Quarterly report

for the period ended
June 30, 2026

Bezeq

August 4, 2026

Bezeq The Israeli Telecommunications Corp. Ltd.

Quarterly report for the period ended June 30, 2026

Update to Chapter A (Description of Company Operations) of the Periodic Report for 2025

Board of Directors' Report on the State of the Company's Affairs for the Period ended June 30, 2026

Consolidated Financial Statements as at June 30, 2026

Quarterly Report on the Effectiveness of Internal Control on the Financial Reporting and on the Disclosure for the Period ended June 30, 2026

Update to Chapter A (Description of Company Operations) of the Periodic Report for 2025

Update to Chapter A | Description of Company Operations

to the Periodic Report for 2025 (the "Periodic Report") of Bezeq The Israeli Telecommunications Corporation Ltd. (the "Company")[1]

1. General Development of the Group's Business

Section 1.3 – Investments in the Company's capital and transactions in its shares

Regarding the appointment of market makers for the Company's shares under a dedicated market-making program – On June 1, 2026, Idan Financial Instruments Ltd. (of Barak Capital Group) ("Idan") was appointed as a market maker for the Company's shares, replacing Proxima Dynamics Ltd., whose appointment ended on the same day. Idan operates alongside Migdal Capital Markets Ltd., which continues to serve as a market maker for the Company's shares. The terms of the market-making program remain unchanged.

Section 1.4.2 – Distribution of a dividend and 1.4.3 – Share buyback plan

For further information about the distribution of a dividend in cash approved by the general meeting of the Company's shareholders on April 13, 2026 and executed on May 14, 2026, and information about the recommendation of the board of directors to the general meeting of shareholders of August 4, 2026, regarding the distribution of a dividend in cash for profits of the first half of 2026, see Note 7 to the financial statements.

Execution of the Company's share buyback plan in the amount of up to NIS 150 million (which was approved by the Company's board of directors on March 8, 2026, and its execution began after the approval of the general meeting of the Company's shareholders on April 13, 2026) was completed on June 9, 2026. For further information see also Note 7 to the financial statements.

<u>Remaining distributable retained earnings</u>

On August 4, 2026, the Company decided to update its methodology for calculating its distributable retained earnings, specifically regarding how past distributions are deducted from that balance. Under the updated methodology, dividends are considered to be distributed from profits accumulated during the two years preceding the distribution, rather than from the total retained earnings balance. According to this updated methodology, each distribution is attributed to the accumulated profits as described, in accordance with the order in which they were generated. Accordingly, the balance of distributable retained earnings as at the reporting date is approx. NIS 2,262 million. This balance is net of prior distributions, including an amount of NIS 150 million relating to the aforementioned Buyback Plan, which has been fully executed as noted above. However, this balance does not reflect a deduction for the NIS 100 million Buyback Plan approved by the board of directors on August 4, 2026, as set out below, the execution of which has not yet commenced.

---

[1] The update is in accordance with Regulation 39A of the Israel Securities Regulations (Periodic and Immediate Reports), 1970, and includes material changes or developments that have occurred in the Company's business in any matter that must be described in the Periodic Report. The update refers to the Company's Periodic Report for 2025 and refers to the section numbers in Chapter A (Description of Company Operations) in that Periodic Report.

Preliminary buyback outline for the Company's shares as part of the Company's multi-year strategy

On June 30, 2026, the Company announced that, in line with its objective of efficient capital allocation and the creation of long-term value for shareholders, and in view of the Company's expectation of generating positive cash flow, while maintaining financial robustness, and as an additional pillar of its capital allocation strategy, the Company's board of directors adopted on that date a preliminary buyback outline for the Company's shares in an aggregate amount of up to NIS 800 million (the "Buyback Outline"). The Buyback Outline will remain in effect until December 31, 2029, in accordance with the term of Bezeq Group's multi-year plan, subject to the approval of the board of directors regarding the execution of the buyback (or adoption of purchase plans) and compliance with the distribution tests set out in the law.

The Buyback Outline constitutes an additional and complementary tool for the Company's capital management and for returning value to shareholders, alongside the Company's dividend distribution policy of distributing 80% of its half-year profits[2] and the Company's continued investment in strategic initiatives supporting the Company's long-term growth. These include advanced communications infrastructure, development of digital services, investments and acquisitions of synergistic activities, and the development of the Company's national and international infrastructure, including its submarine cable infrastructure.

For further information see the Company's immediate report of June 30, 2026, included in this report by way of reference.

Further to the aforesaid, on August 4, 2026, the Company's board of directors approved another buyback plan of the Company's shares in accordance with the Israel Securities Authority's safe harbor protection (Legal Position 199-8). Under the new plan, the Company will repurchase its ordinary shares, each with a par value of NIS 1, for a total amount not exceeding NIS 100 million. The purchases will be carried out from time to time on the Tel Aviv Stock Exchange, through an independent TASE member acting under an irrevocable power of attorney and in accordance with the terms of the plan, including price limits and volume restrictions. The plan will commence one trading day after the publication of the financial statements as at June 30, 2026, and will conclude upon the earlier of (1) the completion of purchases totaling no more than NIS 100 million; or (2) December 31, 2026. The plan is defined as irrevocable; the Company will not be able to intervene in its execution, modify it, or suspend the purchases.

It should be noted that on July 21, 2026, the general meeting of the Company's shareholders approved an amendment to the Company's Articles of Association, according to which the authority to approve a share buyback will remain with the Company's board of directors without requiring approval of the general meeting.

[2] See the Company's immediate report of March 12, 2025, and section 1.4.1 of the Description of Company Operations in the Company's Periodic Report for 2025.

Section 1.5.4 – Main results and operational data[3]

Financial data (NIS millions) Group	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025
Total revenues	2,165	2,169	2,186	2,145	2,136	2,235
Bezeq Fixed-Line telephony revenues	116	113	117	120	123	128
Pelephone's interconnect revenues	0	0	0	0	34	41
Bezeq International's revenues from consumers	24	26	26	30	32	34
Bezeq Online revenues	0	0	0	0	0	54
Core revenues	2,025	2,030	2,043	1,995	1,947	1,978
Operating profit before depreciation and amortization (EBITDA)	975	812	797	996	1,014	897
Other expenses (income), net	(1)	112	235	39	(8)	13
Share-based compensation expenses	4	4	5	6	7	4
Adjusted EBITDA[1]	978	928	1,037	1,041	1,013	914
Effect of impairment loss at yes (reversal of impairment loss at yes)	0	0	(74)	(102)	(92)	3
Comparable EBITDA[2]	978	928	963	939	921	917
Net profit	308	211	242	446	426	303
Other operating expenses (income), net and amortization of excess cost, net of tax	5	92	181	30	(6)	12
Expenses for equity-based compensation	4	4	5	6	7	4
Adjusted net profit[1]	317	307	428	482	427	319
Effect of impairment loss at yes (reversal of impairment loss at yes)	0	0	(116)	(215)	(195)	(17)
Effect of impairment loss at Bezeq International	(2)	(7)	(1)	(9)	(3)	(14)
Comparable net profit[2]	315	300	311	258	229	288

(1) Adjusted net profit and adjusted EBITDA – net of other operating expenses/income, one-time losses/gains from impairment/appreciation, and equity compensation plan expenses

(2) Comparable net profit and comparable EBITDA – adjusted net profit and adjusted EBITDA net of the total effect of fair value increases /decreases

[3] For information about financial ratios and operational performance indices, see also section 7 of the Description of Company Operations for 2025 and the Board of Directors Report (non-GAAP financial indices).

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

Financial data (NIS millions)	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025
Revenues	1,114	1,110	1,114	1,111	1,102	1,101
Operating profit	408	362	144	328	386	384
Depreciation and amortization	271	267	272	269	261	258
Operating profit before depreciation and amortization (EBITDA) (1)	679	629	416	597	647	642
Share in loss (profit) of an investee	(3)	2	(1)	16	1	3
Net profit	256	242	67	179	218	256
Cash flow from operating activities	492	703	573	565	501	553
Payments for investments in fixed assets and intangible assets and other investments	239	270	257	280	266	294
Proceeds from the sale of fixed assets and intangible assets	2	1	1	4	31	3
Lease payments	35	30	48	39	36	42
Free cash flow (2)	220	404	269	250	230	220
<u>Operational data</u>						
Total number of internet lines at the end of the period (thousands) (3)	1,472	1,472	1,473	1,473	1,476	1,477
Of which, the number of subscribers connected to the fiber network at the end of the period (thousands)	1,061	1,029	993	954	907	863
Number of internet lines at the end of the period – retail (thousands) (3)	956	968	980	990	999	1,003
Of which, the number of subscribers connected to the fiber network at the end of the period – retail (thousands) (3)	655	643	628	609	583	554
Number of internet lines at the end of the period – wholesale (thousands) (3)	516	504	493	483	477	474
Of which, the number of subscribers connected to the fiber network at the end of the period – wholesale (thousands) (3)	406	386	365	345	324	309
Monthly average revenue per internet subscriber (NIS) – retail (ARPU) (5)	142	139	138	136	136	134
Deployment of fiber optic network at the end of the period (thousands of households available for connection)	3,028	2,974	2,913	2,859	2,774	2,671
Average package speed per internet subscriber – retail (Mbps) (4)	827	774	721	673	620	572
Number of Be routers used by the Company's customers (thousands)	866	873	875	873	870	864
Number of Be Mesh and Be Spot range extenders for home Wi-Fi (thousands)	486	481	474	472	470	466
Number of active telephony subscriber lines at the end of the period (thousands) (6)	1,294	1,312	1,329	1,339	1,351	1,366
Monthly average revenue per telephony line (ARPL) (NIS) (7)	29	29	29	30	30	31
Telephony churn rate (8)	2.9%	2.8%	2.2%	2.6%	2.3%	2.4%

(1) Operating profit before depreciation and amortization (EBITDA) is a financial measure that is not based on generally accepted accounting principles. The Company presents this as an additional measure for assessing its business results since this is a generally accepted measure in the Company's area of operations that offsets aspects arising from the variance in the capital structure, various tax aspects and methods, and the amortization period for fixed assets and intangible assets. This measure is not a substitute for measures based on GAAP and it is not used as a sole measure for assessing the results of the Company's operations or cash flows. Additionally, the measure presented in this report may be calculated differently from corresponding measures in other companies. The Company's EBITDA is calculated as operating profit before depreciation, amortization, and ongoing losses from the impairment of fixed assets and intangible assets. To present fairly its financial activity, the Company presents continuing losses from the impairment of fixed assets and intangible assets in yes and Bezeq International under depreciation and amortization, and continuing losses from the impairment of broadcasting rights under general and operating expenses (in the statement of income). For further information, see Note 5 to the financial statements and section 7 of the Description of Company Operations for 2025.

(2) Free cash flow is a non-GAAP financial measure. Free cash flow is defined as cash from operating activities less cash for the acquisition/sale of fixed assets and intangible assets, net, and from 2018, with the application of IFRS 16, lease payments are also deducted. The Company presents free cash flow as a measure for assessing its business results and cash flows, since the Company believes that free cash flow is an important indicator of liquidity that reflects cash resulting from operating activities after cash investments in infrastructure and other fixed assets and intangible assets. For further information, see section 7 of the Description of Company Operations for 2025.

(3) The total number of internet lines includes retail and wholesale lines. Retail – internet lines provided directly by the Company. Wholesale – internet lines provided through a wholesale service to other communications providers.

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

(5) Revenues from retail internet services are divided by the average number of retail customers in the period. For further information, see section 7 of the Description of Company Operations for 2025.

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

(7) Calculated according to average number of lines for the period. For further information, see section 7 of the Description of Company Operations for 2025.

(8) The number of telephony subscribers (gross) who left Bezeq Fixed-Line during the period is divided by the average number of registered telephony subscribers in the period. For further information, see section 7 of the Description of Company Operations for 2025.

Section 1.5.4.2 – Pelephone

Financial data (NIS millions)	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025
Total revenues	511	518	554	517	530	566
Of which: revenues from interconnect fees(1)	-	-	-	-	34	41
Total revenues less interconnect fees(1)	511	518	554	517	496	525
Revenues from services	363	356	373	381	395	401
Revenues from services less interconnect fees (1)	363	356	373	381	361	360
Revenues from the sale of terminal equipment	148	162	181	136	135	165
Operating profit (loss)	45	(52)	43	56	43	44
Depreciation and amortization	145	144	148	147	141	140
Operating profit before depreciation and amortization (EBITDA)(2)	190	92	191	203	184	184
Net profit (loss)	34	(44)	47	38	30	31
Cash flow from operating activities	103	184	186	216	187	175
Payments for investments in fixed assets, intangible assets, and other investments, net	99	92	91	88	91	84
Lease payments	53	77	54	64	53	96
Free cash flow(2)	(49)	15	41	64	43	(5)
Operational data						
Number of postpaid subscribers at the end of the period (thousands)(3)	2,370	2,349	2,315	2,295	2,279	2,265
Of which, number of 5G postpaid subscribers (thousands)(3)	1,473	1,425	1,375	1,348	1,315	1,276
Of which, number of 5G MAX subscribers (thousands)(3)	204	173	140	102	68	35
Number of prepaid subscribers at the end of the period (thousands)(3)	337	350	362	366	366	366
Number of subscribers at the end of the period (thousands)(3)	2,707	2,699	2,677	2,661	2,645	2,631
Monthly average revenue per user (ARPU) net of interconnect fees (NIS)(1)(4)	45	44	47	48	46	45
Churn rate (5)	6.3%	6.0%	5.9%	6.1%	5.6%	6.2%

(1) ARPU net of interconnect fees – The reform to change the interconnect fees regime, which was applied gradually from June 2023 and continued until June 2025, resulted in a decrease in interconnect fees, most of which were cancelled as from this date, and a decrease in ARPU. Accordingly, Pelephone elected to present ARPU net of the revenue component from interconnect fees.

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

(3) Subscriber figures include Pelephone subscribers (excluding subscribers from other carriers hosted on the Pelephone network and excluding IOT subscribers), and do not include inactive subscribers connected to Pelephone's service for six months or more. An inactive subscriber is one who in the past six months has not received one call, has not made one call / sent one SMS, or has performed no browsing activity, or has not paid for Pelephone services. Prepaid subscribers are included in the number of active subscribers from the date on which the subscriber loaded the device and are removed from the list of active subscribers if the subscriber makes no outgoing use of the device for six months or more. It should be noted that a customer may have more than one subscriber number ("line"). Subscribers include those who consume various services (such as data for vehicle media systems), with ARPU significantly lower than that of other subscribers. It should be noted that Pelephone markets high-capacity data packages tailored for 5G usage. Shortly before the publication date of the report, Pelephone has approx. 1.49 million postpaid subscribers for these packages. As at the publication date of the report, of Pelephone's 5G subscribers, approx. 217 thousand have joined the advanced 5G MAX services, which include prioritized data traffic. Pelephone estimates that the number of subscribers who will join its advanced 5G MAX services by the end of 2026 will reach approx. 300 thousand.

(4) Monthly ARPU (postpaid and prepaid). The index is calculated by dividing the average total consolidated monthly revenue, including from cellular services, from Pelephone subscribers and other telecom carriers, including revenues from cellular

carriers who use Pelephone's network, repair services and extended warranty in the period, by the average number of active subscribers in the same period. For further information, see section 7 of the Description of Company Operations for 2025.

(5) The churn rate is calculated at the ratio of subscribers who disconnected from Pelephone's services and subscribers who became inactive in the period, to the average number of active subscribers in the period. For further information, see section 7 of the Description of Company Operations for 2025.

