

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") of 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 approx. 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 approx. 21.69% of the issued and paid-up capital of the Company (approx. 21.28% 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

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 a conditional halt of 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 on May 2025, and the recommendation of the board of directors to the general meeting of the Company's shareholders on August 6, 2024, regarding the dividend distribution based on the profits from the first half of 2025, see Note 7 to the financial statements.

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.

Distributable profits balance as at the reporting date: approx. NIS 1,164 million (retained earnings accumulated in the last two years after deduction of the distributions made in that period).

Section 1.5.4 – Main results and operational data

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

Financial data (NIS millions)	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenues	1,102	1,101	1,071	1,105	1,075	1,091
Operating profit	386	384	303	355	383	397
Depreciation and amortization	261	258	260	256	255	252
EBITDA ⁽¹⁾	647	642	563	611	638	649
Share in loss of an investee	1	3	2	3	3	-
Net profit	218	256	193	217	238	258
Cash flow from operating activities	501	553	626	589	491	748
Payments for investments in fixed assets and intangible assets and other investments	266	294	303	300	266	270
Proceeds from the sale of fixed assets and intangible assets	31	3	-	7	4	2
Lease payments	36	42	38	38	37	31
Free cash flow ⁽²⁾	230	220	285	258	192	449
Operational data						
Total number of internet lines at the end of the period (thousands) ⁽³⁾	1,476	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⁾	907	863	810	759	694	635
The number of internet lines at the end of the period – retail (thousands) ⁽³⁾	999	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⁾	583	554	521	483	442	407
The number of internet lines at the end of the period – wholesale (thousands) ⁽³⁾	477	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⁾	324	309	289	276	252	228
Monthly average revenue per internet subscriber (NIS) – retail (ARPU) ⁽⁵⁾	136	134	133	131	129	127
Deployment of fiber optic network at the end of the period (thousands of households available for connection) ⁽⁶⁾	2,774	2,671	2,571	2,448	2,312	2,191
Average package speed per internet subscriber - retail (Mbps)⁽⁴⁾	620	572	526	483	430	382
No. of Be routers used by the Company's customers (thousands)	870	864	862	858	846	837
No. of Be Mesh and Be Spot range extenders for home Wi-Fi (thousands)	470	466	462	457	449	445
No. of active telephony subscriber lines at the end of the period (thousands)⁽⁷⁾	1,351	1,366	1,383	1,397	1,409	1,419
Monthly average revenue per telephony line (ARPL) (NIS) ⁽⁸⁾	30	31	31	32	33	33
Telephony churn rate ⁽⁹⁾	2.3%	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, approx. 2.810 million households are available for connection to the fiber optic network, of which approx. 924 thousand subscribers are connected to the fiber network (of which, approx. 592 thousand retail and approx. 332 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)	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Total revenue	530	566	563	547	561	583
Of which: revenue from interconnect fees ⁽¹⁾	34	41	39	41	72	81
Total revenue less interconnect fees ⁽¹⁾	496	525	524	506	489	502
Revenue from services	395	401	394	406	420	416
Revenue from services less interconnect fees ⁽¹⁾	361	360	355	365	348	335
Revenue from the sale of terminal equipment	135	165	169	141	141	167
Operating profit	43	44	42	52	55	40
Depreciation and amortization	141	140	145	135	134	138
EBITDA ⁽²⁾	184	184	187	187	189	178
Net profit	30	31	31	38	39	30
Cash flow from operating activities	187	175	153	212	161	122
Payments for investments in fixed assets, intangible assets, and other investments, net	91	84	76	65	82	82
Lease payments	53	96	55	58	52	79
Free cash flow ⁽²⁾	43	(5)	22	89	27	(39)
Operational data						
No. of postpaid subscribers at the end of the period (thousands) ⁽³⁾	2,279	2,265	2,257	2,251	2,228	2,213
Of which, 5G postpaid subscribers (thousands)⁽³⁾	1,315	1,276	1,237	1,195	1,144	1,086
No. of prepaid subscribers at the end of the period (thousands) ⁽³⁾	366	366	376	388	387	398
No. of subscribers at the end of the period (thousands) ⁽³⁾	2,645	2,631	2,633	2,639	2,615	2,611
Monthly average revenue per user (ARPU) net of interconnect fees (NIS) ⁽¹⁾⁽⁴⁾	46	45	45	46	44	43
Churn rate ⁽⁵⁾	5.6%	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 continued until June 2025, resulted in a decrease in interconnect fees, most of which were cancelled as from this date, and a decrease in ARPU. Accordingly, Pelephone elected to present ARPU net of the revenue component from interconnect fees.
- (2) For the definition of 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 those who consume various services (such as data for vehicle media systems), with ARPU significantly lower than that of other subscribers. It should be noted that Pelephone markets high-capacity data packages tailored for 5G usage. Shortly before the publication date of the report, Pelephone has approx. 1.329 million postpaid subscribers for these packages. As at the publication date of the report, approx. 80 thousand Pelephone 5G subscribers have joined the advanced 5G MAX services, which includes prioritized data traffic. Pelephone estimates that by the end of 2025, the number of 5G MAX subscribers will reach approx. 150 thousand.
- (4) Monthly ARPU (postpaid and prepaid). The index is calculated by dividing the average total consolidated monthly revenue, including from cellular services, from Pelephone subscribers and other telecom carriers, including revenues from cellular carriers who use Pelephone's network, repair services and extended warranty in the period, by the average number of active subscribers in the same period. For further information see 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)	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenues	263	273	285	270	261	289
Of which: revenue from private customers ⁽¹⁾	32	34	36	39	44	48
Operating profit (loss)	8	14	(67)	13	18	20
Depreciation and amortization	29	19	42	23	26	27
EBITDA ⁽²⁾	37	33	(25)	36	44	47
Net profit (loss)	6	11	(69)	11	18	18
Cash flow from operating activities	24	42	55	51	19	49
Payments for investments in fixed and intangible assets and other investments, net ⁽³⁾	15	12	27	21	19	14
Lease payments	9	11	10	10	10	12
Free cash flow ⁽²⁾	0	19	18	20	(10)	23
<u>Operational data</u>						
Churn rate ⁽⁴⁾	5.1%	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)	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenues	320	319	317	317	316	315
Operating profit (loss)	193	(3)	57	13	(12)	(18)
Depreciation, amortization, and continuing impairment losses	(46)	40	19	30	48	58
EBITDA ⁽¹⁾	147	37	76	43	36	40
Net profit (loss)	172	3	55	12	(5)	(13)
Cash flow from operating activities	26	75	(18)	55	46	93
Payments for investments in fixed and intangible assets and other investments, net	57	36	63	42	67	49
Lease payments	7	6	6	7	6	6
Free cash flow ⁽¹⁾	(38)	33	(87)	6	(27)	38
<u>Operational data</u>						
No. of television subscribers (thousands) ⁽²⁾⁽³⁾	562	561	562	563	567	571
Of which, Number of IP subscribers ⁽⁴⁾	480	475	467	452	431	412
Of which, Number of STING+ subscribers	151	146	139	132	129	124
Monthly Average Revenue per Television subscribers (ARPU) (NIS) ⁽⁵⁾	172	174	172	175	174	173
Monthly Average Revenue per Subscribers (ARPU Subscribers) (NIS millions) ⁽⁵⁾	189	189	186	187	184	182
Churn rate ⁽⁶⁾	3.6%	4.1%	3.8%	4.3%	3.9%	3.9%
No. of fiber network subscribers (thousands) ⁽⁷⁾	94	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, approx. 152 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, approx. 483 thousand television subscribers use yes+ and STING+ streamlining services, representing approx. 86% 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 the sale of 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 the sale of 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, approx. 99 thousand subscribers are connected to the fiber network.

Section 1.6 – Forecast and goals

On July 30, 2025, the Company updated again the Group's forecast for 2025, which was published in the Company's immediate report dated May 11, 2025, (the "May 2025 Forecast"),² based on the available information at that time, as follows:³

- The adjusted net profit⁴ for shareholders is expected to amount to approx. NIS 1.45 billion (compared with approx. NIS 1.32 billion in the May 2025 Forecast).
- The adjusted EBITDA⁵ is expected to amount to approx. NIS 3.85 billion (compared with approx. NIS 3.75 billion in the May 2025 Forecast).
- CAPEX⁶ is expected to amount to approx. NIS 1.75 billion (unchanged).

The main change is due to expected non-recurring accounting effects arising from a forecasted change in the valuation of yes, following a hearing published by the Ministry of Communications regarding the determination of maximum wholesale market payments, as set out in the Company's immediate report dated July 29, 2025 and the update to section 2.16.5 of this report.

It is noted that 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 outcome of the hearing on determining the maximum payments in the wholesale market, and structure of competition in the telecommunication market and regulation in this sector, on the current economic situation, and accordingly, the Group's ability to implement its plans for 2025, and considering the 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.

Section 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) announced its intention to exercise its tag along right for the sale of all its holdings in IBC to the acquiring party.

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, the development of a policy paper to assess regulatory provisions regarding structural separation for telecom companies. The plan also defined the publication of a decision by the end of 2025 as a success metric.

Additionally, on June 26, 2025, the Company received a request for information (the "Information Request"), which was sent to all telecommunications companies, requiring them to provide the Ministry of Communications with information on the main sectors of communications: fixed-line communications, mobile communications, and broadcasting, for 2023 and 2024. The purpose of this request is to review the issue of structural separation in the communications market and to publish a decision on the matter before the end of the year. The Information Request further noted that this issue was last reviewed in 2020, which led to amendments in certain structural separation regulations then in force. It is possible that the current review will result in even more significant changes. This issue is of considerable importance for both telecommunication companies and market competition, as well as for subscribers.

² The May 2025 Forecast was an updated forecast to the original forecast published by the Company on March 12, 2025.

³ 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 May 2025 Forecast.

⁴ Adjusted net profit and adjusted EBITDA – net of other operating expenses/income, one-time losses/gains from impairment/appreciation, and equity compensation plan expenses.

⁵ See footnote 4.

⁶ CAPEX - payments (gross) for investment in fixed assets and intangible assets.

The Company estimates that if the review results in cancellation of the structural separation, it will have a materially positive impact on the Company's results. The Company has submitted the requested information to the Ministry.

The information set out in the section above regarding the Company's assessment of the expected implications of canceling the structural separation is forward-looking information, as set out in the Israel Securities Law, based on the Company's assessments, assumptions, and expectations according to the information available at the time, and it may not materialize or may materialize in a significantly different manner than anticipated, among other things, due to the decisions of the Ministry of Communications and the results of the review, or other factors beyond the Company's control.

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.

Section 1.7 – General

Submarine cable

Bezeq Group is assessing the option of deploying a new submarine cable that will link Israel to strategic landing points in Europe, allowing significant expansion in internet traffic capacity between Israel and Europe (the "Project"). This initiative arises in response to global trends of dramatic growth in digital data traffic, both into Israel and along the route connecting Europe with the Near and Far East, partly due to the growing presence of major data and cloud service providers in Israel and the wider region. The Company has started the initial stage of evaluating the implications of the Project and estimates that a decision will be made in the near future. It should be noted that as of the reporting date, no binding decision has been made, and there is no certainty that a decision will be made to execute the Project, in whole or in part.

The information in the above section regarding the assessment of deploying a new submarine cable, global trends in digital traffic growth, the decision as to whether to execute the Project, and the timing of such a decision is forward-looking information, as defined in the Israeli Securities Law, based on the Company's assessments, assumptions, and expectations according to information available at this time, and it may not materialize or may materialize in a significantly different manner than anticipated, depending, among other things, on the results of the assessment, the costs of carrying out the Project, the scope of demand for internet traffic, pricing and economic feasibility, regulatory issues, and other factors beyond the Company's control.

