Statements .....	11

**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.**

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

### **Introduction**

We have reviewed the accompanying financial information of Cellcom Israel Ltd. and subsidiaries ("the Company"), which comprises the condensed consolidated statement of financial position as of September 30, 2023 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D to the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

The Company's annual consolidated financial statements as of December 31, 2022 and for the year then ended and the condensed interim consolidated financial information as of September 30, 2022 and for the nine and three months periods then ended were audited and reviewed, respectively, by other auditors whose reports dated March 8, 2023 and November 20, 2022 respectively, expressed an unqualified opinion and an unqualified conclusion thereon, respectively.

We did not review the condensed interim financial information of certain companies accounted for at equity, the investment in which, at equity, amounted to approximately NIS 127 million as of September 30, 2023, and the Company's share of their losses amounted to approximately NIS 4 million and NIS 3 million for the nine and three months periods then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

### **Scope of review**

We conducted our review in accordance with Review Standard (Israel) 2410 of the Israeli Institute of Certified Public Accountants in Israel, "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 generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

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

Tel-Aviv, Israel  
November 14, 2023

**KOST FORER GABBAY & KASIERER**  
A Member of Ernst & Young Global

## Condensed Consolidated Interim Statements of Financial Position

	September 30 2022	September 30 2023	December 31 2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions		
<b>Current assets</b>			
Cash and cash equivalents	695	400	773
Current deposits	143	24	143
Trade receivables	894	895	869
Current tax assets	13	11	9
Other receivables, including derivatives	84	42	35
Deferred expenses - right of use	71	71	66
Inventory	110	95	117
	<u>2,010</u>	<u>1,538</u>	<u>2,012</u>
<b>Non-current assets</b>			
Trade and other receivables	204	196	211
Deferred expenses - right of use	333	350	340
Property, plant and equipment, net	1,410	1,516	1,480
Intangible assets and others, net	2,147	2,146	2,154
Investments in equity accounted investees	131	127	131
Right-of-use assets, net	690	632	665
Deferred tax assets	5	5	5
	<u>4,920</u>	<u>4,972</u>	<u>4,986</u>
	<u>6,930</u>	<u>6,510</u>	<u>6,998</u>
<b>Current liabilities</b>			
Current maturities of debentures	583	594	587
Current tax liabilities	12	1	4
Current maturities of lease liabilities	189	185	185
Trade payables and accrued expenses	752	786	791
Provisions	100	99	83
Other payables, including derivatives	282	245	274
	<u>1,918</u>	<u>1,910</u>	<u>1,924</u>
<b>Non-current liabilities</b>			
Debentures	2,310	1,735	2,317
Long-term lease liabilities	538	482	521
Provisions	24	23	24
Other long-term liabilities	18	25	32
Liability for employee rights upon retirement,	12	14	10
Deferred taxes liabilities	62	98	66
	<u>2,964</u>	<u>2,377</u>	<u>2,970</u>
	<u>4,882</u>	<u>4,287</u>	<u>4,894</u>
<b>Equity</b>			
Total equity	<u>2,048</u>	<u>2,223</u>	<u>2,104</u>
	<u>6,930</u>	<u>6,510</u>	<u>6,998</u>

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

November 14, 2023			
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 nine months period ended September 30		For the three months period ended September 30		Year ended December 31
	2022	2023	2022	2023	2022
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Revenues	3,239	3,276	1,115	1,125	4,300
Cost of revenues	(2,292)	(2,252)	(790)	(763)	(3,034)
<b>Gross profit</b>	947	1,024	325	362	1,266
Selling and marketing expenses	(487)	(518)	(166)	(177)	(650)
General and administrative expenses	(217)	(233)	(75)	(82)	(300)
Credit profit (losses)	(1)	5	2	(1)	(2)
Other income (expenses), net	21	(25)	9	9	44
<b>Operating profit</b>	263	253	95	111	358
Financing income	21	29	3	6	27
Financing expenses	(138)	(137)	(42)	(39)	(182)
Financing expenses, net	(117)	(108)	(39)	(33)	(155)
Share in losses of equity accounted investees	(2)	(4)	(1)	(3)	(1)
<b>Profit before taxes on income</b>	144	141	55	75	202
Taxes on income	(36)	(40)	(14)	(22)	(45)
<b>Profit for the period</b>	108	101	41	53	157
<b>Profit per share</b>					
Basic profit per share (in NIS)	0.66	0.61	0.25	0.32	0.96
Diluted profit per share (in NIS)	0.65	0.61	0.24	0.32	0.95

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



## Condensed Consolidated Interim Statements of Comprehensive Income

	For the nine month period ended September 30		For the three month period ended September 30		Year ended December 31
	2022	2023	2022	2023	2022
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
<b>Profit for the period</b>	108	<b>101</b>	41	<b>53</b>	157
<b>Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss</b>					
Changes in fair value of cash flow hedges, net of tax	1	-	-	-	1
<b>Other comprehensive income items that will not be transferred to profit or loss</b>					
Re-measurement of defined benefit plan, net of tax	-	-	-	-	1
<b>Total other comprehensive income for the period, net of tax</b>	1	-	-	-	2
<b>Total comprehensive income for the period</b>	109	<b>101</b>	41	<b>53</b>	159

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	Retained earnings	Total
	NIS millions			
<b>For the nine months period ended September 30, 2023 (Unaudited)</b>				
<b>Balance as of January 1, 2023 (Audited)</b>	2	792	1,310	2,104
<b>Comprehensive income for the period, net of tax</b>				
Profit for the period	-	-	101	101
Share based payments	-	-	18	18
<b>Balance as of September 30, 2023 (Unaudited)</b>	<b>2</b>	<b>792</b>	<b>1,429</b>	<b>2,223</b>

	Attributable to owners of the Company				
	Share capital	Share premium	Capital reserves	Retained earnings	Total
	NIS millions				
<b>For the nine months period ended September 30, 2022 (Unaudited)</b>					
<b>Balance as of January 1, 2022 (Audited)</b>	2	792	(1)	1,128	1,921
<b>Comprehensive income for the period, net of tax</b>					
Profit for the period	-	-	-	108	108
Other comprehensive income for the period, net of tax	-	-	1	-	1
Share based payments	-	-	-	18	18
<b>Balance as of September 30, 2022 (Unaudited)</b>	<b>2</b>	<b>792</b>	<b>-</b>	<b>1,254</b>	<b>2,048</b>