Section 1.5.4.3 – Bezeq International

Financial data (NIS millions)	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025
Revenues	276	289	263	281	263	273
Of which: revenues from private customers(1)	24	26	26	30	32	34
Operating profit	9	17	4	17	8	14
Depreciation and amortization	29	23	32	23	29	19
Operating profit before depreciation and amortization (EBITDA)(2)	38	40	36	40	37	33
Net profit	12	15	3	16	6	11
Cash flow from operating activities	11	38	30	36	24	42
Payments for investments in fixed and intangible assets and other investments, net(3)	14	14	17	14	15	12
Lease payments	10	10	10	10	9	11
Free cash flow(2)	(13)	14	3	12	0	19

(1) From 2023, small office/home office (SOHO) customers are included in revenues from private customers.

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

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

Section 1.5.4.4 – yes

Financial data (NIS millions)	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025
Revenues	348	343	340	321	320	319
Operating profit (loss)	19	5	104	216	193	(3)
Ongoing depreciation, amortization, and impairment (reversal of impairment loss)	52	50	19	(56)	(46)	40
Operating profit before ongoing depreciation, amortization and impairment (reversal of impairment loss) (EBITDA)(1)	71	55	123	160	147	37
Net profit	12	3	97	213	172	3
Cash flow from operating activities	53	88	51	53	26	75
Payments for investments in fixed and intangible assets and other investments, net	46	61	44	43	57	36
Lease payments	6	6	7	6	7	6
Free cash flow(1)	1	21	0	4	(38)	33
Operational data						
Number of television subscribers (thousands)(2)(3)	563	565	565	565	562	561
Of which, IP subscribers (4)	506	499	492	486	480	475
Of which, STING+ subscribers	158	158	156	154	151	146
Monthly average revenue per user (ARPU) from television subscribers (NIS)(5)	163	165	166	168	172	174
Average monthly revenue (yes ARPU) (NIS)(5)	204	202	200	189	189	189
Churn rate (6)	4.3%	4.3%	4.1%	3.7%	3.6%	4.1%
Number of fiber network subscribers (thousands)(7)	144	132	118	106	94	85

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

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

(3) As at the publication date of the report, approx. 220 thousand subscribers have joined the international streaming services as part of the collaboration of yes with these services (see section 5.1.1.1 of the Description of Company Operations for 2025)

(4) As at the publication date of the report, approx. 508 thousand television subscribers use yes+ and STING+ streaming services, representing approx. 90% of all yes television subscribers. The number and rate of IP subscribers include subscribers using satellite services as well.

(5) Monthly TV ARPU is calculated by dividing the total revenues of yes (excluding revenues from the sale of content to external broadcasting entities, revenues from the sale of end user equipment, revenues from the Partner agreement, revenues from advertising sales and revenues from ISP services) by the average number of relevant customers in the period. The ARPU of yes is calculated by dividing the total revenues of yes (excluding revenues from the sale of content to external broadcasting entities and revenues from the sale of end user equipment) by the average number of relevant customers in the period. For further information, see Note 5 to the financial statements and section 7 of the Description of Company Operations for 2025.

(6) Number of television subscribers who left yes in the period, divided by the average number of registered television subscribers in the period. For further information, see section 7 of the Description of Company Operations for 2025.

(7) As at the publication date of the report, approx. 149 thousand subscribers are connected to the fiber network.

1.7.10 – Submarine cable

MoU – cooperation in the submarine cable sector

On March 24, 2026, the boards of directors of the Company and of Bezeq International approved a MoU with Telecom Italia Sparkle S.p.A, an international communications company, for cooperation in the construction and operation of an international submarine cable system intended to establish a communications route between East and West via Israel. Under the MoU, the parties agreed on an outline for commercial cooperation that includes joint investment in the establishment of the cable system infrastructure. As at the reporting date, the Group's expected investment is estimated at approx. NIS 250 million, spread over three years, which is expected to generate a significant positive return for the Group.

The cooperation outline includes the parties' undertaking to establish the infrastructure in accordance with principles agreed between them and subject to terms to be set out in a binding agreement (the "Detailed Agreement"). Most fiber pairs are designated for use by customers in the international telecommunications market and will be marketed jointly by the parties, alongside the granting of exclusive usage rights for independent marketing that will also serve the local market. The cooperation also includes an on-land segment based on the Company's fiber infrastructure. Revenue sharing under the cooperation will be carried out in accordance with the principles agreed upon and to be finalized in the Detailed Agreement.

The parties are working to finalize the Detailed Agreement within six months from signing the MoU, unless otherwise agreed between them. The Detailed Agreement is subject to the fulfillment of customary conditions and the receipt of all approvals required by law.

It was further agreed that, in addition to the cooperation, the parties intend to pursue the establishment of an additional submarine cable through an additional joint investment and full partnership.

The Company believes that this engagement constitutes a significant strategic pillar for strengthening the position of both the Group and Israel in international infrastructure, particularly in the Middle East, and may support the Group's long-term development. This initiative positions the Group at the heart of global data flows and generates business and financial opportunities for the Group.

It should be clarified that there is no certainty regarding the signing of the Detailed Agreement and/or the completion of the transaction set out in the MoU, which is subject to various preconditions, including those required by law, which have not yet been obtained as of this date and there is no certainty whether they will be obtained.

Some of the information included in this report constitutes forward-looking information as defined in the Israeli Securities Law, including regarding the implications of the agreement and the materialization of the project on the Group and as a whole, based on information currently available to the Company's management and its assessments. There is no certainty that this information will materialize, in whole or in part, or it may materialize in a manner significantly different than anticipated, due, among other things, to factors beyond the Company's control, including failure to reach full commercial agreements, the absence of approvals, and/or failure to fulfill all the preconditions required for completion of the transaction.

2. Bezeq – Domestic Fixed-line Communications

Section 2.9.5 – Officers and senior management of the Company

On April 13, 2026, the general meeting of the Company's shareholders approved the appointment of Yael Andorn Karni and Dan Amiram as external directors of the Company. On May 12, 2026, the tenure of independent director David Granot ended. Accordingly, as at the publication date of this report, the Company has eight directors, including five external directors and three directors who are not independent directors (including one director from among the employees).

On June 8, 2026, the Company's board of directors, following the approval of the Company's compensation committee, approved an update to the employment terms of the director from among the employees, in respect of his position as an employee of the Company, in accordance with Regulation 1A(2) of the Companies Regulations (Relief in Transactions with Interested Parties), 2000. The salary update was made in view of the director's appointment to a new position in the Company. For further information see the Company's immediate report of June 8, 2026, included in this report by way of reference.

Section 2.13 – Financing

On May 19, 2026, the Company published a new shelf prospectus (dated May 20, 2026).

Section 2.13.1 – Average and effective interest rates on loans

As at June 30, 2026, the Company is not financed by any short-term credit (less than one year). The following table shows the updated distribution of the Company's long-term loans (including current maturities):

Loan term	Source of finance	Principal amount (NIS millions)	Currency or linkage	Type of interest and change mechanism	Average interest rate	Effective interest rate	Interest range in 2026
Long-term loans	Banks	767	Unlinked NIS	Fixed	4.42%	4.47%	3.31%-5.33%
	Banks	700	Unlinked NIS	Variable, based on the annual prime interest rate *	5.71%	5.82%	5.36%-6.03%
	Non-bank sources	3,910	Unlinked NIS	Fixed	4.32%	4.44%	2.79%-3.64%
	Non-bank sources	2,129	CPI-linked NIS	Fixed	1.83%	1.91%	0.58%-1.7%

* Prime interest – 5% (August 2026)

For further information about the Company's loans, see Note 13 to the 2025 Financial Statements.

Section 2.13.6 – Credit rating

On May 5, 2026, Maalot reaffirmed the ilAA rating of the Company, Pelephone, and yes with a stable outlook and the ilAA rating for the Company's debentures. Additionally, on May 11, 2026, Midroog upheld the Aa2.il rating for the Company and its debentures with a stable outlook. For further information see the Company's immediate reports dated May 5, 2026 and May 11, 2026, included in this report by way of reference, and section 3 of the Board of Directors' Report.

Section 2.18 – Legal proceedings

Sub-sections A, C, D, and E regarding civil legal proceedings that are stayed – In accordance with agreements between the parties, the stay of proceedings continues, at this stage until December 2026 or (regarding sections C, D, and E) – until a ruling is handed down on the "no case to answer" motion in the criminal proceeding described in section 2.18.3.3 of the Periodic Report for 2025, whichever is earlier.[4]

Sub-section F regarding a motion to approve a derivative claim concerning the sale of the Company's shares in 2016 by BCom, which was allegedly executed using inside information, and a mediation agreement in the proceeding submitted for court approval in November 2025 – further to the court's comments on the settlement, in June 2026 the applicant, the Company, and BCom filed an amended motion for approval of the mediation settlement, with no change in the amounts (NIS 11 million, of which NIS 8.75 million is expected to be paid to the Company).

Sub-section H regarding the filing of a motion with the Tel Aviv District Court to approve a settlement agreement in a class action concerning asset balances in the financial statements of Bezeq International – On March 26, 2026, the Court issued a judgment approving the settlement agreement, as detailed in the original report. It should be noted that while the judgment includes a reduction in the compensation and attorneys’ fees for the plaintiffs and their counsel, which are included in the settlement amount, there is no change in the total settlement amount approved by the court.

[4] Regarding the proceeding described in footnote 46 of the 2025 financial statements – the Company is not a party to the proceeding and has no information regarding its continuation.

3. Pelephone – Cellular

Section 3.7.1 – Infrastructure

Sub-section 3.7.1.1(C) regarding the shutdown of the 3G service – As at the publication date of the report, Pelephone provides 3G service only on a limited basis, on the 2100 MHz band and not across all sites. Pelephone is gradually shutting down 3G service on this band (2100 MHz) as well and is deploying 4G service on the same band at those sites to improve 4G service quality.

Section 3.8.2 – Frequency usage rights

Subsection 3.8.2.2 regarding the frequency inventory held by Pelephone – Pelephone's right to use frequencies under its cellular license and the Telegraph Ordinance in the 1800 MHz band has been extended until December 31, 2026. In addition, on January 31, 2026, Pelephone returned the two remaining frequency bands in the 850 MHz range to the national frequency pool (except for the operation of the 850 MHz frequency at a number of approved sites for a limited period of several months, until April 30, 2026, after which Pelephone's network has operated without the 850 MHz frequency).

In addition, the Ministry of Communications announced that the temporary 1800 MHz band will also be allocated simultaneously to Palestinian operators, and Pelephone will be required to ensure, including by ceasing transmission where necessary, that it does not cause interference to these operators.

Deployment of 800 MHz frequencies is currently being carried out at a moderate pace, partially and on a trial basis (without allocation) during 2026.

Sub-section 3.8.2.3 regarding the replacement of frequencies in the first gigahertz range – At the beginning of 2026, the allocation of the 850 MHz band ended, and there is still no certainty regarding the timing of the allocation of the 800 MHz frequency.

Section 3.9.4 – Collective agreement and section 3.9.5 – Labor disputes

Regarding the renewal of the collective agreement at Pelephone – On March 19, 2026, Pelephone signed a renewal of the existing collective agreement between Pelephone, the Histadrut (General Federation of Labor), and the employees' representatives of Pelephone, for the period from January 1, 2026 to December 31, 2028 ("the Agreement" and "the Agreement Period," respectively). The Agreement includes the retirement of up to 150 permanent employees in the Agreement Period (including 80 employees whose retirement has already been agreed upon, and the remainder through a voluntary retirement plan to be offered), as well as salary increases, bonuses, and employee benefits.[5] Accordingly, a one-time expense was recorded in the financial statements of Pelephone and the Company for the first quarter of 2026, for retirement expenses for 85 Pelephone employees (whose retirement was agreed upon as noted) and one-time employee bonuses, amounting to approx. NIS 86 million. During the term of the collective agreement, the parties will maintain industrial peace and a waiver of claims regarding all matters regulated therein.

According to Pelephone's assessment, if the retirement arrangements (including the voluntary retirement component) are fully implemented, this is expected to have a positive effect on results (net of retirement expenses, which will increase accordingly).

Pelephone's assessments regarding the effect of the Agreement, including the estimate of the one-time expense, constitute forward-looking information as defined in the Israel Securities Law, and are based, among other things, on Pelephone's assumptions regarding the manner and scope of implementation of the retirement arrangements and other terms set out in the Agreement. These assessments may not materialize or may materialize differently than expected, partly depending on the manner and extent to which the agreement and retirement plans are implemented, with attention to Pelephone's needs and ability to implement its plans, and compliance with other terms and conditions of the agreement.

---

5 This amount includes a change-of-control bonus in the amount of NIS 12 million, which was distributed to employees in accordance with the Group methodology implemented in the other Group companies.

Section 3.15 – Material agreements

Section 3.15.2 regarding the agreement between Pelephone and the Accountant General and the exercise of its extension option – As of the publication date of the report, the agreement has been extended until December 31, 2026, in parallel with gradual implementation of the new tender.

Section 3.16.1 – Pending legal proceedings

Subsection B regarding a claim and motion to certify it as a class action concerning notifications of the termination of fixed-term transactions – In July 2026, the court issued a decision certifying the claim as a class action.

Section 3.18.7 – Synergistic growth investments

On July 14, 2026, Pelephone signed a non-binding memorandum of understanding (the “MoU”) to acquire the entire (100%) issued and paid-up share capital of Wecom Mobile Ltd. ("Wecom") for a total consideration of approx. NIS 265 million, on a cash free debt basis, and subject to adjustments that will be determined in the detailed agreement, if signed. Pelephone's engagement in the transaction is part of the implementation of Bezeq Group’s business strategy, which includes executing investments to promote growth. The Company estimates that completion of the transaction and realization of the potential synergies arising from it, including synergies in operating costs in the short term and in network and spectrum costs in the medium to long term, may contribute approx. NIS 50 million to the Group's comparative EBITDA in the short term and approx. NIS 100 million in the long term.

Under the MoU, an exclusivity period of 60 days from the date of signing the MoU was established, which may be extended by an additional 30 days, subject to the ongoing negotiations between the parties (the "Exclusivity Period"). During this period, Wecom and Pelephone are committed to negotiating a detailed agreement, which must be completed by the end of the Exclusivity Period. Completion of the transaction is subject to the fulfillment of standard preconditions, including: the completion of financial, legal, and business due diligence; the approval of all sellers to the sale of their shares; the execution of a detailed agreement by the parties by the end of the Exclusivity Period; approvals by the authorized corporate bodies of the Company and Wecom; and receipt of all required approvals from third parties and under any law (including the approval of the Anti-Trust Commissioner and the approval of the Ministry of Communications).

It is clarified that there is no certainty that the parties will enter into a detailed agreement and/or regarding the completion of the transaction set out in the MoU, which is subject to various preconditions that have not yet been fulfilled. Some of the information included in this report constitutes forward-looking information as defined in the Israel Securities Law. Such information is based on the information available to the Company’s management at the date of this report and on its assessments. There is no certainty that this information will materialize, in whole or in part, and it may materialize in a manner materially different from that anticipated, due, among other things, to factors beyond the control of the Company and Pelephone, including the parties’ failure to reach all required commercial agreements, the failure to obtain third-party and regulatory approvals, and/or the failure to satisfy all the preconditions required for the completion of the transaction.

4. Bezeq International – ISP, international communications, and ICT solutions

Section 4.8 – Human resources

On April 19, 2026, Ron Glav concluded his service as CEO of Bezeq International, and he was replaced by Meni Baruch, who had served until that date as the Company's VP of Technologies and Network.

