



B. Communications Ltd.

Quarterly Report for the Period Ended March 31, 2025

Update to Chapter A (Description of the Corporation's Business) of the 2024 Annual Report

Chapter B - Report of the Board of Directors on the State of the Corporation's business for the Period ended March 31, 2025

Chapter C - Condensed Interim Financial Statements for the Period ended March 31, 2025

Chapter E - Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure for the period ended March 31, 2025

THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE HEBREW VERSION OF THE COMPANY'S FINANCIAL STATEMENTS AND THE MANAGEMENT DISCUSSION AND ANALYSIS FOR Q1 2025 (THE "REPORTS"). THE HEBREW VERSION OF THE REPORTS IS THE BINDING VERSION AND THE ONLY VERSION HAVING LEGAL EFFECT. THE ENGLISH TRANSLATION HAS BEEN CREATED FOR THE PURPOSE OF CONVENIENCE ONLY. THE APPROVAL OF THE COMPANY'S BOARD OF DIRECTORS WAS GIVEN TO THE HEBREW VERSION ONLY AND NO SUCH APPROVAL HAS BEEN GIVEN TO THE ENGLISH TRANSLATION. THIS ENGLISH TRANSLATION WAS NOT SUBMITTED TO THE ISRAELI SECURITIES AUTHORITY AND IS NOT REVIEWED BY ANY REGULATORY AUTHORITY.



**Update to Chapter A
(Description of the Corporation's Business)
Of the 2024 Periodic Report¹**

¹ As published by the Company on March 12, 2025 (Reference No.: 2025-016387) (“the **Periodic Report**”), which is included in this report by way of reference.

Update² to Chapter A - Description of the Corporation's Business) of the 2024 Periodic Report

B. Communications Ltd. ("**the Company**") together with the subsidiary Bezeq the Israeli Telecommunications Corporation Ltd. ("**Bezeq**" or "**Bezeq Group**") and Bezeq's wholly owned subsidiaries, whose financial statements are consolidated with Bezeq's statements, will be called together in this Periodic Report - "**the Group**".

1. General updates in the Company

- 1.1. On January 26, 2025, the Company's shareholders' meeting approved the reappointment of Mrs. Efrat Duvdevani, who serves as an external director of the Company, for an additional term of office (second term) of three years, which began on January 24, 2025 and will end on January 23, 2028. For further details, see the immediate report published by the Company on January 26, 2025 (Reference No.: 2025-01-006725), which is included in this report by reference.
- 1.2. On March 17, 2025, the Company sold, in an off-exchange transaction, 160,000,000 ordinary shares of Bezeq, of NIS 1 par value each, constituting approximately 5.77% of Bezeq's issued and paid-up capital, to a number of foreign and Israeli institutional entities in consideration for a total of NIS 5.7 per share, with the total (gross) consideration for the shares sold amounting to NIS 912 million. It should be noted that the Company announced the sale of the aforementioned Bezeq shares to the Ministry of Communications, and that after the sale, the Company continues to hold the control permit for Bezeq. After the aforementioned sale of the Bezeq shares and as of the date of publication of the report, the Company holds approximately 21.69% of the issued and paid-up capital of Bezeq (approximately 21.27% fully diluted). For additional details, see the immediate report published by the Company on March 17, 2025 (Reference No.: 2025-01-017754), which is included in this report by reference.
- 1.3. On May 12, 2025, the Company's shareholders' meeting approved the following issues: reappointment of Somekh-Chaikin CPA, KPMG, as the Company's auditor from the date of the meeting until the date of the next annual meeting of the Company; reappointment of Mr. Darren Glatt as a director in the Company until the date of the next annual meeting of the Company and authorization of the Board of Directors to determine his salary; reappointment of Mr. Phil Bacal as a director in the Company until the date of the next annual meeting of the Company; reappointment of Mr. Ran Forer as a director in the Company until the date of the next annual meeting of the Company; Reappointment of Mr Ajit Pai as a director in the Company until the date of the next annual meeting of the Company; reappointment of Mr. Stephen Joseph as an independent director in the Company until the date of the next annual meeting of the Company; exemption from liability and granting of indemnity letters by the Company, until April 15, 2028, to directors and officers serving on behalf of the controlling shareholders of the Company, and to such directors and officers who will serve in the Company from time to time; Remuneration policy for the Company's directors and officers for a period of three years from the date of its approval by the meeting and in accordance with the provisions of the law. For more details, see immediate report published by the Company on May 12, 2025 (Reference No.: 2025-033086).
- 1.4. On April 21, 2025, the Company announced the decision of the Company's Board of Directors to carry out a full early redemption, at the Company's initiative, of the debentures (Series F), which will be carried out on May 31, 2025. For additional details, see immediate report published by the Company on April 21, 2025 (Reference No.: 2025-01-028321), which is included in this report by reference.

² The update is in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 and includes significant changes or innovations that have occurred in the business of the Company and/or Bezeq and / or the Group, in any matter that must be described in the Periodic Report. However, in some cases and for the sake of completeness, the Company included a more detailed description than required, including information that it believes is not necessarily material. The update is in relation to the Company's Periodic Report for 2024 and refers to the item numbers in Chapter A (Description of the Corporation's Business) in said Periodic Report.

2. Description of the general development in the Group's business

2.1. Section 1.1 – Group Activities and Description of its Business Development – General, and Section 1.3 – Investments in Bezeq Capital and Transactions in its Shares

Sale of Bezeq Shares

For details regarding the sale of Bezeq shares by the Company, see Section 1.2 above.