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	Retained earnings	Total
	NIS millions			
<b>For the three months period ended September 30, 2023 (Unaudited)</b>				
Balance as of July 1, 2023	2	792	1,370	2,164
Comprehensive income for the period, net of tax				
Profit for the period	-	-	53	53
Share based payments	-	-	6	6
Balance as of September 30, 2023	2	792	1,429	2,223

	Attributable to owners of the Company			
	Share capital	Share premium	Retained earnings	Total
	NIS millions			
<b>For the three months period ended September 30, 2022 (Unaudited)</b>				
Balance as of July 1, 2022	2	792	1,206	2,000
Comprehensive income for the period, net of tax				
Profit for the period	-	-	41	41
Share based payments	-	-	7	7
Balance as of September 30, 2022	2	792	1,254	2,048

	Attributable to owners of the Company				
	Share capital	Share premium	Capital reserve	Retained earnings	Total
	NIS millions				
<b>For the year ended December 31, 2022 (Audited)</b>					
Balance as of January 1, 2022	2	792	(1)	1,128	1,921
Comprehensive income for the year					
Profit for the year	-	-	-	157	157
Other comprehensive income for the year, net of tax	-	-	1	1	2
Share based payments	-	-	-	24	24
Balance as of December 31, 2022	2	792	-	1,310	2,104

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

## Condensed Consolidated Interim Statements of Cash Flows

	For the nine months period ended September 30		For the three months period ended September 30		Year ended December 31
	2022	2023	2022	2023	2022
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
<b>Cash flows from operating activities</b>					
Profit for the period	108	101	41	53	157
<b>Adjustments for:</b>					
Depreciation and amortization	620	651	209	222	830
Share based payments	18	18	7	6	24
Net change in fair value of investment property	6	1	2	1	8
Taxes on income	36	40	14	22	45
Financing expenses, net	117	108	39	33	155
Other expenses (income)	-	-	(1)	-	-
Share in losses of equity accounted investees	2	4	1	3	1
<b>Changes in operating assets and liabilities:</b>					
Change in inventory	(22)	22	32	37	(29)
Change in trade receivables (including long-term amounts)	(56)	(10)	(44)	(19)	(34)
Change in deferred expenses - right of use (including long-term amounts)	(55)	(60)	(15)	(22)	(75)
Change in other receivables (including long-term amounts)	(4)	(21)	7	(13)	11
Change in trade payables, accrued expenses and provisions	13	65	43	11	(57)
Change in other liabilities (including long-term amounts)	49	(10)	15	(39)	48
Receipts for derivative hedging contracts, net	3	10	3	3	4
Income tax paid	(7)	(10)	(3)	(6)	(12)
<b>Net cash from operating activities</b>	<b>828</b>	<b>909</b>	<b>350</b>	<b>292</b>	<b>1,076</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant, and equipment	(261)	(352)	(141)	(108)	(335)
Acquisition of intangible assets and others	(223)	(181)	(109)	(49)	(257)
Change in current investments, net	(120)	119	(120)	180	(120)
Interest received	3	15	2	3	8
<b>Net cash fro (used in) investing activities</b>	<b>(601)</b>	<b>(399)</b>	<b>(368)</b>	<b>26</b>	<b>(704)</b>

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 nine months period ended September 30		For the three months period ended September 30		Year ended December 31
	2022	2023	2022	2023	2022
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
<b>Cash flows from financing activities</b>					
Receipts for derivative contracts, net	4	3	1	2	5
Repayment of debentures	(396)	(604)	(396)	(404)	(396)
Proceeds from issuance of debentures, net of issuance co	491	-	491	-	491
Interest paid for debentures	(82)	(89)	(26)	(29)	(82)
Interest paid for leases	(22)	(22)	(6)	(8)	(28)
Payment of principal of lease liabilities	(171)	(171)	(58)	(53)	(233)
<b>Net cash from (used in) financing activities</b>	<u>(176)</u>	<u>(883)</u>	<u>6</u>	<u>(492)</u>	<u>(243)</u>
<b>Changes in cash and cash equivalents</b>	51	(373)	(12)	(174)	129
<b>Cash and cash equivalents as at the beginning of the period</b>	<u>644</u>	<u>773</u>	<u>707</u>	<u>574</u>	<u>644</u>
<b>Cash and cash equivalents as at the end of the period</b>	<u>695</u>	<u>400</u>	<u>695</u>	<u>400</u>	<u>773</u>

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

**Notes to the 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 September 30, 2023, 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's securities are traded on the Tel Aviv Stock Exchange (TASE). 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 securities of which are traded on the Tel Aviv Stock Exchange Ltd. (TASE).

**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, 2022.

These condensed consolidated interim financial statements were approved for issue by the Company's Board of Directors on November 14, 2023.

**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.

## Notes to the Condensed Consolidated Interim Financial Statements

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

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

	Exchange rates of US\$	Consumer Price Index (points)*
<b>As of September 30, 2023</b>	<b>3.824</b>	<b>248.59</b>
As of September 30, 2022	3.543	238.76
As of December 31, 2022	3.519	240.77
<b>Increase (decrease) during the period:</b>		
<b>Nine months end September 30, 2023</b>	<b>8.67%</b>	<b>3.25%</b>
Nine months end September 30, 2022	13.92%	4.40%
<b>Three months ended September 30, 2023</b>	<b>3.35%</b>	<b>0.77%</b>
Three months ended September 30, 2022	1.23%	1.23%
Year ended December 31, 2022	13.15%	5.28%

\*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.

#### First application of amendments to existing accounting standards

##### 1. Amendment to IAS 8, Accounting Policy, Changes in Accounting Estimates and Errors

In February 2021, the IASB published an amendment to International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors (hereinafter the “**Amendment**”). The purpose of the Amendment is to present a new definition of the term “accounting estimates.”

*Accounting estimates* are defined as “monetary amounts in the financial statements that are subject to uncertainty in measurement.” The Amendment clarifies what changes in accounting estimates are, and how these differ from changes in the accounting policy or correction of errors.

The Amendment was prospectively adopted with respect to annual periods starting January 1, 2023 or afterwards, and applies to changes in accounting policy and accounting estimates that occur at the beginning of or after such period.