5. yes – multichannel television

Section 5.1.2 – Restrictions, legislation, and special constraints in the operating segment

Regarding the Communications (Broadcasting) Bill, 2025, (the "Bill") – On July 16, 2026, the Bill (as narrowed during the legislative process) passed its second and third readings in the Knesset and on July 28, 2026, the Communications (Broadcasting) Law, 2026 (the "Broadcasting Law") was published in the Official Gazette. The effective date of the Broadcasting Law is two years from its publication, although certain provisions have earlier or later effective dates, and some are contingent upon the completion of preparations by the Authority and the Council. In addition, certain provisions are subject to transitional provisions and temporary orders. The Broadcasting Law includes numerous provisions that are subject to the enactment of rules, the exercise of discretion by the Council, transition arrangements, and staggered effective dates.

In July 2026, the Supreme Court, sitting as the High Court of Justice, issued a temporary order regarding provisions of the Broadcasting Law that were intended to take effect upon publication, suspending their entry into force until a decision is made on the motions for interim relief filed in petitions submitted against the Law.

The Company does not expect the Broadcasting Law to have a material effect on the operations of yes.

Section 5.10.3 – Bonuses and nature of employment agreements

Regarding the collective agreement between yes and the Histadrut National Labor Federation and the employees committee of yes – On August 3, 2026, an extension and amendment agreement to the collective agreement was signed for a one-year period ending at the end of 2026. The agreement also includes additional understandings, including the granting of financial benefits and the regulation of employee retirement. The economic impact of the renewed agreement is not material to yes and the Company.

Section 5.16 – Legal proceedings

In April 2026, a motion for certification of a class action, together with a statement of claim, was filed against yes with the Haifa District Court. According to the allegations in the motion, yes is in breach of the provisions of the law and its license relating to telephone inquiries regarding termination of service, including by routing such inquiries initially to a representative who is not authorized to terminate the engagement with the customer. The motion states that the class action's amount cannot be estimated at this stage and that it exceeds NIS 2.5 million (the applicant estimated his personal damages at NIS 500).

In April 2026, a motion for certification of a class action, together with a statement of claim, was filed against yes with the Center District Court. According to the allegations in the motion, yes is in breach of the provisions of the law, among other things, by failing, in notices regarding price increases sent to its subscribers, to specify the price of the service or product prior to the increase and the amount by which the price was increased. Accordingly, it is alleged that the subscribers' ability to understand the effect of the price increase is impaired, and, among other things, this prevents the subscriber from negotiating in relation thereto. The motion states that the class action's amount cannot be assessed at this stage and that it exceeds NIS 2.5 million.

In June 2026, a motion for certification of a class action, together with a statement of claim, was filed with the Center District Court against yes. According to the allegations in the motion, yes breached the provisions of the law, including by reducing the broadcast (and viewing) quality for its satellite television subscribers without compensation or a price reduction, and without notifying them of this change. The motion states that the amount of the class action suit exceeds NIS 2.5 million.

Sub-section C – Regarding a motion to approve a derivative claim filed in connection with a motion for disclosure of documents concerning the Spacecom transaction and subsection E – regarding a motion to approve a derivative action concerning the sale of the Company's shares in 2016 by BCom – see updates to sections 2.18.1D and 2.18.1F, respectively.

August 4, 2026		
Date	.	Bezeq The Israeli Telecommunications Corp. Ltd

Names and titles of signatories:

Tomer Raved, Chairman of the board of directors

Nir David, CEO

Chapter B

Board of Directors' Report on the State of the Company's Affairs for the Period Ended June 30, 2026

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

We hereby present the Board of Directors' Report on the state of affairs of Bezeq The Israeli Telecommunications Corp. Ltd. (the "Company") and the consolidated Group companies (the Company and the consolidated companies, jointly – the "Group"), for the six months ended June 30, 2026 (the "Period") and for the three months then ended (the "Quarter").

The Board of Directors' Report contains a condensed review of its subject matter and was prepared taking into account that the Board of Directors' Report as at December 31, 2025, is also available to the reader.

Bezeq Group is a key provider of communication services in Israel, providing a broad range of telecommunication services and other services, including domestic fixed-line, internet infrastructure and access services, cellular (MRT) services, international communications services, multichannel television broadcasts over the internet (OTT) and via satellite, maintenance and development of communications infrastructures, communications services to other communications providers (including wholesale market services), television and radio broadcasts, supply and maintenance of equipment, and services on customer premises (network end point – NEP – services). With regard to the Company operations in the electricity supply sector see Note 12.6 to the annual financial statements.

The telecommunications market is fiercely competitive, mainly among telecommunications groups (Bezeq Group, HOT Group, Cellcom Group and Partner Group) operating concurrently in several sectors of the communications market.

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

1. Domestic fixed-line communications
2. Cellular communications
3. ISP, international telecommunications and ICT solutions ("Bezeq International Services")
4. Television and communication services

For further information about the Company's operations, including in the reporting period, see Chapter 1 Update to Part A (Description of the Company's Business) of the Periodic Report for 2025.

Breakdown of the Group's results:

	1-6.2026	1-6.2025	Change		4-6.2026	4-6.2025	Change	
	NIS million		NIS million	%	NIS million		NIS million	%
Net profit	519	729	(210)	(28.8)	308	426	(118)	(27.7)
Adjusted net profit[1]	624	746	(122)	(16.4)	317	427	(110)	(25.8)
Comparable net profit[1]	615	517	98	19.0	315	229	86	37.6
EBITDA[1]	1,787	1,911	(124)	(6.5)	975	1,014	(39)	(3.8)
Adjusted EBITDA[1]	1,906	1,927	(21)	(1.1)	978	1,013	(35)	(3.5)
Comparable EBITDA[1]	1,906	1,838	68	3.7	978	921	57	6.2
Free cash flow[1]	610	492	118	24.0	155	230	(75)	(32.6)
Core revenues[1]	4,055	3,925	130	3.3	2,025	1,947	78	4.0

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

The decrease in the net profit is mainly due to the reversal of an impairment loss related to assets of yes Television and Communications Services Ltd. ("yes"), which was recognized in the corresponding period and quarter, and also in the Period due to expenses for the renewal of a collective agreement in the Cellular Communications segment. For further information see section 1.2 below.

Non-GAAP based financial indices

As at the reporting date, the Group's management uses non-GAAP financial performance indices for assessing and presenting the Group's financial performance. These indices are not a substitute for the information included in the Company's financial statements. It should be noted that the indices should not be compared with similar indices by other companies due to a possible difference in the way the index is calculated.

Breakdown of the indices:

Index	Calculation and objectives of the index
Adjusted net profit	Net profit excluding other operating expenses/income, net after tax, and non-recurring losses/gains from impairment/appreciation after tax, and equity compensation plan expenses. The index allows comparison of performance of various periods by adjusting the effects of irregular non-recurring expenses/income.
EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)	Earnings before financing expenses/income, taxes, depreciation and amortization. The EBITDA index is a generally accepted measure used in the Group's area of operations, which offsets effects arising from the variance in the capital structure, various taxation aspects, and the depreciation method and period for fixed and intangible assets. The Group's EBITDA is calculated as operating profit before depreciation, amortization and impairment (including ongoing losses from impairment of fixed and intangible assets, as described in Note 5 to the financial statements).
Adjusted EBITDA	EBITDA excluding other operating expenses/income, one-time losses/gains from impairment/appreciation, and equity compensation plan expenses. The index allows comparison of operating performance of various periods by adjusting the effects of irregular non-recurring expenses/income.
Comparable EBITDA and comparable net profit	The Company's adjusted EBITDA and adjusted net profit, excluding the overall effect of appreciation/impairment.
Free cash flow	Cash from operating activities net of cash for the purchase/sale of fixed assets and intangible assets, net, and from 2018, with the application of IFRS 16, lease payments are also deducted. Free cash flow serves as an index for assessing its business results and cash flows, since the Group believes that free cash flow is an important indicator of liquidity that reflects cash resulting from the Group's operating activities after cash investments in infrastructure and other fixed assets and intangible assets.
Core revenues	Group revenues excluding revenues from telephony services in the domestic fixed-line communications segment, interconnect revenues in the cellular communications segment, revenues from consumers in the Bezeq International services segment, and revenues of the subsidiary, Bezeq Online. This index enables comparison of revenues between various periods by separating current revenues from legacy revenues that are not part of the Group's core operations.

Breakdown of the calculation of these indices:

	1-6.2026	1-6.2025	4-6.2026	4-6.2025
	NIS million		NIS million	
Adjusted net profit and comparable net profit				
Net profit	**519**	729	**308**	426
Excluding other operating expenses (income), net, and amortization of excess costs, net of tax	**97**	6	**5**	(6)
Excluding expenses for equity based compensation	**8**	11	**4**	7
Adjusted net profit	**624**	746	**317**	427
Excluding the overall effect of impairment / reversal of an impairment loss in yes Television and Communications Services Ltd. ("yes")	**-**	(212)	**-**	(195)
Excluding the overall effect of impairment loss in Bezeq International	**(9)**	(17)	**(2)**	(3)
Comparable net profit	**615**	517	**315**	229
EBITDA, adjusted EBITDA and comparable EBITDA				
Operating profit	**798**	1,072	**473**	631
Net of depreciation, amortization, impairment and reversal of impairment loss	**989**	839	**502**	383
EBITDA	**1,787**	1,911	**975**	1,014
Excluding other operating expenses (income), net	**111**	5	**(1)**	(8)
Excluding expenses for equity based compensation	**8**	11	**4**	7
Adjusted EBITDA	**1,906**	1,927	**978**	1,013
Excluding the overall effect of impairment / reversal of an impairment loss of operating assets (mainly broadcasting rights of yes)	**-**	(89)	**-**	(92)
Comparable EBITDA	**1,906**	1,838	**978**	921
Free cash flow				
Net cash from operating activities	**1,664**	1,564	**657**	733
Net of cash for purchase/sale of fixed assets and intangible assets, net	**829**	815	**398**	399
Net of lease payments	**225**	257	**104**	104
Free cash flow	**610**	492	**155**	230
Core revenues				
Group revenues	**4,334**	4,371	**2,165**	2,136
Net of telephony revenues in the domestic fixed-line communications segment	**229**	251	**116**	123
Net of interconnect revenues in the cellular communications segment	**-**	75	**-**	34
Net of revenues from private customers in the Bezeq International segment	**50**	66	**24**	32
Net of Bezeq Online revenues	**-**	54	**-**	-
Total core revenues	**4,055**	3,925	**2,025**	1,947

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

1.1 Financial position – Assets

	June 30, 2026	June 30, 2025	Change		Explanation
		NIS million		%	
Cash and current investments	**1,883**	2,581	(698)	(27.0)	The decrease is due to, among other things, debt repayments, dividend payments, and acquisition of treasury shares (buybacks), offset by the generation of free cash flows. For further information see Note 7 and section 1.3 below.
Current and non-current trade and other receivables	**2,107**	1,976	131	6.6	The increase is attributable to all the Group's segments, among others due to an increase in non-current trade receivables in the domestic fixed-line communications segment.
Inventory	**124**	112	12	10.7	The increase is due to the cellular communications sector, mainly from stocking up of inventory of new devices.
Right-of-use assets	**1,759**	1,761	(2)	(0.1)	
Fixed assets	**7,486**	7,349	137	1.9	The increase is mainly from the domestic fixed line communications segment, among other things, due to the progress made in the fiber network deployment project, and from yes, mainly due to reversal of an impairment loss on assets in 2025 and from investments, see Note 5.1 to the financial statements.
Intangible assets	**1,092**	980	112	11.4	The increase is mainly attributable to yes, mainly due to the reversal of an impairment loss on assets, and from the recognition of recovered value for brand-related excess cost in 2025.
Broadcasting rights	**401**	207	194	93.7	The increase is attributable to yes, due to the reversal of an impairment loss on the asset in 2025 and investments in content.
Deferred expenses and non-current investments	**292**	252	40	15.9	The increase is due to the recognition of a subscriber acquisition asset in yes and an investment in the domestic fixed-line communications segment.
Total assets	**15,144**	15,218	(74)	(0.5)	

1.1 Financial position (contd.) - Liabilities and equity

	June 30, 2026	June 30, 2025	Change		Explanation
	NIS million			%	
Debt to financial institutions and debenture holders	**7,102**	7,497	(395)	(5.3)	The decrease in debt is due to the final redemption of Debentures (Series 9 and 10) in December 2025, the repayment of Debentures (Series 11 and 12) and scheduled loan repayments, offset by the issue of debentures through the expansion of Debentures (Series 13 and 14) in December 2025 and loans received in the domestic fixed-line communications segment.
Lease liabilities	**1,978**	1,948	30	1.5	
Trade and other payables	**1,947**	1,824	123	6.7	The increase is mainly due to an increase in trade payables in all the Group's segments as well as an increase in prepaid revenues and wage payables, offset by a decrease in current tax liabilities.
Employee benefits	**788**	647	141	21.8	The increase is mainly due to increased provisions relating to termination of employer-employee relations for early retirement in the domestic fixed-line communications segment, and an increase in the cellular communications segment subsequent to the signing of the collective agreement renewal, offset by employee retirement payments across the Group and by the payment of the special grant under the amendment to the collective agreement following the sale of the holdings of the former controlling shareholders in the Company.
Provisions	**106**	114	(8)	(7.0)	The decrease is due to payments made.
Deferred tax liabilities	**68**	60	8	13.3	
Derivatives and other non-current liabilities	**377**	284	93	32.7	The increase is due to an increase in long-term prepaid revenues and liabilities in the domestic fixed-line communications segment mainly due to a long-term agreement for the provision of indefeasible right of use (IRU) for BSA fiber (wholesale market) with Partner Communications Ltd.
Total liabilities	**12,366**	12,374	(8)	(0.1)	
Total equity	**2,778**	2,844	(66)	(2.3)	Equity constitutes 18.3% of the total balance sheet compared with 18.7% of the total balance sheet as at June 30, 2025. The decrease in equity is due to the distribution of dividends and acquisition of treasury shares (buyback), see Note 7 of the financial statements, offset by accrued profits.
Total liabilities and equity	**15,144**	15,218	(74)	(0.5)	

1.2 Operating results

1.2.1 Highlights

	1-6.2026	1-6.2025	Change		4-6.2026	4-6.2025	Change		
	NIS million			%	NIS million			%	Explanation
Revenues	**4,334**	4,371	(37)	(0.8)	**2,165**	2,136	29	1.4	Revenues increased in the quarter and the period in all the Group's segments, other than a decrease in cellular communications segment revenues mainly due to the cancellation of most of the interconnect fees in June 2025. Furthermore, in the period, income decreased from the sale of the subsidiary, Bezeq Online, and its deconsolidation as of the second quarter of 2025, see Note 8 to the financial statements. For further information see section 1.2.2 below.
General operating expenses	**1,504**	1,508	(4)	(0.3)	**736**	679	57	8.4	The change in expenses is mainly due to the reversal of an impairment loss on a broadcasting rights asset in yes in the corresponding quarter, offset mainly by a decrease in interconnect payments to communications operators due to the cancellation of most of the rates, mainly in the cellular communications segment. See Notes 5.1 and 9 to the financial statements.
Salaries	**932**	947	(15)	(1.6)	**455**	451	4	0.9	The decrease in the period is mainly due to the sale of the subsidiary, Bezeq Online, and its deconsolidation as of the second quarter of 2025, mainly offsetting an increase in salary expenses in the domestic fixed line communications segment.
Depreciation, amortization, impairment and reversal of impairment loss	**989**	839	150	17.9	**502**	383	119	31.1	The increase is due to an increase in depreciation expenses at yes, mainly due to the reversal of an impairment loss on assets in 2025, depreciation of excess costs relating to the brand, and an increase across the Group's other segments.
Other operating expenses (income), net	**111**	5	106	-	**(1)**	(8)	7	(87.5)	The increase in the period is due to an increase in expenses related to termination of employer-employee relations for early retirement in the cellular communications segment resulting from the signing of the collective agreement renewal and in the domestic fixed-line communications segment, see Note 15.3 to the financial statements.
Operating profit	**798**	1,072	(274)	(25.6)	**473**	631	(158)	(25.0)	
Financing expenses, net	**138**	172	(34)	(19.8)	**90**	127	(37)	(29.1)	The decrease is mainly due to the domestic fixed-line communications and the television and communications services segments. For further information, see Note 11 to the financial statements and section 1.2.2 below.
Share in losses (gains) of an investee	**(1)**	4	(5)	-	**(3)**	1	(4)	-	The Company records its share in the net operating results of BezeqGen in its financial statements.
Profit before income tax	**661**	896	(235)	(26.2)	**386**	503	(117)	(23.3)	
Income tax	**142**	167	(25)	(15.0)	**78**	77	1	1.3	
Net profit for the period	**519**	729	(210)	(28.8)	**308**	426	(118)	(27.7)	