2.2. Section 1.1 – Group Activities and Description of its Business Development, and Section 1.2 – Areas of Activity

Signing of Agreement for the Sale of Bezeq Online

Regarding Bezeq's entry into an agreement with One Software Technologies Ltd. ("the Purchaser") for the sale of all of Bezeq's holdings in Bezeq Online – on 17.4.2025, the transaction was completed, after all the conditions precedent to the agreement were met. In accordance with the agreement, ownership was transferred to the Purchaser and the financial consideration stipulated therein was received.

2.3. Section 1.1.5 – Charges in Connection with Transactions of the Previous Controlling Shareholder and Former Officers in the Company

Paragraph 1.1.5.3 regarding an indictment against the former controlling shareholder of Bezeq and former senior officers in the Bezeq Group – In May 2025, an arrangement was published for the conditional cessation of proceedings in accordance with Article B of Chapter 11 of the Securities Law between the State and Ron Ayalon, within the framework of which Ron Ayalon admitted the facts related to inflating Yes's free cash flow in 2016.

2.4. Section 1.4.2 – Dividend distribution by Bezeq

For details regarding the dividend distributions made by Bezeq in May 2025, see Note 7 to the statements.

The balance of Bezeq's distributable profits as of the date of the report: approximately NIS 690 million (surplus accumulated in the last two years after subtracting distributions made in respect of that period).

2.5. Section 1.5.4 - Main results and operational data

- Section 1.5.4.1 - Bezeq Fixed Lines (Bezeq activity as NIO)

Financial data (NIS millions)	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	1,101	1,071	1,105	1,075	1,091
Operating profit	384	303	355	383	397
Depreciation and amortization	258	260	256	255	252
Operating profit before depreciation and amortization (EBITDA) ⁽¹⁾	642	563	611	638	649
Share in loss of equity-held subsidiary	3	2	3	3	-
Net profit	256	193	217	238	258
Cash flow from current activities	553	626	589	491	748
Payments for investments in property, plant and equipment and intangible assets and other investments	294	303	300	266	270
Receipts from the sale of property, plant and equipment and intangible assets	3	-	7	4	2
Lease payments	42	38	38	37	31
Free cash flow ⁽²⁾	220	285	258	192	449
Operating data					
Total number of Internet lines at the end of the period (thousands) ⁽³⁾	1,477	1,479	1,486	1,486	1,489
Of which are subscribers connected to the fiber network at the end of the period (thousands) ⁽⁶⁾	863	810	759	694	635
Internet lines at the end of the period - in retail (thousands) ⁽³⁾	1,003	1,008	1,012	1,014	1,019

Update to Chapter A (Description of the Corporation's Business) of the 2024 Periodic Report

Financial data (NIS millions)	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Of which are subscribers connected to the fiber network at the end of the period - in retail (in thousands) ⁽³⁾	554	521	483	442	407
Internet lines at the end of the period - in wholesale (thousands) ⁽³⁾	474	471	474	472	470
Of which are subscribers connected to the fiber network at the end of the period - in wholesale (thousands) ⁽³⁾	309	289	276	252	228
Average monthly revenue per Internet subscriber (NIS) - Retail (ARPU) ⁽⁵⁾	134	133	131	129	127
Fiber optic network deployment at the end of the period (thousands of households available for connection) ⁽⁶⁾	2,671	2,571	2,448	2,312	2,191
Average plan speed per Internet subscriber – retail (Mbps) ⁽⁴⁾	572	526	483	430	382
Number of Be routers in use by the Company's customers (thousands)	864	862	858	846	837
Number of Be Spot and Be Mesh reception range enhancers of the home internet network (thousands)	466	462	457	449	445
Number of active telephony subscribers at the end of the period (thousands) ⁽⁷⁾	1,366	1,383	1,397	1,409	1,419
Average monthly revenue per telephony subscriber (NIS) (ARPL) ⁽⁸⁾	31	31	32	33	33
Telephony churn rate ⁽⁹⁾	2.4%	2.3%	2.5%	2.1%	3.1%

- (1) Operating profit before depreciation and amortization (EBITDA) is a financial index that is not based on generally accepted accounting principles. The Company presents this index as another index for evaluating its business results since it is an accepted index in the Company's area of activity, which neutralizes aspects resulting from variability in capital structure, various taxation aspects and manner and period of amortization of property, plant and equipment and intangible assets. This index is not a substitute for indices based on generally accepted accounting principles, and does not serve as a single index for assessing the Company's results of operations or cash flow. Also, the index presented in this report may not be calculated in the same way as other indices in other companies. The Company's EBITDA is calculated as operating profit before depreciation, amortization and ongoing losses from impairment of property, plant and equipment and intangible assets. For the purpose of adequate presentation of economic activity, the Company presents ongoing losses from impairment of property, plant and equipment and intangible assets in Yes and Bezeq International under the depreciation and amortization item, as well as ongoing losses from impairment of broadcasting rights under the operating and general expenses item (in the P&L statement). For this matter, see Note 5 to the financial statements and Section 7 of the chapter describing the corporation's business for the year 2024.
- (2) Free cash flow is a financial index that is not based on generally accepted accounting principles. Free cash flow is defined as cash arising from current operations minus cash for the purchase / sale of property, plant and equipment. The Company presents free cash flow as an additional index to evaluate business results and cash flows, since the Company is of the opinion that cash flow is an important liquidity index that reflects the cash derived by the Company from its current operations after investing cash in infrastructure and PP&E and other intangible assets. For this matter, see Section 7 of the chapter describing the corporation's business for the year 2024.
- (3) Total number of Internet subscribers including retail and wholesale subscribers. Retail - the Company's direct Internet subscribers. Wholesale - Internet subscribers through wholesale service to other communication providers.
- (4) In plans where there is a range of speeds, the maximum speed in the plan is taken into account.
- (5) Revenue from retail Internet services divided by the average number of retail customers in the period. For this matter, see Section 7 of the chapter describing the corporation's business for the year 2024.
- (6) As of the date of publication of the report, fiber optic network deployment - approximately 2,718 million households available for connection, of which approximately 885k subscribers are connected to the fiber network (of which approximately 568k are in retail and approximately 317k are in wholesale).
- (7) Inactive subscribers are subscribers whose Bezeq lines have been physically disconnected (excluding a subscriber who has not paid his debt to the Company on time in the first three months (approximately) of collection proceedings).
- (8) Calculated according to the average of subscribers for the period. For this matter, see Section 7 of the chapter describing the corporation's business for the year 2024.
- (9) Number (gross) of telephony subscribers who abandoned Bezeq Fixed Lines during the period divided by the average number of telephony subscribers registered in the period. For this matter, see Section 7 of the chapter describing the corporation's business for the year 2024.