The foregoing Amendment had no material effect on the Company’s interim consolidated financial statements.

**Notes to the Condensed Consolidated Interim Financial Statements**

---

**Note 3 - Significant Accounting Policies (cont'd)****2. Amendment to IAS 12, Income Taxes**

In May 2021, the IASB published an amendment to International Accounting Standard 12, Income Taxes (hereinafter “**IAS 12**” or the “**Standard**”), which narrows the application of the ‘initial recognition exception’ (hereinafter the “**Exception**”) for deferred taxes, provided in paragraphs 15 and 24 of IAS 12 (hereinafter the “**Amendment**”).

In the guidelines for recognition of deferred tax assets and liabilities, IAS 12 makes an exception for recognizing deferred tax assets and liabilities for certain temporary differences resulting from initial recognition of assets and liabilities in certain transactions. The amendment narrows the application of the Exception and clarifies that it does not apply to recognition of deferred tax assets and liabilities from a transaction that is not a business combination, due to which equal temporary differences are created in debit and credit, even when these meet the other conditions of the Exception.

The Amendment shall be applied for annual periods starting January 1, 2023. With regard to lease transactions and recognition of decommissioning and restoration liabilities, the Amendment shall be applied starting from the earliest reporting period presented in the financial statements on the date of first application, while bearing the aggregate impact of the first-time application as an adjustment to the opening balance of the surpluses (or any other equity component, if relevant) as of such date.

The foregoing Amendment had no material effect on the Company’s interim consolidated financial statements.

**3. Amendment to IAS 1, Disclosure of Accounting Policies**

In February 2021, the IASB published an amendment to International Accounting Standard 1, Presentation of Financial Statements (hereinafter the “**Amendment**”). Pursuant to the Amendment, companies are required to provide a disclosure of their material accounting policies instead of the present requirement of a disclosure of their significant accounting policies. One of the main reasons for this Amendment stems from the term “significant” not being defined in the IFRS, while the term “material” is defined in various standards and IAS 1 in particular.

The Amendment shall be applied for annual periods starting January 1, 2023.

The foregoing Amendment had no effect on the Company’s interim consolidated financial statements; however, the Company is examining the Amendment’s implications on the disclosure of accounting policies in the Company’s consolidated annual financial statements.



**Notes to the Condensed Consolidated Interim Financial Statements**

---

**Note 3 - Significant Accounting Policies (cont'd)**Disclosure on new IFRS standards in the period before their adoption**1. Amendments to International Financial Reporting Standard 7, Statement of Cash Flows, and International Financial Reporting Standard 7, Financial Instruments: Disclosures**

In May 2023, the IASB published amendments to International Financial Reporting Standard 7, Statement of Cash Flows, and International Financial Reporting Standard 7, Financial Instruments: Disclosures (hereinafter the “**Amendments**”), in order to clarify the characteristics of supplier finance arrangements and require additional disclosure on such arrangements.

The disclosure requirements in the Amendments were designed to assist and enable users of financial statements to assess the effects of supplier finance arrangements on the entity’s liabilities as well as the entity’s cash flows and exposure to liquidity risk.

The Amendments shall be applied for annual periods starting January 1, 2024, or afterwards. Early adoption is possible, subject to disclosure.

The Company is examining the impact of the above Amendments on its financial statements.

**2. Amendment to International Financial Reporting Standard 21, The Effects of Changes in Foreign Exchange Rates**

In August 2023, the IASB published an amendment to International Financial Reporting Standard 21, The Effects of Changes in Foreign Exchange Rates (hereinafter the “**Amendment**”), in order to clarify how an entity assesses whether a currency can be exchanged for another currency, as well as the accounting requirements (measurements and disclosure) that an entity is required to apply in cases where a currency cannot be exchanged for another currency.

The Amendment sets forth how to determine the immediate exchange rate in the absence of exchangeability. The necessary disclosure requirements pursuant to the Amendment were designed to assist and enable users of financial statements to understand how the currency that cannot be exchanged to the other currency affects or is expected to affect the entity’s financial performance, financial position and cash flow.

The Amendment shall be applied for annual reporting periods starting January 1, 2025 or thereafter. Early adoption is possible, subject to disclosure. When applying the Amendment, an entity shall not restate comparative information. Alternatively, if the currency cannot be exchanged as of the beginning of the annual period in which the Amendment is first applied (date of first application), an entity shall translate assets, liabilities and equity in accordance with the provisions of the Amendment, and differences as of the date of first application shall be recognized as an adjustment to the opening balance of surpluses and/or reserve from translation differences, according to the provisions of the Amendment.

The Company estimates that the above Amendment is not expected to have a material impact on the Company’s consolidated financial statements.

## Notes to the Condensed Consolidated Interim 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.

- Mobile segment (cellular communication) - the segment includes the cellular communications services, cellular equipment and supplemental services.
- Fixed-line segment (landline communication)- 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 nine months period ended September 30, 2023					
NIS millions					
(Unaudited)					
	Cellular	Fixed-line	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Adjusted segment EBITDA to loss for the period
External revenues	2,134	1,142	-	3,276	
Inter-segment revenues	11	106	(117)	-	
<b>Adjusted segment EBITDA *</b>	<b>641</b>	<b>323</b>			<b>964</b>
Depreciation and amortization					(651)
Taxes on income					(40)
Financing income					29
Financing expenses					(137)
Other expenses					(42)
Share based payments					(18)
Share in losses of equity accounted investees					(4)
<b>Profit for the period</b>					<b>101</b>

\* 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.