1.2.2 Operating segments

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

	1-6.2026		1-6.2025		4-6.2026		4-6.2025	
	NIS million	% of total revenues	NIS million	% of total revenues	NIS million	% of total revenues	NIS million	% of total revenues
Revenues by operating segment								
Domestic fixed-line communications	**2,224**	**51.3**	2,203	50.4	**1,114**	**51.5**	1,102	51.6
Cellular communications	**1,029**	**23.7**	1,096	25.1	**511**	**23.6**	530	24.8
Bezeq International services	**565**	**13.0**	536	12.3	**276**	**12.7**	263	12.3
Television and communication services	**691**	**15.9**	639	14.6	**348**	**16.1**	320	15.0
Others and adjustments	**(175)**	**(3.9)**	(103)	(2.4)	**(84)**	**(3.9)**	(79)	(3.7)
Total	**4,334**	**100**	4,371	100	**2,165**	**100**	2,136	100

	1-6.2026		1-6.2025		4-6.2026		4-6.2025	
	NIS million	% of segment revenues	NIS million	% of segment revenues	NIS million	% of segment revenues	NIS million	% of segment revenues
Operating profit (loss) by operating segment								
Domestic fixed-line communications	**770**	**34.6**	770	35.0	**408**	**36.6**	386	35.0
Cellular communications	**(7)**	**(0.7)**	87	7.9	**45**	**8.8**	43	8.1
Bezeq International services	**26**	**4.6**	22	4.1	**9**	**3.3**	8	3.0
Television and communication services	**24**	**3.5**	(22) [2]	(3.4)	**19**	**5.5**	(2) [2]	(0.6)
Others and adjustments	**(15)**	**-**	215 [3]	-	**(8)**	**-**	196 [3]	-
Consolidated operating profit / % of the Group's revenues	**798**	**18.4**	1,072	24.5	**473**	**21.8**	631	29.5

(2) The results of the television and communications services segment until the end of 2025 are presented excluding the total impact of impairment losses and reversals recognized since 2018 (pro forma). This is in accordance with the manner in which the Group's chief operating decision maker evaluates the performance of the segment and makes decisions regarding the allocation of resources to the segment. In addition, see Note 14.3 for selected condensed information from the financial statements of yes.

(3) Mainly reconciliation of the difference between the operating loss of the television and communications segment (pro forma) and the accounting operating profit of yes, mainly due to reversal of an impairment loss, see Note 5.1 to the financial statements.

1.2.2 Operating segments

B. Domestic fixed-line communications

	1-6.2026	1-6.2025	Change		4-6.2026	4-6.2025	Change		
	NIS million			%	NIS million			%	Explanation
Revenues from internet services	**1,015**	1,013	2	0.2	**502**	508	(6)	(1.2)	The change in the period and in the quarter is mainly due to a decrease in wholesale market rates as of April 1, 2026, offsetting an increase in broadband retail ARPU, which is mainly due to an increase in the number of fiber network subscribers.
Revenues from fixed line telephony	**229**	251	(22)	(8.8)	**116**	123	(7)	(5.7)	The decrease is due to a decrease in average revenue per telephone line (ARPL), mainly due to the cancellation of most of the interconnect rates since June 2025. There has also been a decrease in the number of lines.
Revenues from data and other transmission and communications	**793**	762	31	4.1	**403**	381	22	5.8	The increase is mainly due to an increase in revenues from the metro transmission services and fee-based projects.
Revenues from cloud and digital services	**187**	177	10	5.6	**93**	90	3	3.3	The increase is due to cloud services and virtual-PBX, offset by a decrease in revenues from the business directory (B144).
Total revenues	**2,224**	2,203	21	1.0	**1,114**	1,102	12	1.1	
General operating expenses	**324**	380	(56)	(14.7)	**158**	192	(34)	(17.7)	The decrease is mainly due to a decrease in expenses for terminal equipment, materials and subcontractors, as well as in interconnect payments to communications operators following the forgoing reduction in rates.
Salaries	**564**	537	27	5.0	**276**	270	6	2.2	The increase is due to salary updates and a decrease in capitalization of salary costs, and in the period, as well as an increase in bonus and actuarial provisions, mainly due to the signing of the amendment to the collective agreement between the Company, the employees' union, and the Histadrut, offset by the retirement of employees.
Depreciation and amortization	**538**	519	19	3.7	**271**	261	10	3.8	
Other operating expenses (income), net	**28**	(3)	31	-	**1**	(7)	8	-	The change in the period is mainly due to an increase in expenses related to employee early retirement benefits and a decrease in capital gains. The change in the quarter is mainly due to a decrease in the provision for legal claims as recorded in the corresponding quarter.
Operating profit	**770**	770	-	-	**408**	386	22	5.7	
Financing expenses, net	**129**	147	(18)	(12.2)	**85**	101	(16)	(15.8)	The decrease in net financing expenses is mainly due to the effects of USD exchange rate changes, and in the period, also due to investment revaluation.
Share in losses (gains) of an investee	**(1)**	4	(5)	-	**(3)**	1	(4)	-	The Company records its share in the net operating results of BezeqGen in its financial statements.
Income tax	**144**	145	(1)	(0.7)	**70**	66	4	6.1	
Segment profit	**498**	474	24	5.1	**256**	218	38	17.4	

1.2.2. Operating segments

C. Cellular communications

	1-6.2026	1-6.2025	Change		4-6.2026	4-6.2025	Change		
	NIS million			%	NIS million			%	Explanation
Revenues from services excluding interconnect fees[4]	**719**	721	(2)	(0.3)	**363**	361	2	0.6	Roaming services decreased in the period and in the quarter, due to the effects of the war, offsetting an increase in revenues from services, mainly as a result of an increase in the number of postpaid subscribers, including 5G subscriber plans.
Interconnect revenues[4]	**-**	75	(75)	(100)	**-**	34	(34)	(100)	The decrease is due to cancellation of most of the interconnect fees in June 2025.
Sale of terminal equipment	**310**	300	10	3.3	**148**	135	13	9.6	The increase is mainly due to an increase in sales of new devices, among other things, due to the launch of the new iPhone and a decrease in sales of terminal equipment in the corresponding quarter due to the war in June 2025.
Total revenues	**1,029**	1,096	(67)	(6.1)	**511**	530	(19)	(3.6)	
General operating expenses	**493**	560	(67)	(12.0)	**240**	264	(24)	(9.1)	The decrease is mainly due to a decrease in interconnect expenses (parallel to the decrease in revenues).
Salaries	**170**	167	3	1.8	**82**	82	-	-	The increase in the period is mainly due to the effect of salary increases subsequent to the collective agreement. This increase is partially offset by a decrease in the number of employees.
Depreciation and amortization	**289**	281	8	2.8	**145**	141	4	2.8	The increase is mainly due to an increase in new investments.
Other operating expenses (income), net	**84**	1	83	-	**(1)**	-	(1)	-	Most of the increase in the period is due to employee retirements and one-time bonuses for employees subsequent to signing the renewed collective agreement between Pelephone, the Histadrut, and the employee representatives.
Operating profit (loss)	**(7)**	87	(94)	-	**45**	43	2	4.7	
Financing expenses, net	**4**	6	(2)	(33.3)	**2**	3	(1)	(33.3)	
Income tax	**(1)**	20	(21)	-	**9**	10	(1)	(10)	
Segment profit	**(10)**	61	(71)	-	**34**	30	4	13.3	

(4) Revenues from interconnect fees ("Interconnect Fees") – under the reform of regulated interconnect rates (the "Reform"), gradually as of June 2023 through June 2025, interconnect revenues from cellular carriers and domestic operators for which the Reform applies, will be presented separately.

1.2.2 Operating segments

D. Bezeq International services

	1-6.2026	1-6.2025	Change		4-6.2026	4-6.2025	Change		
	NIS million			%	NIS million			%	Explanation
Revenues	**565**	536	29	5.4	**276**	263	13	4.9	The increase is due to an increase in revenues from the sale of equipment, licensing and service contracts, and from cloud services and business-sector ISP services. This increase is offset by a decrease in revenues from ISP services in the private sector and a decrease in revenues from international telephony services and data communications. Furthermore, the increase in revenues is partially offset by the effect of the depreciation in the USD exchange rate.
Operating and general expenses and impairment	**383**	357	26	7.3	**186**	172	14	8.1	The increase is due to an increase in expenses related to the sale of equipment, licensing and service contracts, and cloud services activity. This increase is offset by a decrease in expenses for international telephony services, ISP services in the private sector and data communications services. The increase in expenses is partially offset by the effect of the depreciation in the USD exchange rate.
Salaries	**104**	109	(5)	(4.6)	**52**	54	(2)	(3.7)	The decrease is mainly due to a decrease in salary expenses at Bezeq International, resulting from the continued decline in its employee headcount.
Depreciation, amortization, and impairment	**52**	48	4	8.3	**29**	29	-	-	The increase in the period is due to an increase in recognition of impairment losses resulting from an increase in investments in the period compared with the corresponding period last year, which is offset by a decrease in depreciation expenses.
Operating profit	**26**	22	4	18.2	**9**	8	1	12.5	
Financing expenses (income), net	**(2)**	4	(6)	-	**(3)**	1	(4)	-	Net financing income is due to the recording of USD exchange rate hedging transactions and an increase in interest revenues.
Income tax	**1**	1	-	-	**-**	1	(1)	(100)	
Segment profit	**27**	17	10	58.8	**12**	6	6	100	

1.2.2 Operating segments

E. Television and communications services [5]

	1-6.2026	1-6.2025	Change		4-6.2026	4-6.2025	Change		
	NIS million			%	NIS million			%	Explanation
Revenues	**691**	639	52	8.1	**348**	320	28	8.8	The increase is mainly due to revenues from the collaboration for providing content services to Partner, and due to an increase in revenues from bundled television-fiber packages, offset by a decrease in television ARPU.
General operating expenses	**472**	449	23	5.1	**232**	222	10	4.5	The increase is mainly due to an increase in costs related to the collaboration for providing content services to Partner and fiber network operating costs (against an increase in revenues), offset by a decrease in the costs of satellite segments and content.
Salaries	**93**	88	5	5.7	**45**	44	1	2.3	The increase in the period is mainly due to the effect of the collective agreement and the minimum salary increase, offset by a decrease in the number of employees.
Depreciation and amortization	**102**	117	(15)	(12.8)	**52**	57	(5)	(8.8)	The decrease is due, among other things, to fully depreciated assets as well as the extension of the useful life of converters following the extension of the agreement with Spacecom until the end of 2028.
Other operating expenses (income)	**-**	7	(7)	(100)	**-**	(1)	1	(100)	The corresponding period included recording of expenses relating to contingent bonuses to employees relating to the change in control of Bezeq.
Operating profit (loss)	**24**	(22)	46	-	**19**	(2)	21	-	
Financing expenses, net	**8**	15	(7)	(46.7)	**7**	21	(14)	(66.7)	The decrease in net financing expenses is due to a decrease in the volume of hedging transactions, the value of which declined as a result of the depreciation of the USD exchange rate (forward)
Income tax	**1**	-	1	-	**-**	-	-	-	
Segment profit (loss)	**15**	(37)	52	-	**12**	(23)	35	-	

(5) In the corresponding period and quarter last year, results of the television and communications services segment are presented excluding the total effect of impairment and reversal thereof recognized since 2018 (pro forma). This is in accordance with the manner in which the Group's chief operating decision maker evaluates the performance of the segment and makes decisions regarding the allocation of resources to the segment. Further to Note 10.4 to the annual financial statements regarding the reversal of an impairment loss in yes in 2025, during 2025 yes recognized reversal of an impairment loss up to the recoverable amount, in accordance with the requirements of International Accounting Standard IAS 36. For further information, see Notes 5.1 and 13 to the financial statements. In addition, see Note 14.3 for selected condensed information from the financial statements of yes.

1.3 Cash flows

	1-6.2026	1-6.2025	Change		4-6.2026	4-6.2025	Change		Explanation
	NIS million			%	NIS million			%	
Net cash flow from operating activities	**1,664**	1,564	100	6.4	**657**	733	(76)	(10.4)	The increase in net cash flows from operating activities in the period is due to a decrease in income taxes paid in the fixed-line domestic communications segment, as well as changes in working capital. The decrease in the quarter is mainly from the cellular communications segment mainly due to procurement of inventory.
Net cash generated (used) in investing activities	**126**	(612)	738	-	**564**	108	456	-	The increase in net cash flow from investing activities is mainly due to an increase in proceeds from the redemption of bank deposits and other financial investments, and in the period also due to investment in bank deposits and other financial investments in the corresponding period, in the domestic fixed-line communications segment.
Net cash used in financing activities	**(1,802)**	(975)	(827)	84.8	**(1,654)**	(797)	(857)	-	The increase in net cash flow used in financing activities resulted from the repayment of Debentures (Series 11 and 12), as well as from an increase in dividends paid and the acquisition of treasury share (buybacks) in the current quarter. See Note 7 to the financial statements .
Net increase (decrease) in cash	**(12)**	(23)	11	(47.8)	**(433)**	44	(477)	-	

Average volume in the reporting period

Long-term liabilities (including current maturities) to financial institutions and debenture holders: NIS 7,639 million.

Supplier credit: NIS 1,053 million. Short-term customer credit: NIS 1,455 million. Long-term customer credit: NIS 240 million.

Working capital

As at June 30, 2026, the Group has a working capital deficit (current assets less current liabilities) of NIS 292 million compared with a working capital deficit of NIS 74 million as at June 30, 2025.

The Company has (based on its standalone financial information) a working capital deficit in the amount of NIS 101 million as at June 30, 2026, compared with a working capital surplus in the amount of NIS 24 million as at June 30, 2025.

The increase in the Group's working capital deficit, and the shift to working capital deficit in the Company, is due to a decrease in investments, and cash and cash equivalents, offset by a decrease in total current liabilities due to the final redemption of Debentures (Series 9 and 10) in December 2025.

The Company's board of directors reviewed, among other things, the existing and expected cash sources and needs of the Company and the Group in the foreseeable future, the investment needs of the Company and the Group, the sources of credit available to the Company and the Group, and also reviewed sensitivity analyses of events of unforeseen deterioration in the businesses of the Company and of the Group. In this regard, the Company's board of directors determined that the foregoing working capital deficit does not indicate a liquidity problem in the Company or the Group, and that there is no reasonable concern that the Company or the Group will not meet their existing and expected obligations when they fall due. The Company and the Group have the ability to meet their existing and expected cash needs in the foreseeable future, even in a scenario of unforeseen deterioration in their businesses, whether with their available cash balances, cash generation from operations, through (net) liquidity sources from subsidiaries, or through the raising and refinancing of debt in significant amounts from banking and non-banking sources.