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2.5.1. Section 1.5.4.2 - Pelephone

Financial data (NIS millions)	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Total revenue	566	563	547	561	583
Of which: revenue from interconnect ⁽¹⁾	41	39	41	72	81
Total revenue excluding interconnect ⁽¹⁾	525	524	506	489	502
Revenue from services	401	394	406	420	416
Revenue from services excluding interconnect ⁽¹⁾	360	355	365	348	335
Revenue from the sale of end equipment	165	169	141	141	167
Operating profit	44	42	52	55	40
Depreciation and amortization	140	145	135	134	138
Operating profit before depreciation and amortization (EBITDA) ⁽²⁾	184	187	187	189	178
Net profit	31	31	38	39	30
Cash flow from current activities	175	153	212	161	122
Payments for investments in property, plant and equipment, intangible assets and other investments, net	84	76	65	82	82
Lease payments	96	55	58	52	79
Free cash flow ⁽²⁾	(5)	22	89	27	(39)
Operating data					
Number of postpaid subscribers for the end of the period (thousands) ⁽³⁾	2,265	2,257	2,251	2,228	2,213
Of which are subscribers in 5G packages (thousands) ⁽³⁾	1,276	1,237	1,195	1,144	1,086
Number of prepaid subscribers for the end of the period (thousands) ⁽³⁾	366	376	388	387	398
Number of subscribers for the end of the period (thousands) ⁽³⁾	2,631	2,633	2,639	2,615	2,611
Average monthly revenue per subscriber (ARPU) excluding interconnect fees (NIS) ⁽¹⁾	45	45	46	44	43
Subscriber churn rate (Churn Rate) ⁽⁵⁾	6.2%	6.0%	5.8%	5.6%	6.5%

- (1) Average monthly revenue per subscriber (ARPU) excluding revenue from Interconnect - the reform to change the interconnect rates regime that started gradually from June 2023 and will last until June 2025 is expected to bring a decrease in revenue from interconnect and in ARPU, and therefore Pelephone chose to present the average monthly revenue per subscriber (ARPU) minus the interconnect revenue component.
- (2) For the definition of operating profit before depreciation and amortization (EBITDA) and free cash flow, see notes (1) and (2) in the Bezeq Fixed Lines table.
- (3) Subscriber data includes Pelephone's subscribers (excluding other operators' subscribers who are hosted on the Pelephone network, and without IoT subscribers) and does not include subscribers who has been connected to Pelephone's service for six months or more but are not active. Inactive subscribers are subscribers who in the last six months have not received at least one call, did not make at least one call / message, did not perform a browsing operation, or did not pay for Pelephone's services. A prepaid subscriber is included in the active subscriber base from the date on which he performed a charge, and is deducted from the active subscriber base when he does not make outgoing use for six months or more. It should be noted that a customer can have more than one subscription number ("line"). The number of subscribers includes subscribers who consume various services (such as data for in-vehicle media systems), the average revenue from which is significantly lower than the rest of the subscribers. It should be noted that Pelephone markets packages with increased usage volume that are also adapted to 5G needs, with approximately 1,298 million postpaid subscribers on packages of this type as of the date of publication of the report.
- (4) The average monthly revenue per subscriber (postpaid and prepaid). The index is calculated by dividing the consolidated average monthly revenue from all cellular services, from both Pelephone's subscribers and other communication operators, including revenue received from cellular operators using Pelephone's network, repair service and extended warranty in the period by the average active subscriber base in that same period. See also Section 7 of the chapter on the description of the Corporation's business for the year 2024.
- (5) The subscriber churn rate is calculated according to the ratio of the subscribers who disconnected from Pelephone services and the subscribers who became inactive during the period to the average of active subscribers during the period. See also Section 7 of the chapter describing the corporation's business for the year 2024.

Update to Chapter A (Description of the Corporation's Business) of the 2024 Periodic Report

2.5.2. Section 1.5.4.3 - Bezeq International

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

(1) Starting in 2023, small customers (SOHO) are included in the revenue from private customers.

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

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

(4) Number of Internet subscribers who left Bezeq International during the period is an average of the average Internet subscribers registered during the period. See also Section 7 of the chapter describing the corporation's business for the year 2024.

