

Quarterly report
for the period ended
March 31, 2025



May 19, 2025

Bezeq The Israeli Telecommunications Corp. Ltd.

Quarterly report for the period ended March 31, 2025

Update to Chapter A (Description of Company Operations) of the
Periodic Report for 2024

Board of Directors' Report on the State of the Company's Affairs for
the Period ended March 31, 2025

Consolidated Financial Statements as at March 31, 2025

Quarterly Report on the Effectiveness of Internal Control on the
Financial Reporting and on the Disclosure for the Period ended
March 31, 2025



Update to Chapter A (Description of Company Operations) of the Periodic Report for 2024

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.



Update to Chapter A | Description of Company Operations

to the Periodic Report for 2024 (the "Periodic Report")
Bezeq The Israeli Telecommunications Corporation Ltd. (the "Company")¹

1. General development of the Group's business

Section 1.1 – Group activities and description of business development and section 1.3 – Investment in the Company's capital and transactions in its shares

On March 17, 2025, B Communications sold 160,000,000 ordinary shares of the Company with a par value of NIS 1 each in an off-floor transaction, representing 5.77% of the Company's issued and paid-up capital, to several foreign and Israeli institutional entities at a price of NIS 5.7 per share. The gross consideration from the sale amounted to NIS 912 million. According to the announcement of B Communications, it reported the sale of Bezeq shares to the Ministry of Communications. Following the sale, it continues to hold the control permit in the Company. Following the sale of Bezeq shares and as at the publication date of the report, B Communications holds 21.69% of the issued and paid-up capital of the Company (21.27% fully diluted).

Section 1.1 – Group activities and description of business development and section 1.2 – Operating segments

Regarding the Company's agreement with One Software Technologies Ltd. (the "Buyer") for the sale of all of the Company's holdings in Bezeq Online – On April 17, 2025, the transaction was completed after the fulfillment of all the preconditions in the agreement. Under the agreement, ownership was transferred to the Buyer and the financial consideration set out in the agreement was received.

Section 1.1.5 – Charges regarding transactions of the former controlling owner and former officers of the Company and Case 4000

Further to section 1.1.5.3 regarding the indictment against the former controlling shareholder of the Company and former senior officers of Bezeq Group – In May 2025, a conditional arrangement was published to halt proceedings under Section B of Chapter 9.1 of the Israel Securities Law, between the state and Ron Eilon, under which Ron Eilon admitted to facts concerning the increase in the free cash flow of yes in 2016.

Section 1.4.2 – Dividend distribution

For information about the dividend distributed by the Company in May 2025, see Note 7 to the financial statements.

Distributable profits as at the reporting date: NIS 690 million (retained earnings accumulated in the last two years after deduction of the distribution in the period).

¹ The update is in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970, and includes material changes or developments that have occurred in the Company's business in any matter that must be described in the Periodic Report. The update refers to the Company's Periodic Report for 2024 and refers to the section numbers in Chapter A (Description of Company Operations) in that Periodic Report.

Section 1.5.4 – Main results and operational data

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

Financial data (NIS millions)	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenues	1,101	1,071	1,105	1,075	1,091
Operating profit	384	303	355	383	397
Depreciation and amortization	258	260	256	255	252
EBITDA ⁽¹⁾	642	563	611	638	649
Share in loss of an investee	3	2	3	3	-
Net profit	256	193	217	238	258
Cash flow from operating activities	553	626	589	491	748
Payments for investments in fixed assets and intangible assets and other investments	294	303	300	266	270
Proceeds from the sale of fixed assets and intangible assets	3	-	7	4	2
Lease payments	42	38	38	37	31
Free cash flow ⁽²⁾	220	285	258	192	449
Performance data					
Total number of internet lines at the end of the period (thousands) ⁽³⁾	1,477	1,479	1,486	1,486	1,489
Of which, the number of subscribers connected to the fiber network at the end of the period (thousands) ⁽⁶⁾	863	810	759	694	635
Of which, the number of internet lines at the end of the period – retail (thousands) ⁽³⁾	1,003	1,008	1,012	1,014	1,019
Of which, the number of subscribers connected to the fiber network at the end of the period – retail (thousands) ⁽³⁾	554	521	483	442	407
The number of internet lines at the end of the period – wholesale (thousands) ⁽³⁾	474	471	474	472	470
Of which, the number of subscribers connected to the fiber network at the end of the period – wholesale (thousands) ⁽³⁾	309	289	276	252	228
Monthly average revenue per internet subscriber (NIS) – retail (ARPU) ⁽⁵⁾	134	133	131	129	127
Deployment of fiber optic network at the end of the period (thousands of households available for connection) ⁽⁶⁾	2,671	2,571	2,448	2,312	2,191
Average package speed per internet subscriber - retail (Mbps) ⁽⁴⁾	572	526	483	430	382
No. of Be routers used by the Company's customers (thousands)	864	862	858	846	837
No. of Be Mesh and Be Spot range extenders for home Wi-Fi (thousands)	466	462	457	449	445
No. of active telephony subscriber lines at the end of the period (thousands) ⁽⁷⁾	1,366	1,383	1,397	1,409	1,419
Monthly average revenue per line (ARPL) (NIS) ⁽⁸⁾	31	31	32	33	33
Telephony churn rate ⁽⁹⁾	2.4%	2.3%	2.5%	2.1%	3.1%

- (1) EBITDA (earnings before interest, taxes, depreciation and amortization) is a financial measure that is not based on generally accepted accounting principles. The Company presents this as an additional 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 chapter Description of Company Operations for 2024.
- (2) Free cash flow is a financial measure that is not based on GAAP. Free cash flow is defined as cash from operating activities less cash for the 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 chapter Description of Company Operations for 2024.
- (3) The total number of internet lines includes retail and wholesale lines. Retail – direct internet lines provided directly by the Company. Wholesale – internet lines provided through a wholesale service to other communications providers.
- (4) For packages with a range of speeds, the maximum speed per package is taken into account.
- (5) Revenue from retail internet services is divided by the average number of retail customers in the period. For further information, see also section 7 of the chapter Description of Company Operations for 2024.
- (6) As at the publication date of the report, 2.718 million households are available for connection to the fiber optic network, of which, 885 thousand subscribers are connected to the fiber network (of which, 568 thousand retail and 317 thousand wholesale subscribers).
- (7) 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).
- (8) Calculated according to average number of lines for the period. For further information, see also section 7 of the chapter Description of Company Operations for 2024.
- (9) The number of telephony subscribers (gross) who left Bezeq Fixed-Line during the period divided by the average number of registered telephony subscribers in the period. For further information see also section 7 of the chapter Description of Company Operations for 2024.

Section 1.5.4.2 – Pelephone

Financial data (NIS millions)	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Total revenue	566	563	547	561	583
Of which: revenue from interconnect fees ⁽¹⁾	41	39	41	72	81
Total revenue less interconnect fees ⁽¹⁾	525	524	506	489	502
Revenue from services	401	394	406	420	416
Revenue from services less interconnect fees⁽¹⁾	360	355	365	348	335
Revenue from the sale of terminal equipment	165	169	141	141	167
Operating profit	44	42	52	55	40
Depreciation and amortization	140	145	135	134	138
EBITDA ⁽²⁾	184	187	187	189	178
Net profit	31	31	38	39	30
Cash flow from operating activities	175	153	212	161	122
Payments for investments in fixed assets, intangible assets, and other investments, net	84	76	65	82	82
Lease payments	96	55	58	52	79
Free cash flow ⁽²⁾	(5)	22	89	27	(39)
<u>Performance data</u>					
No. of postpaid subscribers at the end of the period (thousands) ⁽³⁾	2,265	2,257	2,251	2,228	2,213
Of which, 5G subscribers (thousands) ⁽³⁾	1,276	1,237	1,195	1,144	1,086
No. of prepaid subscribers at the end of the period (thousands) ⁽³⁾	366	376	388	387	398
No. of subscribers at the end of the period (thousands) ⁽³⁾	2,631	2,633	2,639	2,615	2,611
Monthly average revenue per user (ARPU) net of interconnect fees (NIS) ⁽¹⁾	45	45	46	44	43
Churn rate ⁽⁵⁾	6.2%	6.0%	5.8%	5.6%	6.5%

- (1) ARPU net of interconnect fees – The reform to change the interconnect fees regime, which was applied gradually from June 2023 and will continue until June 2025, results in a decrease in interconnect fees and a decrease in ARPU. Accordingly, Pelephone elected to present ARPU net of the revenue component from interconnect fees.
- (2) For the definition of EBITDA (earnings before interest, taxes, depreciation, and amortization) and free cash flow, see comments (1) and (2) in the Bezeq Fixed-Line table.
- (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 subscribers who use various services (such as data for vehicle media systems), with an average revenue that is significantly lower than for other subscribers. It should be noted that Pelephone markets packages with an increased usage volume adapted also for 5G requirements. Shortly before the publication date of the report, Pelephone has 1.298 million subscribers for such packages.
- (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 also section 7 of the chapter Description of Company Operations for 2024.
- (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 also section 7 of the chapter Description of Company Operations for 2024.

Section 1.5.4.3 – Bezeq International

Financial data (NIS millions)	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenues	273	285	270	261	289
Of which: revenue from private customers ⁽¹⁾	34	36	39	44	48
Operating profit (loss)	14	(67)	13	18	20
Depreciation and amortization	19	42	23	26	27
EBITDA (earnings (loss) before interest, taxes, depreciation, and amortization) ⁽²⁾	33	(25)	36	44	47
Net profit (loss)	11	(69)	11	18	18
Cash flow from operating activities	42	55	51	19	49
Payments for investments in fixed and intangible assets and other investments, net⁽³⁾	12	27	21	19	14
Lease payments	11	10	10	10	12
Free cash flow ⁽²⁾	19	18	20	(10)	23
<u>Performance data</u>					
Churn rate ⁽⁴⁾	6.3%	6.6%	9.8%	10.7%	8.0%

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

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

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

(4) The number of internet subscribers who left Bezeq International in the period, divided by the average number of registered internet subscribers in the period. For further information see also section 7 of the chapter Description of Company Operations for 2024.

Section 1.5.4.4 – yes

Financial data (NIS millions)	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenues	319	317	317	316	315
Operating profit (loss)	(3)	57	13	(12)	(18)
Depreciation, amortization, and continuing impairment losses	40	19	30	48	58
EBITDA ⁽¹⁾	37	76	43	36	40
Net profit (loss)	3	55	12	(5)	(13)
Cash flow from operating activities	75	(18)	55	46	93
Payments for investments in fixed and intangible assets and other investments, net	36	63	42	67	49
Lease payments	6	6	7	6	6
Free cash flow ⁽¹⁾	33	(87)	6	(27)	38
<u>Performance data</u>					
No. of television subscribers (thousands) ⁽²⁾⁽³⁾	561	562	563	567	571
Of which, IP subscribers ⁽⁴⁾	475	467	452	431	412
Of which, STING+ subscribers	146	139	132	129	124
Monthly ARPU from Television subscribers (NIS) ⁽⁵⁾	174	172	175	174	173
ARPU subscribers (NIS millions) ⁽⁵⁾	189	186	187	184	182
Churn rate ⁽⁶⁾	4.1%	3.8%	4.3%	3.9%	3.9%
No. of fiber network subscribers (thousands)⁽⁷⁾	85	73	64	55	46

- (1) For the definition of 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, 151 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 chapter Description of Company Operations for 2024)
- (4) As at the publication date of the report, 478 thousand television subscribers use yes+ and STING+ streamlining services, representing 85% of all yes television subscribers. The number and rate of IP subscribers include subscribers using satellite services as well.
- (5) ARPU is calculated by dividing the total revenue of yes (excluding revenue from the sale of content to external broadcasting entities, revenue from end equipment, and revenue from ISP) by the average number of relevant customers in the period. Monthly average revenue per customer is calculated by dividing the total revenue of yes (excluding revenue from the sale of content to external broadcasting entities and revenue from end equipment) by the average number of relevant customers in the period. For further information see also section 7 of the chapter Description of Company Operations for 2024.
- (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 also section 7 of the chapter Description of Company Operations for 2024.
- (7) As at the publication date of the report, 90 thousand subscribers are connected to the fiber network.