The foregoing information includes forward-looking information, which is based on the Company's assessments regarding liquidity. Actual figures may differ materially from the foregoing estimate if changes occur compared to the Company's assessments in one or more of the factors taken into account in these assessments, including assessments regarding the risk factors as set out in the Company's Periodic Report for 2025.

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

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

In the six months ended June 30, 2026, the increase in the known CPI is reflected in recording of financing expenses with respect to the Group's financial debt in an amount of NIS 29 million (NIS 27 million financing expenses after hedging), a decrease of NIS 10 million (decrease of NIS 9 million after hedging) compared with the corresponding period last year.

It is noted that the effect of the CPI changes on the Group's operating results is immaterial.

Based on the volume of the Group's CPI linked debt as at June 30, 2026, every 1% increment in the CPI is expected to cause an increase of NIS 21 million in the Group's financing expenses (NIS 13 million after hedging).

Furthermore, based on the Company's current debt at variable interest, every 1% increase in the Bank of Israel interest rate is expected to increase the Group's annual financing costs by NIS 7 million and accordingly, is not expected to have a material effect on the results of the Group's operations. It should be noted that the Bank of Israel interest rate decreased by 0.5% in the foregoing period.

2. Disclosure concerning the Company's financial reporting

2.1 Due to the materiality of the legal claims filed against the Group and which at this stage cannot be assessed or for which exposure cannot be calculated, the auditors have drawn attention to the matter in their opinion on the financial statements.

2.2 Significant events in and subsequent to the date of the financial statements

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

3. Information about a debenture series

On May 5, 2026, Maalot rating agency ratified the ilAA rating of the Company with stable outlook and the ilAA rating for the Company's debentures (see the immediate report dated May 5, 2026).

Similarly, on May 11, 2026, Midroog rating agency ratified the Aa2.il rating for the Company and for its debentures, with stable outlook (see the immediate report dated May 11, 2026).

4. Miscellaneous

For further information about the liabilities of the Company and the companies consolidated in its financial statements as at June 30, 2026, see the reporting form posted by the Company on the MAGNA website on August 5, 2026.

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

Tomer Raved	Nir David
Chairman of the board of directors	CEO

Signed on: August 4, 2026

Chapter C

Condensed Consolidated Interim Financial Statements as at June 30, 2026 (Unaudited)

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

Contents		**Page**

KPMG Somekh Chaikin
Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 6100601, Israel
+972 3 684 8000

Auditors' Review Report to the Shareholders of
Bezeq - The Israeli Telecommunications Corporation, Ltd.

Introduction

We have reviewed the accompanying financial information of Bezeq -The Israel Telecommunication Corporation Ltd. and its subsidiaries (hereinafter – "Group") comprising the condensed consolidated interim statement of financial position as of June 30, 2026 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six and three-month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with IAS 34 "Interim Financial Reporting" and are also responsible for the preparation of the financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

Scope of Review

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

Conclusion

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

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

Explanatory Paragraph

Without qualifying our abovementioned conclusion, we draw attention to lawsuits filed against the Group which at this stage cannot be assessed or the exposure in respect thereof cannot be calculated, as set forth in Note 6.

Somekh Chaikin

Certified Public Accountants (Isr.)

August 4, 2026

KPMG Somekh Chaikin
Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 6100601, Israel
+972 3 684 8000

To

The Board of Directors of Bezeq The Israeli Telecommunication Corp. Ltd

(hereinafter "The Company")

Dear Sirs,

Subject: <u>Shelf registration statement of the Company dated May 2026</u>

We hereby notify you that we consent to the inclusion (including by way of reference) of our reports specified hereunder in the aforesaid Shelf registration statement:

(1) Review report of auditors dated August 4, 2026 on the consolidated interim financial statements of the Company as of June 30, 2026 and for the six and three months periods then ended.

(2) Review report of auditors dated August 4, 2026 on the separate financial information of the Company as of June 30, 2026 and for the six and three months periods then ended, prepared in accordance with Regulation 38C of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin

Certified Public Accountants (Isr.)

August 4, 2026

Condensed Consolidated Interim Statements of Financial Position

Assets	Note	June 30, 2026	June 30, 2025	December 31, 2025
		(Unaudited)	(Unaudited)	(Audited)
		NIS million	NIS million	NIS million
Cash and cash equivalents		**631**	789	643
Investments	12.1	**1,252**	1,792	2,187
Trade receivables		**1,476**	1,393	1,443
Other receivables		**200**	186	211
Inventory		**124**	112	98
Total current assets		**3,683**	4,272	4,582
Trade and other receivables		**431**	397	398
Right-of-use assets		**1,759**	1,761	1,754
Fixed assets		**7,486**	7,349	7,469
Broadcasting rights		**401**	207	400
Intangible assets		**1,092**	980	1,084
Deferred expenses and non-current investments		**292**	252	251
Total non-current assets		**11,461**	10,946	11,356
Total assets		**15,144**	15,218	15,938

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

Condensed Consolidated Interim Statements of Financial Position (Contd.)

Liabilities and equity	Note	June 30, 2026	June 30, 2025	December 31, 2025
		(Unaudited)	(Unaudited)	(Audited)
		NIS million	NIS million	NIS million
Debentures, loans, and borrowings		**944**	1,681	992
Current maturities of lease liabilities		**456**	426	425
Trade and other payables		**1,947**	1,824	1,901
Employee benefits		**558**	333	542
Provisions	6	**70**	82	174
Total current liabilities		**3,975**	4,346	4,034
Loans and debentures		**6,158**	5,816	6,818
Lease liabilities		**1,522**	1,522	1,530
Employee benefits		**230**	314	219
Derivatives and other liabilities		**377**	284	292
Deferred tax liabilities		**68**	60	56
Provisions		**36**	32	34
Total non-current liabilities		**8,391**	8,028	8,949
Total liabilities		**12,366**	12,374	12,983
Equity attributable to shareholders of the Company				
Share capital		**3,890**	3,883	3,887
Share premium		**406**	396	398
Treasury shares		**(150)**	-	-
Reserves		**407**	407	410
Deficit		**(1,777)**	(1,844)	(1,742)
Total equity attributable to shareholders of the Company		**2,776**	2,842	2,953
Noncontrolling interests		**2**	2	2
Total equity		**2,778**	2,844	2,955
Total liabilities and equity		**15,144**	15,218	15,938

Tomer Raved Chairman of the board of directors	Nir David CEO	Yohai Benita CFO Bezeq Group

Approval date of the financial statements: August 4, 2026

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

Condensed Consolidated Interim Statements of Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues (Note 8)	**4,334**	4,371	**2,165**	2,136	8,702
Operating expenses					
General and operating expenses (Note 9)*	**1,504**	1,508	**736**	679	2,860
Salaries	**932**	947	**455**	451	1,859
Depreciation, amortization, impairment, and reversal of impairment loss*	**989**	839	**502**	383	1,687
Other operating expenses (income), net (Note 10)	**111**	5	**(1)**	(8)	279
Total operating expenses	**3,536**	3,299	**1,692**	1,505	6,685
Operating profit	**798**	1,072	**473**	631	2,017
Financing expenses (income) (Note 11)					
Financing expenses	**249**	268	**146**	175	498
Financing income	**(111)**	(96)	**(56)**	(48)	(191)
Financing expenses, net	**138**	172	**90**	127	307
Profit after financing expenses, net	**660**	900	**383**	504	1,710
Share in losses (profits) of an investee	**(1)**	4	**(3)**	1	19
Profit before income tax	**661**	896	**386**	503	1,691
Income tax	**142**	167	**78**	77	274
Total profit for the period	**519**	729	**308**	426	1,417
Net profit for the period attributable to shareholders of the Company	**519**	729	**308**	426	1,417
Basic and diluted earnings per share (NIS)	**0.19**	0.26	**0.11**	0.15	0.51

* See Note 5 regarding the reversal of the impairment loss recognized in the comparative period.

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

Condensed Consolidated Interim Statements of Comprehensive Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	**2025**	**2026**	**2025**	**2025**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
Net profit for the period	**519**	729	**308**	426	1,417
Remeasurement of a defined benefit plan, net of tax - not to be carried to profit or loss	**(5)**	(1)	**1**	-	(4)
Additional items of other comprehensive loss for hedging, net of tax - to be carried to profit or loss	**-**	(7)	**(4)**	(4)	(9)
Total comprehensive income for the period	**514**	721	**305**	422	1,404
Total comprehensive income for the period attributable to shareholders of the Company	**514**	721	**305**	422	1,404

.

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

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Share premium	Treasury shares	Capital reserve for transactions between a corporation and a controlling shareholder	Capital reserve for employee options	Other reserves	Deficit	Total	Noncontrolling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
	Attributable to shareholders of the Company									
Six months ended June 30, 2026 (Unaudited)										
Balance as at January 1, 2026	**3,887**	**398**	**-**	**390**	**68**	**(48)**	**(1,742)**	**2,953**	**2**	**2,955**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**519**	**519**	**-**	**519**
Other comprehensive loss for the period, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**	**(5)**	**-**	**(5)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**514**	**514**	**-**	**514**
Transactions with shareholders recognized directly in equity										
Dividend to the Company's shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(549)**	**(549)**	**-**	**(549)**
Share-based payments	**-**	**-**	**-**	**-**	**8**	**-**	**-**	**8**	**-**	**8**
Purchase of treasury shares	**-**	**-**	**(150)**	**-**	**-**	**-**	**-**	**(150)**	**-**	**(150)**
Exercise of options for shares	**3**	**8**	**-**	**-**	**(11)**	**-**	**-**	**-**	**-**	**-**
Balance as at June 30, 2026	**3,890**	**406**	**(150)**	**390**	**65**	**(48)**	**(1,777)**	**2,776**	**2**	**2,778**
Six months ended June 30, 2025 (Unaudited)										
Balance as at January 1, 2025	3,882	393	-	390	56	(39)	(2,180)	2,502	2	2,504
Profit for the period	-	-	-	-	-	-	729	729	-	729
Other comprehensive loss for the period, net of tax	-	-	-	-	-	(7)	(1)	(8)	-	(8)
Total comprehensive income (loss) for the period	-	-	-	-	-	(7)	728	721	-	721
Transactions with shareholders recognized directly in equity										
Dividend to the Company's shareholders	-	-	-	-	-	-	(392)	(392)	-	(392)
Share-based payments	-	-	-	-	11	-	-	11	-	11
Exercise of options for shares	1	3	-	-	(4)	-	-	-	-	-
Balance as at June 30, 2025	3,883	396	-	390	63	(46)	(1,844)	2,842	2	2,844

	Share capital	Share premium	Treasury shares	Capital reserve for transactions between a corporation and a controlling shareholder	Capital reserve for employee options	Other reserves	Deficit	Total	Noncontrolling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
	Attributable to shareholders of the Company									
Three months ended June 30, 2026 (Unaudited)										
Balance as at April 1, 2026	**3,890**	**405**	**-**	**390**	**62**	**(44)**	**(1,537)**	**3,166**	**2**	**3,168**
Profit for the period	-	-	-	-	-	-	308	308	-	308
Other comprehensive income (loss) for the period, net of tax	-	-	-	-	-	(4)	1	(3)	-	(3)
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**-**	**-**	**(4)**	**309**	**305**	**-**	**305**
Transactions with shareholders recognized directly in equity										
Dividend to the Company's shareholders	-	-	-	-	-	-	(549)	(549)	-	(549)
Share-based payments	-	-	-	-	4	-	-	4	-	4
Purchase of treasury shares	-	-	(150)	-	-	-	-	(150)	-	(150)
Exercise of options	-	1	-	-	(1)	-	-	-	-	-
Balance as at June 30, 2026	**3,890**	**406**	**(150)**	**390**	**65**	**(48)**	**(1,777)**	**2,776**	**2**	**2,778**
Three months ended June 30, 2025 (Unaudited)										
Balance as at April 1, 2025	3,883	396	-	390	56	(42)	(1,878)	2,805	2	2,807
Profit for the period	-	-	-	-	-	-	426	426	-	426
Other comprehensive loss for the period, net of tax	-	-	-	-	-	(4)	-	(4)	-	(4)
Total comprehensive income (loss) for the period	-	-	-	-	-	(4)	426	422	-	422
Transactions with shareholders recognized directly in equity										
Dividend to the Company's shareholders	-	-	-	-	-	-	(392)	(392)	-	(392)
Share-based payments	-	-	-	-	7	-	-	7	-	7
Balance as at June 30, 2025	3,883	396	-	390	63	(46)	(1,844)	2,842	2	2,844

	Share capital	Share premium	Treasury shares	Capital reserve for transactions between a corporation and a controlling shareholder	Capital reserve for employee options	Other reserves	Deficit	Total	Noncontrolling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
	Attributable to shareholders of the Company									
Year ended December 31, 2025 (Audited)										
Balance as at January 1, 2025	3,882	393	-	390	56	(39)	(2,180)	2,502	2	2,504
Profit for 2025	-	-	-	-	-	-	1,417	1,417	-	1,417
Other comprehensive loss for the year, net of tax	-	-	-	-	-	(9)	(4)	(13)	-	(13)
Total comprehensive income (loss) for the period	-	-	-	-	-	(9)	1,413	1,404	-	1,404
Transactions with shareholders recognized directly in equity										
Dividend to the Company's shareholders	-	-	-	-	-	-	(975)	(975)	-	(975)
Share-based payment	-	-	-	-	22	-	-	22	-	22
Exercise of options for shares	5	5	-	-	(10)	-	-	-	-	-
Balance as at December 31, 2025	3,887	398	-	390	68	(48)	(1,742)	2,953	2	2,955

Condensed Consolidated Interim Statements of Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flow from operating activities					
Profit for the period	**519**	729	**308**	426	1,417
Adjustments:					
Depreciation, amortization, impairment and reversal of impairment loss	**989**	839	**502**	383	1,687
Capital gain, net	**(3)**	(7)	**(3)**	(2)	(7)
Financing expenses, net	**155**	191	**102**	134	342
Recovery of excess cost	**-**	-	**-**	-	(36)
Share in loss (profit) of an investee	**(1)**	4	**(3)**	1	19
Other non-cash expenses	**3**	2	**-**	-	2
Share-based payment	**8**	11	**4**	7	22
Income tax expenses	**142**	167	**78**	77	274
Change in trade and other receivables	**(117)**	(30)	**(61)**	55	(39)
Change in inventory	**(65)**	42	**(58)**	27	54
Change in trade and other payables	**168**	24	**(57)**	(139)	129
Change in provisions	**(35)**	(1)	**(18)**	(7)	22
Change in employee benefits	**21**	(51)	**(55)**	(50)	112
Change in broadcasting rights (including reversal of impairment loss)	**(1)**	(91)	**(4)**	(92)	(283)
Miscellaneous	**-**	(3)	**-**	(3)	(16)
Net income tax paid	**(119)**	(262)	**(78)**	(84)	(437)
Net cash from operating activities	**1,664**	1,564	**657**	733	3,262
Cash flow from (used in) investing activities					
Purchase of fixed assets	**(586)**	(660)	**(276)**	(335)	(1,265)
Investment in intangible assets and deferred expenses	**(250)**	(190)	**(128)**	(96)	(413)
Investment in bank deposits and other financial investments	**-**	(568)	**-**	-	(2,335)
Proceeds from repayment of bank deposits and other financial investments	**950**	719	**950**	462	2,110
Proceeds from the sale of fixed assets	**7**	35	**6**	32	40
Interest received from bank deposits	**37**	32	**28**	15	80
Investment in an investee	**-**	(11)	**-**	-	(31)
Proceeds from the sale of a subsidiary, net of cash sold	**-**	28	**-**	28	28
Miscellaneous	**(32)**	3	**(16)**	2	(14)
Net cash from (used in) investing activities	**126**	(612)	**564**	108	(1,800)

Condensed Consolidated Interim Statements of Cash Flows (Contd.)