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2.5.3. Section 1.5.4.4 – Yes

Financial data (NIS millions)	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	319	317	317	316	315
Operating profit (loss)	(3)	57	13	(12)	(18)
Depreciation, amortization and ongoing impairment	40	19	30	48	58
Operating profit before depreciation, amortization and ongoing impairment (EBITDA) ⁽¹⁾	37	76	43	36	40
Net profit (loss)	3	55	12	(5)	(13)
Cash flow from operating activities	75	(18)	55	46	93
Payments for investments in property, plant and equipment and intangible assets and other investments, net	36	63	42	67	49
Lease payments	6	6	7	6	6
Free cash flow ⁽¹⁾	33	(87)	6	(27)	38
Operating data					
Number of TV subscribers (thousands) ⁽³⁾	561	562	563	567	571
Of which are IP subscribers ⁽⁴⁾	475	467	452	431	412
Of which are STING+ subscribers	146	139	132	129	124
Average monthly revenue per TV subscriber (ARPU) (NIS) ⁽⁵⁾	174	172	175	174	173
Average monthly revenue from subscribers (ARPU Subscribers) (NIS) ⁽⁵⁾	189	186	187	184	182
Subscriber churn rate ⁽⁶⁾	4.1%	3.8%	4.3%	3.9%	3.9%
Number of subscribers connected to the fiber network (thousands) ⁽⁷⁾	85	73	64	55	46

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

(2) TV subscriber - one household or a small business customer. In the case of a business customer who owns more than a certain number of decoders (such as a hotel or gym), the number of subscribers is usually adjusted. The number of subscribers registered in respect of non-small business customers is calculated by dividing the total payment received from all non-small business customers by the average revenue per small business customer, which is determined once per period.

(3) The number of subscribers who have joined the international streaming services as part of Yes's collaborations with these services (see Section 5.1.1.1 of the chapter describing the corporation's business for 2024) is approximately 151K as of the date of publication of the report.

(4) The number of TV subscribers using Yes+ and STING+ services transmitted via the Internet, as of the date of publication of the report, is approximately 478k subscribers, which constitute approximately 85% of all Yes TV subscribers. The number of IP subscribers and the above rate also includes subscribers who also use satellite services in parallel.

(5) The average monthly revenue per TV subscriber is calculated by dividing the total Yes revenue (excluding revenue from the sale of content to external broadcasters, revenue from end equipment and revenue from ISP services) by the average number of relevant customers in the period. The average monthly revenue from customers is calculated by dividing the Yes total revenue (excluding revenue from the sale of content to external broadcasters and revenue from end equipment) by the average of the relevant customers in the period. See also Section 7 of the chapter describing the corporation's business for 2024.

(6) The number of TV subscribers who churned from Yes during the period divided by the average number of TV subscribers registered in the period. See also Section 7 of the chapter describing the Corporation's business for 2024.

(7) The number of subscribers connected to the fiber network as of the date of publication of the report is approximately 90k.

2.6. Section 1.6 – Forecast and Targets

On 11.5.2025, Bezeq updated the Group's forecast for 2025, which was published in Bezeq's immediate report dated 12.3.2025 ("**the Original Forecast**"), based on the information known to it at that time, as follows³:

- Adjusted net profit⁴ attributable to shareholders is expected to be approximately NIS 1.32 billion (compared to approximately NIS 1.2 billion in the Original Forecast).
- Adjusted EBITDA⁵ is expected to be approximately NIS 3.75 billion (compared to approximately NIS 3.7 billion in the Original Forecast).
- CAPEX⁶ is expected to be approximately NIS 1.75 billion (unchanged from the Original Forecast).

The main changes are due to one-off accounting effects due to Yes entering into an agreement with Partner. In addition, there is no change regarding the scope of Bezeq's fiber network deployment (reaching approximately 2.9 million households), and regarding financial stability (maintaining a high credit rating, in the AA group).

Bezeq's forecasts detailed above are forward-looking information, as defined in the Securities Law. The forecasts are based on Bezeq's estimates, assumptions, and expectations, and, among other things, on the Group's assessments regarding the structure of competition in the communications market and the regulatory arrangement of the sector, on the current economic situation in the economy, and accordingly on the Group's ability to implement its plans for 2025, as well as taking into account the changes that will apply to the above, in business conditions, and in the effects of regulatory decisions, technological changes, developments in the structure of the communications market, etc., or to the extent that one or more of the risk factors detailed in the 2024 Periodic Report materializes. In addition, the forecast may change depending on the duration, intensity, and scope of the Iron Swords War.

2.7. Section 1.7.2 – Communications Groups in the Israeli Market and Section 2.6.1 – Infrastructure-Deployment

Regarding the holdings in IBC - To the best of Bezeq's knowledge, in May 2025, HOT and IIF received a binding offer from a "Phoenix" group corporation to acquire their entire holdings in IBC, in which context Cellcom (which is also a partner in IBC) is granted a right of first refusal as well as a right to join the sale of its holdings in IBC to the acquiring entity.

2.8. Section 1.7.3 – Regulatory supervision - the structural unbundling duty

Paragraph 1.7.3.1 regarding the elimination of structural unbundling – On 8.4.2025, the Ministry of Communications' work plan for 2025 was published, where the main task of the plan was, among other things, the formulation of staff work to examine regulatory provisions regarding structural unbundling for telecom companies, and the publication of a decision on the matter by the end of 2025 was also specified as a success indicator.