Section 1.6 – Forecast and goals

On May 11, 2025, the Company updated the Group's forecast for 2025, which was published in the Company's immediate report dated March 12, 2025, (the "Original Forecast"), based on the available information at that time, as follows:²

- The adjusted net profit³ for shareholders is expected to amount to Approx. NIS 1.32 billion (compared with NIS 1.2 billion in the Original Forecast).
- The adjusted EBITDA⁴ is expected to amount to Approx. NIS 3.75 billion (compared with NIS 3.7 billion in the Original Forecast).
- CAPEX⁵ is expected to amount to Approx. NIS 1.75 billion (the same as the Original Forecast).

The changes are mainly due to one-time accounting effects following the agreement signed between yes and Partner. Additionally, there is no change in the scope of the Company's fiber network deployment (reaching Approx. 2.9 million households), or in the Company's financial stability (maintaining a high credit rating within the AA group).

The above forecasts of the Company are forward-looking information, as defined in the Israel Securities Law. The Group's forecasts are based on the Company's assessments, assumptions, and expectations, and among other things, on the Group's assessments for the structure of competition in the telecommunication market and regulation in this sector, on the current economic situation, and accordingly, on the Group's ability to implement its plans for 2025, and taking note of changes that may occur in the foregoing, in business conditions and the effects of regulatory decisions, technology changes, or developments in the structure of the telecommunication market, or insofar as one or more of the risk factors listed in the Periodic Report for 2024 materialize. Moreover, the forecast may change depending on the duration, intensity, and scope of the Iron Swords war.

1.7.2 – Communication groups in the Israeli market and section 2.6.1 – Infrastructure – deployment

Regarding the holdings in IBC – To the best of the Company's knowledge, in May 2025, HOT and Israel Infrastructure Fund (IIF) received a binding offer from a corporation in The Phoenix Group to acquire their entire holdings in IBC. In this context, Cellcom (which is also a partner in IBC) is granted a right of first refusal and the right to join the sale of its holdings in IBC to the acquiring entity.

Section 1.7.3 – Regulatory supervision – the obligation of structural separation

Section 1.7.3.1 regarding cancellation of the structural separation – on April 8, 2025, the Ministry of Communications published its work plan for 2025, which outlined as a main task in the plan, among other things, the development of a policy review to assess regulatory provisions regarding structural separation for telecom companies. The plan also sets out a success metric of publication of a decision by the end of 2025.

Section 1.7.6 – Additional regulatory aspects relevant to the entire Group or several Group companies

On May 8, 2025, the Communications Regulations (Telecommunications and Broadcasts) (General Permit for the Provision of Telecommunications Services) (Amendment 2), 2025 (the "Amendment") was published, prohibiting authorized providers from charging a fee for payments made by a standing order to a private subscriber's bank account. The regulations further stipulate that an authorized provider may require a subscriber paying through a standing order to complete payment before receiving the service, in accordance with billing cycles offered to subscribers. The amendment will come into effect three months after the publication date and is expected to result in an insignificant loss of revenue in the Group companies.

Section 1.7.8 – Iron Swords War

For an update on this section, see section 1.5 in the Directors Report.

² For the adjusted net profit, adjusted EBITDA, and CAPEX forecast, the Company will report, to the extent required, deviations of $\pm 10\%$ or more from the information set out in the updated forecast.

³ Adjusted net profit and adjusted EBITDA – net of other operating expenses/income, one-time losses/gains from impairment/appreciation, and equity compensation plan expenses.

⁴ See footnote 3

⁵ CAPEX - payments (gross) for investment in fixed assets and intangible assets.

2. **Bezeq – domestic fixed-line communications**

Section 2.6.2 – The internet segment

Regarding the rate of the Company's end-to-end ISP customers out of the Company's retail customers – this rate is Approx. 88% as of March 31, 2025.

Section 2.7.2 – Infrastructure and domestic fixed-line communications equipment

Section 2.7.2.3 regarding the publication of a hearing by the Ministry of Communications on the policy principles for gradual copper switch off, on April 9, 2025, the Minister of Communications announced the adoption of the recommendations of the ministerial team to develop a plan for switching off the traditional copper networks of the Company and Hot, in favor of a full transition from copper to fiber infrastructure by 2030. Under the decision, the switch off will be in a number of stages as set out in the decision, a copy of which was attached to the Company's immediate report dated April 10, 2025, which is included in this report by way of a reference. The main stages are as follows:

- Stage A – exemption from copper deployment in areas of new construction
- Stage B – gradual switch off of the copper network; during the year, the requirement to connect new retail and wholesale subscribers to copper infrastructure will be eliminated in areas where a fiber network is available. Once 85% of users in a specific area receive fiber service, copper networks can be switched off with notice of at least three months.
- Stage C – from 2030 onwards, copper networks will be switched off in all areas where fiber optic infrastructure is available for every residential apartment, even if in certain areas, fewer than 85% of users receive fiber service, provided customers and wholesale service providers are given sufficient notice.

It should be noted that according to the decision (contrary to what was proposed at the hearing), communication infrastructure owners will only be required to install fiber cables underground if an entity, such as a local authority, initiates and finances excavation work for the underground installation. To implement the plan for copper switch off, the Ministry plans to amend the Communications Law and introduce provisions through secondary legislation or licenses under the law.

The Company anticipates that switching off the copper network will lead to reductions in the Company's ongoing costs and investments in the short term, amounting to tens of millions of shekels annually.

Section 2.13 – Financing

Regarding the shelf prospectus published by the Company on May 9, 2023 – In May 2025, the Israel Securities Authority approved an extension for offering securities under the shelf prospectus until May 9, 2026.

Section 2.13.6 – Credit rating

On May 5, 2025, Maalot reaffirmed the iIAA rating of the Company, Pelephone, and yes with a stable outlook and the iIAA rating for the Company's debentures. Additionally, on May 7, 2025, 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, 2025 and May 7, 2025, included in this report by way of reference, and section 3 in the Directors Report.

Section 2.16.5 – Wholesale market

Section 2.16.5.3 – Pricing of wholesale market services regarding the call for public comments issued by the Ministry of Communications on February 23, 2025, specifying that it was evaluating the extent of its intervention in BSA rates and seeking public comments to assess appropriate regulatory and supervisory measures aimed at expanding competition and reducing regulatory burdens – On March 23, 2025, the Company submitted an economic opinion and its response to the call for public comments, stating that the Israeli internet market is currently at a competitive balance, generating correct investment signals and positive vectors in all quantitative and qualitative metrics. Accordingly, this balance should be maintained and there should be no supervision in advance, and if no antitrust practices arise, retrospective supervision relying on antitrust laws will be sufficient.

Section 2.18 – Legal proceedings

Sections 1, 3, 4, 5, 6, and footnote 40 regarding civil legal proceedings that have been postponed at the request of the Attorney General due to ongoing related criminal proceedings – The proceedings have been delayed until May 8, 2025. In May 2025, an update and request were submitted in all proceedings on behalf of the Attorney General, stating that a stay of proceedings is no longer being sought. At the same time, the court was petitioned to instruct that the Attorney General is notified prior to the investigation stage, to allow her to consider her position, at the appropriate time, of whether a stay of proceedings is required in view of developments in the criminal proceedings concerning related party transactions (section 1.1.5.3 of the 2024 reports). Following this, in one proceeding (subsection f), a date was set for submitting responses to the motion, and in the other proceedings, a date was set for the parties to submit their positions regarding the necessity and outline for further investigation of the cases in preparation for the continuation of the proceedings.

Section J regarding a motion to certify a class action in which an increased amount was claimed for payment for a higher browsing speed that the class members were actually able to use – In April 2025, the court dismissed a significant part of the motion, approving it only in part. As a result, the class on whose behalf the class action would be conducted was narrowed to include only current customers of the Company who purchased a service package and relocated during the validity period of the internet package, where the infrastructure in their new residence is capable of providing a lower speed than the one they had paid for, from April 27, 2014 until the approval date of the motion to certify. The remedies claimed are restitution; compensation for non-monetary damages; and an injunction ordering the respondent to cease selling services that cannot be provided and to adjust its conduct for the future. In view of the partial approval of the motion, the claim ceased to be material to the Company's activities.

3. Pelephone – Cellular

Section 3.8.2 – Frequency usage rights

Section 3.8.2.2 regarding Pelephone's inventory of frequencies – The deployment of 800 MHz frequencies, originally planned for 2023, has not yet been carried out. Partial operation of these frequencies is expected in 2025-2026.

Section 3.10.1 – Suppliers of terminal equipment

Regarding Pelephone's material suppliers – Pelephone's agreement with Apple has been extended to March 2026.

Section 3.16.1 – Pending legal proceedings

Section G regarding two motions to certify class actions related to fees for payment of the cellular bill through a standing order – In March 2025, the court decided to consolidate the two motions with another motion filed on the same subject.

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

Section 4.12.1 – Pending legal proceedings

Section B regarding a motion to certify a class action on the grounds that Bezeq International allegedly fails to inform its customers as required of the possible risks in using the internet and the option of joining a free content filtering service – On April 29, 2025, a judgment was handed down approving withdrawal without compensation, in which the motion for certification was struck out and the lawsuit against Bezeq International was dismissed.

5. yes – multichannel television

Section 5.1.1 – Structure and changes to areas of operations

Footnote 65 – In April 2025, the temporary provision was extended to June 2025, according to which holders of television broadcasting licenses (in SD technology) and holders of radio broadcasting concessions are exempt from paying distribution fees.

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

In May 2025, as far as yes is aware, the Ministerial Committee for Legislation (the "Ministerial Committee") approved the draft of the Communications Law (Broadcasts), 2025, which includes changes compared with the memorandum published in 2023. As at the reporting date, as far as yes is aware, aside from the approval of the draft, no further legislative procedures have been advanced regarding the memorandum, and no official government bill has been published on the matter. At this stage, it is unclear which provisions of the memorandum (or the draft approved by the Ministerial Committee), if any, will be enacted into binding legislation, what its content and arrangements will be, and therefore at this stage, it is difficult to assess the effect of such legislation on the business operations of yes (if any).