## Notes to the Condensed Consolidated Interim Financial Statements

## Note 4 - Operating Segments (cont'd)

For the nine months period ended September 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	2,178	1,061	-	3,239	
Inter-segment revenues	10	106	(116)	-	
<b>Adjusted segment EBITDA *</b>	571	329			900
Depreciation and amortization					(620)
Taxes on income					(36)
Financing income					21
Financing expenses					(138)
Other income					1
Share based payments					(18)
Share in losses of equity accounted investees					(2)
<b>Profit for the period</b>					<b>108</b>

For the three months period ended September 30, 2023					
NIS millions					
(Unaudited)					
	Cellular	Fixed-line	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Adjusted segment EBITDA to loss for the period
External revenues	708	417	-	1,125	
Inter-segment revenues	4	35	(39)	-	
<b>Adjusted segment EBITDA *</b>	217	120			337
Depreciation and amortization					(222)
Taxes on income					(22)
Financing income					6
Financing expenses					(39)
Other expenses					2
Share based payments					(6)
Share in losses of equity accounted investees					(3)
<b>Profit for the period</b>					<b>53</b>

## Notes to the Condensed Consolidated Interim Financial Statements

## Note 4 - Operating Segments (cont'd)

For the three months period ended September 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	753	362	-	1,115	
Inter-segment revenues	3	36	(39)	-	
<b>Adjusted segment EBITDA *</b>	<b>205</b>	<b>106</b>			<b>311</b>
Depreciation and amortization					(209)
Taxes on income					(14)
Financing income					3
Financing expenses					(42)
Share based payments					(7)
Share in profit of equity accounted investees					(1)
<b>Profit for the period</b>					<b>41</b>
Year ended December 31, 2022					
NIS millions					
(Audited)					
	Cellular	Fixed-line	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Adjusted segment EBITDA to loss for the year
External revenues	2,887	1,413	-	4,300	
Inter-segment revenues	14	141	(155)	-	
<b>Adjusted segment EBITDA *</b>	<b>768</b>	<b>429</b>			<b>1,197</b>
Depreciation and amortization					(830)
Taxes on income					(45)
Financing income					27
Financing expenses					(182)
Other income					15
Share based payments					(24)
Share in losses of equity accounted investees					(1)
<b>Profit for the year</b>					<b>157</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### Note 5 - Financial Instruments

#### Fair value

#### 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 including derivatives, current investments, 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:

	September 30,				December 31,	
	2022		2023		2022	
	Book value	Fair value	Book value	Fair value	Book value	Fair value*
	NIS millions					
<b>Debentures including current maturities and accrued interest</b>	<u>(2,928)</u>	<u>(2,905)</u>	<u>(2,361)</u>	<u>(2,281)</u>	<u>(2,962)</u>	<u>(2,916)</u>

\* The fair value of the debentures is determined according to the market price at the reporting date plus principal and interest amounts paid in the following month after the end of the reporting period.

In January 2023, the company repaid a total of NIS 260 million from the balance of the debentures for principal and interest.

### Note 6 - Revenues

#### Composition

	For the nine months period ended September 30		For the three months period ended September 30		For the year ended December 31
	2022	2023	2022	2023	2022
	(Unaudited)				(Audited)
	NIS millions				
<b>Revenues from services</b>					
Cellular services	1,053	<b>1,118</b>	370	<b>391</b>	1,414
Interconnect services	343	<b>316</b>	116	<b>86</b>	451
Land-line communications services	865	<b>907</b>	294	<b>305</b>	1,150
Other services	<u>70</u>	<u><b>101</b></u>	<u>24</u>	<u><b>42</b></u>	<u>96</u>
<b>Total revenues from services</b>	<u>2,331</u>	<u><b>2,442</b></u>	<u>804</u>	<u><b>824</b></u>	<u>3,111</u>
<b>Revenues from equipment</b>	<u>908</u>	<u><b>834</b></u>	<u>311</u>	<u><b>301</b></u>	<u>1,189</u>
<b>Total revenues</b>	<u><u>3,239</u></u>	<u><u><b>3,276</b></u></u>	<u><u>1,115</u></u>	<u><u><b>1,125</b></u></u>	<u><u>4,300</u></u>

**Notes to the Condensed Consolidated Interim Financial Statements**

---

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

As of December 31, 2022, 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 Company used a relevant discount rate, which reflected the specific risks associated with the future cash flows of its cash-generating units.

The Company examined if there are internal and external indications that could indicate a change in the main parameters as of the date of the financial statements, that could lead to a change in the assessment of the work performed as of December 31, 2022.

Inter alia, since as of September 30 2023, the traded value of the Company is NIS 2.1 billion, which is NIS 0.1 billion less than the Company's equity (after the reporting period and until the date of approval of the financial statements the traded value of the Company decreased to NIS 1.8 billion).

The estimated recoverable amount of the cash generating units as determined in the work significantly exceeds the book value of each unit. The management recognized key assumptions that may cause the book value to increase beyond the recoverable amount.

Below are the main assumptions for which the effect of changes was tested:

**Cap rate** – The Company examined the cap rate as of September 30, 2023, and found that the cap rate is 0.5% lower than the cap rate used in the work performed as of December 31, 2022. Because the decrease in cap rate increases the recoverable amount, this was not found to be an indication of impairment.

**Mobile ARPU** – The Company performed a sensitivity analysis of the changes in ARPU and no indications were found that can cause impairment.

**Revenue from fixed-line segment** – The Company performed a sensitivity analysis to possible changes in the revenues that are relevant to the fixed-line segment, no indications were found that may cause impairment.

Based on an examination of the indications of impairment of goodwill performed by the Company and a sensitivity analysis of the main parameters from the work as of December 31, 2022, the Company reached the conclusion that there are no indications that point to impairment of goodwill as of September 30, 2023.

## Notes to the Condensed Consolidated Interim Financial Statements

### Note 8 - Contingent Liabilities

The provision recorded in the financial statements as of September 30, 2023, in respect of all lawsuits against the Group amounted NIS 77 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").

On May 30, 2023 a judgment was issued by the Israeli Supreme Court (the "judgment") accepting an appeal filed against a decision on a request for approval of a class action against the Company (which was partially rejected by the Jerusalem District Court). The judgment determined, among other things, that the Company illegally increased the price of a basic plan it provided to its customers, and that the discount period was limited in time, without giving sufficient notices about the end of the discount period. Following the judgment, the class action is expected to be settled in the Jerusalem District Court. In June 2023, the Company submitted to the Supreme Court a request for further hearing in connection with the judgment which was rejected in August 2023.

Further to the Judgment, in June 2023, the Company received two motions to approve class action, alleging that the Company charged its customers in transactions for a fixed period, without giving them sufficient notice of the price increase. These requests are similar to a previous request that was filed against the Company, which is still pending

This Judgment affects the prospects assessments (based among others on estimates of the Company's legal advisors) in additional lawsuits that are pending against the Company. Therefore the Company included a provision for these lawsuits in the financial statements for the second quarter of 2023 in the amount of 42 NIS millions listed under other expenses section.