2.9. Section 1.7.6 – Additional regulatory aspects that are relevant to the entire Group or to several companies therein

On 8.4.2025, the Communications Regulations (Telecommunications and Broadcasting) (General Permit for the Provision of Telecommunications Services) (Amendment No. 2), 5785-2025 ("**the Amendment**") were published, prohibiting the collection of a commission for payment by direct debit from a bank account by an authorized provider from a private subscriber. The regulations further stipulate that an authorized provider will be entitled to demand from the subscriber paying by direct debit that the payment be made before receiving the service, in accordance with the billing cycles offered to its subscribers.

³ Compared to the forecast for adjusted net profit, adjusted EBITDA and CAPEX, Bezeq will report, as necessary, deviations of $\pm 10\%$ or more from the data specified in the updated forecast above.

⁴ Adjusted net profit and adjusted EBITDA - excluding other operating expenses/revenue, net and one-time losses/gains from depreciation/appreciation, and expenses on the equity compensation plan.

⁵ See Footnote 3.

⁶ CAPEX - Payments (gross) for investment in PP&E and intangible assets.

The amendment will enter into force three months from the date of publication and is expected to result in a loss of income in the Group companies of an immaterial scope, which are relevant to the entire Group or to a number of companies therein.

2.10. **Section 1.7.8 – State of War – Iron Swords**

For an update regarding this section, see Section 1.5 of the Board of Directors' Report.

3. Bezeq - Landline interior communications

3.1. **Section 2.6.2 – The field of telephony**

Regarding the proportion of Bezeq's unified Internet customers out of Bezeq's retail customers - this rate was 88% as of 31.3.2025.

3.2. **Section 2.7.2 – Landline interior communications infrastructure and equipment**

Paragraph 2.7.2.3 Regarding the publication of a hearing by the Ministry of Communications on the subject of policy principles for the gradual closure of copper networks – On 9.4.2025, the Minister of Communications' decision was published, which accepted the recommendations of the ministerial team to formulate an outline for the closure of Bezeq's and HOT's traditional copper networks in favor of a full transition from their copper infrastructures to the use of fiber infrastructures by 2030. In accordance with the decision, the closure will be carried out in several stages, as detailed in the decision, a copy of which was attached to Bezeq's immediate report of 10.4.2025, which is included in this report by way of reference, and the main ones are:

- Stage A – Exemption from deploying copper in new construction areas.
- Stage B – Gradual closure of the copper network – During the year, the obligation to connect new retail and wholesale subscribers to the copper infrastructure will be eliminated in places where there is a fiber alternative. After 85% of users in a certain area will receive service via fiber, the copper networks can be turned off, with at least 3 months' notice.
- Phase C – 2030 and beyond – a planned date for closing the copper networks in all areas where there will be fiber infrastructure for every residential apartment, even if in a certain area the rate of users receiving service via fiber does not reach 85%, after giving notice to customers and wholesale service providers.

It should be noted that according to the decision (different from what was proposed at the hearing), owners of communications infrastructure will be required to bury fibers in the ground only in cases where any body, such as a local authority, initiates and finances excavation work aimed at burying infrastructure. In order to implement the outline for closing the copper networks, the Ministry will work to amend the Communications Law, and to establish provisions in secondary legislation or in licenses under the law.

Bezeq estimates that closing the copper network is expected to result in cost savings in the short term. Bezeq's ongoing operations and investments amounting to tens of millions of NIS per year

Some of the information contained in this section is forward-looking information as defined in the Securities Law, 5728-1968, based on Bezeq's assessments regarding the closure of the copper networks and its implications. Accordingly, Bezeq's assessments may not materialize or may materialize partially or otherwise depending on the decisions made regarding the closure of the copper networks and the schedules in this regard.

3.3. **Section 2.13 – Financing**

Regarding the shelf prospectus published by Bezeq on 9.5.2023 - In May 2025, the Israel Securities Authority approved extending the period for offering securities under the shelf prospectus until 9.5.2026.

3.4. **Section 2.13.6 - Credit rating**

On 5.5.2024, Ma'alot confirmed the rating of Bezeq, Pelephone, and Yes as iIAA with a stable rating outlook, as well as the iIAA rating for the Company's debentures. In addition, on 7.5.2025, Midroog maintained the Aa2.il rating for the Company and its debentures with a stable rating outlook. For this matter, see also the Company's immediate reports dated 5.5.2025 and 7.5.2025, which are incorporated by reference in this report, as well as Section 3 of the Board of Directors' Report.

3.5. Section 2.16.4 - Wholesale market

Section 2.16.5.3 – Wholesale Market Services Pricing Procedure – Regarding the public appeal for proposals published by the Ministry of Communications on 23.2.2025, in which the Ministry announced that it was examining the scope of its intervention in BSA rates and requesting public comment in order to assist the Ministry in examining appropriate regulatory and supervisory measures, with the aim of expanding the level of competition and reducing the regulatory burden – on 23.3.2025, the Company submitted an economic opinion as well as its response to the public appeal for proposals, according to which the Israeli Internet market is currently at a point of competitive equilibrium that generates correct investment signals and positive vectors in all quantitative and qualitative indicators, and accordingly, this should be maintained and no supervision should be established in advance, and as long as no anti-competitive practice has been discovered, it will be possible to rely on retrospective supervision while relying on competition laws.