Additionally, further to the above, on July 14, 2025, the Company signed a preliminary and non-binding memorandum of understanding⁷ for the acquisition of 100% of the issued and paid up share capital (fully diluted) of Exelera Telecom Ltd. ("Exelera") from its shareholders (the "Sellers" and the "MoU", respectively), among other things, as an alternative to the initiative described above. Exelera, a private company incorporated in Israel,⁸ provides, among other things, telecommunications services over an international fiber-optic submarine cable network and operates a landing station in Israel.

⁷ Except for the alternative transaction shares (the acquisition of which is subject, among other things, to the absence of exempting circumstances) and the exclusivity period, as set out below

⁸ Exelera is controlled by Aluma Infrastructure Fund (2020) Ltd., a publicly traded company listed on the Tel Aviv Stock Exchange.

The consideration for the transaction, if completed, will amount to USD 160 million, subject to standard adjustments (the “Consideration”). An additional future consideration of up to USD 10 million may be added, subject to the fulfillment of agreed conditions.

The transaction is subject to standard preconditions, including: completion of due diligence; the consent of all the Sellers to sell their shares; and signing a detailed agreement between the parties before the end of the exclusivity period to which the sellers and Exelera are bound (75 days after signing the MoU) (the “Exclusivity Period”), approval by the Company’s certified corporate bodies, and receipt of all required third-party and legal approvals (including approval from the Antitrust Authority and the Ministry of Communications).⁹

It is clarified that if a detailed agreement for the transaction described in the MoU is not signed by the end of the exclusivity period, and unless exempting circumstances (as defined in the MoU) apply, and subject to the receipt of all required approvals and the absence of any legal impediment, the Company will acquire shares from the Sellers representing 4.9% of Exelera’s issued share capital (fully diluted) for a consideration of USD 7.5 million (the “Alternative Transaction Shares”). The Alternative Transaction Shares will be subject to put and call options for both the buyers and the sellers, respectively, at the prices (no less than USD 7.5 million) and under the terms set out in the MoU.

It should be clarified that there is no certainty regarding the signing of a detailed agreement and/or the completion of the transaction set out in the MoU, which is subject to various preconditions that have not yet been fulfilled. Some of the above information constitutes forward-looking information as defined in the Israeli Securities Law, based on information currently available to the Company’s management and its assessments. There is no certainty that this information will materialize, in whole or in part, or it may materialize in a manner significantly different than anticipated, due, among other things, to factors beyond the Company’s control, including failure to reach the full required commercial understandings, the absence of third-party or regulatory approvals, and/or failure to fulfill all the preconditions required for completion of the transaction.

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. 89% as at June 30, 2025.

Section 2.6.2.2 regarding the IRU agreement between the Company and Partner – In June 2025, Partner exercised the option granted to it under the IRU agreement for 24 thousand additional lines.

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 upon prior notice of at least three months.
- Stage C – from 2030 onwards, copper networks are planned to be switched off in all areas where fiber optic infrastructure is available for every residential apartment, even if in certain areas, fewer

⁹ The acquisition does not include other activities of Exelera carried out through two companies partially owned by Exelera, which will be separated prior to completing the transaction.

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 underground installation. To implement the plan for copper network 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 of the period 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 2.16.4 – Advanced network – fiber and section 1.7.6.4 – Enforcement and financial sanctions

On August 4, 2025, notice was received from the Ministry of Communications regarding its intention to impose a financial sanction of approx. NIS 10 million, due to a violation related to the deployment of advanced infrastructure in incentive areas. According to the Ministry of Communications' supervisory report, the Company violated Section 14E of the Communications Law by deploying advanced infrastructure in incentive areas where it is not permitted to do so, prior to the lapse of five years from the mandatory deployment period set out in the licenses for those areas. Accordingly, the Ministry of Communications announced its intention to impose a financial sanction of approx. NIS 10 million. The Company has the right to submit written arguments regarding both the intention to impose the financial sanction and regarding its amount, within 30 days from the date the notice was delivered. The Company is reviewing the notice and intends to present its arguments to the Ministry of Communications.

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.

Regarding the petition submitted to the High Court of Justice in September 2024, to advance the hearing date and apply the rates to be determined therein retroactively from September 2023 – in July 2025, the Ministry of Communications submitted an additional update stating that it is expected to publish a hearing on the new cost model in the coming weeks. Subsequently, the High Court of Justice instructed the state to provide an update on the matter by October 15, 2025.

Regarding the hearing on the determination of maximum payments for use of the Company's passive infrastructure – following the Ministry of Communications' issuance of a temporary order to extend the validity of existing tariffs until December 31, 2025, for the purpose of completing internal work on the new cost model, on June 30, 2025, the Communications Regulations (Telecommunications and Broadcasting) (Use of a Domestic Carrier's Public Telecommunications Network) (Temporary Order)

(Amendment), 2025, were amended and the validity of the tariffs was extended until December 31, 2025.

Ministry of Communications hearing – determining maximum payments in the wholesale market

On July 29, 2025, the Company received a hearing document published by the Ministry of Communications regarding the determination of maximum payments in the wholesale market. According to the hearing, the Ministry believes it is necessary to update the cost model underlying the wholesale rates and set new rates for the Company. Moreover, in the remainder of 2025 and through the next two years (2026-2027), all market participants should continue to have access to the BSA service, while the Company will remain obligated to provide the service upon request and without discrimination. However, in a gradual process until the end of 2027, this obligation will be reduced such that from January 1, 2028, the Company will no longer be required to provide the service to large telecommunications groups (companies with 300 thousand or more retail internet subscribers, including HOT), except for 5% of the Company's existing fiber subscribers.

The hearing also proposes updated tariffs for wholesale services, including managed broadband access service and passive infrastructure access service:

Payment component	2025	2026	2027	2028	2029 onwards
Up to 1 Gbps	49.06	50.52	52.89	55.64	58.17
Above 1 Gbps and up to 2.5 Gbps	58.15	60.22	63.90	68.25	72.19
Passive infrastructure access service	150.3	153.8	157.3	160.9	164.6

* The other tariffs are set out in the hearing document attached to the Company's immediate report dated July 29, 2025, included in this report by way of a reference.

Responses to the hearing must be submitted to the Ministry by September 11, 2025. The full text of the hearing (without appendixes) is attached to the Company's immediate report dated July 29, 2025, included in this report by way of a reference.

The Company believes that the proposed tariff reduction, if approved and implemented as outlined in the hearing notice, is not expected to have a material effect on the Company, due, among other things, to the IRU agreements signed by the Company. Furthermore, if the proposed reduction is approved, it is expected to have a positive effect on yes, and as a result, the Company is expected to recognize a significant one-time accounting gain in its financial statements for the third quarter of 2025, reflecting the increase in the fair value of yes.

The information in this section, including regarding the outcome of the hearing and its potential effect on the Company and its operations, constitutes forward-looking information as defined in the Israeli Securities Law. Such information is based on the Company's assessments, among other things, regarding its assumptions and expectations according to the information available to it at the reporting date. Accordingly, The Company's assessments may not materialize or may materialize only partially or in a materially different manner, depending on the factors mentioned above, including factors beyond the Company's control.

Section 2.18 – Legal proceedings

Sections A, C, D, E, F, 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 of the proceedings, 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 the above and the agreements between the parties in view of the criminal proceedings, the stay of proceedings continues, at this stage, until December 2025.¹⁰

¹⁰ Regarding the proceedings described in footnote 40 of the 2024 reports – the Company is not a party to the procedure and has no information regarding its continued management.

Section B regarding the class action filed in November 2015, alleging that the Company abused its position in connection with competition in the communications market – the mediation on the case concluded without the parties reaching an agreement.

Section J regarding a motion to certify a class action claiming that an increased amount was collected as payment for a higher browsing speed than the browsing speed 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. On May 20, 2025, the plaintiff filed an appeal regarding the narrowing of the class definition.

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 3.15 – Material agreements

Section 3.15.2 – regarding the extension of the agreement period – on June 29, 2025, an agreement was signed to extend the agreement until December 31, 2025.

Regarding the new tender for the provision of cellular services and terminal equipment – on June 5, 2025, Pelephone was announced as the first-ranked candidate to serve as a primary supplier (to provide 60% of the services and equipment, instead of its previous role as the exclusive supplier under the expired tender) in a tender of the Accountant General in the Ministry of Finance for the supply of cellular communication services and telecommunications equipment to government ministries, subordinate units, and affiliated entities, according to a defined scope of services (Package 1) (the "Tender"). Pelephone, which has been providing cellular services to the State and its employees for several years, following its success in previous tenders, participated in this Tender as well and was selected, as described below, as the first-ranked candidate to supply 60% of the services and equipment. Accordingly, Pelephone will continue to serve as the primary provider of cellular services and telecommunications equipment under the Tender to employees of government ministries, subordinate units, and related entities. Under the terms of the Tender, Pelephone will provide cellular services to an estimated amount of at least 60 thousand subscribers, plus several tens of thousands of data subscribers (data communication), over 42 months (with an option for the State to extend the term up to a total of 72 months, beyond the initial 42-month period). Under the Tender, Pelephone will offer equipment to tens of thousands of subscribers under a leasing mechanism. Pelephone's renewed success in the Tender is expected to secure significant revenue for the Company, amounting to hundreds of millions of NIS over the term of the agreement.

These forecasts of Pelephone and the Company, as detailed above, are forward-looking information, as defined in the Israel Securities Law. The forecasts are based on Pelephone's assessments, assumptions, and expectations regarding, among other things, the number of subscribers who will receive service from Pelephone, and the scope of services and terminal equipment to be provided by it

under the terms of the Tender, which may not materialize or may materialize in a different manner than that described above.

Section 3.16.1 – Pending legal proceedings

Section D regarding the motion to certify a class action related to claims about the features of the filtering service for websites and harmful content, and how customers were informed of its existence – on May 19, 2025, a judgment was handed down approving a settlement agreement in the case. The key terms of the settlement (regarding Pelephone), include a limited time browsing benefit for both existing and new subscribers of the service, and payment of approx. NIS 350 thousand to cover the attorney's fees and compensation.

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.

Section 3.18 – Anticipated developments in the coming year

On July 15, 2025, Pelephone submitted a preliminary and non-binding letter of intent to Altice International Group for the acquisition of full ownership of Hot Mobile, for a total cash consideration of up to NIS 2 billion (subject to adjustments). It should be clarified that this is an preliminary and non-binding letter of intent, submitted without prior negotiations and is based solely on partial and publicly available information.¹¹ There is no knowledge or assurance that its submission will lead to the start of negotiations or subsequently to discussions regarding a potential acquisition as stated. The letter of intent outlines a preliminary, non-binding, and general business framework, and is subject, among other things, to the completion of due diligence, commercial and legal agreements between the parties, and the receipt of required approvals, as well as maintaining the Company's high credit rating within the AA group and its current dividend policy.

The above section includes forward-looking information as defined in the Israel Securities Law, and there is no certainty as to its materialization, in whole or in part, including with regard to the start of negotiations between the parties; the formulation and signing of an agreement, its terms and timelines; the receipt of required approvals, including approval from the Ministry of Communications and the Antitrust Authority; and the completion of any transaction, for the reasons set out above.

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.

Section C regarding a motion to certify a class action, alleging that Bezeq International charges customers for services it does not actually provide them, allegedly knowing that the customer had migrated to a different ISP and disconnected from Bezeq International – on June 23, 2025, a judgment was handed down dismissing the motion and striking the cause of action related to associated internet services. It should be noted that the additional motion referenced in this section remains pending. The additional motion refers to the allegation that Bezeq International charges customers for services despite allegedly knowing that the customer has not activated or used the services.