Following the reporting period, a claim and a motion for approval as class actions ended in an amount estimated by the plaintiffs at approximately NIS 7 million. Additionally, a claim and a motion for approval as class actions were filed against the company, for which the amount of the claim was not specified.

Described hereunder are the outstanding lawsuits against the Group, as of September 30, 2023, 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 for claims whose chances can be estimated	Claim amount for claims whose chances can't be estimated yet	Total
	NIS million		
Consumer Claims	899 <sup>(1)</sup> <sup>(2)</sup>	-	899
Other Claims	5	2	7
<b>Total</b>	<b>904</b>	<b>2</b>	<b>906</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### Note 8 - Contingent Liabilities (cont'd)

- (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 3 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 September 30, 2023, divided down by amount of the claim:

Claim amount	Number of claims	Total claims amount (NIS million)
Up to NIS 100 million *	22	198
NIS 100-500 million	1	405
Unquantified claims	23	-
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	1	3
Unquantified claims against the Group and other defendants	5	-
<b>Total</b>	<b>53</b>	<b>906</b>

\* Including 15 claims filed against the Group by employees, subcontractors, suppliers, authorities and others as of September 30, 2023, in a total amount of approximately NIS 5 million.

### Note 9 - Material events during and after the reporting period

#### A. Share-based payment

In April, May and July 2023, the company's board of directors approved allocations of 5.04 million options to senior employees, according an outline plan dated March 10, 2022 as amended and published on March 9, 2023, 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 18 million and an exercise price of NIS 13.8- 14.4. The options included in the first batch can be exercised within 24 months of vesting and the options included in the second and third batch can be exercised within 12 months of vesting.

The main assumptions used in the fair value calculation:

Share price at the grant date- NIS 13.3 per share  
 Expected volatility- 41% - 43%  
 Risk free rate- 3.9% - 4.2%  
 Option contractual life- 2.3 years



**Notes to the Condensed Consolidated Interim Financial Statements**

---

**Note 9 - Material events during and after the reporting period (cont'd)****B. Incentive fund for fiber optic deployment**

In July 2023, after the date of the financial statements, it was published in the Communications Order records (Telecommunications and Broadcasts) (Annual Rate of Payment to the Incentive Fund for 2023) (Temporary Order), 2023, according to which in 2023 the payment rate of a taxable entity (including the Company) to the incentive fund will be 0% of its taxable income as stated (instead of 0.5%). The enactment of the aforementioned order will result a saving in the company's expenses in 2023 in the amount of about NIS 18 million, before tax.

**C. Credit facility from an institutional entity**

In February 2022, the Company contractually engaged with an interested party from the institutional group (the "Lender") in a credit facility agreement of up to NIS 250 million, for a 24-month period from the date the credit facility ("Credit Facility") was provided, which will allow the Company to obtain loans per the Company's choice, which are not linked to any index. In August 2023, the Company extended the credit facility period until August 2025 (instead of February 2024), under similar terms, except for changes to the loan terms that are not material to the Company (including shortening of the long-term loan period (which shall be under a fixed-interest track only) to 4 years, and a certain increase in the interest rate on the loans and a fee for not utilizing the credit facility).

In August 2023, the Company contractually engaged with a banking corporation (the "Lender") in a credit facility agreement of up to NIS 50 million, for a 12-month period from the date the credit facility ("Credit Facility") was provided, which will allow the Company to obtain loans per the Company's choice.

The Credit Facility agreements are not secured by collateral and include commonly accepted terms and obligations, including financial covenants and default events that also generally apply to the Company's bonds (Series H-M). For additional information, see Note 19C to the annual financial statements.

**D. Maalot Rating**

In August 2023, Maalot updated the company's rating forecast from A with a positive outlook to A+ with a stable outlook.

**E. "Iron Swords" Operation**

In October 2023, after the end of the reporting period, "Iron Swords" Operation broke out (hereinafter the "War") in Israel. The war caused a slowdown in commercial activity as well as temporary closure of shopping malls and commercial centers in some areas in Israel, which caused a decrease in revenue from end-user equipment. In addition, the war caused a decrease in inbound and outbound tourism, which led to a decrease in revenue from roaming services. These effects may continue for as long as the war is ongoing.

The Company has examined its sources of financing and liquidity as well as the Company's access to future credit sources, and estimates that it possesses the financial strength to deal with the effects of the war, partly in light of the diversity of its fields of activity and the scope of its liquid balances.

It should be noted that because this is an ongoing crisis that is outside the Company's control and characterized by uncertainty, as of the date of the financial statements, there is no certainty with respect to the scope of the effect on the Company and on the Israeli economy as a whole. Such across-the-board effects, insofar as they materialize, in whole or part, may affect the Company's businesses and the results of its activity.

**Notes to the Condensed Consolidated Interim Financial Statements**

---

**Note 9 - Material events during and after the reporting period (cont'd)****F. Electricity supply agreement**1. Contractual engagement in a founders' agreement

- a. In August 31, 2023, the Company contractually engaged in a founders agreement with Meshek Energy (the "Founders Agreement"), for the establishment of a registered limited partnership ("Cellcom Energy" or the "Partnership"), the purpose of which is to operate in the area of marketing, sales and supply of electricity to private and business customers (with the exception of the rural sector<sup>1</sup> and certain activities as agreed upon by the parties, for which each of the parties will be entitled to act independently). To such end, Cellcom Energy shall take necessary action to obtain a license for supplying electricity without means of production, from the Electricity Authority (the "License").
- b. According to the business plan approved by the parties as part of the founders' agreement (the "Business Plan"), each party shall provide the partnership, based on its relative share of the partnership's capital, the finance amounts specified in the Business Plan (including budget updates, if any, approved in the course of the Business Plan period, which is 5 years starting January 1, 2024). This financing may be in the form of capital injection, provision of a shareholder's loan, credit raising or provision of guarantees and security interests, all per the business plan and as determined by the general partner. In addition, provisions were set forth regarding additional financing, insofar as required by the partnership as determined by the general partner, as well as a dilution mechanism in cases where a certain party did not provide its share of the financing amounts.
- c. The parties warranted that as long as they hold at least 25% of the Partnership's capital, at least 25% of the general partner's capital, or if they are entitled to appoint a director of the general partner, they shall act in the area of cooperation only through Cellcom Energy, with certain exceptions as they agreed.
- d. For the purpose of promoting Cellcom Energy's activity, it was agreed that the Company would provide services to the Partnership, in the area of sales and customer success, as part of a services agreement to be executed between the parties; whereas Meshek Energy shall sell to Cellcom Energy from four plants of Meshek Energy (and affiliated entities thereof), which are solar installations with integrated storage, under terms the main points of which shall be set forth in section 2 below (the "Electricity Purchase Agreements").