3.6. Section 2.18 - Legal proceedings

Paragraphs C, D, E, F, and Footnote 40 regarding civil legal proceedings whose hearing is stayed at the request of the Attorney General in light of the existence of criminal proceedings related to them - the proceedings are stayed until 8.5.2025. In May 2025, an update notice and a motion were submitted in all proceedings by the Attorney General stating that a stay of the proceedings was no longer requested, while at the same time, the Court was asked to order an update from the Attorney General prior to the investigation phase of the proceedings, so that she could consider her position, in due course, on the question of whether a stay of the proceedings was required during the investigation phase, in light of the progress of the criminal proceedings regarding the stakeholder transactions (Section 1.1.5.3 of the 2024 statements). Following this, in one proceeding (Section 6), a date was set for filing responses to the motion, and in all other proceedings, a date was set for filing the parties' positions regarding the need and outline for continuing to investigate the cases in preparation for the continuation of the proceedings.

Paragraph J regarding a motion to approve a class action lawsuit which claims an increased amount has been paid in respect of an Internet browsing speed level that is higher than that at which the members of the class could actually browse - in April 2025, the Court rejected a significant part of the motion and approved it only partially, so that the class on whose behalf the lawsuit will be conducted was reduced to existing Bezeq customers who are package owners who moved their place of residence during the validity of a browsing package, who paid for a certain speed level, while the infrastructure in their home is capable of providing a speed corresponding to a lower speed level, and this from 27.4.2014 and until the date of approval of the motion for approval. The remedies claimed are - restitution; compensation for non-pecuniary damages; an order 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 has ceased to be material to Bezeq's activities.

4. Telephone - Mobile Radio Phone (Cellular Telephony)

4.1. Section 3.8.2. - Right to use frequencies

Section 3.8.2.2 regarding the frequency inventory held by Telephone - The deployment of 800 MHz frequencies, which was planned for 2023, has not yet been carried out, and the partial operation of these frequencies is expected during 2025-2026.

4.2. Section 3.10.1 – End equipment suppliers

Regarding Telephone's essential suppliers - Telephone's agreement with Apple has been extended until March 2026.

4.3. Section 3.16.1 – Pending and contingent legal proceedings

Paragraph G regarding two motions for approval of class actions regarding the collection of fees for paying the cellular bill via direct debit - in March 2025, the Court decided to consolidate the two motions with another request motion on the same subject.

5. Bezeq International - Internet services, international communications and ICT solutions

5.1. Section 4.12.1 - Pending and contingent legal proceedings

Paragraph B regarding a motion to approve a class action lawsuit on the grounds that Bezeq International does not properly inform its customers about the possible dangers of using the Internet and about the possibility of joining a free content filtering service – on 29.4.2025, a ruling was issued approving an uncompensated withdrawal, in which the motion to approve a class action lawsuit was struck out and the lawsuit against Bezeq International was dismissed.

6. Yes - Multi-channel TV

6.1. Section 5.1.1 – Structure of the field of activity and the changes therein

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

6.2. Section 5.1.2 – Restrictions, legislation and special constraints in the field of activity

In May 2025, to the best of Yes's knowledge, the Ministerial Committee for Legislative Affairs ("Ministerial Committee") approved the draft Communications Law (Broadcasting), 5783-2025, in which various changes were made in relation to the provisions of the memorandum published in 2023. As of the date of this report, to the best of Yes's knowledge, apart from the approval of the draft as stated, no further legislative procedures have been advanced regarding the memorandum, and in particular no official government bill has been published on the subject. At this stage, it is not known which of the provisions of the memorandum (or of the draft approved by the Ministerial Committee), if any, will be enshrined as binding legislation, and what the content and arrangements of such legislation will be, and therefore it is difficult, at this stage, to assess the extent of the impact on Yes's business of the legislation and regulations that will be determined following the memorandum (if any are determined).

6.3. Section 5.2.2 – Internet access services

Yes began receiving services from Bezeq (instead of Gilat), and as of the date of this report, these are provided to most Yes' Internet access services subscribers.

6.4. Section 5.10.3 – Benefits and nature of employment agreements

In April 2025, an agreement was signed between Yes and the National Labor Federation and the Yes Employees' Council to extend the collective agreement until 31.12.2025, which also anchored the remaining agreements between the parties that are the subject of the February 2025 Principles Document.

6.5. Section 5.11.2 – Dependence on suppliers

Regarding the dependence on Gilat - in view of receiving services from Bezeq (see the update to Section 5.2.2), the aforementioned dependence has ended.

6.6. Section 5.12 - Financing

In May 2025, Bezeq approved a credit facility or capital investment for Yes in a total of up to NIS 100 millio, for a period of up to 15 months starting in 1.4.2025. This approval is instead of a similar approval given in March 2025 (and not in addition to it).

6.7. Section 5.15.2 – Agreement with Partner

In March 2025, Yes received a letter from the Competition Authority regarding a request for exemption from the approval of a restrictive arrangement between Yes and Partner. According to the letter, as of the present time, the examination of the arrangement between Yes and Partner has ostensibly revealed that the restrictions therein restrict competition in a significant part of the market affected by the arrangement, and are capable of causing real harm to competition in the said market, in relation to a number of competitive aspects examined within the framework of the exemption request. Accordingly, the Competition Commissioner ("the Commissioner") stated in the letter that she was considering not granting the exemption as requested. Yes is if the opinion that the concerns are unfounded, and in April 2025 an oral hearing was held before the Commissioner.