¹¹ Based on reports from the public company Altice International

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 were 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 various changes compared with the memorandum published in 2023. Additionally, as far as yes is aware, in June 2025, the Ministerial Committee approved the draft law, as well as the wording of the bill that was submitted to the committee, following amendments that the Minister of Communications was authorized to make, in accordance with the Ministerial Committee's decision of May 2025.

As at the reporting date, as far as yes is aware, aside from the decisions of the Ministerial Committee in May and June 2025, 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 the great majority of yes ISP subscribers.

Regarding the hearing published by the Ministry of Communications on July 29, 2025 on the determination of maximum payments in the wholesale market, see the update to section 2.16.5.

Section 5.10.3 – Benefits 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

Regarding the 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 August 2025, the Company approved a credit facility or an equity investment in yes in the amount of NIS 100 million, for 15 months starting on July 1, 2025. This approval replaces a similar approval granted in May 2025 (and is not in addition to it).

Section 5.15.1 – Space segments leasing agreement and Section 5.17.1 – goals and strategy

Regarding the plan for gradual migration from satellite broadcasting to internet-based broadcasting (OTT) (the "Migration Plan"), which is implemented by yes – in June 2025, yes resolved to continue its satellite broadcasts until the end of 2028. From February 2026, satellite broadcast will be provided in a limited and targeted format to relevant customers, including institutional customers, subject to: (a) execution of an agreement (currently under negotiation) between yes and Space Communications Ltd.

("Spacecom") for a consideration that is not material to the Company, from March 1, 2026¹² until the end of 2028 (the "Agreement"); and (b) the launch and positioning of a new satellite at the scheduled times.¹³

The negotiations for the new agreement with Spacecom are based, among other things, on the following principles:

- yes will lease three (3) space segments from Spacecom on the new satellite and under the Agreement, Spacecom will declare that it holds the right to lease these segments to yes, granted by the satellite's rights holder.
- Spacecom will have the right to terminate the Agreement (not due to a breach) if requested by the new satellite's rights holder, generally without compensation.

Extension of the Migration Plan is expected to have a positive effect on the results of yes.

The signing of the Agreement and the continuation of limited satellite broadcasts after February 2026 constitute forward-looking information, as defined in the Israel Securities Law, based, among other things, on the successful completion of negotiations on the Agreement according to the principles as described above, as well as the execution of the Agreement, the successful positioning and operation of the new satellite in space, relevant regulatory and licensing framework for yes, exercise of the rights by the new satellite's rights holder, availability of the resources and inputs required for continuing the migration process, and the relevant market conditions. However, the forecasts, preparations, objectives, and format of yes may not materialize, or may materialize in a substantially different manner, due to the possibility that negotiations for signing the Agreement may not be completed in the aforementioned format and/or at all, due to the possibility that the new satellite may not be deployed on schedule, as well as changes and/or limitations related to the resources required for its implementation, regulatory and/or other restrictions currently imposed or that may be imposed on yes, failure to obtain the required consents or the exercise of termination rights, fluctuations in demand for the proposed format, and other changes in the sector.

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 in the letter 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, which 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 broadcasting license 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 the completion and execution of 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 approvals required for yes to fulfill its obligations under the agreement has been met. 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.

¹² On this date, the leasing of space segments on the Amos 3 satellite, currently leased by yes, will come to an end. If the new satellite becomes operational before March 1, 2026, under the term to be set out in the agreement, yes will be entitled to begin the lease at that time without any additional consideration.

¹³ On July 13, 2025, the satellite was launched.

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 the licensing terms for the dedicated app.

In July 2025, the parties signed an additional amendment to the agreement, which regulated the payment format for the app.

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 a one-time material positive accounting effect was recorded in the Company's financial statements for the second quarter of 2025. For further information see also Notes 5.1 and 15.4 to the Financial Statements.

The information regarding the commercial launch date, the estimated accounting implications, and the contribution of the agreement to Bezeq Group's business activity is forward-looking information, as this term is defined in the Israel Securities Law, Such information 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 factors beyond the control of yes, such as how the agreement is implemented by the parties.

Section 5.16.1 – Pending legal proceedings

Section C regarding the motion for certification of a derivative claim filed in connection with a motion for disclosure of documents regarding the Space transaction – see the update to section 2.18.1(D).

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.

Section F regarding the motion for certification of a derivative claim related to the sale of the Company's shares by B Communications, see the update to section 2.18.1(f).

August 5, 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 June 30, 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 Telecommunications Corp. Ltd. (the "Company") and the consolidated Group companies (the Company and the consolidated companies, jointly – the "Group"), for the six months ended June 30, 2025 (the "Period") and for the three months then ended (the "Quarter").

The Board of Directors' Report contains a condensed review of its subject matter and was prepared taking into account that the Board of Directors' Report as at December 31, 2024, also available to the reader.

Bezeq Group is a key provider of communication services in Israel, providing a broad range of telecommunication services and other services, including domestic fixed-line, internet infrastructure and access services, cellular (MRT) services, international communications services, multichannel television broadcasts over the internet (OTT) and via satellite, call center services, 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 communications
2. Cellular communications
3. ISP, international telecommunications 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 reporting period, see Chapter 1 - Update of Chapter A (Description of the Company's Business) of the Periodic Report for 2024.

Breakdown of the Group's results:

	1-6.2025	1-6.2024	Change		4-6.2025	4-6.2024	Change	
	NIS million		NIS million	%	NIS million		NIS million	%
Net profit	729	582	147	25.3	426	287	139	48.4
Adjusted net profit¹	746	591	155	26.2	427	292	135	46.2
EBITDA¹	1,911	1,819	92	5.1	1,014	907	107	11.8
Adjusted EBITDA¹	1,927	1,827	100	5.5	1,013	910	103	11.3
Free cash flow¹	492	646	(154)	(23.8)	230	178	52	29.2

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

The increase in net profit is mainly due to the reversal of an impairment loss on assets of yes, as set out in Note 5.1 to the financial statements, offset by an increase in the Group's financing expenses.

For further information see section 1.2 below.

Non-GAAP based financial indices

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

Breakdown of the indices:

Index	Calculation and objectives of the index
Adjusted net profit	Net profit less other operating expenses/income, net after tax, and non-recurring losses/gains from impairment/appreciation after tax, and equity compensation plan expenses. The index allows comparison of performance of various periods by adjusting the effects of irregular non-recurring expenses/income.
EBITDA (earnings before interest, taxes, depreciation and amortization)	Earnings before financing expenses/income, taxes, depreciation and amortization. The EBITDA index is a generally accepted measure used in the Group's area of operations, which offsets effects arising from the variance in the capital structure, various taxation aspects, and the depreciation method and period for fixed and intangible assets. The Group's EBITDA is calculated as operating profit before depreciation, amortization and impairment (including ongoing losses from impairment of fixed and intangible assets, as described in Note 5 to the financial statements).
Adjusted EBITDA	EBITDA net of other operating expenses/income, one-time losses/gains from impairment/appreciation, and equity compensation plan expenses. The index allows comparison of operating performance of various periods by adjusting the effects of irregular non-recurring expenses/income.
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 an index for assessing its business results and cash flows, since the Group believes that free cash flow is an important indicator of liquidity that reflects cash resulting from the Group's operating activities after cash investments in infrastructure and other fixed assets and intangible assets.

Breakdown of the calculation of these indices:

	1-6.2025	1-6.2024	4-6.2025	4-6.2024
	NIS million		NIS million	
Adjusted net profit				
Net profit	729	582	426	287
Net of other operating expenses (income), net after tax	6	(2)	(6)	(2)
Net of expenses for equity based compensation	11	11	7	7
Adjusted net profit	746	591	427	292

EBITDA and adjusted EBITDA				
Operating profit	1,072	884	631	445
Net of depreciation, amortization, impairment and reversal of impairment loss	839	935	383	462
EBITDA	1,911	1,819	1,014	907
Net of other operating expenses (income), net	5	(3)	(8)	(4)
Net of expenses for equity based compensation	11	11	7	7
Adjusted EBITDA	1,927	1,827	1,013	910

Free cash flow				
Net cash from operating activities	1,564	1,710	733	709
Net of cash for purchase/sale of fixed assets and intangible assets, net	815	834	399	427
Net of lease payments	257	230	104	104
Free cash flow	492	646	230	178

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

1.1 Financial position - Assets

	June 30, 2025	June 30, 2024	Change		Explanation
	NIS million			%	
Cash and current investments	2,581	2,864	(283)	(9.9)	For further information see section 1.3 below.
Current and non-current trade and other receivables	1,976	2,131	(155)	(7.3)	The decrease is mainly due to the sale of the subsidiary, Bezeq Online, and its deconsolidation in the current quarter, as set out in Note 15.3 to the financial statements, as well as a decrease in trade and other receivables in the domestic fixed-line communications segment.
Inventory	112	107	5	4.7	
Right-of-use assets	1,761	1,765	(4)	(0.2)	
Fixed assets	7,349	6,977	372	5.3	The increase is mainly from the domestic fixed line communications segment, among other things, due to the progress made in the fiber network deployment project, and from yes, due to investments and reversal of an impairment loss on assets, see Note 5.1 to the financial statements.
Intangible assets	980	934	46	4.9	The increase is attributable to yes, due to investments and the reversal of an impairment loss on assets.
Deferred expenses and non-current investments	459	324	135	41.7	The increase is due to a rise in the broadcasting rights at yes, due to investments in content and the reversal of an impairment loss on the asset.
Total assets	15,218	15,102	116	0.8	

1.1 Financial position (contd.) - Liabilities and equity

	June 30, 2025	June 30, 2024	Change		Explanation
	NIS million			%	
Debt to financial institutions and debenture holders	7,497	7,884	(387)	(4.9)	The decrease in the debt is 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	1,948	1,943	5	0.3	
Trade and other payables	1,824	1,909	(85)	(4.5)	The decrease is mainly due to a decrease in current tax liabilities in the domestic fixed-line communications segment.
Employee benefits	647	548	99	18.1	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, and leave pay in the domestic fixed-line communications segment, offsetting payments for employee resignations.
Provisions	114	115	(1)	(0.9)	
Deferred tax liabilities	60	81	(21)	(25.9)	The decrease is attributable to the domestic fixed line communications segment.
Derivatives and other non-current liabilities	284	203	81	39.9	The increase is 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 indefeasible right of use (IRU) for BSA fiber (wholesale market) with Partner Communications Ltd.
Total liabilities	12,374	12,683	(309)	(2.4)	
Total equity	2,844	2,419	425	17.6	Equity constitutes 18.7% of the total balance sheet compared to 16.0% of the total balance sheet as at June 30, 2024. The increase in equity is due to accumulated profits, net of dividend distributions, as set out in Note 7.2 to the financial statements.
Total liabilities and equity	15,218	15,102	116	0.8	

1.2 Operating results

1.2.1 Highlights

	1-6.2025	1-6.2024	Change		4-6.2025	4-6.2024	Change	
	NIS million		%		NIS million		%	
Revenues	4,371	4,447	(76)	(1.7)	2,136	2,192	(56)	(2.6)
General operating expenses	1,508	1,668	(160)	(9.6)	679	812	(133)	(16.4)
Salaries	947	963	(16)	(1.7)	451	477	(26)	(5.5)
Depreciation, amortization, impairment and reversal of impairment loss	839	935	(96)	(10.3)	383	462	(79)	(17.1)
Other operating expenses (income), net	5	(3)	8	-	(8)	(4)	(4)	100.0
Operating profit	1,072	884	188	21.3	631	445	186	41.8
Financing expenses, net	172	117	55	47.0	127	71	56	78.9
Share in loss of an investee	4	3	1	33.3	1	3	(2)	(66.7)
Profit before income tax	896	764	132	17.3	503	371	132	35.6
Income tax	167	182	(15)	(8.2)	77	84	(7)	(8.3)
Net profit for the period	729	582	147	25.3	426	287	139	48.4

Explanation

The decrease is mainly due to the decrease in interconnect rates as of June 2024, as well as the sale of the subsidiary, Bezeq Online, and its deconsolidation as of the second quarter of 2025, as set out in Note 15.3 to the financial statements. For further information see section 1.2.2 below.