---

<sup>1</sup> "The rural sector" - kibbutzim and cooperative moshavim (including central organizations such as the shopping organization of kibbutzim and cooperative moshavim), enterprises operating on kibbutz or moshavim land, and corporations in which a kibbutz or moshavim holds at least 26% of their issued capital, as well as other rural settlements to be determined by agreement between the parties.

**Notes to the Condensed Consolidated Interim Financial Statements**

---

**Note 9 - Material events during and after the reporting period (cont'd)****F. Electricity supply agreement (cont'd)**

In addition, Cellcom Energy shall have the right of first offer for filing proposals for purchasing electricity from solar facilities with integrated storage, to be built by Meshek Energy and entities related to it (if any are built) on dates agreed in the founders' agreement, according to the mechanism set forth therein. On the other hand, Meshek Energy (and entities related to it) shall have the right of first offer for submitting proposals for the supply of electricity in any proceeding that Cellcom Energy conducts for the purchase of electricity, pursuant to the mechanism set forth in the founders' agreement. The foregoing rights of first offer shall remain in effect as long as the Company or Meshek Energy, as relevant, hold at least 30% of Cellcom Energy.

- e. Starting from the establishment date of Cellcom Energy and until December 31, 2028, the Company (as long as it holds at least 50% of the rights in Cellcom Energy and the general partner's shares) shall have the right to appoint the chair of the board of directors and the chair of the general meeting of the general partner in Cellcom Energy, and such chairperson shall have a decisive vote when voting on certain issues as determined by the parties, according and subject to the mechanism agreed upon by the parties (the "Decisive Vote Mechanism"). The effect of the Decisive Vote Mechanism shall be automatically extended for additional periods of 5 years each, if in such period the Decisive Vote Mechanism is not used more than twice, subject to approval of the Business Plan for each additional period by the parties.
  - f. In the founders' agreement, restrictions were established on the transfer of rights in Cellcom Energy and in the general partner company, including the restriction that any transfer must be of the full rights of any party, and in addition a right of first refusal was established that is exercisable after a certain period from the date the partnership receives the license, as defined in the agreement. In addition, starting 5 years after the date of force of the founders' agreement, each party shall have the right to purchase the other party's share in the partnership and in the general partner, pursuant to a BMBY mechanism that was set forth. Insofar as the Company would be the one to exercise the BMBY mechanism and purchase Meshek Energy's share in the partnership and in the general partner, then Meshek Energy shall be entitled to cancel the electricity purchase agreements per the mechanism and periods set forth in the founders' agreement.
2. Contractual engagement in the Electricity Purchase Agreements
    - a. Concurrently with executing the Founders' Agreement, the parties and an entity affiliated with Meshek Energy (the "Producer") contractually engaged in 4 Electricity Purchase Agreements, for a 20-year period from the date each production plant is associated with Cellcom Energy, pursuant to each such agreement (among others subject to paragraph 1.f above), from 4 production plants to be constructed by Meshek Energy and its affiliate entities in 2024, equipped with 45 megawatt DC solar power and storage capacity of 100 MWh, with respect to all the plants.

**Notes to the Condensed Consolidated Interim Financial Statements**

---

**Note 9 - Material events during and after the reporting period (cont'd)****F. Electricity supply agreement (cont'd)**

- b. Total expected payments from Cellcom Energy in connection with the purchase of electricity from the four production plants, for the cumulative period of the agreements, is about NIS 500 million, and it shall be partially linked to the Consumer Price Index with an agreed cap, and partially linked to the production rate (the weighted production component rate that is published by the Electricity Authority - the "Weighted Rate") (the "Linkage Mechanism"), and in addition minimum and maximum tariffs were set that Cellcom Energy shall be required to pay for transmitting electricity from every such production plant. Said consideration embodies an agreed discount from the Weighted Rate.
  - c. At the time of the parties' execution of the electricity purchase agreements, the Company and Meshek Energy provided parent company guarantees (limited in amount) based on their shares to ensure Cellcom Energy's payments to the producer in accordance with the agreements. The amount of such guarantees shall be updated based on the linkage mechanism starting from the date of signing the electricity purchase agreements, cumulatively for the entire period of the agreements, as aforesaid.
  - d. If the commercial operation of each production plant (after obtaining approval for commercial operation from the Israel Electric Corporation), pursuant to the Electricity Purchase Agreements, has not commenced until various dates in 2024 as determined, Cellcom Energy is to be paid liquidated damages pursuant to an agreed mechanism, and if the commercial operation has not commenced until 12 months after such date, the producer shall be permitted to terminate the Electricity Purchase Agreements, and they shall terminate after said 12 months (in which case Meshek Energy undertook to make available for Cellcom Energy the next plant available for construction with a similar output and under terms identical to the foregoing Electricity Purchase Agreements). In addition, should the producer fail to meet Cellcom Energy's electricity requirements, with respect to each production plant separately, liquidated damages are to be paid to Cellcom Energy up to the compensation cap in accordance with the agreed mechanism, and should the producer reach the compensation cap, Cellcom Energy is permitted to terminate the agreement.
3. Entry into force of the Founders' Agreement, including the contractual engagement in the Electricity Purchase Agreements, is contingent on obtaining the approval of the Israel Competition Authority (without conditions that are not acceptable to the parties), within 90 days from its date of execution.
  4. In light of the rights granted to the Company in the founders' agreement (including the Decisive Vote Mechanism, as provided in paragraph 1.e above), the Company is expected to consolidate the results of Cellcom Energy in its financial statements, as long as the Decisive Vote Mechanism is in effect.
  5. It is noted that according to the Business Plan as attached to the founders' agreement, Cellcom Energy strives to achieve a market share of approximately 270,000 electricity customers by the end of 2028.