Following this, and following the hearing held as aforesaid and contacts that took place with the Competition Authority regarding this request, an amendment to the agreement between Yes and Partner was signed in April 2025. As part of the amendment to the agreement, a number of arrangements stipulated in the agreement were amended, and among other things, according to the amendment to the agreement, Yes will grant Partner a license to use a dedicated audio-visual content application, based on the Sting+ service operated by Yes, will provide various services in connection with the said application, and will grant a license to broadcast content as specified in the agreement and in the amendment to the agreement. The amendment to the agreement also stipulated, in light of the amendment to the arrangements as aforesaid, that the condition precedent stipulated in the agreement regarding the receipt of the Competition Authority's approval for the completion and execution of the agreement was no longer necessary, given the performance of a self-assessment and independent assessment by each of the parties; and that the additional condition precedent stipulated in the agreement regarding the receipt of the approvals required for Yes to comply with its obligations under the agreement was met. Therefore, the agreement entered into force on the date of signing the amendment to the agreement. In addition, the amendment to the agreement stipulated that the commercial launch date would take effect within four to six months from the date of its signing, and that Partner would be entitled to extend the agreement for an additional year (in addition to the one-year extension period stipulated in the agreement).

Subsequently, and in accordance with the agreement on the amendment to the agreement, Yes and Partner withdrew the exemption request.

Following additional contacts with the Competition Authority, in May 2025, the parties signed an additional amendment to the agreement, which, among other things, re-arranged rules regarding joint content procurement through Yes and regarding the license to use the dedicated application.

Bezeq and Yes estimate that the contribution from the agreement to the business activity of Bezeq Group is not expected to be material. It should also be noted that Bezeq and Yes estimate that the agreement is expected to have a one-off material positive accounting impact that is expected to be reflected in the Company's Q2/2025 statements. For this matter, see also Note 15.4 to the statements.

The information mentioned regarding the date of commercial launch and estimates regarding the accounting implications and the contribution of the agreement to the business activity of the Bezeq Group is forward-looking information, as this term is defined in the Securities Law, which may not materialize or materialize in a materially different manner than anticipated, *inter alia*, depending on the variables noted above, *inter alia*, due to factors beyond the control of Yes, including the manner in which the agreement is implemented by the parties.

6.8. Section 5.16.1 - Pending and contingent legal proceedings

Paragraph 5 - regarding the lawsuit filed against Yes on the claim that Yes is violating its obligations towards customers who have contracted with it in the Yes Unlimited plan - in April 2025, a ruling was issued that approved the applicant's withdrawal from the motion, while striking it out and awarding compensation and fees to the applicant and his attorney.

7. The Company

Section 6.2.1 - Legal proceedings

- 7.1. Further to what is stated in Section 6.2.1 of the Periodic Report, it should be noted that at the trustee's request, on 7.4.2025, the Court approved the distribution of compensation between the classes.
- 7.2. Further to what is stated in Section 6.2.2 of the Periodic Report, according to which a hearing was held between the parties on 7.10.2024, in which it was agreed that the parties would seek mediation and, if no agreement is reached between the parties, the appeal would be heard jointly with the motion for a rehearing. It should be noted that, following the aforementioned agreement, the parties informed the Supreme Court that they were seeking mediation with Prof. Assaf Hamdani. Accordingly, the parties requested to delay the conduct of the proceedings between them, in order to exhaust the mediation. The Court granted the motion. This deadline was extended, and the parties must submit an update notice by 5.6.2025.

Update to Chapter A (Description of the Corporation's Business) of the 2024 Periodic Report

- 7.3. Further to what is stated in Section 6.2.3 of the Periodic Report, according to which the Court approved the settlement agreement in which the parties announced that in the discussions that took place between them they agreed to hold a mediation procedure, and accordingly the parties began holding mediation procedures, and in accordance with the Court's decisions received from time to time, as of the date of this report, the parties must submit an update by 21.7.2025.
- 7.4. For details regarding the procedure described in Section 6.2.4 of the Periodic Report, see Section 3.5 above.

19.5.2025

Date

B Communications Ltd.

Names and roles of signatories:

Darren Glatt, Chairman of the Board of Directors

Tomer Raved, CEO



Chapter B
Report of the Board of Directors
on the State of Affairs of the Corporation
for the Period Ended March 31, 2025

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended March 31, 2025

The Board of Directors of B Communications Ltd. ("**the Company**") is honored to submit the Board of Directors' report on the State of the Company and consolidated for all Group Companies (the Company and the Subsidiaries will be collectively referred to hereinafter as: "**the Group**"), for a period of three months ended March 31, 2025 ("**the Report Date**") in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970 ("**the Reporting Regulations**").

The report of the Board of Directors includes a review, in a limited format, of the matters discussed therein, and has been prepared considering that the reader of the report also has the report of the Board of Directors as of December 31, 2024, as published as part of the Company's annual report as of December 31, 2024, which was published on March 12, 2025, which is included in this report by way of reference.

For the investigation by the Securities Authority and the Israel Police, see Note 1.2 to the statements. The auditors drew attention to this in their opinion on the statements.