The decrease is mainly due to the reversal of an impairment loss on a broadcasting rights asset in yes, as well as a decrease in interconnect payments to communications operators following such rate cuts, mainly in the cellular communications segment. For further information, see Notes 5.1 and 9 to the financial statements.

The decrease is due to the sale of the subsidiary, Bezeq Online, and its deconsolidation as of the second quarter of 2025, primarily offsetting an increase in salary expenses in the domestic fixed line communications segment.

The decrease is mainly due to the reversal of an impairment loss on assets of yes, see Note 5.1 to the financial statements.

For further information, see Note 10 to the financial statements.

The increase in expenses is mainly due to a decline in the value of forward transactions resulting from the decrease in the USD exchange rate in the current quarter, affecting both the domestic fixed-line communications segment and the multichannel television segment. For further information, see Note 11 to the financial statements.

As of the second quarter of 2024 the Company records its share in the net operating results of BezeqGen in its financial statements.

1.2.2 Operating segments

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

	1-6.2025		1-6.2024		4-6.2025		4-6.2024	
	NIS million	% of total revenues	NIS million	% of total revenues	NIS million	% of total revenues	NIS million	% of total revenues
Revenue by operating segment								
Domestic fixed-line communications	2,203	50.4	2,166	48.7	1,102	51.6	1,075	49.0
Cellular communications	1,096	25.1	1,144	25.7	530	24.8	561	25.6
Bezeq International services	536	12.3	550	12.4	263	12.3	261	11.9
Multichannel television	639	14.6	631	14.2	320	15.0	316	14.5
Others and adjustments	(103)	(2.4)	(44)	(1.0)	(79)	(3.7)	(21)	(1.0)
Total	4,371	100	4,447	100	2,136	100	2,192	100

	1-6.2025		1-6.2024		4-6.2025		4-6.2024	
	NIS million	% of segment revenue	NIS million	% of segment revenue	NIS million	% of segment revenue	NIS million	% of segment revenue
Operating profit (loss) by operating segment								
Domestic fixed-line communications	770	35.0	780	36.0	386	35.0	383	35.6
Cellular communications	87	7.9	95	8.3	43	8.1	55	9.8
Bezeq International services	22	4.1	38	6.9	8	3.0	18	6.9
Multichannel television (proforma)²	(22)	(3.4)	(44)	(7.0)	(2)	(0.6)	(25)	(7.9)
Others and adjustments	215³	-	15	-	196³	-	14	-
Consolidated operating profit / % of the Group's revenues	1,072	24.5	884	19.9	631	29.5	445	20.3

- (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.
- (3) Mainly reconciliation of the difference between the operating loss of the multi-channel television segment (proforma) and the accounting operating profit of yes, mainly for reversal of an impairment loss, see Note 5.1 and section 1.2.2E below.

1.2.2 Operating segments (contd.)

B. Domestic fixed line communications

	1-6.2025	1-6.2024	Change		4-6.2025	4-6.2024	Change		Explanation
	NIS million			%	NIS million			%	
Revenues from internet services	1,013	995	18	1.8	508	494	14	2.8	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 the period in the wholesale market revenues, among other things, as a result of the decrease in duct access rates as of April 1, 2024.
Fixed line telephony revenue	251	281	(30)	(10.7)	123	138	(15)	(10.9)	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	762	716	46	6.4	381	356	25	7.0	The increase is mainly due to an increase in data transmission and communication services, sales of equipment to businesses, and revenues from fee-based projects, partially offset by a decline in revenue from ISP transmission due to subscriber migration to the Company following the ISP reform.
Revenue from cloud and digital services	177	174	3	1.7	90	87	3	3.4	
Total revenue	2,203	2,166	37	1.7	1,102	1,075	27	2.5	
General operating expenses	380	370	10	2.7	192	187	5	2.7	The increase is mainly due to an increase in subcontractor expenses, as well as marketing and general expenses, offset by a decrease in interconnect payments to communications operators following the forgoing reduction in rates.
Salaries	537	518	19	3.7	270	258	12	4.7	The increase is mainly due to updating of salaries, offset by employee retirements and a rise in the capitalization of salary expenses for investment purposes
Depreciation and amortization	519	507	12	2.4	261	255	6	2.4	
Other operating income, net	(3)	(9)	6	(66.7)	(7)	(8)	1	(12.5)	The decrease is mainly due to a decrease in capital gains from the sale of real estate, which was offset in the quarter mainly by a decrease in a provision for legal claims.
Operating profit	770	780	(10)	(1.3)	386	383	3	0.8	
Financing expenses, net	147	122	25	20.5	101	70	31	44.3	The increase in expenses is mainly due to a decline in the value of forward transactions resulting from the decrease in the USD exchange rate in the current quarter.
Share in loss of an investee	4	3	1	33.3	1	3	(2)	(66.7)	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	145	159	(14)	(8.8)	66	72	(6)	(8.3)	
Segment profit	474	496	(22)	(4.4)	218	238	(20)	(8.4)	

1.2.2 Operating segments (contd.)

C. Cellular communications

	1-6.2025	1-6.2024	Change		4-6.2025	4-6.2024	Change		Explanation
	NIS million		%		NIS million		%		
Revenue from services less interconnect fees⁴	721	683	38	5.6	361	348	13	3.7	The increase is mainly due to an increase in postpaid revenues, resulting from growth in the subscriber base (including subscribers of 5G packages), the recovery in prepaid revenues due to the effects of the war and a rise in content-related income. In addition, roaming services revenues grew due to a recovery from the effects of the war, (despite a decrease toward the end of the period following "Operation Rising Lion").
Interconnect revenue⁴	75	153	(78)	(51.0)	34	72	(38)	(52.8)	The decrease in interconnect revenue is mainly the result of the interconnect tariff decrease in June 2024. Most of the tariffs were canceled on June 15, 2025.
Sale of terminal equipment	300	308	(8)	(2.6)	135	141	(6)	(4.3)	The decrease is mainly due to erosion of the prices of devices, which was higher than the increase in sales volume, as well as a decline in sales toward the end of the period following Operation Rising Lion.
Total revenue	1,096	1,144	(48)	(4.2)	530	561	(31)	(5.5)	
General operating expenses	560	609	(49)	(8.0)	264	293	(29)	(9.9)	The decrease is mainly due to a decrease in interconnect revenue expenses (parallel to the decrease in revenue). This decrease is mainly offset by an increase in frequency fee costs due to the cancellation of discounts granted up to the end of 2024.
Salaries	167	162	5	3.1	82	79	3	3.8	The increase is mainly due to the effects of the collective agreement and minimum wage increase. On the other hand, there has been a decrease in the employee headcount.
Depreciation and amortization	281	272	9	3.3	141	134	7	5.2	The increase is mainly due to an increase in new investments. Conversely, right-of-use asset depreciation declined.
Other operating expenses, net	1	6	(5)	(83.3)	-	-	-	-	The decrease in the period is mainly due to legal expenses and costs related to retirement of employees.
Operating profit	87	95	(8)	(8.4)	43	55	(12)	(21.8)	
Financing expenses, net	6	4	2	50.0	3	4	(1)	(25.0)	The increase in net finance expenses during the period is mainly due to a rise in financing costs of lease liability and higher expenses related to forward transactions, which exceeded exchange rate gains from changes in the USD exchange rate. The decrease in net financing expenses in the quarter is mainly due to changes in the USD exchange rate.
Income tax	20	22	(2)	(9.1)	10	12	(2)	(16.7)	
Segment profit	61	69	(8)	(11.6)	30	39	(9)	(23.1)	

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

1.2.2 Operating segments (contd.)

D. Bezeq International services

	1-6.2025	1-6.2024	Change		4-6.2025	4-6.2024	Change		Explanation
	NIS million		%		NIS million		%		
Revenues	536	550	(14)	(2.5)	263	261	2	0.8	The change in revenue is due to a decrease in ISP services in the private sector, mainly due to a decrease in subscriber numbers following the ISP regulatory reform, a decrease in revenue from ISP services in the business sector and in international data communications services, partially offset by an increase in revenue from cloud operations and international telephony services, and in the quarter also by an increase in revenue from equipment sales, licensing, and service contracts.
Operating and general expenses and impairment	357	359	(2)	(0.6)	172	166	6	3.6	The change in expenses is mainly due to an increase in expenses for cloud operations and international telephony service, and in the quarter also by an increase in costs for equipment, licensing, and service contracts. This increase was offset by a decrease in expenses for private-sector ISP, business-sector ISP, and international data communications services.
Salaries	109	104	5	4.8	54	51	3	5.9	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	48	53	(5)	(9.4)	29	26	3	11.5	The increase in the quarter is mainly due to an increase in total impairment. The decrease in the period is mainly due to a decrease in recorded impairment losses, resulting from a decrease in investment activity compared with the corresponding period.
Other operating expenses (income), net	-	(4)	-	-	-	-	-	-	The corresponding period included recognition of income from an amendment to the service farm leasing agreement (Bnei Zion), offsetting expenses for a provision for legal claims.
Operating profit	22	38	(16)	(42.1)	8	18	(10)	(55.6)	
Financing expenses, net	4	2	2	100.0	1	-	1	-	The increase is mainly due to USD exchange rate differentials.
Income tax	1	-	1	-	1	-	1	-	
Segment profit	17	36	(19)	(52.8)	6	18	(12)	(66.7)	

1.2.2 Operating segments (contd.)

E. Multichannel television (proforma)⁵

	1-6.2025	1-6.2024	Change		4-6.2025	4-6.2024	Change		Explanation
	NIS million			%	NIS million			%	
Revenues	639	631	8	1.3	320	316	4	1.3	The increase is mainly due to an increase in revenue from combined television and fiber bundles.
General operating expenses	449	454	(5)	(1.1)	222	229	(7)	(3.1)	The decrease is mainly due to a decrease in satellite costs, a decrease in content costs and a decrease in costs related to collaborations with international content providers that were partially offset by an increase in fiber operation costs.
Salaries	88	92	(4)	(4.3)	44	45	(1)	(2.2)	
Depreciation and amortization	117	125	(8)	(6.4)	57	63	(6)	(9.5)	The decrease is mainly due to a revision in the estimated useful life of assets, as well as fully depreciated assets.
Other operating expenses (income)	7	4	3	75.0	(1)	4	(5)	(125.0)	The decrease in the quarter is mainly due to the recognition of expenses relating to a provision for legal claims in the corresponding quarter.
Operating loss	(22)	(44)	22	(50.0)	(2)	(25)	23	(92.0)	
Financing expenses (income), net	15	(12)	27	-	21	(7)	28	-	The change is mainly due to a decline in the value of forward transactions resulting from the decrease in the USD exchange rate.
Segment loss	(37)	(32)	(5)	15.6	(23)	(18)	(5)	27.8	

- (5) Results of the multichannel television segment are presented net of the total impairment recognized beginning in 2018. This is in accordance with the manner in which the Group's chief operating decision maker evaluates the performance of the segment and makes decisions regarding the allocation of resources to the segment. 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 or loss and proforma profit or loss