**Cellcom Israel Ltd.**

**Separate Interim Financial Information**

**As at September 30, 2023**

**(Unaudited)**

<b>Contents</b>	<b>Page</b>
Auditors' special report on condensed separate interim Financial information	2
Condensed Separate Interim Information of Financial Information	3
Condensed separate Interim Information of Profit or Loss	4
Condensed separate Interim Information of Comprehensive Income	5
Condensed separate Interim Information of Cash Flows	6
Notes to Condensed Separate Financial Information	8

**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.

Dear Sirs,

**Re: Special report to the review of the separate interim financial information in accordance with Regulation 38d to the Securities Regulations (Periodic and Immediate Reports), 1970**

### **Introduction**

We have reviewed the separate interim financial information disclosed in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Cellcom Israel Ltd. ("the Company") as of September 30, 2023 and for the nine and three months periods then ended. The Company's board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

The Company's separate financial information as of December 31, 2022 and for the year then ended were audited by other auditors whose report dated March 8, 2023 expressed an unqualified opinion thereon. Also, the separate interim financial information as of September 30, 2022 and for the nine and three months periods then ended were reviewed by other auditors whose reports dated November 20, 2022 expressed an unqualified conclusion thereon.

We did not review the separate interim financial information taken from the interim financial information of investees, whose assets less attributable liabilities net amounted to approximately NIS 127 Million as of September 30, 2023 and the Company's share of their losses amounted to approximately NIS 4 million and NIS 3 million for the nine and three months periods then ended, respectively. The separate interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

### **Scope of review**

We conducted our review in accordance with Review Standard (Israel) 2410 of the Israeli Institute of Certified Public Accountants in Israel, "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 generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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

Tel-Aviv, Israel  
November 14, 2023

**KOST FORER GABBAY & KASIERER**  
A Member of Ernst & Young Global

**Condensed separate Interim Information of Financial Information**

	September 30,		December 31,
	2022	2023	2022
	(Unaudited)		(Audited)
	NIS millions		
<b>Current assets</b>			
Cash and cash equivalents	534	206	611
Deposits	120	-	120
Trade receivables	596	630	606
Current tax assets	38	9	9
Other receivables, includes derrivities	20	37	31
Inventory	59	51	65
	<u>1,367</u>	<u>933</u>	<u>1,442</u>
<b>Non- current assets</b>			
Trade and other receivables	217	206	222
Property, plant and equipment, net	1,326	1,432	1,393
Intangible assets and others, net	427	443	438
Investments in equity accounted investees	2,296	2,549	2,356
Loans from investees and capital notes	391	398	391
Right-of use assets, net	657	608	634
	<u>5,314</u>	<u>5,636</u>	<u>5,434</u>
	<u>6,681</u>	<u>6,569</u>	<u>6,876</u>
<b>Current liabilities</b>			
Current maturities of debentures	583	594	587
Current maturities of lease liabilities	174	174	168
Trade payables and accrued expenses	485	564	591
Provisions	105	94	84
Loans from investees companies	190	410	220
Other payables, including derivatives	177	193	213
	<u>1,714</u>	<u>2,029</u>	<u>1,863</u>
<b>Non- current liabilities</b>			
Debentures	2,310	1,735	2,317
Long-term lease liabilities	519	468	506
Provisions	24	23	24
Other long-term liabilities	13	9	9
Liability for employee rights upon retirement, net	11	13	10
Deferred taxes liabilities	42	69	43
	<u>2,919</u>	<u>2,317</u>	<u>2,909</u>
	<u>4,633</u>	<u>4,346</u>	<u>4,772</u>
<b>Equity</b>			
Equity attributable to owners of the Company	2,048	2,223	2,104
	<u>6,681</u>	<u>6,569</u>	<u>6,876</u>

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

November 14, 2023

Date of approving the  
financial statements

Nataly Mishan-Zakai  
Chairman of the Board of Directors

Daniel Sapir  
CEO

Gadi Attias  
CFO

**Condensed separate Interim Information of Profit or Loss**

	Nine month period ended September 30,		Three months period ended September 30,		Year ended December 31,
	2022	2023	2022	2023	2022
	(Unaudited)				(Audited)
	NIS millions				
Revenues	2,088	2,123	720	704	2,767
Cost of revenues	(1,612)	(1,514)	(555)	(476)	(2,125)
<b>Gross profit</b>	476	609	165	228	642
Selling and marketing expenses	(301)	(368)	(102)	(133)	(400)
General and administrative expenses	(155)	(187)	(53)	(72)	(216)
Credit profits	1	6	1	-	1
Other income (expenses), net	26	(21)	10	10	50
<b>Operating income</b>	47	39	21	33	77
Financing income	29	33	12	7	38
Financing expenses	(146)	(138)	(53)	(40)	(190)
Financing expenses, net	(117)	(105)	(41)	(33)	(152)
Share in profit of investees companies	202	193	72	69	261
<b>Profit before taxes on income</b>	132	127	52	69	186
Taxes on income	(24)	(26)	(11)	(16)	(29)
<b>Profit for the period</b>	108	101	41	53	157

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



**Condensed separate Interim Information of Comprehensive Income**

	<b>Nine months period ended September 30,</b>		<b>Three month period ended September 30,</b>		<b>Year ended December 31,</b>
	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>				<b>(Audited)</b>
	<b>NIS millions</b>				
<b>Profit for the period</b>	<u>108</u>	<u>101</u>	<u>41</u>	<u>53</u>	<u>157</u>
<b>Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss</b>					
Changes in fair value of cash flow hedges transferred to profit or loss, net of tax	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
<b>Re-measurement of defined benefit plan, net of tax</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
<b>Total other comprehensive profit, net of tax</b>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Total comprehensive profit for the period	<u>109</u>	<u>101</u>	<u>41</u>	<u>53</u>	<u>159</u>