Section 5.2.2 –ISP services

yes began receiving services from the Company (instead of Gilat), and as at the reporting date, these services are provided to most of yes ISP subscribers.

Section 5.10.3 – Bonuses and nature of employment agreements

In April 2025, yes, the Histadrut Israel National Labor Federation, and the employees' committee of yes signed an agreement to extend the collective agreement until December 31, 2025, which also anchored the additional agreements outlined in the memorandum of principles of February 2025.

Section 5.11.2 – Dependence on suppliers

Dependence on Gilat – In view of services received from the Company (see the update to section 5.2.2), the dependence has ended.

Section 5.12 – Financing

In May 2025, the Company approved a credit facility or yes equity investment in the amount of NIS 100 million for 15 months starting on April 1, 2025. This approval is instead of a similar approval given in March 2025 (and not in addition to it).

Section 5.15.2 – Agreement with Partner

In March 2025, yes received a letter from the Antitrust Authority regarding an application for exemption from approval of a restrictive arrangement between yes and Partner. According to the letter, based on the current review, the arrangement between yes and Partner includes restrictions that seemingly limit competition in a significant portion of the market affected by it, and they may have a substantial negative effect on competition in the market, based on several competitive aspects reviewed as part of the application for exemption. Accordingly, in the letter, the Antitrust Commissioner (the "Commissioner") noted that she is considering denying the application for exemption. yes believes that there is no basis for the concerns, and in April 2025 an oral hearing was held before the Commissioner.

Subsequently, and following the hearing and discussions with the Antitrust Authority regarding the application, in April 2025, an amendment to the agreement between yes and Partner was signed. The amendment to the agreement includes several revised arrangements. Among other things, according to the amendment to the agreement, yes will provide Partner with a license to use a dedicated audiovisual content application based on the Sting+ service operated by yes. Furthermore, yes will offer various services related to the application and grant a broadcasting rights for the content, as set out in the agreement and the amendment to the agreement. In view of the amendments, the amendment to the agreement further stipulated that the precondition in the agreement regarding obtaining the approval of the Antitrust Authority for completing and executing the agreement was waived, following an

independent self-assessment by each of the parties. It was further established that the other precondition set out in the agreement regarding the receipt of the approvals required for yes to fulfill its obligations under the agreement has been satisfied. Therefore, the agreement entered into effect when the amendment to the agreement was signed. In addition, under the amendment to the agreement, the commercial launch date will take effect within four to six months after it is signed, and Partner may extend the Agreement for an additional year (in addition to the one-year extension set out in the agreement).

Furthermore and in accordance discussions for the amendment to the agreement, yes and Partner withdrew the Application for an Exemption.

Following further negotiations with the Antitrust Authority, in May 2025, the parties signed an additional amendment to the agreement, which, among other things, redefines the terms of joint content procurement through yes and updates the licensing terms for the dedicated application.

The Company and yes believe that the agreement is not expected to have a material contribution to the business activity of Bezeq Group. It should be further noted that the Company and yes believe that the agreement will have a one-time material positive accounting effect, which will be reflected in the Company's financial statements for the second quarter of 2025. For further information see also Note 15.4 to the Financial Statements.

The information regarding the commercial launch date, and estimates of the implications of the accounting on the contribution of the business activity of Bezeq Group is forward-looking information, as this term is defined in the Israel Securities Law, which may not materialize or may materialize in a way that is materially different than anticipated, depending, among other things, on the variables set out above, including due to factors beyond the control of yes and how the agreement is implemented by the parties.

Section 5.16.1 – Pending legal proceedings

Section E regarding the claim filed against yes on the grounds that yes allegedly breaches its obligations towards its customers who subscribed to the yes Unlimited plan – In April 2025, a judgment was handed down that approved the applicant's withdrawal from the motion, while deleting it and awarding compensation and legal fees to the applicant and his attorney.

May 19, 2025

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 March 31, 2025

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 Telecommunication Corporation Ltd. (the "Company") and the consolidated Group companies (the Company and the consolidated companies, jointly – the "Group") for the quarter ended March 31, 2025.

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, 2024 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 by 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 entering the electricity supply sector see Note 12.6 to the annual financial statements.

The communications market is fiercely competitive with communications 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 communication
2. Cellular communications
3. ISP, international telecommunications and NEP services and ICT solutions ("Bezeq International Services")
4. Multichannel television

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

For further information concerning the Company's operations, including in the first quarter of 2025, see Chapter 1 - Update of Chapter A (Description of the Company's Business) to the Periodic Report for 2024.

Breakdown of the Group's results:

	1-3.2025	1-3.2024	Change	
	NIS million		NIS million	%
Net profit	303	295	8	2.7
Adjusted net profit¹	319	299	20	6.7
EBITDA¹	897	912	(15)	(1.6)
Adjusted EBITDA¹	914	917	(3)	(0.3)
Free cash flow¹	262	468	(206)	(44.0)

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

For further information see section 1.2 below.

Non-GAAP based financial measures

As at the reporting date, the Group's management uses non-GAAP financial performance 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 to indices similarly designated 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 less other operating expenses/income, net after tax, and non-recurring losses/gains from impairment/appreciation after tax, and equity compensation plan expenses. The metric 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 metric 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 net of other operating expenses/income, one-time losses/gains from impairment/appreciation, and equity compensation plan expenses. The metric allows comparison of operating performance of various periods by adjusting the effects of irregular non-recurring expenses/income.
Free cash flow	Cash from operating activities less cash for the purchase/sale of fixed assets and intangible assets, net, and from 2018, with the application of IFRS 16, lease payments are also deducted. Free cash flow serves as a measure 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.

Breakdown of the calculation of these indices:

	1-3.2025	1-3.2024
	NIS million	
Adjusted net profit		
Net profit	303	295
Net of other operating expenses, net after tax	12	-
Net of expenses for equity based compensation	4	4
Adjusted net profit	319	299

EBITDA and adjusted EBITDA		
Operating profit	441	439
Net of depreciation, amortization and impairment	456	473
EBITDA	897	912
Net of other operating expenses, net	13	1
Net of expenses for equity based compensation	4	4
Adjusted EBITDA	914	917

Free cash flow		
Net cash from operating activities	831	1001
Net of cash for purchase/sale of fixed assets and intangible assets, net	(416)	(407)
Net of lease payments	(153)	(126)
Free cash flow	262	468

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

	March 31				Explanation
	2025	2024	Change		
	NIS million			%	
Cash and current investments	2,974	3,340	(366)	(11.0)	For further information see section 1.3 below.
Current and non-current trade and other receivables	2,055	2,158	(103)	(4.8)	The decrease is mainly due to classification of trade receivables to the 'Assets of a disposal group classified as held for sale' category due to the Company's engagement in an agreement to sell all of its holdings in the subsidiary, Bezeq Online, and decrease in trade receivables in the domestic fixed-line communications segment.
Inventory	141	118	23	19.5	The increase is due to the cellular communications sector, mainly from stocking up of inventory for launching of new devices.
Assets of a held for sale disposal group	83	-	83	-	Classification of Bezeq Online assets due to the Company's engagement in an agreement for the sale of all of its holdings in the subsidiary. The transaction was completed on April 17, 2025, see Note 15.3 to the financial statements.
Right-of-use assets	1,774	1,761	13	0.7	
Fixed assets	7,241	6,928	313	4.5	The increase is mainly from the domestic fixed-line communications segment, among other things, due to the progress of the fiber deployment project and from the multi-channel television segment and the cellular communications segment.
Intangible assets	945	939	6	0.6	
Deferred expenses and non-current investments	366	305	61	20.0	The increase is mainly the result of an increase in broadcasting rights in the multi-channel television segment due to investments in content and decrease in impairment losses and the Company's investment in BezeqGen Ltd.
Total assets	15,579	15,549	30	0.2	

1.1 Financial position (contd.) - Liabilities and equity

	March 31		Change		Explanation
	2025	2024		%	
	NIS million				
Debt to financial institutions and debenture holders	7,662	8,059	(397)	(4.9)	The decrease in the debt is mainly due to repayment of debentures and loans, in accordance with repayment schedules, offsetting the issue of debentures by way of expansion of Series 13 and 14 in December 2024 in the domestic fixed-line communications segment.
Lease liabilities	1,947	1,922	25	1.3	
Trade and other payables	1,995	2,111	(116)	(5.5)	The decline is mainly due to a decrease in current tax liabilities and trade payables in the domestic fixed-line communications segment.
Employee benefits	701	594	107	18.0	The increase is mainly due to an increase in provisions in 2024 with respect to early retirement and voluntary redundancy in the Group and for severance compensation, leave and sick pay in the domestic fixed-line communications segment, offsetting payments for employee resignations.
Provisions	120	115	5	4.3	
Liabilities of a held for sale disposal group	34	-	34	-	Classification of Bezeq Online liabilities due to the Company's engagement in an agreement for the sale of all of its holdings in the subsidiary, Bezeq Online, see Note 15.3 to the financial statements.
Deferred tax liabilities	52	76	(24)	(31.6)	
Derivatives and other liabilities non-current liabilities	261	173	88	50.9	The increase was due to an increase in long-term prepaid revenue in the domestic fixed-line communications segment mainly due to a long-term agreement for the provision of infeasible right of use (IRU) for BSA fiber (wholesale market) with Partner Communications Ltd.
Total liabilities	12,772	13,050	(278)	(2.1)	
Total equity	2,807	2,499	308	12.3	Equity constitutes 18.0% of the total balance sheet compared to 16.1% of the total balance sheet as at March 31, 2024. The increase in capital is due to profits offsetting the distribution of dividends.
Total liabilities and equity	15,579	15,549	30	0.2	

1.2 Operating results

1.2.1 Highlights

	March 31				Explanation
	2025	2024	Change		
	NIS million			%	
Revenues	2,235	2,255	(20)	(0.9)	The decrease is due to, among other things, the decrease in interconnect rates. For further information see section 1.2.2 below.
General operating expenses	829	856	(27)	(3.2)	Expenses were affected by the decrease in interconnect fees paid to communications operators due to the rate reduction since June 2024, mainly in the cellular communications segment. For further information see section 1.2.2 below.
Salaries	496	486	10	2.1	The increase is mainly attributable to the domestic fixed line communications segment. For further information see section 1.2.2 below.
Depreciation, amortization, and impairment	456	473	(17)	(3.6)	The decline is mainly due to a decrease in amortization for impairment of assets in yes.
Other operating expenses, net	13	1	12	-	The increase is due to, among other things, expenses incurred for a performance based bonus for employees in the multi-channel television segment. For further information, see Note 10 to the financial statements.
Operating profit	441	439	2	0.5	
Financing expenses, net	45	46	(1)	(2.2)	For further information, see Note 11 to the financial statements.
Share in losses of investees, net	3	-	3	-	As of the second quarter of 2024 the Company records its share in the net operating results of BezeqGen in its financial statements.
Profit before income tax	393	393	-	-	
Income tax	90	98	(8)	(8.2)	
Net profit for the period	303	295	8	2.7	

1.2.2 Operating segments

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

	1-3.2025		1-3.2024	
	NIS million	% of total revenues	NIS million	% of total revenues
Revenue by operating segment				
Domestic fixed-line communications	1,101	49.3	1,091	48.4
Cellular communications	566	25.3	583	25.9
Bezeq International services	273	12.2	289	12.8
Multichannel television	319	14.3	315	13.9
Others and adjustments	(24)	(1.1)	(23)	(1.0)
Total	2,235	100	2,255	100

	1-3.2025		1-3.2024	
	NIS million	% of segment revenues	NIS million	% of segment revenues
Operating profit (loss) by operating segment				
Domestic fixed-line communications	384	34.9	397	36.4
Cellular communications	44	7.8	40	6.9
Bezeq International services	14	5.1	20	6.9
Multichannel television (proforma) ²	(20)	(6.3)	(19)	(6.0)
Others and adjustments	19	-	1	-
Consolidated operating profit / % of the Group's revenues	441	19.7	439	19.5

(2) Results of the multichannel television segment are presented net of the total impairment recognized beginning in 2018. This is in accordance with the way the Group's chief operating decision maker assesses the segment's performance and decides on the allocation of resources for the segment. In addition, see Note 14.3 for selected condensed information from the financial statements of yes.