	1-6.2025		1-6.2024		4-6.2025		4-6.2024	
	Accounting profit or loss	Proforma profit or loss	Accounting profit or loss	Proforma profit or loss	Accounting profit or loss	Proforma profit or loss	Accounting profit or loss	Proforma profit or loss
NIS million								
Revenues	639	639	631	631	320	320	316	316
General operating expenses	356	449	456	454	129	222	229	229
Salaries	92	88	95	92	45	44	47	45
Depreciation and amortization	(6)	117	106	125	(46)	57	48	63
Other operating expenses (income)	7	7	4	4	(1)	(1)	4	4
Operating profit (loss)	190	(22)	(30)	(44)	193	(2)	(12)	(25)
Financing expenses (income), net	15	15	(12)	(12)	21	21	(7)	(7)
Profit (loss) for the period	175	(37)	(18)	(32)	172	(23)	(5)	(18)

1.3 Cash flows

	1-6.2025	1-6.2024	Change		4-6.2025	4-6.2024	Change		Explanation
	NIS million		%		NIS million		%		
Net cash flow from operating activities	1,564	1,710	(146)	(8.5)	733	709	24	3.4	The decrease in net cash flows from operating activities in the period is mainly due to an increase in income tax paid in the domestic fixed-line communications segment. The increase in net cash flows from operating activities in the quarter is mainly due to an increase in profit, offset mainly by changes in broadcasting rights.
Net cash from (used for) investing activities	(612)	(1,494)	882	(59.0)	108	(88)	196	-	The increase in net cash flows from investing activities in the quarter and the decrease in net cash flows used in investing activities in the period is mainly due to a decrease in net investment in bank deposits and other financial investments in the domestic fixed line communications segment. In addition, proceeds were received from the sale of the subsidiary, Bezeq Online, in the current quarter.
Net cash from (used for) financing activities	(975)	137	(1,112)	-	(797)	(802)	5	(0.6)	The change in the period is mainly due to the fact that the corresponding period included an issue of debentures (expansion of Debentures Series 11 and 13) and receipt of loans in the domestic fixed-line communications sector.
Net increase (decrease) in cash	(23)	353	(376)	-	44	(181)	225	-	

Average volume in the reporting period

Long-term liabilities (including current maturities) to financial institutions and debenture holders: NIS 7,617million

Supplier credit: NIS 973 million; short-term customer credit: NIS 1,411 million; long-term customer credit: NIS 238 million

Working capital

As at June 30, 2025, the Group has working capital deficit in the amount of NIS 74 million, compared with surplus working capital in the amount of NIS 886 million as at June 30, 2024.

The Company has (based on its separate financial information) surplus working capital in the amount of NIS 24 million as at June 30, 2025, compared with surplus working capital in the amount of NIS 864 million as at June 30, 2024.

The Group's working capital deficit and the decline in the Company's surplus working capital are mainly due to an increase in debenture current maturities because, according to the repayment schedule, the first repayment date of Series 11 and 12 is in June 2026, and a decrease in investment balances, cash, and cash equivalents.

The Company's board of directors reviewed, among other things, the existing and expected cash sources and needs in the foreseeable future of the Group, the investment needs of the Group, the sources of credit available to the Group, and reviewed sensitivity analysis for unexpected adverse events on the businesses of the Group. In this regard, the Company's board of directors decided that the foregoing working capital deficit does not indicate a liquidity problem in the Group, and that there is no reasonable concern that the Group will fail to meet its existing and expected liabilities when they fall due. The Group is able to meet its existing and expected cash needs in the foreseeable future, also in the event of any unexpected deterioration in its businesses by using its cash reserves, as well as by generating cash from operations, by using net liquid resources from subsidiaries, and by raising and recycling a significant scope of debts from banking and non-banking sources.

The foregoing information includes forward-looking information based on the Company's estimates regarding liquidity. The actual data may differ materially from the foregoing estimate if there is a change compared to the Company's estimates in one or more of the elements taken into account in those estimates, and including estimates with regard to the risk factors specified in the Company's periodic report for 2024.

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

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

In the six months ended June 30, 2025, the CPI increase was reflected in financing expenses with respect to the Group's financial debt in an amount of NIS 38 million (NIS 36 million after hedging), a decrease of NIS 10 million (a decrease of NIS 3 million after hedging) compared with the corresponding period last year.

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 June 30, 2025, every 1% increment in the CPI is expected to cause an increase of NIS 25 million in the Group's financing expenses (NIS 12 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 and along the northern border (whereas at the date of publication of the report, a ceasefire is in effect). In the second quarter of 2025, the security situation further deteriorated, with hostilities expanding to the Iranian front for a period of 12 days.

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, prepared for the state of emergency and maintained operating continuity, providing solutions for the market needs, including addressing malfunctions, increasing cyber vigilance and preparedness, and assisting the community in many ways.

The effects on the Group companies' operations are on the one hand reflected by a decrease in roaming activity at Pelephone 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. Furthermore, several regulatory measures were adopted as part of the State of Israel's state of emergency preparations, including the legislation of a law for deferral of payment dates for eligible persons and relief for telephone call charges, including calls relating to online studies. It should be noted that some of the Group companies initiated lowering of charges for customers of the communities in the Gaza border and the northern border areas. The Group companies regularly monitor the security developments.

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 and its intensity, 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 Disclosure concerning valuations

Below is a breakdown concerning a material valuation pursuant to Regulation 8B(9) of the Israel Securities Regulations (Periodic and Immediate Reports), -1970. For further information, see Note 5.1 to the financial statements.

yes Television and Communication Services Ltd. ("yes") Material valuation as at June 30, 2025	
Subject of the valuation	Review of impairment of yes assets as at June 30, 2025
Date of the valuation	June 30, 2025 The valuation was signed on July 31, 2025
Value shortly before the valuation date if reevaluation based on the valuation had not been required under GAAP, including depreciation and amortization	The carrying amount prior to adjustment of value as at June 30, 2025, is positive amounting to NIS 127 million.
Value based on the valuation	The value in use of yes assets, under the income capitalization approach (value in use) at a positive value of NIS 274 million. In accordance with IAS 36, the recoverable amount of the yes assets was calculated as NIS 274 million. Based on the valuation, in the quarter, the Group recognized a reversal of impairment loss in the amount of NIS 147 million, and a reversal of impairment loss of NIS 110 million for the period of six months.
Valuator's identity and profile	The valuation was prepared by Guy Feiwisch, Partner, Valuations and Economic Modeling in the Economic Department at Ernst Young (Israel) Ltd. CPA Feiwisch has a BA in Economics, specializing in Accounting, from Ben Gurion University in Beer Sheva, and is a certified public accountant in Israel. As part of his position, CPA Feiwisch heads projects with leading private and public companies in their fields in Israel and worldwide, and provides assistance for transactions in Israel and abroad. He guides complex valuations for diverse purposes, including for financial reporting, taxation, regulatory compliance and raising of capital in various sectors including the real estate, retail, industry, energy and communications sectors. Furthermore, as part of his duties, he assists companies in planning and implementing strategy and business processes. CPA Feiwisch also has experience in providing financial opinions for legal proceedings and/or commercial disputes. The valuator is not dependent on the Company. The Company undertook to indemnify the valuator for any damages in excess of three times his fee, other than if he acted with malicious intent or gross negligence.
Valuation model	Discounted cash flow model (DCF)
Assumptions used by the valuator in the valuation	Discount rate – 10.5% (after tax) Permanent growth rate - 1% Scrap value percentage of total value set in the valuation – 77.1%.

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

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

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

3. Information about a debenture series

On May 5, 2025, Maalot rating agency ratified the iIAA rating of the Company with stable outlook and the iIAA rating for the Company's debentures (see the immediate report dated May 5, 2025).

Similarly, on May 7, 2025, Midroog rating agency ratified the Aa2.il rating for the Company and for its debentures, with stable outlook (see the immediate report dated May 7, 2025).

4. Miscellaneous

For further information concerning the liabilities of the Company and the companies consolidated in its financial statements as at June 30, 2025, see the reporting form posted by the Company on the MAGNA website on August 6, 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: August 5, 2025

Chapter C

Condensed Consolidated Interim Financial Statements as at June 30, 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.



Condensed Consolidated Interim Financial Statements as at June 30, 2025 (Unaudited)

Contents	Page
Review Report	2
Condensed Consolidated Interim Financial Statements as at June 30, 2025 (Unaudited)	
Condensed Consolidated Interim Statements of Financial Position	3
Condensed Consolidated Interim Statements of Income	5
Condensed Consolidated Interim Statements of Comprehensive Income	6
Condensed Consolidated Interim Statements of Changes in Equity	7
Condensed Consolidated Interim Statements of Cash Flows	10
Notes to the Condensed Consolidated Interim Financial Statements	
1 General	12
2 Basis of Preparation	12
3 Reporting Principles and Accounting Policy	12
4 Group Entities	13
5 Impairment	13
6 Contingent Liabilities	16
7 Equity	17
8 Revenues	17
9 General Operating Expenses	17
10 Other Operating Expenses (Income), Net	18
11 Financing Expenses, Net	19
12 Financial Instruments	19
13 Segment Reporting	21
14 Condensed Financial Statements Pelephone, Bezeq International, and yes	26
15 Significant Events in and Subsequent to the Date of the Financial Statements	29



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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 June 30, 2025 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six and three-month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with IAS 34 “Interim Financial Reporting” and are also responsible for the preparation of the financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

Scope of Review

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

Conclusion

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

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

Explanatory Paragraph

Without qualifying our abovementioned conclusion, we draw attention to 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.)

August 5, 2025

Condensed Consolidated Interim Statements of Financial Position

		June 30, 2025	June 30, 2024	December 31, 2024
		(Unaudited)	(Unaudited)	(Audited)
Assets	Note	NIS million	NIS million	NIS million
Cash and cash equivalents		789	916	784
Investments	12.1	1,792	1,948	1,917
Trade receivables		1,393	1,475	1,395
Other receivables		186	221	172
Inventory		112	107	162
Assets of a held for sale disposal group	15.3	-	-	83
Total current assets		4,272	4,667	4,513
Trade and other receivables		397	435	410
Right-of-use assets		1,761	1,765	1,762
Fixed assets		7,349	6,977	7,160
Intangible assets		980	934	948
Deferred expenses and non-current investments		459	324	368
Total non-current assets		10,946	10,435	10,648
Total assets		15,218	15,102	15,161

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

Condensed Consolidated Interim Statements of Financial Position (Contd.)