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

**Condensed separate Interim Information of Cash Flows**

	Nine months period ended September 30,		Three-month period ended September 30,		Year ended December 31,
	2022	2023	2022	2023	2022
	(Unaudited)				(Audited)
	NIS millions				
<b>Cash flows from operating activities</b>					
Profit for the period	108	101	41	53	157
<b>Adjustments for:</b>					
Depreciation and amortization	507	535	173	181	679
Share-based payments	18	18	7	6	24
Net change in fair value of investment property	6	1	2	1	8
Tax on income	24	26	11	16	29
Financing expenses, net	117	105	41	33	152
Share in profit of equity accounted investees	(202)	(193)	(72)	(69)	(261)
<b>Changes in operating assets and liabilities:</b>					
Change in inventory	(12)	14	22	30	(18)
Change in trade receivables (including long-term amounts)	82	(8)	(39)	(6)	72
Change in other receivables (including long-term amounts)	38	(4)	61	1	15
Change in trade payables, accrued expenses and provisions	14	25	78	34	11
Change in other liabilities (including long-term liabilities)	181	(6)	177	(11)	217
Receipts for derivative hedging contracts, net	3	9	4	2	4
Income tax paid (received)	(3)	1	(2)	(2)	(5)
<b>Net cash from operating activities</b>	<b>881</b>	<b>624</b>	<b>504</b>	<b>269</b>	<b>1,084</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	(250)	(323)	(136)	(196)	(320)
Acquisition of intangible assets and others	(196)	(161)	(104)	(44)	(223)
Investments in investee companies	-	-	-	-	8
Change in current investments, net	(120)	120	(120)	180	(120)
Repayments of loan from investees	9	-	9	-	-
Interest received	3	13	2	2	8
<b>Net cash used in investing activities</b>	<b>(554)</b>	<b>(351)</b>	<b>(349)</b>	<b>(58)</b>	<b>(647)</b>

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

**Condensed separate Interim Information of Cash Flows**

	<b>Nine months period ended September 30,</b>		<b>Three month period ended September 30,</b>		<b>Year ended December 31,</b>
	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>				<b>(Audited)</b>
	<b>NIS millions</b>				
<b>Cash flows from financing activities</b>					
Receipts for derivative contracts, net	4	2	1	1	5
Repayment of debentures	(396)	(604)	(396)	(404)	(396)
Receipt from issuance of debentures, net of issuance costs	491	-	491	-	491
Interest paid for leases	(21)	(21)	(6)	(7)	(27)
Interest paid for debentures	(82)	(89)	(26)	(29)	(82)
Receipts of loan from investees	(20)	190	(80)	60	10
Payment of principal of lease liabilities	(156)	(156)	(52)	(48)	(214)
<b>Net cash from (used in) financing activities</b>	<b>(180)</b>	<b>(678)</b>	<b>(68)</b>	<b>(427)</b>	<b>(213)</b>
<b>Changes in cash and cash equivalents</b>	147	(405)	87	(216)	224
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>387</b>	<b>611</b>	<b>447</b>	<b>422</b>	<b>387</b>
<b>Cash and cash equivalents as at the end of the period</b>	<b>534</b>	<b>206</b>	<b>534</b>	<b>206</b>	<b>611</b>

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

**Notes to Condensed Separate Financial Information****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 September 30, 2023 (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, 2022 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, 2022 (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, 2022.

**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		
		September 30,		December 31,
		2022	2023	2022
		NIS millions		
Cellcom Fixed Line Communication L.P.	100%	1,578	<b>1,780</b>	1,629
Golan Telecom Ltd.	100%	407	<b>424</b>	409
Dynamica Cellular Ltd.	100%	180	<b>218</b>	187
I.B.C (Unlimited) Holdings L.P.	23%	131	<b>127</b>	131
		<u>2,296</u>	<u><b>2,549</b></u>	<u>2,356</u>

**Notes to Condensed Separate Financial Information****Note 2 - Commitments, loans and significant transactions with Investees (cont'd)****B. Loans to investee companies and capital note**

	<u>September 30,</u>		<u>December 31,</u>
	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>NIS millions</u>		
Loan to Golan Telecom Ltd. *	141	<b>148</b>	141
Capital Note - Golan Telecom Ltd.	<u>250</u>	<u><b>250</b></u>	<u>250</u>
	<u>391</u>	<u><b>398</b></u>	<u>391</u>

\* The loan was granted as part of the sharing network agreement signed in 2017, half of which 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**

	<u>September 30,</u>		<u>December 31,</u>
	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>NIS millions</u>		
Short-term loan from Cellcom Fixed Line Communication L.P. *	190	<b>380</b>	220
Short-term loan from Dynamica cellular Ltd *	<u>-</u>	<u><b>30</b></u>	<u>-</u>
	<u>190</u>	<u><b>410</b></u>	<u>220</u>

\* The loans from Cellcom Fixed Line Communication L.P and Dynamica cellular Ltd includes an annual interest rate of 2.6% and is not linked.

**Note 3 - Events during and after the reporting period**

1. For additional information regarding Share-based payment, see Note 9 A' for the consolidated financial statements;
2. For additional information regarding Incentive fund for fiber optic deployment, see Note 9 B' for the consolidated financial statements;
3. For additional information regarding Credit facility from an institutional entity, see Note 9 C' for the consolidated financial statements;
4. For additional information regarding Maalot Rating, see Note 9 D' for the consolidated financial statements;
5. For additional information regarding "Iron Swords" Operation, see Note 9 E' for the consolidated financial statements;
6. For additional information regarding Electricity supply agreement, see Note 9 F' 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 Attias, CFO
3. Larisa Cohen, VP Legal Counsel and Corporate Secretary
4. Teimuraz Romashvili, VP Sales and International Activity
5. Victor Malka, Chief Information Officer
6. Eli Adadi, VP Retail and CEO of Dynamica Communications Chain Stores Ltd
7. Ami Shtramer, VP Human Resources
8. Dafna Agassi, VP Marketing
9. Sivan Shushan Lisha, VP Business Customer
10. Avraham Grinman, VP of Engineering
11. Nadv Amsalem, CEO of Golan Telecom Ltd.
12. Nir Yogev Manager of Regulation and Business Development
13. Bosmat Levi Feuer, VP of Private Service Sector

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 June 30, 2023 (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 presented in the Last Quarter Report on Internal Control.

As of the date of the report and based on the assessment of the effectiveness of the internal control in the Last Quarter 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.

## Executive Statements

### The Statement of the CEO according to Regulation 38C(d)(1)

The undersigned, Daniel Sapir, states as follows:

1. I have reviewed the quarterly report of Cellcom Israel Ltd. (hereinafter – the "**Company**") for the third quarter of 2023 (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.

---

Daniel Sapir

CEO

November 14, 2023



## **The Statement of the Highest Ranking Officer in Finance according to Regulation 38C(d)(2)**

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 third quarter of 2023 (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.

---

Gadi Atias  
CFO

November 14, 2023