1.2.2 Operating segments (contd.)

B. Domestic fixed line communications

	1-3.2025	1-3.2024	Change		Explanation
	NIS million			%	
Revenues from internet services	505	501	4	0.8	The increase is due to an increase in the retail ARPU, which is mainly due to an increase in the number of fiber network subscribers, offset by a decrease in wholesale market revenues, among others, as a result of the decrease in duct access rates as of April 1, 2024.
Fixed line telephony revenue	128	143	(15)	(10.5)	The decrease is due to lower average revenue per telephone line (ARPL), mainly as a result of the reduction of interconnect rates since June 2024, as well as a decrease in traffic volume. There has also been a decrease in the number of lines.
Revenue from data and other transmission and communications	381	360	21	5.8	The increase is mainly due to an increase in revenue from paid for work and from an increase in data transmission and communication services for businesses, offset by a decrease in revenue from ISP transmission due to subscriber churn to the company following the end-to-end ISP reform.
Revenue from cloud and digital services	87	87	-	-	
Total revenue	1,101	1,091	10	0.9	
General operating expenses	188	183	5	2.7	The increase is mainly due to an increase in subcontractor expenses and expenses for doubtful debts, offset by a decrease in interconnect payments to communications operators following the forgoing reduction in rates.
Salaries	267	260	7	2.7	The increase is mainly due to salary revisions and a decrease in National Insurance reimbursement for reserve duty benefits due to the effect of the war, offset by employee resignations.
Depreciation and amortization	258	252	6	2.4	
Other operating expenses (income), net	4	(1)	5	-	The increase is due to an increase in provision expenses for legal claims.
Operating profit	384	397	(13)	(3.3)	
Financing expenses, net	46	52	(6)	(11.5)	
Share in loss of an investee	3	-	3	-	As of the second quarter of 2024 the Company records its share in the net operating results of BezeqGen in its financial statements.
Income tax	79	87	(8)	(9.2)	
Segment profit	256	258	(2)	(0.8)	

1.2.2 Operating segments (contd.)

C. Cellular communications

	1-3.2025	1-3.2024	Change		Explanation
	NIS million			%	
Revenue from services less interconnect fees³	360	335	25	7.5	The increase is mainly due to an increase in postpaid revenue resulting from growth in the number of subscribers, including subscribers to 5G packages. In addition, there was an increase in revenue from roaming services as a result of the effects of the war and an increase in content revenue.
Interconnect revenue³	41	81	(40)	(49.4)	The decrease was mainly due to a reduction in interconnect fees.
Sale of terminal equipment	165	167	(2)	(1.2)	
Total revenue	566	583	(17)	(2.9)	
General operating expenses	296	316	(20)	(6.3)	The decrease is mainly due to a decrease in interconnect expenses (parallel to the decrease in revenue). This decrease was partially offset by an increase in terminal equipment costs and an increase in frequency fee costs due to the cancellation of discounts granted up to the end of 2024.
Salaries	85	83	2	2.4	The increase is mainly due to an increase with respect to the effects of the collective agreement. This increase was offset due to the decrease in number of employees and utilization of leave.
Depreciation and amortization	140	138	2	1.4	
Other operating expenses, net	1	6	(5)	(83.3)	The decrease is mainly due to a decrease in lawsuit expenses and employee resignation expenses.
Operating profit	44	40	4	10.0	
Financing expenses, net	3	-	3	-	The increase is mainly due to an increase in financing costs of leasing liabilities and an increase in expenses for exchange rate differentials in view of the appreciation of the USD exchange rate.
Income tax expenses	10	10	-	-	
Segment profit	31	30	1	3.3	

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

1.2.2 Operating segments (contd.)

D. Bezeq International services

	1-3.2025	1-3.2024	Change		Explanation
	NIS million			%	
Revenues	273	289	(16)	(5.5)	The decrease is due to a decrease in ISP revenue in the private sector as a result of a decrease in the number of subscribers following the ISP regulatory reform and a decrease in revenue from equipment and licensing sales and from internet services in the business sector. This decrease was offset by an increase in revenue from cloud operations.
Operating and general expenses and impairment	185	193	(8)	(4.1)	The decrease is mainly due to a decrease in expenses for the use of internet infrastructure in view of the decrease in operations in this segment, a decrease in expenses for equipment and licensing, as well as a decrease in ISP expenses for businesses. This decrease was partially offset mainly due to an increase in cloud services costs.
Salaries	55	53	2	3.8	The increase is mainly due to an increase in salaries at the subsidiary, CloudEdge, offsetting a decrease in salaries at Bezeq International as a result of the ongoing downsizing of its headcount.
Depreciation, amortization, and impairment	19	27	(8)	(29.6)	The decrease is due to a decrease in impairment losses as a result of a decrease in investments compared with the corresponding quarter and a decrease in current depreciation expenses.
Other operating income, net	-	(4)	4	(100.0)	The change is due to recording of income in the corresponding quarter for an amendment to the service farm leasing agreement (Bnei Zion), offsetting a decline in expenses for a provision for legal claims.
Operating profit	14	20	(6)	(30.0)	
Financing expenses, net	3	2	1	50.0	
Segment profit	11	18	(7)	(38.9)	

1.2.2 Operating segments (contd.)

E. Multichannel television (proforma) ⁴

	1-3.2025	1-3.2024	Change		Explanation
	NIS million			%	
Revenues	319	315	4	1.3	The increase is mainly due to an increase in revenue from combined television and fiber bundles.
General operating expenses	227	225	2	0.9	The change is mainly due to an increase in fiber operations costs which were mainly offset by a decrease in costs of collaborations with international content providers and satellite costs.
Salaries	44	47	(3)	(6.4)	The decrease is mainly due to an increase in salary capitalizations.
Depreciation and amortization	60	62	(2)	(3.2)	
Other operating expenses, net	8	-	8	100	Mainly for recording of expenses with respect to performance based bonuses for employees due to the Bezeq control change.
Operating loss	(20)	(19)	(1)	5.3	
Financing income, net	(6)	(5)	(1)	20.0	
Segment loss	(14)	(14)	-	-	

- (4) Results of the multichannel television segment are presented net of the total impairment recognized beginning in 2018. This, in accordance with the way the Group's COO assesses the performance of the segment and at the same time, the decisions made concerning the allocation of resources for the segment. For further information, see Notes 5.1 and 13 to the financial statements. In addition, see Note 14.3 to the financial statements for selected condensed information from the financial statements of yes and the table below:

yes Results - Comparison between Accounting Profit & Loss and Proforma Profit & Loss

	1-3.2025		1-3.2024	
	<u>Accounting profit or loss</u>	<u>Proforma profit or loss</u>	<u>Accounting profit or loss</u>	<u>Proforma profit or loss</u>
	NIS million			
Revenues	319	319	315	315
General operating expenses	227	227	227	225
Salaries	47	44	48	47
Depreciation and amortization	40	60	58	62
Other operating expenses	8	8	-	-
Operating Loss	(3)	(20)	(18)	(19)
Financing income, net	(6)	(6)	(5)	(5)
Profit (loss) for the period	3	(14)	(13)	(14)

1.3 Cash flows

	1-3.2025	1-3.2024	Change		Explanation
	NIS million			%	
Net cash flow from operating activities	831	1,001	(170)	(17.0)	The decrease in net cash flows from current operations is mainly due to income tax paid in the current quarter compared to receipt of a tax rebate in the corresponding quarter in the domestic fixed-line communications segment.
Net cash used in investing activities	(720)	(1,406)	686	(48.8)	The decrease in net cash flows used in investing activities is due to a decrease in net investment in bank deposits and other financial investments in the domestic fixed line communications segment.
Net cash from (used for) financing activities	(178)	939	(1,117)	-	The corresponding quarter included the issue of debentures and receipt of loans in the domestic fixed-line communications segment.
Net increase (decrease) in cash	(67)	534	(601)	-	

Average volume in the reporting quarter

Long-term liabilities (including current maturities) to financial institutions and debenture holders: NIS 7,654 million

Supplier credit: NIS 985 million; Short-term customer credit: NIS 1,411 million; Long-term customer credit: NIS 241 million

Working capital

The Group's surplus working capital as at March 31, 2025, amounted to NIS 796 million, compared with surplus working capital in the amount of NIS 1,138 million as at March 31, 2024.

As at March 31, 2025, the Company has (based on its separate financial information) surplus working capital in the amount of NIS 963 million, compared with working capital surplus in the amount of NIS 1,168 million as at March 31, 2024.

The decrease in surplus working capital in the Group and the Company is mainly due to a decrease in cash and cash equivalents balances.

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

As noted in Note 30.5.1 to the annual financial statements, changes in the rate of inflation affect the Group's profitability and its future cash flows, mainly due to its CPI-linked liabilities. The Group implements a policy for reduction and partial hedging of exposure to the CPI and 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 three months ended March 31, 2025, the CPI increase was reflected in financing expenses for the Group's financial debt amounting to NIS 7 million (NIS 10 million after hedging). It is noted that the effect of the CPI increase on the Group's operating results was immaterial. Furthermore, it should be noted that there has been no change in the Bank of Israel interest rate in this period.

Based on the volume of the Group's CPI linked debt as at March 31, 2025, every 1% increment in the CPI is expected to cause an increase of NIS 24 million in the Group's financing expenses (NIS 15 million after hedging).

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

1.5 Armed conflict – Swords of Iron war

Since October 7, 2023, the State of Israel has been in a state of war of varying intensity, mainly in the Gaza Strip area and the northern border region. The war created various effects on the Group's companies which were reflected on the one hand by a decrease in cell phone roaming and the cancellation or suspension of business lines within the affected war zone and on the other hand, especially in the early stages of the war, by an increase in demand for some of the services. Moreover, upon the outbreak of the war, employees were called up to reserve duty and there was a decrease in contractor operations, resulting in a slowdown in deployment and installation of the Company's network, which later went back to its regular level. Several regulatory measures were also legislated as part of the State of Israel's management of the war, including legislation of a law for deferral of payment dates for eligible persons and relief for telephone call charges, including calls related to online studies. It should be noted that some of the Group companies initiated lowering of charges for customers of the communities in the Gaza Strip and northern border areas.