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	2025	**2026**	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flow used in financing activities					
Issue of debentures and receipt of loans	**-**	-	**-**	-	1,190
Repayment of debentures and loans	**(765)**	(205)	**(765)**	(205)	(1,123)
Payments of principal and interest for leases	**(225)**	(257)	**(104)**	(104)	(491)
Interest paid	**(118)**	(121)	**(91)**	(96)	(238)
Dividend paid	**(549)**	(392)	**(549)**	(392)	(975)
Purchase of treasury shares	**(150)**	-	**(150)**	-	-
Proceeds from expired hedging transactions	**5**	-	**5**	-	6
Net cash used in financing activities	**(1,802)**	(975)	**(1,654)**	(797)	(1,631)
Net increase (decrease) in cash and cash equivalents	**(12)**	(23)	**(433)**	44	(169)
Cash and cash equivalents at beginning of period	**643**	784	**1,064**	724	784
Change in cash balance of a subsidiary sold	**-**	28	**-**	21	28
Cash and cash equivalents at end of period	**631**	789	**631**	789	643

.

1. General

1.1 Reporting Entity

Bezeq The Israeli Telecommunications Corporation Ltd. (the "Company") is a company registered in Israel whose shares are listed on the Tel Aviv Stock Exchange. The condensed consolidated financial statements of the Company as at June 30, 2026 include those of the Company and its subsidiaries (jointly referred to as the "Group"). The Group is a major provider of communications services in Israel (see also Note 13 - Segment Reporting).

2. Basis of Preparation

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

2.2 The condensed consolidated interim financial statements do not contain all the information required in full annual financial statements, and they should be read in the context of the annual financial statements of the Company and its subsidiaries as at December 31, 2025 and for the year then ended, and the accompanying notes (the "Annual Financial Statements"). The Group presents in the notes to the condensed consolidated interim financial statements only the material changes that occurred from the date of the most recent Annual Financial Statements until the date of these interim financial statements.

2.3 The condensed consolidated interim financial statements were approved by the board of directors on August 4, 2026.

2.4 Use of estimates and judgments

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

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

3. Reporting Principles and Accounting Policy

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

4. Group Entities

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

4.1 yes Television and Communication Services Ltd. (yes)

4.1.1 As at June 30, 2026, yes has positive equity amounting to NIS 630 million and, on the other hand, a working capital deficit amounting to approximately NIS 298 million. According to the forecasts of yes, during the coming year it expects to continue to rely, as necessary, on the parent company's undertaking to provide support, alongside a continued gradual improvement in its operating results.

On March 8, 2026, the Company's board of directors approved a credit facility or capital investment in yes in the amount of NIS 50 million, until December 31, 2026, instead of previous undertakings, the latest of which was provided in November 2025 (in the amount of NIS 100 million). It should be noted that during 2025, yes did not make any use of the credit facilities provided by the Company.

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

4.1.2 See Note 5.1 below for information about the reversal of the asset impairment loss recognized in prior periods by yes in the financial statements as at June 30, 2026.

4.2 Bezeq International Ltd.

See Note 5.2 below for information about the impairment of assets recognized by Bezeq International in the financial statements as at June 30, 2026.

5. Impairment

5.1 Reversal of impairment loss in the Television and Communications Services segment (yes)

Further to Note 10.4 to the Annual Financial Statements regarding impairment (reversal of impairment loss) recognized by yes in 2025, during 2025 yes recognized a reversal of impairment loss up to the recoverable amount and in accordance with IAS 36.

As at June 30, 2026, yes examined whether indicators of impairment existed, in accordance with IAS 36. In the opinion of yes, there are no indicators pointing to a possible impairment of its assets as at June 30, 2026.

Below is the allocation of the reversal of impairment loss to Group assets:

Reversal of asset impairment loss	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Broadcasting rights - net of rights utilized	-	56*	-	74*	214*
Fixed assets	-	24**	-	35**	84**
Intangible assets	-	26**	-	33**	80**
Right-of-use assets	-	1**	-	1**	1**
Other receivables (prepaid expenses)	-	3*	-	4*	8*
Total reversal of impairment loss recognized	-	**110**	-	**147**	**387**

* Reversal of the expense was presented under general and operating expenses.

** Reversal of the expense was presented under depreciation, amortization, impairment, and reversal of impairment loss.

For information about the method used by yes to measure the fair value (Level 3) of the assets, less costs to sell, see Note 10.4 to the Annual Financial Statements.

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

Further to Note 10.5 to the Annual Financial Statements regarding impairment recognized by Bezeq International in 2025, the valuation as at December 31, 2025 presented a value in use that was significantly lower than the carrying amount of Bezeq International.

As at June 30, 2026, it was found that during the six months since the previous valuation there were no material changes in the market, or regulatory changes that could have a material effect on the forecasts of Bezeq International for future years, and there were no material changes in the discount rate. Therefore, as at June 30, 2026, no adjustment is required to the enterprise value of Bezeq International, which remains a negative amount of approximately NIS 93 million, as determined in the valuation as at December 31, 2025.

The net fair value of the assets of Bezeq International as at June 30, 2026 is a negative amount of approximately NIS 58 million.

Since the enterprise value is lower than the net fair value of the assets and liabilities, Bezeq International reduced its assets to the amount of the net fair value of those assets. As at June 30, 2026, the carrying amount of the depreciable assets is approximately NIS 35 million higher than their net fair value. Accordingly, in the six- and three-month periods ended June 30, 2026, the Group recognized impairment losses of approximately NIS 35 million and NIS 21 million, respectively.

Below is information about the enterprise value of Bezeq International and the net fair value of the assets and liabilities, as determined by an external appraiser, and the recognized impairment losses:

	Enterprise value of Bezeq International (based on the DCF method)	Net fair value of assets and liabilities of Bezeq International	Net carrying amount of assets and liabilities of Bezeq International before impairment recognition	Impairment loss
	NIS million	NIS million	NIS million	NIS million
As at June 30, 2026 and for the three months then ended (Unaudited)	**(93)**	**(58)**	**(37)**	**(21)**
As at March 31, 2026 and for the three months then ended (Unaudited)	(93)	(79)	(65)	(14)
Total impairment recognized in the six months ended June 30, 2026				**(35)**
As at December 31, 2025 and for the year then ended (Audited)	(93)	(79)	(53)	(73)

Below is the allocation of the impairment loss to Group assets:

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Fixed assets and intangible assets**	**23**	21	**13**	14	(43)
Short-term and long-term prepaid expenses*	**7**	9	**4**	4	(21)
Long-term prepaid expenses for capacities**	**5**	3	**4**	3	(9)
Total impairment recognized	**35**	33	**21**	21	(73)

* The expense was presented under general and operating expenses.

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

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

6. Contingent Liabilities

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

In the opinion of the managements of the Group companies, based, among other things, on legal opinions as to the likelihood of success of the Legal Claims, the financial statements include adequate provisions of approximately NIS 65 million, where provisions are required to cover the exposure arising from such Legal Claims.

In the opinion of the managements of the Group companies, the additional exposure (beyond these provisions) as at June 30, 2026 for Legal Claims filed against Group companies on various matters, which are unlikely to be realized, amounted to approximately NIS 1.5 billion. There is also additional exposure of approximately NIS 2.5 billion for Legal Claims, the chances of which cannot yet be assessed. In addition, motions for certification of class actions have been filed against the Group companies, which do not specify the exact amount of the claim, for which the Group has additional exposure beyond the aforesaid.

The amounts of the exposure in this Note are nominal.

6.2 Below is a description of the Group's contingent liabilities that were valid as at June 30, 2026, classified into groups with similar characteristics:

Claims group	Nature of the claims	Provision	Additional exposure	Exposure for claims the chances of which cannot yet be assessed
		NIS million	NIS million	NIS million
Customer claims	Mainly motions for certification of class actions (and claims thereunder) regarding allegations of unlawful collection of monies and faulty service provided by the Group companies.	65	1,487	671
Claims by enterprises and companies	Legal claims alleging liability of Group companies in connection with their activities and/or investments.	-	-	1,808 (1)
Claims by employees and former employees of Group companies	Mainly individual legal claims filed by employees and former employees of the Group concerning various payments.	-	-	2
Miscellaneous	Other legal claims, including tort claims (excluding claims for which insurance coverage is not disputed), real estate, infrastructure, suppliers, and the like.	-	39	9
Total legal claims against the Company and subsidiaries (2)		65	1,526	2,490

(1) Includes two motions for certification of a class action in an aggregate amount of approximately NIS 1.8 billion, filed in June 2017 against the Company, officers of the Group, and companies in the group of the Company's controlling shareholder at the time, with respect to the transaction for the Company's acquisition of yes shares from Eurocom DBS Ltd. In accordance with a court decision, a consolidated motion is expected to be filed instead of these two motions. It should be noted that a partial judgment was handed down approving a partial settlement in the consolidated proceeding between the applicants, B Communications, and Shaul and Or Elovitch. The court approved a request to stay the proceedings at this stage until December 1, 2026.

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

6.3 Regarding the investigations by the Israel Securities Authority and the Israel Police regarding suspected offenses under the Israel Securities Law and the Penal Law, see Note 1.3 to the Annual Financial Statements.

7. Equity

7.1 Share capital

	June 30, 2026	June 30, 2025	December 31, 2025
	Number of shares	Number of shares	Number of shares
	(Unaudited)	(Unaudited)	(Audited)
Registered share capital	**2,849,485,753**	2,849,485,753	2,849,485,753
Issued and paid-up share capital	**2,777,922,459**	2,771,292,186	2,774,784,744
Treasury shares	**(18,865,953)**	-	-
Issued and paid-up share capital, net	**2,759,056,506**	2,771,292,186	2,774,784,744

7.2 Dividends

7.2.1 See Note 20.2.1 to the Annual Financial Statements regarding the dividend distribution policy approved by the Company's board of directors on March 11, 2025.

7.2.2 On April 13, 2026, the general meeting of the Company's shareholders approved (further to the recommendation of the Company's board of directors on March 8, 2026) the distribution of a cash dividend to the Company's shareholders in a total amount of NIS 549 million (representing NIS 0.1978265 per share on the record date for the distribution). The dividend was paid on May 14, 2026.

7.2.3 On August 4, 2026, the Company's board of directors resolved to recommend to the general meeting of the Company's shareholders the distribution of a cash dividend to the Company's shareholders in a total amount of NIS 415 million. As at the approval date of the financial statements, the dividend had not yet been approved by the general meeting.

7.3 Repurchase of Company shares

7.3.1 Further to Note 20.2.3 to the Annual Financial Statements, on March 8, 2026, the Company's board of directors approved a share repurchase plan in an amount of up to NIS 150 million. During the second quarter of 2026, the Company purchased 18,865,953 of its shares under the repurchase plan for approximately NIS 150 million.

7.3.2 On July 21, 2026, the general meeting of the Company's shareholders approved an amendment to the Company's articles, under which the authority to approve a share repurchase will remain with the Company's board of directors, without requiring approval of the general meeting.

7.3.3 On August 4, 2026, the Company's board of directors approved an additional share repurchase plan in accordance with the Israel Securities Authority's position regarding the "safe harbor" protection (Legal Position 199-8). Under the new plan, the Company will repurchase ordinary shares of NIS 1 par value each for an aggregate amount not exceeding NIS 100 million. Purchases will be made from time to time in trading on the Tel Aviv Stock Exchange through an independent TASE member, acting under an irrevocable power of attorney and in accordance with the terms of the plan, including price and quantitative limitations. The plan period will commence after one trading day has elapsed from publication of the financial statements as at June 30, 2026 and will end upon the earlier of (1) completion of purchases at an aggregate cost not exceeding NIS 100 million or (2) December 31, 2026. The plan is defined as irrevocable; the Company will not be able to intervene in its implementation, amend it, or stop the purchases.

8. Revenues

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	**2025**	**2026**	**2025**	**2025**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Domestic fixed-line communications - Bezeq Fixed-Line					
Internet - infrastructure	**962**	972	**478**	487	1,941
Transmission and data communication	**554**	538	**278**	273	1,064
Fixed-line telephony	**226**	246	**114**	121	480
Cloud and digital services	**187**	177	**93**	89	365
Other services	**155**	146	**82**	70	321
	2,084	2,079	**1,045**	1,040	4,171
Cellular communications - Pelephone					
Cellular services and terminal equipment	**715**	787	**361**	390	1,535
Sale of terminal equipment	**308**	300	**147**	135	616
	1,023	1,087	**508**	525	2,151
Television and Communications Services - yes	**691**	639	**348**	320	1,299
ISP, international communications and ICT solutions - Bezeq International	**536**	512	**264**	251	1,027
Other (Bezeq Online)	**-**	54	**-**	-	54
Total revenues	**4,334**	4,371	**2,165**	2,136	8,702

9. General Operating Expenses

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	**2025**	**2026**	**2025**	**2025**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Terminal equipment and materials	**407**	405	**200**	186	837
Interconnectivity and payments to domestic and international telecommunications operators	**114**	239	**50**	114	389
Content costs (including impairment or reversal of impairment loss of content)	**302**	167	**154**	38	268
Marketing and general	**256**	277	**126**	137	516
Maintenance of buildings and sites	**125**	130	**62**	64	267
Services and maintenance by subcontractors	**270**	259	**127**	125	519
Vehicle maintenance	**30**	31	**17**	15	64
Total general and operating expenses	**1,504**	1,508	**736**	679	2,860

10. Other Operating Expenses (Income), Net

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	**2025**	**2026**	**2025**	**2025**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Capital gain	**(3)**	(7)	**(3)**	(2)	(7)
Creation (reversal) of provision for claims	**-**	-	**-**	(7)	29
Expenses for severance pay in early retirement in the Company	**28**	2	**4**	2	267
Expenses for severance pay in early retirement and the efficiency agreement in Pelephone, Bezeq International, and yes (see Note 15.3 below)	**66**	3	**-**	1	4
Impairment loss of a disposal group held for sale	**-**	2	**-**	-	2
Recovery of excess cost	**-**	-	**-**	-	(36)
Other expenses (income)	**20**	5	**(2)**	(2)	20
Total other operating expenses (income), net	**111**	5	**(1)**	(8)	279

11. Financing Expenses, Net

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Interest expenses for financial liabilities	**145**	138	**72**	69	277
Financing expenses for lease liabilities	**39**	38	**20**	19	77
Exchange rate differences	**-**	6	**-**	5	7
Linkage differences	**27**	34	**23**	25	57
Financing expenses for employee benefits	**9**	9	**4**	4	24
Change in fair value of derivatives at fair value through profit or loss	**25**	36	**25**	48	46
Other financing expenses	**4**	7	**2**	5	10
Total financing expenses	**249**	268	**146**	175	498
Income for credit in sales	**13**	15	**6**	8	28
Interest income from investments	**48**	34	**23**	16	67
Change in fair value of financial assets at fair value through profit or loss	**25**	25	**1**	14	49
Exchange rate differences	**-**	-	**12**	-	-
Other financing income	**25**	22	**14**	10	47
Total financing income	**111**	96	**56**	48	191
Financing expenses, net	**138**	172	**90**	127	307

12. Financial Instruments

12.1 Composition of investments

	June 30, 2026	June 30, 2025	December 31, 2025
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Bank deposits in NIS (1)	**809**	572	1,612
Investment in securities at fair value through profit or loss	**434**	1,210	570
Derivatives	**9**	10	5
	1,252	1,792	2,187

(1) Bank deposits in NIS are repayable until December 2026.