		June 30, 2025	June 30, 2024	December 31, 2024
		(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	Note	NIS million	NIS million	NIS million
Debtures, loans, and borrowings		1,681	1,064	1,123
Current maturities of lease liabilities		426	426	438
Trade and other payables		1,824	1,909	1,935
Employee benefits		333	294	400
Provisions	6	82	88	84
Liabilities of a held for sale disposal group	15.3	-	-	34
Total current liabilities		4,346	3,781	4,014
Debtures and loans		5,816	6,820	6,523
Lease liabilities		1,522	1,517	1,530
Employee benefits		314	254	300
Derivatives and other liabilities		284	203	214
Deferred tax liabilities		60	81	46
Provisions		32	27	30
Total non-current liabilities		8,028	8,902	8,643
Total liabilities		12,374	12,683	12,657
Equity attributable to shareholders of the Company				
Share capital		3,883	3,879	3,882
Share premium		396	387	393
Reserves		407	410	407
Deficit		(1,844)	(2,258)	(2,180)
Total equity attributable to shareholders of the Company		2,842	2,418	2,502
Noncontrolling interests		2	1	2
Total equity		2,844	2,419	2,504
Total liabilities and equity		15,218	15,102	15,161

Tomer Raved
Chairman of the board of
directors

Nir David
CEO

Yohai Benita
Bezeq Group CFO

Approval date of the financial statements: August 5, 2025

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

Condensed Consolidated Interim Statements of Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues (Note 8)	4,371	4,447	2,136	2,192	8,884
Operating expenses					
General and operating expenses (Note 9)*	1,508	1,668	679	812	3,257
Salaries	947	963	451	477	1,932
Depreciation, amortization, impairment, and reversal of impairment loss*	839	935	383	462	1,844
Other operating expenses (income), net (Note 10)	5	(3)	(8)	(4)	199
Total operating expenses	3,299	3,563	1,505	1,747	7,232
Operating profit	1,072	884	631	445	1,652
Financing expenses (income) (Note 11)					
Financing expenses	268	235	175	138	446
Financing income	(96)	(118)	(48)	(67)	(196)
Financing expenses, net	172	117	127	71	250
Profit after financing expenses, net	900	767	504	374	1,402
Share in loss of an investee	4	3	1	3	8
Profit before income tax	896	764	503	371	1,394
Income tax	167	182	77	84	321
Total profit for the period	729	582	426	287	1,073
Net profit for the period attributable to shareholders of the Company	729	582	426	287	1,072
Profit for the period attributable to holders of noncontrolling interests	-	-	-	-	1
Basic and diluted earnings per share (NIS)	0.26	0.21	0.15	0.10	0.39

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

Condensed Consolidated Interim Statements of Comprehensive Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Net profit for the period	729	582	426	287	1,073
Remeasurement of a defined benefit plan, net of tax – not to be carried to profit or loss	(1)	-	-	-	(5)
Additional items of other comprehensive income (loss) for hedging, net of tax – to be carried to	(7)	3	(4)	-	(1)
Total comprehensive income for the period	721	585	422	287	1,067
Total comprehensive income for the period attributable to the Company's shareholders	721	585	422	287	1,066
Total comprehensive income for the period attributable to holders of noncontrolling interests	-	-	-	-	1

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

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Share premium	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									
Six months ended June 30, 2025 (unaudited)									
Balance as at January 1, 2025	3,882	393	390	56	(39)	(2,180)	2,502	2	2,504
Profit for the period	-	-	-	-	-	729	729	-	729
Other comprehensive loss for the period, net of tax	-	-	-	-	(7)	(1)	(8)	-	(8)
Total comprehensive income for the period	-	-	-	-	(7)	728	721	-	721
Transactions with shareholders recognized directly in equity									
Dividend to the Company's shareholders	-	-	-	-	-	(392)	(392)	-	(392)
Share-based payments	-	-	-	11	-	-	11	-	11
Exercise of options for shares	1	3	-	(4)	-	-	-	-	-
Balance as at June 30, 2025	3,883	396	390	63	(46)	(1,844)	2,842	2	2,844
Six months ended June 30, 2024 (unaudited)									
Balance as at January 1, 2024	3,879	387	390	44	(38)	(2,466)	2,196	1	2,197
Profit for the period	-	-	-	-	-	582	582	-	582
Other comprehensive income for the period, net of tax	-	-	-	-	3	-	3	-	3
Total comprehensive income for the period	-	-	-	-	3	582	585	-	585
Transactions with shareholders recognized directly in equity									
Dividend to the Company's shareholders	-	-	-	-	-	(374)	(374)	-	(374)
Share-based payments	-	-	-	11	-	-	11	-	11
Balance as at June 30, 2024	3,879	387	390	55	(35)	(2,258)	2,418	1	2,419

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

Condensed Consolidated Interim Financial Statements as at June 30, 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									
Three months ended June 30, 2025 (unaudited)									
Balance as at April 1, 2025	3,883	396	390	56	(42)	(1,878)	2,805	2	2,807
Profit for the period	-	-	-	-	-	426	426	-	426
Other comprehensive loss for the period, net of tax	-	-	-	-	(4)	-	(4)	-	(4)
Total comprehensive income for the period	-	-	-	-	(4)	426	422	-	422
Transactions with shareholders recognized directly in equity									
Dividend to Company shareholders	-	-	-	-	-	(392)	(392)	-	(392)
Share-based payments	-	-	-	7	-	-	7	-	7
Balance as at June 30, 2025	3,883	396	390	63	(46)	(1,844)	2,842	2	2,844
Three months ended June 30, 2024 (unaudited)									
Balance as at April 1, 2024	3,879	387	390	48	(35)	(2,171)	2,498	1	2,499
Profit for the period	-	-	-	-	-	287	287	-	287
Total comprehensive income for the period	-	-	-	-	-	287	287	-	287
Transactions with shareholders recognized directly in equity									
Dividend to the Company's shareholders	-	-	-	-	-	(374)	(374)	-	(374)
Share-based payments	-	-	-	7	-	-	7	-	7
Balance as at June 30, 2024	3,879	387	390	55	(35)	(2,258)	2,418	1	2,419

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

Condensed Consolidated Interim Financial Statements as at June 30, 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 January 1, 2024	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 loss for the year, net of tax	-	-	-	-	(1)	(5)	(6)	-	(6)
Total comprehensive income for the period	-	-	-	-	(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

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

Condensed Consolidated Interim Statements of Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flow from operating activities					
Profit for the period	729	582	426	287	1,073
Adjustments:					
Depreciation, amortization, impairment and reversal of impairment loss	839	935	383	462	1,844
Financing expenses, net	191	118	134	69	269
Capital gain, net	(7)	(12)	(2)	(10)	(17)
Share in loss of an investee	4	3	1	3	8
Impairment loss of a held for sale disposal group	2	-	-	-	9
Share-based payment	11	11	7	7	21
Income tax expenses	167	182	77	84	321
Change in trade and other receivables	(30)	(29)	55	36	67
Change in inventory	42	(38)	27	6	(109)
Change in trade and other payables	24	69	(139)	(107)	147
Change in provisions	(1)	-	(7)	2	(5)
Change in employee benefits	(51)	(34)	(50)	(45)	115
Change in broadcasting rights	(91)	6	(92)	-	(57)
Miscellaneous	(3)	(3)	(3)	3	4
Net income tax paid	(262)	(80)	(84)	(88)	(244)
Net cash from operating activities	1,564	1,710	733	709	3,446
Cash flow used in investing activities					
Purchase of fixed assets	(660)	(645)	(335)	(333)	(1,356)
Investment in intangible assets and deferred expenses	(190)	(196)	(96)	(98)	(390)
Investment in bank deposits and other financial investments	(568)	(1,375)	-	(153)	(2,045)
Proceeds from repayment of bank deposits and other financial investments	719	671	462	471	1,381
Proceeds from the sale of fixed assets	35	7	32	4	16
Government grant for frequencies	-	-	-	-	4
Interest received from bank deposits	32	41	15	18	90
Investment in an investee	(11)	-	-	-	(10)
Proceeds from the sale of a subsidiary net of cash sold	28	-	28	-	-
Miscellaneous	3	3	2	3	8
Net cash from (used in) investing activities	(612)	(1,494)	108	(88)	(2,302)

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

Condensed Consolidated Interim Statements of Cash Flows (Contd.)

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025 (Unaudited) NIS million	2024 (Unaudited) NIS million	2025 (Unaudited) NIS million	2024 (Unaudited) NIS million	2024 (Audited) NIS million
Cash flow for financing activities					
Issue of debentures and receipt of loans	-	1,084	-	-	1,648
Repayment of debentures and loans	(205)	(220)	(205)	(220)	(1,071)
Payments of principal and interest for leases	(257)	(230)	(104)	(104)	(449)
Interest paid	(121)	(123)	(96)	(104)	(249)
Dividend paid	(392)	(374)	(392)	(374)	(781)
Proceeds for expired hedging transactions	-	-	-	-	7
Net cash from (used in) financing activity	(975)	137	(797)	(802)	(895)
Net increase (decrease) in cash and cash equivalents	(23)	353	44	(181)	249
Cash and cash equivalents at beginning of period	784	563	724	1,097	563
Change in cash balance of a subsidiary sold	28	-	21	-	(28)
Cash and cash equivalents at end of period	789	916	789	916	784

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

1. General

1.1 Reporting entity

Bezeq The Israeli Telecommunications Corporation Ltd. (the "Company") is a company registered in Israel whose shares are listed on the Tel Aviv Stock Exchange. The condensed consolidated financial statements of the Company as at June 30, 2025 include those of the Company and its subsidiaries (jointly referred to as "the Group"). The Group is a major provider of communications services in Israel (see also Note 13 – Segment Reporting).

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 condensed consolidated interim financial statements include only the material changes that have occurred from the date of the most recent Annual Financial Statements until the date of these consolidated interim financial statements.

2.3 The condensed consolidated interim financial statements were approved by the board of directors on August 5, 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 June 30, 2025, yes has positive equity amounting to NIS 303 million, and on the other hand, a working capital deficit amounting to NIS 267 million. According to the forecasts of yes, it expects to accumulate operating losses in the coming year and therefore it is not expected to meet its obligations and to continue operating as a going concern without the Company's support.

On August 5, 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 July 1, 2025 until September 30, 2026, instead of a similar undertaking in May 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 reversal of the impairment loss recognized by yes in the financial statements as at June 30, 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 June 30, 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 in 2024, the valuation as at December 31, 2024 presented an enterprise value that is significantly lower than the carrying amount of yes.

To calculate the enterprise value as at June 30, 2025, the forecast underlying the valuation as at December 31, 2024 was revised to include the expected cash flows from the Partner transaction (see Note 15.4 below). In addition, the forecast for the number of television subscribers for 2025-2026 was revised to reflect the actual number of subscribers, which exceeded the previous forecast.

The nominal capital price used in the valuation is 10.5% after tax (11.7% before tax) and a terminal growth rate of 1% was assumed.

The enterprise value as at June 30, 2025, taking into account the revised forecasts as set out above, the effect of bringing forward the timing, and the effect of the change in the discount rate, amounts to NIS 274 million.

The recoverable amount of the Company's operations is based on the enterprise value, calculated using the discounted cash flow approach.

Based on the valuation of the enterprise value, carried out by an external appraiser as at June 30, 2025, the carrying amount of the depreciable assets is NIS 147 million lower than its enterprise value. Accordingly, in the three months ended June 30, 2025, the Group recognized the reversal of an impairment loss of NIS 147 million and in the six months ended June 30, 2025, a reversal of an impairment loss of NIS 110 million

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 or reversal of 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	Reversal of impairment loss (loss)
	NIS million	NIS million	NIS million	NIS million
As at June 30, 2025 and for the three months then ended (unaudited)	274	(49)	127	147
As at March 31, 2025 and for the three months then ended (unaudited)	61	(75)	98	(37)
Total reversal of the impairment loss recognized in the six months ended June 30, 2025				110
As at December 31, 2024 and for the year then ended (audited)	86	(34)		(151)

It should be noted that the valuation of the enterprise value is sensitive to the net cash flow in the terminal 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 NIS 56 million to NIS (57) 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 66 million and NIS (68) million.

Attribution of reversal of the impairment loss or (loss) from impairment of the Group assets:

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Broadcasting rights *	56	(50)	74	(28)	(64)
Fixed assets **	24	(35)	35	(15)	(41)
Intangible assets **	26	(34)	33	(14)	(39)
Other receivables (prepaid expenses) *	3	(7)	4	(1)	(7)
Rights of use for leased assets **	1	-	1	-	-
Reversal of impairment loss or (loss) from impairment recognized	110	(126)	147	(58)	(151)

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

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

For information about the method used by yes to measure the fair value (Level 3 – inputs not based on observable market data) of the assets, less costs to sell, see Note 10.5 to the Annual Financial Statements.

5.2 Impairment in ISP, international communications, and NEP services, and ICT services (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 June 30, 2025, it was found that in the six months since the previous valuation, there were no material changes in the market, or regulatory changes that could have a material effect on the forecasts of Bezeq International in the coming years, and there were no material changes in the discount rate. Therefore, as at June 30, 2025, no adjustment is required for the change in the enterprise value of Bezeq International and it remains a negative amount of NIS 89 million, as set out in the valuation as at December 31, 2024.