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

To date, the effects of the war and its consequences as described above have not had a material effect on the Group's activities and business results. The Group's liquidity and financial position also allow it to function well during this period. The consequences of the war and possible indirect impacts on the state of the Israeli economy and market and on the Group companies cannot be anticipated and depend, among other things, on how the war will develop, taking into account its continuance, and the possibility of a slowdown in the economy. In this context, attention is also drawn to the relevant risk factors listed in Chapter A (Description of the Company's Operations) to the 2024 Periodic Report (sections 2.20.11, 2.20.15, 3.19.2.9, 4.14.8, 5.18.1.2, and 5.18.1.4).

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

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 drew attention to these claims in their opinion on the financial statements.

2.2 Significant Events in and Subsequent to the Date of the Financial Statements

For further information concerning material events in the reporting period and subsequent to the date of the financial statements, including the agreement between yes and Partner Communications Ltd., see Note 15 to the financial statements.

3. Information about a debenture series

On May 5, 2025, Maalot rating agency reiterated the iIAA rating of the Company with stable outlook and the iIAA rating for the Company's debentures (see immediate report dated May 5, 2025, Ref. No. 2025-01-031386).

Similarly, on May 7, 2025, Midroog rating agency reiterated the Aa2.il rating for the Company and for its debentures, with stable outlook (see immediate report dated May 7, 2025, Ref. No. 2025-01-032132).

4. Miscellaneous

For further information concerning the liabilities of the Company and the companies consolidated in its financial statements as at March 31, 2025, see the reporting form posted by the Company on the MAGNA website on May 20, 2025.

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

Tomer Raved
Chairman of the board of directors

Nir David
CEO

Signed on: May 19, 2025

Chapter C

Condensed Consolidated Interim Financial Statements as at March 31, 2025 (Unaudited)

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.



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**Auditors' Review Report to the Shareholders of
Bezeq - The Israel Telecommunication Corporation Ltd.**

Introduction

We have reviewed the accompanying financial information of Bezeq -The Israel Telecommunication Corporation Ltd. and its subsidiaries (hereinafter – “Group”) comprising the condensed consolidated interim statement of financial position as of March 31, 2025 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period 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 this interim period 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 this interim period 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 Note 1.2 of the financial information, which refers to that stated in Note 1.3 to the annual consolidated financial statements, regarding the Israel Securities Authority’s (ISA) and the Israel Police investigation. As stated in the above note, the Company is unable to assess the effects of the investigations, their findings and their results on the Company, and on the financial statements and on the estimates used in the preparation of these financial statements, if any.

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

Somekh Chaikin

Certified Public Accountants (Isr.)

May 19, 2025

Condensed Consolidated Interim Statements of Financial Position

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
Assets	NIS million	NIS million	NIS million
Cash and cash equivalents	724	1,097	784
Investments	2,250	2,243	1,917
Trade receivables	1,427	1,494	1,395
Other receivables	220	216	172
Inventory	141	118	162
Assets of a held for sale disposal group (Note 15.3)	83	-	83
Total current assets	4,845	5,168	4,513
Trade and other receivables	408	448	410
Right-of-use assets	1,774	1,761	1,762
Fixed assets	7,241	6,928	7,160
Intangible assets	945	939	948
Deferred expenses and non-current investments	366	305	368
Total non-current assets	10,734	10,381	10,648
Total assets	15,579	15,549	15,161

Condensed Consolidated Interim Statements of Financial Position (Contd.)

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	NIS million	NIS million	NIS million
Debentures, loans, and borrowings	1,124	1,074	1,123
Current maturities of lease liabilities	417	418	438
Trade and other payables	1,995	2,111	1,935
Employee benefits	389	341	400
Provisions	90	86	84
Liabilities of a held for sale disposal group (Note 15.3)	34	-	34
Total current liabilities	4,049	4,030	4,014
Debentures and loans	6,538	6,985	6,523
Lease liabilities	1,530	1,504	1,530
Employee benefits	312	253	300
Derivatives and other liabilities	261	173	214
Provisions	30	29	30
Deferred tax liabilities	52	76	46
Total non-current liabilities	8,723	9,020	8,643
Total liabilities	12,772	13,050	12,657
Equity attributable to shareholders of the Company			
Share capital	3,883	3,879	3,882
Share premium	396	387	393
Reserves	404	403	407
Deficit	(1,878)	(2,171)	(2,180)
Total equity attributable to shareholders of the Company	2,805	2,498	2,502
Noncontrolling interests	2	1	2
Total equity	2,807	2,499	2,504
Total liabilities and equity	15,579	15,549	15,161

Tomer Raved
Chairman of the board of
directors

Nir David
CEO

Yohai Benita
Bezeq Group CFO

Approval date of the financial statements: May 19, 2025

Condensed Consolidated Interim Statements of Income				
	Note	Three months ended March 31		Year ended December 31
		2025	2024	2024
		(Unaudited)	(Unaudited)	(Audited)
		NIS million	NIS million	NIS million
Revenues	8	2,235	2,255	8,884
Operating expenses				
General operating expenses*	9	829	856	3,257
Salaries		496	486	1,932
Depreciation, amortization, and impairment losses*		456	473	1,844
Other operating expenses, net	10	13	1	199
Total operating expenses		1,794	1,816	7,232
Operating profit		441	439	1,652
Financing expenses (income)				
Financing expenses		105	97	446
Financing income		(60)	(51)	(196)
Financing expenses, net	11	45	46	250
Profit after financing expenses, net		396	393	1,402
Share in loss of an investee		3	-	8
Profit before income tax		393	393	1,394
Income tax		90	98	321
Total profit for the period		303	295	1,073
Profit for the period attributable to shareholders of the Company		303	295	1,072
Profit for the period attributable to holders of noncontrolling interests		-	-	1
Earnings per share (NIS)				
Basic and diluted earnings per share		0.11	0.11	0.39

For information about the impairment loss recognized by yes and Bezeq International in the reporting period, see Note 5.

Condensed Consolidated Interim Statements of Comprehensive Income

	Three months ended		Year ended
	March 31		December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Net profit for the period	303	295	1,073
Remeasurement of a defined benefit plan, net of tax – not to be reclassified to profit or loss	(1)	-	(5)
Additional items of other comprehensive income (loss) for hedging, net of tax – to be carried to profit or loss	(3)	3	(1)
Total comprehensive income for the period	299	298	1,067
Total comprehensive income for the period attributable to the Company's shareholders	299	298	1,066
Total comprehensive income for the period attributable to holders of noncontrolling interests	-	-	1

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Share premium	Capital reserve for transactions between a corporation and a controlling shareholder	Capital reserve for employee options	Other reserves	Deficit	Total	Noncontrolling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Attributable to shareholders of the Company									
Three months ended March 31, 2025 (unaudited)									
Balance as at January 01, 2025	3,882	393	390	56	(39)	(2,180)	2,502	2	2,504
Profit for the period	-	-	-	-	-	303	303	-	303
Other comprehensive income for the period, net of tax	-	-	-	-	(3)	(1)	(4)	-	(4)
Total comprehensive income for the period	-	-	-	-	(3)	302	299	-	299
Transactions with shareholders recognized directly in equity									
Share-based payments	-	-	-	4	-	-	4	-	4
Exercise of options for shares	1	3	-	(4)	-	-	-	-	-
Balance as at March 31, 2025	3,883	396	390	56	(42)	(1,878)	2,805	2	2,807
Three months ended March 31, 2024 (unaudited)									
Balance as at January 01, 2024	3,879	387	390	44	(38)	(2,466)	2,196	1	2,197
Profit for the period	-	-	-	-	-	295	295	-	295
Other comprehensive income for the period, net of tax	-	-	-	-	3	-	3	-	3
Total comprehensive income for the period	-	-	-	-	3	295	298	-	298
Transactions with shareholders recognized directly in equity									
Share-based payments	-	-	-	4	-	-	4	-	4
Balance as at March 31, 2024	3,879	387	390	48	(35)	(2,171)	2,498	1	2,499

Condensed Consolidated Interim Financial Statements as at March 31, 2025 (Unaudited)

	Share capital	Share premium	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
Attributable to shareholders of the Company									
Year ended December 31, 2024 (audited)									
Balance as at December 31, 2023	3,879	387	390	44	(38)	(2,466)	2,196	1	2,197
Profit for 2024	-	-	-	-	-	1,072	1,072	1	1,073
Other comprehensive income (loss) for the year, net of tax	-	-	-	-	(1)	(5)	(6)	-	(6)
Total comprehensive income (loss) for 2024	-	-	-	-	(1)	1,067	1,066	1	1,067
Transactions with shareholders recognized directly in equity									
Dividend to the Company's shareholders	-	-	-	-	-	(781)	(781)	-	(781)
Share-based payment	-	-	-	21	-	-	21	-	21
Exercise of options for shares	3	6	-	(9)	-	-	-	-	-
Balance as at December 31, 2024	3,882	393	390	56	(39)	(2,180)	2,502	2	2,504

Condensed Consolidated Interim Statements of Cash Flows

	Three months ended		Year ended
	March 31		December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Cash flow from operating activities			
Profit for the period	303	295	1,073
Adjustments:			
Depreciation, amortization, and impairment loss	456	473	1,844
Capital gain, net	(5)	(2)	(17)
Financing expenses, net	57	49	269
Share in loss of an investee	3	-	8
Impairment loss of a held for sale disposal group	2	-	9
Share-based payment	4	4	21
Income tax expenses	90	98	321
Change in trade and other receivables	(85)	(65)	67
Change in inventory	15	(44)	(109)
Change in trade and other payables	163	163	147
Change in provisions	6	(2)	(5)
Change in employee benefits	(1)	11	115
Miscellaneous	1	13	(53)
Net income tax paid (received)	(178)	8	(244)
Net cash from operating activities	831	1,001	3,446
Cash flow used in investing activities			
Purchase of fixed assets	(325)	(312)	(1,356)
Investment in intangible assets and deferred expenses	(94)	(98)	(390)
Investment in bank deposits and other financial investments	(568)	(1,222)	(2,045)
Proceeds from repayment of bank deposits and other financial investments	257	200	1,381
Proceeds from the sale of fixed assets	3	3	16
Government grant for frequencies	-	-	4
Interest received from bank deposits	17	23	90
Investment in an investee	(11)	-	(10)
Miscellaneous	1	-	8
Net cash used in investing activities	(720)	(1,406)	(2,302)
Cash flow for financing activities			
Issue of debentures and receipt of loans	-	1,084	1,648
Repayment of debentures and loans	-	-	(1,071)
Payments of principal and interest for leases	(153)	(126)	(449)
Interest paid	(25)	(19)	(249)
Dividend paid	-	-	(781)
Proceeds for expired hedging transactions	-	-	7
Net cash from (used in) financing activities	(178)	939	(895)
Increase (decrease) in cash and cash equivalents	(67)	534	249
Cash and cash equivalents at beginning of period	784	563	563
Change in cash balances held for sale	7	-	(28)
Cash and cash equivalents at end of period	724	1,097	784

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 consolidated financial statements of the Company as at March 31, 2025 include those of the Company and its subsidiaries (jointly – the “Group”). The Group is a major provider of communications services in Israel (see also Note 13 – Segment Reporting).