12.2 Fair value

A. Financial instruments at fair value for disclosure purposes only

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

	June 30, 2026	June 30, 2026	June 30, 2025	June 30, 2025	December 31, 2025	December 31, 2025
	Carrying amount (including accrued interest)	Fair value	Carrying amount (including accrued interest)	Fair value	Carrying amount (including accrued interest)	Fair value
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Loans from banks and institutions (unlinked)	**1,259**	**1,267**	1,311	1,292	1,443	1,432
Debentures issued to the public (CPI-linked)	**2,025**	**2,014**	2,388	2,334	2,289	2,271
Debentures issued to the public (unlinked)	**3,142**	**3,250**	3,121	3,121	3,403	3,450
Total	**6,426**	**6,531**	6,820	6,747	7,135	7,153

B. Fair value hierarchy

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

	June 30, 2026	June 30, 2025	December 31, 2025
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Level 1 - investment in money market funds measured at fair value through profit or loss	**434**	1,210	570
Level 2 - forward contracts	**7**	(9)	24

13. Segment Reporting

	Six months ended June 30, 2026 (Unaudited):					
	Domestic fixed-line communications	Cellular communications	Bezeq International services	Television and Communications Services	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	2,084	1,023	536	691	-	4,334
Inter-segment revenues	140	6	29	-	(175)	-
Total revenues	2,224	1,029	565	691	(175)	4,334
General operating	324	493	383	472	(168)	1,504
Salaries	564	170	104	93	1	932
Depreciation, amortization and impairment	538	289	52	102	8	989
Segment results - operating profit (loss)	770	(7)	26	24	(15)	798
Financing expenses	214	22	8	11	(6)	249
Financing income	(85)	(18)	(10)	(3)	5	(111)
Total financing expenses (income), net	129	4	(2)	8	(1)	138
Segment profit (loss) after financing expenses, net	641	(11)	28	16	(14)	660
Share in profits of an investee	(1)	-	-	-	-	(1)
Income tax	144	(1)	1	1	(3)	142
Segment results - net profit (loss)	498	(10)	27	15	(11)	519

	Six months ended June 30, 2025 (Unaudited):						
	Domestic fixed-line communications	**Cellular communications**	**Bezeq International services**	**Television and Communications Services***	**Other**	**Adjustments**	**Consolidated**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Revenues from external sources	2,079	1,087	512	639	54	-	4,371
Inter-segment revenues	124	9	24	-	-	(157)	-
Total revenues	**2,203**	**1,096**	**536**	**639**	**54**	**(157)**	**4,371**
General operating	380	560	357	449	8	(246)	1,508
Salaries	537	167	109	88	43	3	947
Depreciation, amortization, impairment and reversal of impairment loss	519	281	48	117	1	(127)	839
Segment results - operating profit (loss)	**770**	**87**	**22**	**(22)**	**2**	**213**	**1,072**
Financing expenses	224	21	10	18	-	(5)	268
Financing income	(77)	(15)	(6)	(3)	-	5	(96)
Total financing expenses, net	**147**	**6**	**4**	**15**	**-**	**-**	**172**
Segment profit (loss) after financing expenses, net	**623**	**81**	**18**	**(37)**	**2**	**213**	**900**
Share in loss of an investee	4	-	-	-	-	-	4
Income tax	145	20	1	-	1	-	167
Segment results - net profit (loss)	**474**	**61**	**17**	**(37)**	**1**	**213**	**729**

* Results of the Television and Communications Services segment through the end of 2025 are presented net of the total effect of impairment losses and reversals thereof recognized since 2018. This is in accordance with the manner in which the Group's chief operating decision maker evaluates the performance of the segment and makes decisions regarding the allocation of resources to the segment. See also Note 14.3 for condensed selected information from the financial statements of yes.

	Three months ended June 30, 2026 (Unaudited):					
	Domestic fixed-line communications	Cellular communications	Bezeq International services	Television and Communications Services	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	1,045	508	264	348	-	2,165
Inter-segment revenues	69	3	12	-	(84)	-
Total revenues	1,114	511	276	348	(84)	2,165
General operating	158	240	186	232	(80)	736
Salaries	276	82	52	45	-	455
Depreciation, amortization and impairment	271	145	29	52	5	502
Segment results - operating profit (loss)	408	45	9	19	(8)	473
Financing expenses	123	11	3	8	1	146
Financing income	(38)	(9)	(6)	(1)	(2)	(56)
Total financing expenses (income), net	85	2	(3)	7	(1)	90
Segment profit (loss) after financing expenses, net	323	43	12	12	(7)	383
Share in profits of an investee	(3)	-	-	-	-	(3)
Income tax	70	9	-	-	(1)	78
Segment results - net profit (loss)	256	34	12	12	(6)	308

	Three months ended June 30, 2025 (Unaudited):					
	Domestic fixed-line communications	**Cellular communications**	**Bezeq International services**	**Television and Communications Services***	**Adjustments**	**Consolidated**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Revenues from external sources	1,040	525	251	320	-	2,136
Inter-segment revenues	62	5	12	-	(79)	-
Total revenues	1,102	530	263	320	(79)	2,136
General operating	192	264	172	222	(171)	679
Salaries	270	82	54	44	1	451
Depreciation, amortization, impairment and reversal of impairment loss	261	141	29	57	(105)	383
Segment results - operating profit (loss)	386	43	8	(2)	196	631
Financing expenses	125	11	4	21	14	175
Financing income	(24)	(8)	(3)	-	(13)	(48)
Total financing expenses, net	101	3	1	21	1	127
Segment profit (loss) after financing expenses, net	285	40	7	(23)	195	504
Share in loss of an investee	1	-	-	-	-	1
Income tax	66	10	1	-	-	77
Segment results - net profit (loss)	218	30	6	(23)	195	426

* Results of the Television and Communications Services segment through the end of 2025 are presented net of the total effect of impairment losses and reversals thereof recognized since 2018. This is in accordance with the manner in which the Group's chief operating decision maker evaluates the performance of the segment and makes decisions regarding the allocation of resources to the segment. See also Note 14.3 for condensed selected information from the financial statements of yes.

	Year ended December 31, 2025 (Audited):						
	Domestic fixed-line communications	**Cellular communications**	**Bezeq International services**	**Television and Communications Services***	**Other**	**Adjustments**	**Consolidated**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Revenues from external sources	4,171	2,151	1,027	1,299	54	-	8,702
Inter-segment revenues	257	16	53	1	-	(327)	-
Total revenues	4,428	2,167	1,080	1,300	54	(327)	8,702
General operating	750	1,061	720	908	8	(587)	2,860
Salaries	1,089	329	214	178	43	6	1,859
Depreciation, amortization, impairment and reversal of impairment loss	1,060	576	103	235	1	(288)	1,687
Segment results - operating profit (loss)	1,242	186	43	(33)	2	577	2,017
Financing expenses	427	44	19	29	-	(21)	498
Financing income	(148)	(45)	(12)	(5)	-	19	(191)
Total financing expenses (income), net	279	(1)	7	24	-	(2)	307
Segment profit (loss) before income tax	963	187	36	(57)	2	579	1,710
Share in loss of an investee	19	-	-	-	-	-	19
Income tax	224	41	-	1	1	7	274
Segment results - net profit (loss)	720	146	36	(58)	1	572	1,417

* Results of the Television and Communications Services segment through the end of 2025 are presented net of the total effect of impairment losses and reversals thereof recognized since 2018. This is in accordance with the manner in which the Group's chief operating decision maker evaluates the performance of the segment and makes decisions regarding the allocation of resources to the segment. See also Note 14.3 for condensed selected information from the financial statements of yes.

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

14.1 Pelephone Communications Ltd.

Information from the statement of financial position:

	June 30, 2026	June 30, 2025	December 31, 2025
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Current assets	**904**	783	880
Non-current assets	**2,199**	2,125	2,139
Total assets	**3,103**	2,908	3,019
Current liabilities	**799**	682	695
Long-term liabilities	**774**	775	786
Total liabilities	**1,573**	1,457	1,481
Equity	**1,530**	1,451	1,538
Total liabilities and equity	**3,103**	2,908	3,019

Information from the statement of income:

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenue from services	**719**	796	**363**	395	1,550
Revenue from the sale of terminal equipment	**310**	300	**148**	135	617
Total revenues from services and sales	**1,029**	1,096	**511**	530	2,167
Operating expenses					
General operating expenses	**493**	560	**240**	264	1,061
Salaries	**170**	167	**82**	82	329
Depreciation and amortization	**289**	281	**145**	141	576
Total operating expenses	**952**	1,008	**467**	487	1,966
Other operating expenses (income), net	**84**	1	**(1)**	-	15
Operating profit (loss)	**(7)**	87	**45**	43	186
Financing expenses (income)					
Financing expenses	**22**	21	**11**	11	44
Financing income	**(18)**	(15)	**(9)**	(8)	(45)
Financing expenses (income), net	**4**	6	**2**	3	(1)
Profit (loss) before income tax	**(11)**	81	**43**	40	187
Income tax expenses (income)	**(1)**	20	**9**	10	41
Profit (loss) for the period	**(10)**	61	**34**	30	146

14.2 Bezeq International Ltd.

Information from the statement of financial position:

	June 30, 2026	June 30, 2025	December 31, 2025
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Current assets	**393**	448	399
Non-current assets	**573**	501	538
Total assets	**966**	949	937
Current liabilities	**400**	390	394
Long-term liabilities	**295**	337	301
Total liabilities	**695**	727	695
Equity	**271**	222	242
Total liabilities and equity	**966**	949	937

Information from the statement of income:

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues	**565**	536	**276**	263	1,080
Operating expenses					
Operating expenses, general, and impairment	**383**	357	**186**	172	720
Salaries	**104**	109	**52**	54	214
Depreciation, amortization, and impairment	**52**	48	**29**	29	103
Other operating expenses, net	**-***	-*	**-***	-*	-*
Total operating expenses	**539**	514	**267**	255	1,037
Operating profit	**26**	22	**9**	8	43
Financing expenses (income)					
Financing expenses	**8**	10	**3**	4	19
Financing income	**(10)**	(6)	**(6)**	(3)	(12)
Financing expenses (income), net	**(2)**	4	**(3)**	1	7
Profit before income tax	**28**	18	**12**	7	36
Income tax expenses	**1**	1	**-***	1	-*
Profit for the period	**27**	17	**12**	6	36

* Represents an amount of less than NIS 1 million.

14.3 yes Television and Communication Services Ltd. (yes)

Information from the statement of financial position:

	June 30, 2026	June 30, 2025	December 31, 2025
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Current assets	**198**	168	181
Non-current assets	**979**	622	954
Total assets	**1,177**	790	1,135
Current liabilities	**496**	435	467
Long-term liabilities	**51**	52	54
Total liabilities	**547**	487	521
Equity	**630**	303	614
Total liabilities and equity	**1,177**	790	1,135

Information from the statement of income:

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues	**691**	639	**348**	320	1,300
Operating expenses					
Operating expenses, general, impairment, and reversal of impairment loss	**472**	356	**232**	129	637
Salaries	**93**	92	**45**	45	184
Depreciation, amortization, impairment and reversal of impairment loss	**102**	(6)	**52**	(46)	(43)
Other operating expenses (income), net	**-***	7	**-***	(1)	12
Total operating expenses	**667**	449	**329**	127	790
Operating profit	**24**	190	**19**	193	510
Financing expenses (income)					
Financing expenses	**11**	18	**8**	21	29
Financing income	**(3)**	(3)	**(1)**	-	(5)
Financing expenses, net	**8**	15	**7**	21	24
Profit before income tax	**16**	175	**12**	172	486
Income tax expenses	**1**	-*	**-**	-*	1
Profit for the period	**15**	175	**12**	172	485

* Represents an amount of less than NIS 1 million.

15. Significant Events in and Subsequent to the Date of the Financial Statements

15.1 See Note 7.2 regarding dividend distributions.

15.2 See Note 7.3 regarding the share repurchase plan.

15.3 On March 19, 2026, Pelephone signed a renewal of the existing collective agreement between it and the General Federation of Labor and Pelephone's employee representatives, for the period from January 1, 2026 through December 31, 2028. The agreement includes the retirement of up to 150 permanent employees during the years of the agreement (including 80 employees whose retirement was agreed upon, with the remainder under a voluntary retirement plan to be offered), wage improvements, grants, and benefits to employees. Accordingly, a one-time expense of approximately NIS 86 million was recorded in the first quarter of 2026.

15.4 See Note 16.8 to the Annual Financial Statements regarding an amendment to a collective agreement signed at Bezeq.

15.5 On May 20, 2026, the Company received approval for a shelf prospectus for a period of two years.

15.6 On August 3, 2026, yes, the employees' committee of yes, and the National Labor Federation signed an extension and update of the collective agreement for a one-year period ending at the end of 2026, as well as additional agreements. Among other things, the parties agreed on economic consideration and arrangements for employee retirements. The economic effect of the renewed agreement is not material to yes or to the Company.

Condensed Separate Interim Financial Information
as of June 30, 2026

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

Contents	Page

KPMG Somekh Chaikin
Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 6100601, Israel
+972 3 684 8000

To
The Shareholders of Bezeq - The Israeli Telecommunications Corporation, Ltd.

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 of Bezeq - The Israel Telecommunication Corporation Ltd. (hereinafter - "the Company") as of June 30, 2026 and for the six and three-month periods then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

Scope of Review

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

Conclusion

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

Explanatory Paragraph

Without qualifying our abovementioned conclusion, we draw attention to lawsuits filed against the Company which at this stage cannot be assessed or the exposure in respect thereof cannot be calculated, as set forth in Note 5.

Somekh Chaikin

Certified Public Accountants (Isr.)

August 4, 2026

Condensed Separate Interim Information on Financial Position

	June 30, 2026	June 30, 2025	December 31, 2025
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Cash and cash equivalents	**229**	403	171
Investments	**1,247**	1,792	2,187
Trade receivables	**735**	709	738
Other receivables	**90**	97	141
Total current assets	**2,301**	3,001	3,237
Trade and other receivables	**250**	220	216
Fixed assets	**6,285**	6,222	6,298
Intangible assets	**251**	235	245
Goodwill	**265**	265	265
Investment in investees	**2,532**	2,063	2,505
Right-of-use assets	**689**	637	657
Noncurrent and other investments	**164**	167	157
Total noncurrent assets	**10,436**	9,809	10,343
Total assets	**12,737**	12,810	13,580

The accompanying notes to the condensed separate interim financial information form an integral part thereof.

Condensed Separate Interim Information on Financial Position (cont.)