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2025 (Unaudited)

The net fair value of the assets of Bezeq International as at June 30, 2025 is a negative amount of NIS 59 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 June 30, 2025, the carrying amount of the depreciable assets is NIS 21 million higher than the net fair value. Accordingly, in the six and three months ended June 30, 2025, the Group recognized an impairment loss of NIS 33 million and NIS 21 million, respectively.

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 June 30, 2025 and for the three months then ended (unaudited)	(89)	(59)	(38)	(21)
As at March 31, 2025 and for the three months then ended (unaudited)	(89)	(57)	(45)	(12)
Total impairment recognized in the six months ended June 30, 2025				(33)
As at December 31, 2024 and for the year then ended (audited)	(89)	(51)		(91)

Attribution of impairment loss to Group assets:

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Fixed assets and intangible assets**	21	23	14	12	57
Short-term and long-term prepaid expenses *	9	11	4	4	21
Long-term prepaid expenses for capacities**	3	8	3	3	13
Total impairment recognized	33	42	21	19	91

* The expense was presented under general and operating expenses

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

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 77 million, where provisions are required to cover the exposure arising from such Legal Claims.

In the opinion of the managements of the Group companies, the additional exposure (beyond these provisions) as at June 30, 2025 for Legal Claims filed against Group companies on various matters, which are unlikely to be realized, amounts to NIS 7.1 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 exposure in this Note are nominal.

6.2 Below is a description of the Group's contingent liabilities that were valid as at June 30, 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 faulty service provided by the Group companies	77	1,629	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⁾
Miscellaneous	Other legal claims, including claims in tort (excluding claims for which the insurance coverage is not disputed), real estate, infrastructure, and suppliers	-	40	8
Total legal claims against the Company and subsidiaries ⁽²⁾		77	1,693	2,477

(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. The court approved the parties' mutual petitions to suspend the proceedings at this stage until December 2025.

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

7. Equity**7.1 Share capital:**

	June 30, 2025	June 30, 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	2,771,292,186	2,766,944,443	2,769,916,866

7.2 Dividends

- 7.2.1** See Note 20.2.1 to the Annual Financial Statements regarding the dividend distribution policy approved by the Company's board of directors on March 11, 2025.
- 7.2.2** On April 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.
- 7.2.3** On August 5, 2025, the Company's board of directors resolved to recommend to the general meeting of the Company's shareholders the distribution of a cash dividend to the Company's shareholders in the amount of NIS 583 million. As at the approval date of the financial statements, the dividend has not yet been approved by the general meeting.

8. Revenues

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Domestic fixed-line communication (Bezeq Fixed-Line)					
Internet – infrastructure	972	985	487	489	1,961
Transmission and data communication	538	511	273	254	1,025
Fixed-line telephony	246	274	121	135	531
Cloud and digital services	177	174	89	87	348
Other services	146	120	70	60	264
	2,079	2,064	1,040	1,025	4,129
Cellular telephony– Telephone					
Cellular services and terminal equipment	787	823	390	413	1,615
Sale of terminal equipment	300	307	135	141	616
	1,087	1,130	525	554	2,231
Multichannel television – yes	639	631	320	316	1,264
ISP, international communications, and ICT services – Bezeq International					
International	512	521	251	247	1,053
Other	54	101	-	50	207
Total revenues	4,371	4,447	2,136	2,192	8,884

9. General Operating Expenses

	Six months ended June 30		Three months ended June 30		Year ended
	2025	2024	2025	2024	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Terminal equipment and materials	405	398	186	182	828
Interconnectivity and payments to domestic and international telecommunications operators	239	347	114	169	613
Content costs (including impairment or reversal of loss from impairment of content)	167	263	38	135	491
Marketing and general	277	244	137	120	483
Maintenance of buildings and sites	130	126	64	64	264
Services and maintenance by subcontractors	259	254	125	122	511
Vehicle maintenance	31	36	15	20	67
Total general and operating expenses	1,508	1,668	679	812	3,257

10. Other Operating Expenses (Income), Net

	Six months ended June 30		Three months ended June 30		Year ended
	2025	2024	2025	2024	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Capital gain (mainly disposal of real estate)	(7)	(12)	(2)	(10)	(17)
Creation (reversal) of a provision for claims	-	9	(7)	4	20
Expenses for severance pay in early retirement in the Company	2	5	2	2	104
Expenses for severance pay in early retirement and the efficiency agreement in Pelephone, Bezeq International, and yes.	10	5	1	1	91
Impairment loss of a held for sale disposal group	2	-	-	-	9
Other income	(2)	(10)	(2)	(1)	(8)
Total other operating expenses (income), net	5	(3)	(8)	(4)	199

11. Financing Expenses, Net

	Six months ended June 30		Three months ended June 30		Year ended
	2025	2024	2025	2024	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2024
	NIS million	NIS million	NIS million	NIS million	(Audited)
	NIS million				
Interest expenses for financial liabilities	138	138	69	70	274
Financing expenses for lease liabilities	38	34	19	18	72
Change in fair value of derivatives at fair value through profit or loss	36	-	48	-	-
Linkage and exchange differences	34	39	25	32	71
Financing expenses for employee benefits	9	9	4	5	21
Exchange rate differences	6	-	5	-	-
Other financing expenses	7	15	5	13	8
Total financing expenses	268	235	175	138	446
Change in fair value of financial assets at fair value through profit or loss	25	40	14	30	59
Interest income from investments	34	43	16	14	80
Income for credit in sales	15	13	8	6	26
Other financing income	22	22	10	17	31
Total financing income	96	118	48	67	196
Financing expenses, net	172	117	127	71	250

12. Financial Instruments**12.1 Composition of investments**

	June 30, 2025	June 30, 2024	December 31,
	(Unaudited)	(Unaudited)	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Bank deposits in NIS (1)	572	913	873
Investment in securities at fair value through profit or loss	1,210	1,013	1,035
Derivatives	10	22	9
	1,792	1,948	1,917

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

12.2 Fair value

A. Financial instruments at fair value for disclosure purposes only

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

	June 30, 2025		June 30, 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)	1,311	1,292	1,529	1,455	1,517	1,479
Debentures issued to the public (CPI-linked)	2,388	2,334	2,487	2,397	2,342	2,287
Debentures issued to the public (unlinked)	3,121	3,121	3,191	3,043	3,110	3,046
Total	6,820	6,747	7,207	6,895	6,969	6,812

B. Fair value hierarchy

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

	June 30, 2025	June 30, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Level 1 – investment in financial reserves at fair value through profit or loss	1,210	1,013	1,035
Level 2 – forward contracts	(9)	55	32

13. Segment Reporting

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

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2025 (Unaudited)

Six months ended June 30, 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	2,064	1,130	521	631	101	-	4,447
Inter-segment revenues	102	14	29	-	-	(145)	-
Total revenues	2,166	1,144	550	631	101	(145)	4,447
General operating	370	609	359	454	14	(138)	1,668
Salaries	518	162	104	92	83	4	963
Depreciation, amortization, and impairment	507	272	53	125	2	(24)	935
Segment results – operating profit (loss)	780	95	38	(44)	1	14	884
Financing expenses	208	18	8	2	-	(1)	235
Financing income	(86)	(14)	(6)	(14)	-	2	(118)
Total financing expenses (income), net	122	4	2	(12)	-	1	117
Segment profit (loss) after financing expenses, net	658	91	36	(32)	1	13	767
Share in loss of an investee	3**	-	-	-	-	-	3
Income tax	159	22	-	-	1	-	182
Segment results – net profit (loss)	496	69	36	(32)	-	13	582

* 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.

** As from the second quarter of 2024, Bezeq began to record its share in the losses of BezeqGen.

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2025 (Unaudited)

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

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2025 (Unaudited)

Three months ended June 30, 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	1,025	554	247	316	50	-	2,192
Inter-segment revenues	50	7	14	-	-	(71)	-
Total revenues	1,075	561	261	316	50	(71)	2,192
General operating	187	293	166	229	6	(69)	812
Salaries	258	79	51	45	41	3	477
Depreciation, amortization, and impairment	255	134	26	63	2	(18)	462
Segment results – operating profit (loss)	383	55	18	(25)	1	13	445
Financing expenses	119	11	4	-	2	2	138
Financing income	(49)	(7)	(4)	(7)	-	-	(67)
Total financing expenses (income), net	70	4	-	(7)	2	2	71
Segment profit (loss) after financing expenses, net	313	51	18	(18)	(1)	11	374
Share in loss of an investee	3**	-	-	-	-	-	3
Income tax	72	12	-	-	-	-	84
Segment results – net profit (loss)	238	39	18	(18)	(1)	11	287

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

** As from the second quarter of 2024, Bezeq began to record its share in the losses of BezeqGen.

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2025 (Unaudited)

Year ended December 31, 2024 (audited)							
	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 the fourth quarter of 2018. This is in accordance with the way the Group's chief operating decision maker assesses the segment's performance and decides on the allocation of resources for the segment. See also Note 14.3 for condensed selected information from the financial statements of yes.

** As from the second quarter of 2024, Bezeq began to record its share in the losses of BezeqGen.

14. Condensed Financial Statements of Pelephone, Bezeq International, and yes**14.1 Pelephone Communications Ltd.**

Information from the statement of financial position:

	June 30, 2025	June 30, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Current assets	783	785	796
Non-current assets	2,125	2,119	2,084
Total assets	2,908	2,904	2,880
Current liabilities	682	679	733
Long-term liabilities	775	769	760
Total liabilities	1,457	1,448	1,493
Equity	1,451	1,456	1,387
Total liabilities and equity	2,908	2,904	2,880

Information from the statement of income:

	Six months ended June 30		Three months ended June 30		Year ended December 31,
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenue from services	796	836	395	420	1,636
Revenue from the sale of terminal equipment	300	308	135	141	618
Total revenues from services and sales	1,096	1,144	530	561	2,254
Operating expenses					
General operating expenses	560	609	264	293	1,178
Salaries	167	162	82	79	321
Depreciation and amortization	281	272	141	134	552
Total operating expenses	1,008	1,043	487	506	2,051
Other operating expenses, net	1	6	-	-	14
Operating profit	87	95	43	55	189
Financing expenses (income)					
Financing expenses	21	18	11	11	37
Financing income	(15)	(14)	(8)	(7)	(30)
Financing expenses, net	6	4	3	4	7
Profit before income tax	81	91	40	51	182
Income tax expenses	20	22	10	12	44
Profit for the period	61	69	30	39	138

14.2 Bezeq International Ltd.

Information from the statement of financial position:

	June 30, 2025	June 30, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Current assets	448	410	390
Non-current assets	501	490	542
Total assets	949	900	932
Current liabilities	390	358	397
Long-term liabilities	337	283	331
Total liabilities	727	641	728
Equity	222	259	204
Total liabilities and equity	949	900	932

Information from the statement of income:

	Six months ended June 30		Three months ended June 30		Year ended December 31,
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues	536	550	263	261	1,105
Operating expenses					
Operating expenses, general, and impairment	357	359	172	166	722
Salaries	109	104	54	51	211
Depreciation, amortization, and impairment	48	53	29	26	118
Other (income) expenses, net	-	(4)	-	-	70
Total operating expenses	514	512	255	243	1,121
Operating profit	22	38	8	18	(16)
Financing expenses (income)					
Financing expenses	10	8	4	4	15
Financing income	(6)	(6)	(3)	(4)	(10)
Financing expenses, net	4	2	1	-	5
Profit before income tax	18	36	7	18	(21)
Income tax expenses	1	-	1	-	1
Profit (loss) for the period	17	36	6	18	(22)

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

14.3 yes Television and Communication Services Ltd. (yes)

Information from the statement of financial position:

	June 30, 2025	June 30, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Current assets	168	247	164
Non-current assets	622	296	418
Total assets	790	543	582
Current liabilities	435	433	404
Long-term liabilities	52	53	53
Total liabilities	487	486	457
Equity	303	57	125
Total liabilities and equity	790	543	582

Information from the statement of income:

	Six months ended June 30		Three months ended June 30		Year ended December 31,
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues	639	631	320	316	1,265
Operating expenses					
Operating expenses, general, impairment, and reversal of impairment loss	356	456	129	229	870
Depreciation, amortization, impairment and reversal of impairment loss	(6)	106	(46)	48	192
Salaries	92	95	45	47	155
Other operating expenses (income), net	7	4	(1)	4	8
Total operating expenses	449	661	127	328	1,225
Operating profit (loss)	190	(30)	193	(12)	40
Financing expenses (income)					
Financing expenses	18	2	21	-	5
Financing income	(3)	(14)	-	(7)	(15)
Financing expenses (income), net	15	(12)	21	(7)	(10)
Profit (loss) before income tax	175	(18)	172	(5)	50
Income tax expenses	-	-	-	-	1
Profit (loss) for the period	175	(18)	172	(5)	49

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

- 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 full net cash consideration of NIS 34 million was received, less the cash balance in the amount of NIS 6 million of the sold entity.
- 15.4** On April 23, 2025, yes and Partner Communications Ltd. signed an agreement. Under the agreement, yes will grant Partner a license to use a dedicated content app based on the Sting+ service, provide related services, and grant a license to broadcast content. The commercial launch date was set for four to six months from the signing date. In May and July 2025, additional amendments to the agreement were signed, which regulated the terms for the purchase of shared content, the license to use the app, and the payment format for it. The agreement has a significant one-time positive accounting effect of NIS 120 million, reflected in the reversal of impairment. See Note 5.1 above.
- 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.
- 15.6** On July 29, 2025, the Company received a hearing document published by the Ministry of Communications regarding the determination of maximum payments in the wholesale market. According to the hearing, the Ministry believes it is necessary to update the cost model underlying the wholesale rates and set lower rates for the Company. If the proposed reduction of rates is approved, yes believes that there will be a significant one-time positive accounting effect of between NIS 90 million and NIS 120 million, which will be reflected in the reversal of asset impairments in the third quarter of the year.

Condensed Separate Interim Financial Information as of June 30, 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.

Contents	Page
Auditors' Review Report	2
Condensed Separate Interim Financial Information as of June 30, 2025 (unaudited)	
Condensed Interim Information on Financial Position	4
Condensed Interim Information on Income	6
Condensed Interim Information on Comprehensive Income	6
Condensed Interim Information on Cash Flows	7
Notes to the Condensed Separate Interim Financial Information	8



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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 June 30, 2025 and for the six and three-month periods then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

Scope of Review

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

Conclusion

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

Explanatory Paragraph

Without qualifying our abovementioned conclusion, we draw attention to 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.)

August 5, 2025

Condensed Separate Interim Information on Financial Position

	June 30, 2025	June 30, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Cash and cash equivalents	403	466	462
Investments	1,792	1,939	1,912
Trade receivables	709	713	708
Other receivables	97	121	101
Disposal group assets held for sale	-	-	49
Total current assets	3,001	3,239	3,232
Trade and other receivables	220	247	226
Fixed assets	6,222	5,947	6,111
Intangible assets	235	260	258
Goodwill	265	265	265
Investment in investees	2,063	1,911	1,792
Right-of-use assets	637	631	648
Noncurrent and other investments	167	188	177
Total noncurrent assets	9,809	9,449	9,477
Total assets	12,810	12,688	12,709

Condensed Separate Interim Information on Financial Position (cont.)

	June 30, 2025	June 30, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Liabilities			
Debentures, loans and borrowings	1,681	1,063	1,123
Trade and other payables	868	955	988
Employee benefits	227	205	279
Current maturities of lease liabilities	118	103	112
Provisions (Note 5)	55	49	53
Loans from a subsidiary	28	-	-
Total current liabilities	2,977	2,375	2,555
Loans and debentures	5,815	6,819	6,523
Loans from a subsidiary	112	90	140
Employee benefits	250	232	244
Lease liabilities	578	580	593
Derivatives and other liabilities	222	135	151
Deferred tax liabilities	14	39	1
Total noncurrent liabilities	6,991	7,895	7,652
Total liabilities	9,968	10,270	10,207
Equity			
Share capital	3,883	3,879	3,882
Share premium	396	387	393
Reserves	407	410	407
Equity deficit	(1,844)	(2,258)	(2,180)
Total equity attributable to the Company's shareholders	2,842	2,418	2,502
Total liabilities and equity	12,810	12,688	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: August 5, 2025

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

Condensed Separate Interim Information on Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues (Note 2)	2,203	2,166	1,102	1,075	4,342
Operating expenses					
Salaries	537	518	270	258	1,037
Depreciation and amortization	519	507	261	255	1,023
General operating expenses (Note 3)	380	370	192	187	738
Other operating expenses (income), net (Note 4)	(3)	(9)	(7)	(8)	106
Total operating expenses	1,433	1,386	716	692	2,904
Operating profit	770	780	386	383	1,438
Financial expenses (income)					
Financial expenses	224	208	125	119	398
Financial income	(77)	(86)	(24)	(49)	(148)
Financial expenses, net	147	122	101	70	250
Profit after financial expenses, net	623	658	285	313	1,188
Share in profits of investees, net	251	83	207	46	158
Profit before income tax	874	741	492	359	1,346
Income tax	145	159	66	72	274
Profit for the period attributable to the Company's shareholders	729	582	426	287	1,072

Condensed Separate Interim Information on Comprehensive Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit for the period	729	582	426	287	1,072
Items of other comprehensive income (loss), net of tax	(8)	3	(4)	-	(6)
Total comprehensive income for the period attributable to the Company's shareholders	721	585	422	287	1,066

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

Condensed Separate Interim Information on Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from operating activities					
Profit for the period	729	582	426	287	1,072
Adjustments:					
Depreciation and amortization	519	507	261	255	1,023
Share in profits of investees, net	(251)	(83)	(207)	(46)	(158)
Financial expenses, net	151	111	101	66	242
Capital gain, net	(7)	(12)	(2)	(10)	(14)
Loss from impairment of disposal group held for sale	2	-	-	-	9
Share-based payment	5	4	3	3	9
Income tax expenses	145	159	66	72	274
Change in trade and other receivables	(7)	(5)	26	4	41
Change in trade and other payables	55	43	(46)	(49)	93
Change in provisions	2	(5)	(5)	-	-
Change in employee benefits	(49)	(29)	(46)	(34)	49
Miscellaneous	(3)	-	(3)	-	10
Net cash provided by operating activities due to transactions with subsidiaries	(2)	17	-	17	(2)
Income tax paid, net	(235)	(50)	(73)	(74)	(194)
Net cash provided by operating activities	1,054	1,239	501	491	2,454
Cash flows from investing activities					
Investment in intangible assets and other investments	(66)	(94)	(29)	(44)	(172)
Proceeds from the sale of fixed assets	34	6	31	4	13
Investment in bank deposits and other financial investments	(568)	(1,375)	-	(153)	(2,045)
Proceeds from repayment of bank deposits and other financial investments	716	668	459	468	1,378
Purchase of fixed assets	(494)	(442)	(237)	(222)	(967)
Dividend received	15	-	15	-	141
Interest received from bank deposits	27	34	12	15	75
Investment in an investee	(11)	-	-	-	(10)
Proceeds from the sale of a subsidiary	34	-	34	-	-
Miscellaneous	2	1	1	1	3
Net cash provided by (used in) investing activities	(311)	(1,202)	286	69	(1,584)

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

Condensed Separate Interim Information on Cash Flows (cont.)

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from financing activities					
Issue of debentures and receipt of loans	-	1,084	-	-	1,648
Repayment of debentures and loans	(205)	(220)	(205)	(220)	(1,070)
Interest paid	(121)	(123)	(96)	(104)	(249)
Dividend paid	(392)	(374)	(392)	(374)	(781)
Payment of principal and interest for a lease	(78)	(68)	(36)	(37)	(144)
Payment for expired hedging transactions	-	-	-	-	7
Net cash used in financing activities due to transactions with subsidiaries	(6)	(4)	(6)	(4)	47
Net cash provided by (used in) financing activities	(802)	295	(735)	(739)	(542)
Net increase (decrease) in cash and cash equivalents	(59)	332	52	(179)	328
Cash and cash equivalents at the beginning of the period	462	134	351	645	134
Cash and cash equivalents at the end of the period	403	466	403	466	462

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

Notes to the Condensed Separate Interim Financial Information

1. Manner of Preparing Financial Information

1.1 Definitions

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

"Associate," the "Group," "Investee": As these terms are defined in the Company's consolidated financial statements for 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. This 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 June 30, 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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Internet infrastructure	1,013	995	508	494	1,999
Transmission and data communications	611	591	309	293	1,179
Fixed-line telephony	251	281	123	138	544
Cloud and digital services	177	174	90	87	348
Other services	151	125	72	63	272
Total revenues	2,203	2,166	1,102	1,075	4,342

3. General Operating Expenses

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Maintenance of buildings and sites	56	54	28	28	115
Marketing and general	107	100	55	52	187
Interconnectivity and payments to telecom operators	21	35	9	16	56
Services and maintenance by subcontractors	112	99	58	51	217
Vehicle maintenance	22	22	12	12	42

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Terminal equipment and materials	62	60	30	28	121
Total general operating expenses	380	370	192	187	738

4. Other Operating Expenses (Income), Net

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Capital gain from the sale of fixed assets (mainly real estate)	(7)	(12)	(2)	(10)	(14)
Employee expenses due to early retirement	2	5	2	2	104
Loss from impairment of disposal group held for sale	2	-	-	-	9
Other expenses (income) (mainly (reversal of) provisions for legal claims)	-	(2)	(7)	-	7
Total other operating expenses (income), net	(3)	(9)	(7)	(8)	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 55 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 June 30, 2025:

Balance of provision	Additional exposure*	Exposure for claims whose chances cannot yet be assessed*
NIS million		
55	629	2,470 ⁽¹⁾

* The exposure amounts in this note are 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. The Court has approved motions agreed upon by the parties to stay proceedings for the time being until December 2025.

- 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.

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 August 2025, the Company's Board of Directors approved an irrevocable undertaking by the Company to provide yes with a credit facility or capital investment in the amount of NIS 100 million for 15 months, as of July 1, 2025 until September 30, 2026, in lieu of a similar undertaking from May 2025. See Note 4.1 to the Consolidated Statements.
- 6.3** Regarding an impairment loss and reversal of impairment loss in respect of Bezeq International and yes, see Note 5 to the Consolidated Statements.
- 6.4** See Note 7.2 to the Consolidated Statements regarding 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 June 30, 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 Group
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 Consumers 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 CEO¹ and the most senior financial officer, or under their supervision, or by whoever fulfills those functions in practice, under the supervision of the Board of Directors of the Company, and were designed to provide reasonable assurance as to the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Company is required to disclose in the reports it publishes in accordance with the provisions of the law is collected, processed, summarized and reported on the date and in the format laid down in law.

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

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

In the quarterly report on the effectiveness of internal control over financial reporting and disclosure, that was attached to the quarterly report for the period ended March 31, 2025 (the "Last Quarterly Report on Internal Control"), internal control was found to be effective.

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

¹ Regarding the transfer of the CEO's authority in matters connected with investees of the Company to the Board of Directors – see Section 1.1.3 of the chapter "Description of Company Operations" in the Periodic Report for 2024.

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

Concerning the investigations of the Israel Securities Authority and the Israel Police, as detailed in section 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 second 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: August 5, 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 second 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: August 5, 2025

Yohai Benita, CFO Bezeq Group