1.2 Investigations by the Israel Securities Authority and Israel Police

Regarding the indictment against the former controlling shareholder of the Company and former senior officers of Bezeq Group – In May 2025, a conditional arrangement was published to halt proceedings under Section B of Chapter 9.1 of the Israel Securities Law, between the state and Ron Eilon, under which Ron Eilon admitted to facts concerning the increase in the free cash flow of yes in 2016.

For information about 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.

As set out in Note 1.3.3 to the Annual Financial Statements, the Company still does not have complete information about the investigations, their content, the material, and the evidence in the possession of the law enforcement authorities. Accordingly, the Company is unable to assess any effects of the investigations, their findings, and their outcome on the Company, on the financial statements, and on the estimates used in the preparation of the financial statements.

2. Basis of Preparation

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

2.2 The condensed consolidated interim financial statements do not contain all the information required in full annual financial statements, and they should be read in the context of the annual financial statements of the Company and its subsidiaries as at December 31, 2024 and the year then ended, and their accompanying notes (the “Annual Financial Statements”). The notes to the consolidated interim financial statements include only the material changes that have occurred from the date of the most recent Annual Financial Statements until the date of these consolidated interim financial statements.

2.3 The condensed consolidated interim financial statements were approved by the board of directors on May 19, 2025.

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 consistent with the policy applied in the Annual Financial Statements.

4. Group Entities

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

For information about the completion of the sale of Bezeq Online, see Note 15.3 below.

4.1 yes Television and Communication Services Ltd. (yes)

4.1.1 As at March 31, 2025, based on the statements of yes, equity amounts to NIS 129 million and the working capital deficit amounts to NIS 261 million. According to the forecasts of yes, it expects to accumulate operating losses in the coming years and therefore it will be unable to meet its obligations and to continue operating as a going concern without the Company's support.

On May 19, 2025, the Company's board of directors approved a credit facility or capital investment for yes in the amount of NIS 100 million, for 15 months starting from April 1, 2025 until June 30, 2026, instead of a similar undertaking in March 2025. It should be noted that to date, in 2025, yes has not made any use of the credit facilities provided by the Company.

The management of yes believes that the financial resources at its disposal, which include 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 impairment of assets recognized by yes in the financial statements as at March 31, 2025.

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 March 31, 2025.

5. Impairment

5.1 Impairment in the multichannel television segment (yes)

Further to Note 10.5 to the Annual Financial Statements regarding impairment recognized at yes in 2024, the valuation as at December 31, 2024 presented a value in use that is significantly lower than the carrying amount of yes.

Based on the valuation prepared by an external appraiser on March 31, 2025 and the assessment of the management of yes, it was found that in the three months since the previous valuation, there have been no changes in the period that could indicate a material change requiring a revision of the forecasts of yes that were used in preparing the valuation as at December 31, 2024.

The enterprise value as at March 31, 2025, taking into account the effect of bringing forward the timing and the timing differences in working capital, is positive and amounts to NIS 61 million. The nominal capital price used in the valuation is 11% (after tax) and a terminal growth rate of 1% was assumed. Therefore, yes impaired its assets as at March 31, 2025, up to the higher of: value in use, net fair value or zero, of these assets.

Based on the valuation of the enterprise value of yes, carried out by an external appraiser as at March 31, 2025, the carrying amount of the depreciable assets is NIS 37 million higher than the value of its assets. Accordingly, in the three months ended March 31, 2025, the Group recognized an impairment loss of NIS 37 million.

For information about the transaction between yes and Partner, see Note 15.4 below.

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

	Enterprise value of yes (based on the DCF method)	Net fair value of assets and liabilities of yes	Net carrying amount of assets and liabilities of yes, before impairment recognition	Impairment loss
	NIS million	NIS million	NIS million	NIS million
As at March 31, 2025 and for the three months then ended (unaudited)	61	(75)	98	(37)
Total impairment recognized in the three months ended March 31, 2025				(37)
As at December 31, 2024 and for the year then ended (audited)	86	(34)		(151)

It should be noted that the valuation of the value in use is sensitive to the net cash flow in the representative year in general, and to the ARPU and number of users at the end of the range of the forecast in particular. A change of NIS 1 in ARPU throughout the forecast years (and in the terminal year) results in a change in the enterprise value amounting to between NIS 55 million and NIS (56) million, and a change of 5 thousand subscribers throughout the forecast years and in the terminal year results in a change in the enterprise value amounting to between NIS 72 million and NIS (73) million.

Attribution of impairment loss to Group assets:

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Broadcasting rights *	18	22	64
Fixed assets **	11	20	41
Intangible assets **	7	20	39
Other receivables (prepaid expenses) *	1	6	7
Total impairment recognized	37	68	151

* The expense was presented under operating and general expenses

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

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

5.2 Impairment in ISP, international communications, and ICT solutions (Bezeq International)

Further to Note 10.6 to the Annual Financial Statements regarding impairment recognized in Bezeq International in 2024, the valuation as at December 31, 2024 presented a value-in-use that is significantly lower than the carrying amount of Bezeq International.

As at March 31, 2025, it was found that in the three 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 in the coming years, and there were no material changes in the discount rate. Accordingly, as at March 31, 2025, there was no change in the enterprise value of Bezeq International, which amounted to a negative amount of NIS 89 million.

The net fair value of the assets of Bezeq International as at March 31, 2025 is a negative amount of NIS 57 million.

Since the enterprise value is lower than the net fair value of the assets and liabilities, Bezeq International depreciated its assets to the amount of the net fair value of these assets. As at March 31, 2025, the carrying amount of the depreciable assets is NIS 12 million higher than the net fair value. Accordingly, in the three months ended March 31, 2025, the Group recognized an impairment loss of NIS 12 million.

Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2025 (Unaudited)

Below is information about the enterprise value and the net fair value of the assets and liabilities of Bezeq International, as determined by an external appraiser, and 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 March 31, 2025 and for the three months then ended (unaudited)	(89)	(57)	(45)	(12)
Total impairment recognized in the three months ended March 31, 2025				(12)
As at December 31, 2024 and for the year then ended (audited)	(89)	(51)		(91)

Attribution of impairment loss to Group assets:

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Fixed assets and intangible assets **	7	11	57
Short-term and long-term prepaid expenses *	5	7	21
Long-term prepaid expenses for capacities **	-	5	13
Total impairment recognized	12	23	91

* The expense was presented under operating and general expenses

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

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

6. Contingent Liabilities

6.1 During the normal course of business, legal claims were filed against Group companies or there are various legal proceedings pending against the Group (“in this section: 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 NIS 84 million, where provisions are required to cover the exposure arising from such Legal Claims.

In the opinion of the managements of the Group companies, the additional exposure (beyond these provisions) as at March 31, 2025 for Legal Claims filed against Group companies on various matters, which are unlikely to be realized, amounts to NIS 1.7 billion. There is also additional exposure of 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 additional exposure in this Note are nominal.

6.2 Below is a description of the Group's contingent liabilities and provisions that were valid as at March 31, 2025, 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		
Customer claims	Mainly motions for certification of class actions regarding allegations of unlawful collection of payment and impairment of the service provided by the Group companies.	84	1,638	661
Claims by enterprises and companies	Claims alleging liability of the Group companies in respect of their activities and/or investments	-	24	1,808 ⁽¹⁾
Claims of employees and former employees of Group companies	Mainly individual legal claims filed by employees and former employees of the Group, regarding various payments.	-	1	-
Miscellaneous	Other legal claims, including claims in tort (excluding claims for which the insurance coverage is not disputed), real estate, infrastructure, and suppliers	-	27	21
Total legal claims against the Company and subsidiaries ⁽²⁾		84	1,690	2,490

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

(2) Also see Note 6.6 to the Annual Financial Statements.

6.3 Subsequent to the date of the financial statements, two claims were settled without specifying an exact amount. In addition, two motions for certification of class actions were filed against the Group companies without specifying an exact amount. As at the approval date of the financial statements, it is not yet possible to assess the chances of the claims

7. Equity**7.1 The Company's share capital:**

	March 31, 2025	March 31, 2024	December 31, 2024
	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	2,771,084,335	2,766,900,858	2,769,916,866

7.2 Dividend distribution

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

7.2.2 On April 23, 2025, the general meeting of the Company's shareholders approved (further to the recommendation of the Company's board of directors on March 11, 2025), the distribution of a cash dividend to the Company's shareholders totaling NIS 392 million (representing NIS 0.1414586 per share at the date of record). The dividend was paid on May 14, 2025.

8. Revenues

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Domestic fixed-line communications (Bezeq Fixed-Line)			
Internet – infrastructure	485	496	1,961
Transmission and data communication	265	257	1,025
Fixed-line telephony	125	139	531
Cloud and digital services	88	87	348
Other services	76	60	264
	1,039	1,039	4,129
Cellular communications – Telephone			
Cellular services and terminal equipment	397	410	1,615
Sale of terminal equipment	165	166	616
	562	576	2,231
Multichannel television – yes	319	315	1,264
ISP, international communications, and ICT services – Bezeq International	261	274	1,053
Other	54	51	207
Total revenue	2,235	2,255	8,884

9. General Operating Expenses

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Terminal equipment and materials	219	216	828
Interconnectivity and payments to domestic and international telecommunications operators	125	178	613
Content costs (including content impairment)	129	128	491
Marketing and general	140	124	483
Maintenance of buildings and sites	66	62	264
Services and maintenance by subcontractors	134	132	511
Vehicle maintenance	16	16	67
Total general operating expenses	829	856	3,257

10. Other Operating Expenses, Net

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Capital gain (mainly disposal of real estate)	(5)	(2)	(17)
Creation of a provision for claims	7	5	20
Expenses for severance pay in early retirement in the Company	-	3	104
Expenses for severance pay in early retirement and the efficiency agreement in Pelephone, Bezeq International, and yes.	9	4	91
Impairment loss of a held for sale disposal group	2	-	9
Other income	-	(9)	(8)
Total other operating expenses, net	13	1	199

11. Financing Expenses, Net

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Interest expenses for financial liabilities	69	68	274
Exchange rate differences	1	-	-
Linkage and exchange differences	9	7	71
Financing expenses for lease liabilities	19	16	72
Financing expenses for employee benefits	5	4	21
Other financing expenses	2	2	8
Total financing expenses	105	97	446
Interest income from investments	18	20	80
Income for credit in sales	7	7	26
Change in fair value of financial assets at fair value through profit or loss	23	19	59
Other financing income	12	5	31
Total financing income	60	51	196
Financing expenses, net	45	46	250

12. Financial Instruments

12.1 Composition of investments

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Bank deposits in NIS (1)	1,033	1,327	873
Investment in securities at fair value through profit or loss	1,197	903	1,035
Derivatives	20	13	9
	2,250	2,243	1,917

(1) Bank deposits in NIS are repayable until December 2025.

12.2 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.