	June 30, 2026	June 30, 2025	December 31, 2025
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Liabilities			
Debentures, loans and borrowings	**944**	1,681	992
Trade and other payables	**877**	868	932
Employee benefits	**409**	227	437
Current maturities of lease liabilities	**118**	118	103
Provisions (Note 5)	**54**	55	142
Loans from a subsidiary	**-**	28	-
Total current liabilities	**2,402**	2,977	2,606
Loans and debentures	**6,158**	5,815	6,818
Loans from subsidiaries	**220**	112	170
Employee benefits	**193**	250	181
Lease liabilities	**635**	578	607
Derivatives and other liabilities	**322**	222	237
Deferred tax liabilities	**31**	14	8
Total noncurrent liabilities	**7,559**	6,991	8,021
Total liabilities	**9,961**	9,968	10,627
Equity			
Share capital	**3,890**	3,883	3,887
Share premium	**406**	396	398
Treasury shares	**(150)**	-	-
Reserves	**407**	407	410
Equity deficit	**(1,777)**	(1,844)	(1,742)
Total equity attributable to the Company's shareholders	**2,776**	2,842	2,953
Total liabilities and equity	**12,737**	12,810	13,580

Tomer Raved Chairman of the board of directors	Nir David CEO	Yohai Benita CFO Bezeq Group

Approval date of the financial statements: August 4, 2026

The accompanying notes to the condensed separate interim financial information form an integral part thereof.

Condensed Separate Interim Information on Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	**2025**	**2026**	**2025**	**2025**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Revenues (Note 2)	**2,224**	2,203	**1,114**	1,102	4,428
Operating expenses					
Salaries	**564**	537	**276**	270	1,089
Depreciation and amortization	**538**	519	**271**	261	1,060
General operating expenses (Note 3)	**324**	380	**158**	192	750
Other operating expenses (income), net (Note 4)	**28**	(3)	**1**	(7)	287
Total operating expenses	**1,454**	1,433	**706**	716	3,186
Operating profit	**770**	770	**408**	386	1,242
Financial expenses (income)					
Financial expenses	**214**	224	**123**	125	427
Financial income	**(85)**	(77)	**(38)**	(24)	(148)
Financial expenses, net	**129**	147	**85**	101	279
Profit after financial expenses, net	**641**	623	**323**	285	963
Share in profits of investees, net	**22**	251	**55**	207	678
Profit before income tax	**663**	874	**378**	492	1,641
Income tax	**144**	145	**70**	66	224
Profit for the period attributable to the Company's shareholders	**519**	729	**308**	426	1,417

Condensed Separate Interim Information on Comprehensive Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	**2025**	**2026**	**2025**	**2025**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Profit for the period	**519**	729	**308**	426	1,417
Items of other comprehensive loss, net of tax	**(5)**	(8)	**(3)**	(4)	(13)
Total comprehensive income for the period attributable to the Company's shareholders	**514**	**721**	**305**	**422**	**1,404**

The accompanying notes to the condensed separate interim financial information form an integral part thereof.

Condensed Separate Interim Information on Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	**2025**	**2026**	**2025**	**2025**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Cash flows from operating activities					
Profit for the period	**519**	729	**308**	426	1,417
Adjustments:					
Depreciation and amortization	**538**	519	**271**	261	1,060
Share in profits of investees, net	**(22)**	(251)	**(55)**	(207)	(678)
Financial expenses, net	**127**	151	**86**	101	283
Capital gain, net	**(3)**	(7)	**(3)**	(2)	(7)
Loss from impairment of disposal group held for sale	**3**	2	**-**	-	2
Share-based payment	**4**	5	**2**	3	10
Income tax expenses	**144**	145	**70**	66	224
Change in trade and other receivables	**(47)**	(7)	**(63)**	26	21
Change in trade and other payables	**74**	55	**(9)**	(46)	112
Change in provisions	**(20)**	2	**(13)**	(5)	21
Change in employee benefits	**(23)**	(49)	**(39)**	(46)	142
Miscellaneous	**-**	(3)	**-**	(3)	(16)
Net cash provided by (used in) operating activities due to transactions with subsidiaries	**2**	(2)	**6**	-	(15)
Income tax paid, net	**(101)**	(235)	**(69)**	(73)	(384)
Net cash provided by operating activities	**1,195**	1,054	**492**	501	2,192
Cash flows from investing activities					
Investment in intangible assets and other investments	**(87)**	(66)	**(44)**	(29)	(159)
Proceeds from the sale of fixed assets	**3**	34	**2**	31	39
Investment in bank deposits and other financial investments	**-**	(568)	**-**	-	(2,335)
Proceeds from repayment of bank deposits and other financial investments	**950**	716	**950**	459	2,107
Purchase of fixed assets	**(422)**	(494)	**(195)**	(237)	(938)
Dividend received	**-**	15	**-**	15	15
Proceeds from the sale of a subsidiary	**-**	34	**-**	34	34
Interest received from bank deposits	**31**	27	**24**	12	68
Investment in an investee	**-**	(11)	**-**	-	(31)
Miscellaneous	**(20)**	2	**(10)**	1	3
Net cash provided by (used in) investing activities	**455**	(311)	**727**	286	(1,197)

The accompanying notes to the condensed separate interim financial information form an integral part thereof.

Condensed Separate Interim Information on Cash Flows (cont.)

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	**2025**	**2026**	**2025**	**2025**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Cash flows from financing activities					
Issue of debentures and receipt of loans	**-**	-	**-**	-	1,190
Repayment of debentures and loans	**(765)**	(205)	**(765)**	(205)	(1,123)
Interest paid	**(118)**	(121)	**(91)**	(96)	(238)
Payment of principal and interest for a lease	**(65)**	(78)	**(35)**	(36)	(165)
Dividend paid	**(549)**	(392)	**(549)**	(392)	(975)
Repurchase of shares	**(150)**	-	**(150)**	-	-
Proceeds from expired hedging transactions	**5**	-	**5**	-	5
Net cash provided by (used in) financing activities due to transactions with subsidiaries	**50**	(6)	**50**	(6)	20
Net cash used in financing activities	**(1,592)**	(802)	**(1,535)**	(735)	(1,286)
Net increase (decrease) in cash and cash equivalents	**58**	(59)	**(316)**	52	(291)
Cash and cash equivalents at the beginning of the period	**171**	462	**545**	351	462
Cash and cash equivalents at the end of the period	**229**	403	**229**	403	171

The accompanying notes to the condensed separate interim financial information form an integral part thereof.

Notes to the Condensed Separate Interim Financial Information

1. Manner of Preparing Financial Information

1.1 Definitions

The “Company” - Bezeq - The Israel Telecommunication Corporation Ltd.

“Associate,” the “Group,” “Investee”: As these terms are defined in the Company’s consolidated financial statements for 2025.

1.2 Principles used for preparing financial information

The condensed separate interim financial information is presented in accordance with Regulation 38D (the “Regulation”) of the Securities Regulations (Periodic and Immediate Reports), 1970 and the Tenth Schedule to those regulations (the “Tenth Schedule”), concerning a corporation’s condensed separate interim financial information. This should be read together with the separate financial information as of and for the year ended December 31, 2025 and together with the condensed consolidated interim financial statements as of June 30, 2026 (the “Consolidated Statements”).

The accounting policy applied in this condensed separate interim financial information is consistent with the policy set out in the separate financial information as of and for the year ended December 31, 2025.

2. Revenues

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	**2025**	**2026**	**2025**	**2025**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Internet infrastructure	**1,015**	1,013	**502**	508	2,032
Transmission and data communications	**630**	611	**317**	309	1,211
Fixed-line telephony	**229**	251	**116**	123	488
Cloud and digital services	**187**	177	**93**	90	365
Other services	**163**	151	**86**	72	332
Total revenues	**2,224**	2,203	**1,114**	1,102	4,428

3. General Operating Expenses

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Maintenance of buildings and sites	**56**	56	**28**	28	118
Marketing and general	**101**	107	**51**	55	198
Interconnectivity and payments to telecom operators	**7**	21	**3**	9	29
Services and maintenance by subcontractors	**105**	112	**49**	58	234
Vehicle maintenance	**21**	22	**11**	12	46
Terminal equipment and materials	**34**	62	**16**	30	125
Total general operating expenses	**324**	380	**158**	192	750

4. Other Operating Expenses (Income), Net

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Capital gain from the sale of fixed assets	**(3)**	(7)	**(3)**	(2)	(7)
Provision for employee termination benefits under early retirement plan	**28**	2	**4**	2	267
Loss from impairment of disposal group held for sale	**3**	2	**-**	-	2
Other expenses (income) (mainly provisions for claims)	**-**	-	**-**	(7)	25
Total other operating expenses (income), net	**28**	(3)	**1**	(7)	287

5. Contingent Liabilities

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

In the opinion of the Company's management, based, inter alia, on legal opinions as to the likelihood of success of the Legal Claims, the financial statements include adequate provisions in the amount of approximately NIS 54 million, where provisions are required to cover the exposure arising from such Legal Claims.

Furthermore, motions to certify class actions have been filed against the Company for which the Company has additional exposure beyond the aforesaid, in view of the fact that an exact claim amount was not specified.

As of June 30, 2026:

Balance of provision	Additional exposure*	Exposure for claims whose chances cannot yet be assessed*
NIS million	NIS million	NIS million
54	592	2,474 (1)

* The exposure amounts in this note are nominal.

(1) Includes two motions to certify class actions for a total of approximately NIS 1.8 billion, filed in June 2017 against the Company, officers of the Group and companies of the group of the Company's controlling shareholder at the time, with respect to the transaction for the Company's acquisition of yes shares from Eurocom DBS Ltd. In accordance with a court decision, a consolidated motion is expected to be filed instead of these two motions. It should be noted that a partial ruling has been issued approving a partial settlement in the consolidated proceeding among the petitioners, B-Com and Messrs. Shaul and Or Elovitch. The Court approved a motion to stay the proceedings at this stage until December 1, 2026.

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

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

5.4 Regarding the investigation by the Israel Securities Authority and the Israel Police, see Note 6.3 to the Consolidated Statements.

6. Material Events During and After the Reporting Period

6.1 On March 8, 2026, the Company's Board of Directors approved a credit facility or capital investment in yes in a total amount of NIS 50 million, for a period of 12 months commencing January 1, 2026. This approval replaces, and is not in addition to, the approval granted in November 2025 (in the amount of NIS 100 million).

6.2 In May 2026, Bezeq International granted the Company a loan of NIS 50 million, repayable in five equal installments beginning in 2031.

6.3 For information regarding an impairment loss/reversal of impairment loss in respect of Bezeq International and yes, see Note 5 to the Consolidated Statements.

6.4 See Note 7.2 to the Consolidated Statements regarding dividend distributions by the Company.

6.5 See Note 7.3 to the Consolidated Statements regarding the Company's share repurchase plan.

6.6 For information about additional material events subsequent to the financial statements period, see Note 15 to the Consolidated Statements.

Chapter E

Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure for the Period Ended June 30, 2026

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

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

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

For this matter, the members of Management are:

1. Nir David, CEO
2. Yohai Benita, CFO Bezeq Group
3. Erez Hasdai, VP Economics and Regulation
4. Uzi Malka, Acting VP Technologies and Network[1]
5. Tali Poleg, VP Marketing
6. Yoel Nagari, Acting General Counsel[2]
7. Moran Kita, VP Human Resources and Organizational Operations
8. Dror Rosman, VP Private Customers Division
9. Daniel Shimoni, VP Business Customers Division
10. Tali Tuval, VP Corporate Communications

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

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

Internal control over financial reporting and disclosure includes controls and procedures in the Company, which were planned by the CEO[3] and the most senior financial officer, or under their supervision, or by whoever fulfills those functions in practice, under the supervision of the Board of Directors of the Company, and were designed to provide reasonable assurance as to the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Company is required to disclose in the reports it publishes in accordance with the provisions of the law is collected, processed, summarized and reported on the date and in the format laid down in law.

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

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

In the quarterly report on the effectiveness of internal control over financial reporting and disclosure, which was attached to the quarterly report for the period ended June 30, 2026 (the "Last Quarterly Report on Internal Control"), the internal control was found to be effective.

[1] Uzi Malka, Acting VP Technologies and Network, in place of Meni Baruch, who ended his term of office on April 19, 2026. Yaki Jano was appointed VP of the Technologies and Network Division of Bezeq and will commence his term of office on September 1, 2026.

[2] Yoel Nagari, Acting General Counsel, in place of Yifat Fogel, who ended her term of office on July 9, 2026.

[3] Regarding the transfer of the CEO's authority in all matters connected with investees of the Company to the Board of Directors – see Section 1.1.3 of the Description of Company Operations chapter in the Company's Periodic Report for 2025.

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

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

Concerning the investigations of the Israel Securities Authority and the Israel Police, as detailed in Section 2.18.3 of the Description of Company Operations chapter in the Company's Periodic Report for 2025, the Company does not have complete information regarding the past investigations conducted and the proceedings pending against former officers of the Company (primarily regarding transactions connected with the Company's former controlling shareholder and former Chairman of the Company's Board of Directors, Mr. Shaul Elovitch, concerning the purchase of yes shares and the provision of satellite communications services to yes), their content, or the materials and evidence in the possession of the law enforcement authorities on this matter. Accordingly, the Company is unable to assess the full impact of the investigations, their findings and their outcome on the Company and on its financial statements. See also Note 1.3 to the financial statements for 2025.

2. Declaration of Executives:

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

I, Nir David, declare that:

1. I have reviewed the quarterly report of Bezeq - The Israeli Telecommunications Corporation Ltd. (the "Company") for the second quarter of 2026 (the "Reports").
2. To the best of my knowledge, the Reports do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period of the Reports.
3. To the best of my knowledge, the financial statements and other financial information included in the Reports reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of the dates and for the periods presented in the Reports.
4. I have disclosed the following to the Independent Auditor of the Company, to the Company's Board of Directors, and to the Audit and the Financial Statements Review Committees of the Board of Directors of the Company, based on my most recent evaluation of internal control over financial reporting and disclosure:
   A. All the significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure which are reasonably likely to adversely affect the Company's ability to collect, process, summarize or report financial information, in a way that could cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and
   B. Any fraud, whether or not material, that involves the CEO or anyone directly subordinate to the CEO, or which involves other employees who have a significant role in internal control over financial reporting and disclosure.
5. I, alone or together with others in the Company:
   A. Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Company and in the subsidiaries, particularly during the period of preparation of the Reports; and
   B. Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
   C. No event or matter that occurred in the period between the date of the last report (quarterly or periodic, as applicable) and this reporting date was brought to my attention that would change the conclusion of the Board of Directors and Management concerning the effectiveness of internal control over the Company's financial reporting and disclosure.

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

Date: August 4, 2026

Nir David, CEO

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

I, Yohai Benita, declare that:

1. I have reviewed the interim financial statements and the other financial information included in the reports for the interim period of Bezeq - The Israeli Telecommunications Corporation Ltd. (the "Company") for the second quarter of 2026 (the "Reports" or the "Reports for the Interim Period").
2. To the best of my knowledge, the interim financial statements and the other financial information included in the Reports for the Interim Period do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period of the Reports.
3. To the best of my knowledge, the interim financial statements and the other financial information included in the Reports for the Interim Period reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of the dates and for the periods presented in the Reports.
4. I have disclosed the following to the Independent Auditor of the Company, to the Company's Board of Directors, and to the Audit and the Financial Statements Review Committees of the Board of Directors of the Company, based on my most recent evaluation of internal control over financial reporting and disclosure:

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

   B. Any fraud, whether or not material, that involves the CEO or anyone directly subordinate to the CEO, or which involves other employees who have a significant role in internal control over financial reporting and disclosure.
5. I, alone or together with others in the Company:

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

   B. Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

   C. No event or matter that occurred in the period between the date of the last report (quarterly or periodic, as applicable) and this reporting date was brought to my attention, in respect of the interim financial statements and any other financial information included in the Reports for the Interim Period, that would, in my opinion, change the conclusion of the Board of Directors and Management concerning the effectiveness of internal control over the Company's financial reporting and disclosure.

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

Date: August 4, 2026

Yohai Benita, CFO Bezeq Group