	March 31, 2025		March 31, 2024		December 31, 2024	
	Carrying amount (including accrued interest)	Fair value	Carrying amount (including accrued interest)	Fair value	Carrying amount (including accrued interest)	Fair value
	(Unaudited)		(Unaudited)		(Audited)	
	NIS million		NIS million		NIS million	
Loans from banks and institutions (unlinked)	1,518	1,482	1,754	1,700	1,517	1,479
Debentures issued to the public (CPI-linked)	2,362	2,292	2,455	2,416	2,342	2,287
Debentures issued to the public (unlinked)	3,141	3,078	3,215	3,124	3,110	3,046
	7,021	6,852	7,424	7,240	6,969	6,812

12.3 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 determine the fair value are described in Note 30.7 to the Annual Financial Statements.

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Level 1 – investment in financial funds	1,197	903	1,035
Level 2 – forward contracts	40	37	32

13. Segment Reporting**13.1 Operating segments**

Three months ended March 31, 2025 (Unaudited)							
	Domestic fixed-line communications	Cellular communications	Bezeq International services	Multichannel television*	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	1,039	562	261	319	54	-	2,235
Inter-segment revenues	62	4	12	-	-	(78)	-
Total revenues	1,101	566	273	319	54	(78)	2,235
General operating	188	296	185	227	8	(75)	829
Salaries	267	85	55	44	43	2	496
Depreciation, amortization, and impairment	258	140	19	60	1	(22)	456
Segment results – operating profit (loss)	384	44	14	(20)	2	17	441
Financing expenses	92	10	6	1	-	(4)	105
Financing income	(46)	(7)	(3)	(7)	-	3	(60)
Total financing expenses (income), net	46	3	3	(6)	-	(1)	45
Segment profit (loss) before income tax	338	41	11	(14)	2	18	396
Share in loss of an investee	3	-	-	-	-	-	3
Income tax expenses	79	10	-	-	1	-	90
Segment results – net profit (loss)	256	31	11	(14)	1	18	303

Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2025 (Unaudited)

Three months ended March 31, 2024 (Unaudited)							
	Domestic fixed-line communications	Cellular communications	Bezeq International services	Multichannel television*	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	1,039	576	274	315	51	-	2,255
Inter-segment revenues	52	7	15	-	-	(74)	-
Total revenues	1,091	583	289	315	51	(74)	2,255
General operating	183	316	193	225	8	(69)	856
Salaries	260	83	53	47	42	1	486
Depreciation, amortization, and impairment	252	138	27	62	-	(6)	473
Segment results – operating profit (loss)	397	40	20	(19)	-	1	439
Financing expenses	89	7	4	2	-	(5)	97
Financing income	(37)	(7)	(2)	(7)	(2)	4	(51)
Total financing expenses (income), net	52	-	2	(5)	(2)	(1)	46
Segment profit (loss) before income tax	345	40	18	(14)	2	2	393
Income tax expenses	87	10	-	-	1	-	98
Segment results – net profit (loss)	258	30	18	(14)	1	2	295

* Results of the multichannel television segment are presented net of the total effect of impairment recognized as from 2018. This is in accordance with the way the Group's chief operating decision maker assesses the segment's performance and decides on the allocation of resources for the segment. See also Note 14.3 for condensed selected information from the financial statements of yes.

Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2025 (Unaudited)

Year ended December 31, 2024							
	Domestic fixed-line communications	Cellular communications	Bezeq International services	Multichannel television*	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	4,129	2,231	1,053	1,264	207	-	8,884
Inter-segment revenues	213	23	52	1	-	(289)	-
Total revenues	4,342	2,254	1,105	1,265	207	(289)	8,884
General operating	738	1,178	722	911	29	(321)	3,257
Salaries	1,037	321	211	184	171	8	1,932
Depreciation, amortization, and impairment	1,023	552	118	254	5	(108)	1,844
Segment results – operating profit (loss)	1,438	189	(16)	(92)	2	131	1,652
Financing expenses	398	37	15	5	-	(9)	446
Financing income	(148)	(30)	(10)	(15)	-	7	(196)
Total financing expenses (income), net	250	7	5	(10)	-	(2)	250
Segment profit (loss) before income tax	1,188	182	(21)	(82)	2	133	1,402
Share in loss of an investee	8	-	-	-	-	-	8
Income tax	274	44	1	1	1	-	321
Segment results – net profit (loss)	906	138	(22)	(83)	1	133	1,073

* Results of the multichannel television segment are presented net of the total effect of impairment recognized as from 2018. This is in accordance with the way the Group's chief operating decision maker assesses the segment's performance and decides on the allocation of resources for 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:

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Current assets	781	772	796
Non-current assets	2,130	2,128	2,084
Total assets	2,911	2,900	2,880
Current liabilities	711	702	733
Long-term liabilities	781	783	760
Total liabilities	1,492	1,485	1,493
Equity	1,419	1,415	1,387
Total liabilities and equity	2,911	2,900	2,880

Information from the statement of income:

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Revenue from services	401	416	1,636
Revenue from the sale of terminal equipment	165	167	618
Total revenues from services and sales	566	583	2,254
Operating expenses			
General operating expenses	296	316	1,178
Salaries	85	83	321
Depreciation and amortization	140	138	552
Total operating expenses	521	537	2,051
Other operating expenses, net	1	6	14
Operating profit	44	40	189
Financing expenses (income)			
Financing expenses	10	7	37
Financing income	(7)	(7)	(30)
Financing expenses, net	3	-	7
Profit before income tax	41	40	182
Income tax expenses	10	10	44
Profit for the period	31	30	138

14.2 Bezeq International Ltd.

Information from the statement of financial position:

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Current assets	441	427	390
Non-current assets	538	494	542
Total assets	979	921	932
Current liabilities	426	398	397
Long-term liabilities	337	283	331
Total liabilities	763	681	728
Equity	216	240	204
Total liabilities and equity	979	921	932

Information from the statement of income:

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Revenues	273	289	1,105
Operating expenses			
Operating and general expenses and impairment	185	193	722
Salaries	55	53	211
Depreciation, amortization, and impairment	19	27	118
Other (income) expenses, net	-	(4)	70
Total operating expenses	259	269	1,121
Operating profit	14	20	(16)
Financing expenses (income)			
Financing expenses	6	4	15
Financing income	(3)	(2)	(10)
Financing expenses, net	3	2	5
Profit before income tax	11	18	(21)
Income tax expenses	-	-	1
Profit for the period	11	18	(22)

14.3 yes Television and Communication Services Ltd. (yes)

Information from the statement of financial position:

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Current assets	207	271	164
Non-current assets	445	298	418
Total assets	652	569	582
Current liabilities	468	447	404
Long-term liabilities	55	61	53
Total liabilities	523	508	457
Equity (equity deficit)	129	61	125
Total liabilities and equity	652	569	582

Information from the statement of income:

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Revenues	319	315	1,265
Operating expenses			
Operating expenses, general, and impairment	227	227	870
Salaries	47	48	192
Depreciation, amortization, and impairment	40	58	155
Other operating expenses, net	8	-	8
Total operating expenses	322	333	1,225
Operating profit (loss)	(3)	(18)	40
Financing expenses (income)			
Financing expenses	1	2	5
Financing income	(7)	(7)	(15)
Financing income, net	(6)	(5)	(10)
Profit before income tax	3	(13)	50
Income tax expenses	-	-	1
Profit (loss) for the period	3	(13)	49

15. Significant Events in and Subsequent to the Reporting Period

- 15.1** See Note 7.2.2 for information about the distribution of a cash dividend on May 14, 2025.
- 15.2** On February 27, 2025, yes signed a memorandum of principles with the Histadrut and the employees' committee of yes, according to which, subject to the approval of the board of directors of yes, the parties agreed to extend the collective agreement originally signed on August 11, 2021, with certain adjustments, until December 31, 2025. Among other things, under the memorandum of principles, the employees' committee of yes will fully cooperate with the Company's activities to cancel the structural separation. In April 2025, yes, the Histadrut Israel National Labor Federation, and the Company's employees' committee signed an agreement to extend the collective agreement until December 31, 2025, which also anchored the additional agreements outlined in the memorandum of principles of February 2025.
- 15.3** Further to Note 12.5 in the Annual Financial Statements regarding the sale of the subsidiary Bezeq Online, on April 17, 2025, the transaction was completed, after all the preconditions in the agreement were fulfilled. Under the agreement, ownership was transferred to the buyer and the financial consideration set out in the agreement was received.
- 15.4** Regarding the agreement between yes and Partner Communications Ltd. on April 23, 2025, after a hearing before the Antitrust Commissioner regarding the application for exemption from approval of a restrictive arrangement submitted by the parties to the agreement and discussions with the Antitrust Authority regarding the application for an exemption, on April 23, 2025, yes and Partner signed an amendment to the agreement. The amendment to the agreement includes several revised arrangements. Among other things, according to the amendment to the agreement, yes will provide Partner with a license to use a dedicated audiovisual content application based on the Sting+ service operated by yes. Furthermore, yes will offer various services related to the application and grant a broadcasting rights for the content, as set out in the agreement and the amendment to the agreement. In view of the amendments, the amendment to the agreement further stipulated that the precondition in the agreement regarding obtaining the approval of the Competition Authority for completing and executing the agreement was waived, following an independent self-assessment by each of the parties. It was further established that the other precondition set out in the agreement regarding the receipt of the approvals required for yes to fulfill its obligations under the agreement has been satisfied. Therefore, the agreement entered into effect when the amendment to the agreement was signed. In addition, under the amendment to the agreement, the commercial launch date will take effect within four to six months after it is signed, and Partner may extend the agreement for an additional year (in addition to the one-year extension set out in the agreement). Furthermore and in accordance discussions for the amendment to the agreement, yes and Partner withdrew the application for an exemption. Following further negotiations with the Antitrust Authority, in May 2025, the parties signed an additional amendment to the agreement, which, among other things, redefines the terms of joint content procurement through yes and updates the licensing terms for the dedicated application. yes believes that the agreement will have a material one-time positive accounting effect of between NIS 120 million and NIS 110 million, which will be reflected in the reversal of asset impairments.
- 15.5** On May 5, 2025, the Company received an extension for the validity of its shelf prospectus, from May 9, 2023 to May 9, 2026.

Condensed Separate Interim Financial Information as of March 31, 2025



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.

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 of Bezeq - The Israel Telecommunication Corporation Ltd. (hereinafter - "the Company") as of March 31, 2025 and for the three-month period then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

Scope of Review

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

Conclusion

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

Explanatory Paragraph

Without qualifying our abovementioned conclusion, we draw attention to Note 6 of the financial information, which refers to Note 1.3 to the annual consolidated financial statements, regarding the Israel Securities Authority's (ISA) and the Israel Police investigation. As stated in the above note, the Company is unable to assess the effects of the investigations, their findings and their results on the Company, and on the financial statements and on the estimates used in the preparation of these financial statements, if any.

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

Somekh Chaikin
Certified Public Accountants (Isr.)

May 19, 2025

Condensed Separate Interim Information on Financial Position

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Cash and cash equivalents	351	645	462
Investments	2,241	2,237	1,912
Trade receivables	716	720	708
Other receivables	146	112	101
Disposal group assets held for sale	34	-	49
Total current assets	3,488	3,714	3,232
Trade and other receivables	226	255	226
Fixed assets	6,155	5,907	6,111
Intangible assets	247	257	258
Goodwill	265	265	265
Investment in investees	1,841	1,844	1,792
Right-of-use assets	634	617	648
Noncurrent and other investments	181	183	177
Total noncurrent assets	9,549	9,328	9,477
Total assets	13,037	13,042	12,709

Condensed Separate Interim Information on Financial Position (cont.)

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Liabilities			
Debentures, loans and borrowings	1,124	1,073	1,123
Trade and other payables	952	1,077	988
Employee benefits	274	239	279
Current maturities of lease liabilities	115	108	112
Provisions (Note 5)	60	49	53
Total current liabilities	2,525	2,546	2,555
Loans and debentures	6,538	6,985	6,523
Loans from subsidiaries	140	90	140
Employee benefits	249	231	244
Lease liabilities	574	556	593
Derivatives and other liabilities	199	104	151
Deferred tax liabilities	7	32	1
Total noncurrent liabilities	7,707	7,998	7,652
Total liabilities	10,232	10,544	10,207
Equity			
Share capital	3,883	3,879	3,882
Share premium	396	387	393
Reserves	404	403	407
Equity deficit	(1,878)	(2,171)	(2,180)
Total equity	2,805	2,498	2,502
Total liabilities and equity	13,037	13,042	12,709

Tomer Raved
Chairman of the Board of Directors

Nir David
Chief Executive Officer

Yohai Benita
Bezeq Group CFO

Date of approval of the financial statements: May 19, 2025

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

Condensed Separate Interim Information on Income

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Revenues (Note 2)	1,101	1,091	4,342
Operating expenses			
Salaries	267	260	1,037
Depreciation and amortization	258	252	1,023
General operating expenses (Note 3)	188	183	738
Other operating expenses (income), net (Note 4)	4	(1)	106
Total operating expenses	717	694	2,904
Operating profit	384	397	1,438
Financial expenses (income)			
Financial expenses	92	89	398
Financial income	(46)	(37)	(148)
Financial expenses, net	46	52	250
Profit after financial expenses, net	338	345	1,188
Share in profits of investees, net	44	37	158
Profit before income tax	382	382	1,346
Income tax	79	87	274
Profit for the period	303	295	1,072

Condensed Separate Interim Information on Comprehensive Income

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Profit for the period	303	295	1,072
Items of other comprehensive income for the period, net of tax	(4)	3	(6)
Total comprehensive income for the period	299	298	1,066

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

Condensed Separate Interim Information on Cash Flows

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Cash flows from operating activities			
Profit for the period	303	295	1,072
Adjustments:			
Depreciation and amortization	258	252	1,023
Share in profits of investees, net	(44)	(37)	(158)
Financial expenses, net	50	45	242
Capital gain, net	(5)	(2)	(14)
Loss from impairment of disposal group held for sale	2	-	9
Share-based payment	2	1	9
Income tax expenses	79	87	274
Change in trade and other receivables	(33)	(9)	41
Change in trade and other payables	101	70	93
Change in provisions	7	(5)	-
Change in employee benefits	(3)	5	49
Miscellaneous	-	22	10
Net cash used in operating activities due to transactions with subsidiaries	(2)	-	(2)
Income tax received (paid), net	(162)	24	(194)
Net cash provided by operating activities	553	748	2,454
Cash flows from investing activities			
Investment in intangible assets and other investments	(37)	(50)	(172)
Proceeds from the sale of fixed assets	3	2	13
Investment in bank deposits and other financial investments	(568)	(1,222)	(2,045)
Proceeds from repayment of bank deposits and other financial investments	257	200	1,378
Purchase of fixed assets	(257)	(220)	(967)
Dividend received	-	-	141
Miscellaneous	1	-	3
Interest received from bank deposits	15	19	75
Investment in an investee	(11)	-	(10)
Net cash used in investing activities	(597)	(1,271)	(1,584)

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

Condensed Separate Interim Information on Cash Flows (cont.)

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Cash flows from financing activities			
Issue of debentures and receipt of loans	-	1,084	1,648
Repayment of debentures and loans	-	-	(1,070)
Interest paid	(25)	(19)	(249)
Payment of principal and interest for a lease	(42)	(31)	(144)
Dividend paid	-	-	(781)
Payment for expired hedging transactions	-	-	7
Net cash provided by financing activities due to transactions with subsidiaries	-	-	47
Net cash provided by (used in) financing activities	(67)	1,034	(542)
Net increase (decrease) in cash and cash equivalents	(111)	511	328
Cash and cash equivalents at the beginning of the period	462	134	134
Cash and cash equivalents at the end of the period	351	645	462

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

Notes to the Condensed Separate Interim Financial Information
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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 2024.

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 (the "Report"). The Report should be read together with the separate financial information as of and for the year ended December 31, 2024 and together with the condensed consolidated interim financial statements as of March 31, 2025 (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, 2024.

2. Revenues

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Internet infrastructure	505	501	1,999
Transmission and data communications	302	298	1,179
Fixed-line telephony	128	143	544
Cloud and digital services	87	87	348
Other services	79	62	272
Total revenues	1,101	1,091	4,342

3. General Operating Expenses

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Maintenance of buildings and sites	28	26	115
Marketing and general	52	48	187
Interconnectivity and payments to telecom operators	12	19	56
Services and maintenance by subcontractors	54	48	217
Vehicle maintenance	10	10	42
Terminal equipment and materials	32	32	121
Total general operating expenses	188	183	738

4. Other Operating Expenses (Income), Net

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Capital gain from the sale of fixed assets (mainly real estate)	(5)	(2)	(14)
Provision for early retirement benefits	-	3	104
Loss from impairment of disposal group held for sale	2	-	9
Other expenses (income) (mainly provisions for claims)	7	(2)	7
Total other operating expenses (income), net	4	(1)	106

5. Contingent Liabilities

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

In the opinion of the Company's management, based, *inter alia*, on legal opinions as to the likelihood of success of the Legal Claims, the financial statements include adequate provisions in the amount of NIS 60 million, where provisions are required to cover the exposure arising from such Legal Claims.

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

Breakdown of the Company's contingent liabilities as of March 31, 2025:

Balance of provision	Additional exposure*	Exposure for claims whose chances cannot yet be assessed*
NIS million		
60	620	2,483 ⁽¹⁾

* Nominal

- (1) Includes two motions to certify class actions for a total of NIS 1.8 billion, filed in June 2017 against the Company, officers of the Group and companies of the group of the Company's controlling shareholder at the time, with respect to the transaction for the Company's acquisition of yes shares from Eurocom DBS Ltd. In accordance with a court decision, a consolidated motion is expected to be filed instead of these two motions. 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.

- 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 After the financial statements date, a claim was concluded with no exact amount specified, and a class certification motion was filed against the Company with no exact amount specified. As of the approval date of the financial statements, it is not possible to assess its chances of success.

6. Material Events During and After the Reporting Period

- 6.1** Regarding the investigation by the Israel Securities Authority and the Israel Police, see Note 1.2 to the Consolidated Statements.
- 6.2** In May 2025, the Company's Board of Directors approved the grant of an irrevocable undertaking of the Company to provide yes with a credit facility or capital investment in the amount of NIS 100 million for 15 months, as of April 1, 2025 until June 30, 2026, in lieu of a similar undertaking from March 2025. See Note 4.1 to the Consolidated Statements.
- 6.3** Regarding an 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 the distribution of a dividend by the Company after the financial statements date.
- 6.5** For information about the sale of the subsidiary Bezeq Online, see Note 15.3 to the Consolidated Statements.
- 6.6** For information about additional material events after the reported period, see Note 15 to the Consolidated Statements.

Chapter E:

Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure for the Period Ended March 31, 2025



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

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

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

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

For this matter, the members of Management are:

1. Nir David, CEO
2. Meni Baruch, VP Technologies and Network
3. Yohai Benita, CFO Bezeq Group¹
4. Erez Hasdai, VP Economics and Regulation
5. Amir Nachlieli, Legal Counsel
6. Tali Poleg, VP Marketing
7. Moran Kita, VP Human Resources
8. Eyal Kamil, VP Operations and Logistics
9. Dror Rosman, VP Private Customers Division
10. Daniel Shimoni, VP Business Customers Division
11. 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 CEO² 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 annual report on the effectiveness of internal control over financial reporting and disclosure, that was attached to the periodic report for the period ended December 31, 2024 (the "Last Annual Report on Internal Control"), the Board of Directors and Management conducted an evaluation of the Company's internal control. Based on this evaluation, the Company's Board of Directors and Management reached the conclusion that the internal control, as of December 31, 2024, is effective.

¹ Yohai Benita began his term of office on April 10, 2025, replacing Tobi Fischbein, who ended his term of office on April 9, 2025.

² Regarding the transfer of the CEO's authority in matters connected with investees of the Company to the Board of Directors – see Section 1.1.3 of the chapter "Description of Company Operations" in the Periodic Report for 2024.

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 brought in the Last Annual Report on Internal Control.

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

Concerning the investigations of the Israel Securities Authority and the Israel Police, as detailed in section 1.1.5 of the Description of Company Operations chapter in this Report, the Company does not have complete information about the investigations (primarily regarding transactions involving the Company's former controlling shareholder and Chairman of the Board of Directors, Mr. Shaul Elovitch, with respect to the purchase of yes shares and provision of satellite communications services to yes), their content, or the material and evidence in the possession of the law enforcement authorities on this matter. Accordingly, the Company is unable to assess the full impact of the investigations, their findings and their outcome on the Company and on its financial statements. See in this regard Note 1.3 to the financial statements for 2024.

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 Israel Telecommunication Corporation Ltd. (the "Company") for the first quarter of 2025 (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;
 - B. Any fraud, whether or not material, that involves the CEO or anyone directly subordinate to the CEO, or which involves other employees who have a significant role in the Company's internal control over financial reporting and disclosure.
5. I, alone or together with others in the Company:
 - A. Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Company and in the subsidiaries, particularly during the period of preparation of the Reports;
 - B. Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - C. No event or matter that occurred in the period between the date of the last report (quarterly or periodic, as applicable) and this reporting date was brought to my attention that would change the conclusion of the Board of Directors and Management concerning the effectiveness of internal control over the Company's financial reporting and disclosure.

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

Date: May 19, 2025

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 other financial information included in the reports for the interim period of Bezeq - The Israel Telecommunication Corporation Ltd, (the "Company") for the first quarter of 2025 (the "Reports" or the "Reports for the Interim Period").
2. To the best of my knowledge, the interim financial statements and other financial information included in the Reports for the Interim Period do not 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 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;
 - B. Any fraud, whether or not material, that involves the CEO or anyone directly subordinate to the CEO, or which involves other employees who have a significant role in the Company's internal control over financial reporting and disclosure.
5. I, alone or together with others in the Company:
 - A. Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Company and in the subsidiaries, particularly during the period of preparation of the Reports;
 - B. Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - C. No event or matter that occurred in the period between the date of the last report (quarterly or periodic, as applicable) and this reporting date was brought to my attention, in respect of the interim financial statements and any other financial information included in the Reports for the Interim Period, that would, in my opinion, change the conclusion of the Board of Directors and Management concerning the effectiveness of internal control over the Company's financial reporting and disclosure.

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

Date: May 19, 2025

Yohai Benita, CFO Bezeq Group