The Group reports on four main operating segments in its statements, as follows:

1. **Landline interior communication**
2. **Cellular communication**
3. **Internet services, international communication, and ICT solutions**
Hereinafter: "**Bezeq International Services**"
4. **Multi-channel TV**

	1-3.2025	1-3.2024	Change	
	NIS millions			%
Net profit	244	271	(27)	(10.0)
Adjusted net profit	261	276	(15)	(5.4)
EBITDA*	895	909	(14)	(1.5)
Adjusted EBITDA*	912	914	(2)	(0.2)
Free cash flow *	260	466	(206)	(44.2)

* Financial indices that are not based on generally accepted accounting principles, see below

For more information, see Section 1.2 below.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended March 31, 2025

* Financial indices that are not based on generally accepted accounting principles

As of the Report Date, the Group's Management is assisted by financial performance indices that are not based on the generally accepted accounting rules for examining and presenting the Group's financial performance. These indices do not constitute a substitute for the information contained in Bezeq's statements. It should be noted that the indices should not be compared to similarly named indices reported by other companies due to possible differences in the method of calculating the index.

The following is a breakdown of the indices:

Index	Details of the method of calculation and the purposes of the index
Adjusted net profit	Defined as net profit excluding other operating expenses/income, net after tax and one-time losses/gains from depreciation/appreciation after tax, and expenses for the capital compensation plan. The index allows performance comparisons between different periods while neutralizing the effects of unusual expenses/income of a one-off nature.
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	Defined as profit before financing expenses (income), taxes, depreciation and amortization. The EBITDA index is an accepted index in the Group's field of activity which neutralizes aspects due to differences in the capital structure, various aspects of taxation and the manner and period of the amortization of property, plant and equipment and intangible assets. The Group's EBITDA is calculated as operating profit before depreciation, amortization and impairment (including ongoing losses from impairment of property, plant and equipment and intangible assets as described in Note 5 to the statements).
Adjusted EBITDA	Calculated as an EBITDA index net of other operating expenses / income, net and one-off losses / profits from impairment / increase in value and expenses in respect of the capital remuneration plan. The index allows comparisons of operational performance between different periods while neutralizing one-off effects of exceptional expenses / income.
Free cash flow	Defined as cash generated from current operations minus cash for the purchase/sale of PP&E and intangible assets, net, and as of 2018, with the implementation of IFRS 16, payments for leases are also deducted. Free cash flow is used as a measure to evaluate business results and cash flows since, in the Group's opinion, free cash flow is an important liquidity measure that reflects the cash that the group derives from its current activities after investing cash in infrastructure and other PP&E and intangible assets.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended March 31, 2025

The following is the method of calculating the indices:

	1-3.2025	1-3.2024
	NIS millions	NIS millions
Net profit	244	271
Neutralizing other operating expenses, net after tax	13	1
Neutralizing share-based compensation plan expenses	4	4
Adjusted net profit	261	276

	1-3.2025	1-3.2024
	NIS millions	NIS millions
Operating profit	439	436
Neutralizing depreciation, amortization, and impairment	456	473
EBITDA	895	909
Neutralizing other operating expenses, net	13	1
Neutralizing share-based compensation plan expenses	4	4
Adjusted EBITDA	912	914

	1-3.2025	1-3.2024
	NIS millions	NIS millions
Net cash generated from current operations	829	999
Excluding cash for the purchase/sale of PP&E and intangible assets, net	(416)	(407)
Excluding payments for leases	(153)	(126)
Free cash flow	260	466

Report of the Board of Directors on the state of affairs of the corporation for the Period ended March 31, 2025

1. Explanations by the Board of Directors on the state of the corporation's business, the results of its operations, equity, cash flows and other matters

1.1 Financial position - Assets

	March 31, 2025	March 31, 2024	Increase (decrease)		Explanation
	NIS millions			%	
Cash, restricted cash, and current investments	4,068	3,451	617	17.9	For more information, see Chapter 1.3 below.
Current and non-current trade receivables	2,056	2,161	(105)	(4.9)	The decrease was mainly due to the classification of customer and receivable balances to the item 'Assets of a disposal group held for sale' due to Bezeq entering into an agreement to sell all of its holdings in Bezeq Online and a decrease in customer balances in the landline interior communications segment.
Inventory	141	118	23	19.5	The increase was due to the cellular communications segment, mainly from stocking up on new devices for launches.
Assets of a disposal group held for sale	83	-	83	-	Classification of Bezeq Online assets due to Bezeq entering into an agreement to sell all of its holdings in Bezeq Online. The transaction was completed on 17.4.2025, see Note 15.4 to the statements.
Right-of-use assets	1,774	1,761	13	0.7	
Property, plant and equipment	7,241	6,928	313	4.5	The increase was mainly due to the landline interior communications segment, due, among other things, to the progress of the fiber network deployment project, as well as to the multi-channel television segment and the cellular communications segment.
Intangible assets	3,285	3,278	7	0.2	
Deferred expenses and non-current investments	366	305	61	20.0	The increase was mainly due to an increase in the balance of broadcasting rights in the multichannel television sector due to investments in content and a decrease in impairment, as well as from Bezeq's investment in Bezeq-Gen Ltd.
Total assets	19,014	18,002	1,012	5.6	

Report of the Board of Directors on the state of affairs of the corporation for the Period ended March 31, 2025

1.1. Financial position (Cont.) – Liabilities and equity

	March 31, 2025	March 31, 2024	Increase (decrease)		Explanation
	NIS millions			%	
Debt to financial institutions and bondholders	9,748	10,004	(256)	(2.6)	The decrease in debt was mainly due to debenture repayments and loan repayments, in accordance with the repayment schedule, offsetting the issuance of debentures through the expansion of Series 13 and 14 in December 2024 in the landline interior communications segment.
Lease liabilities	1,947	1,922	25	1.3	
Trade payables	2,041	2,139	(98)	(4.6)	The decrease was mainly due to a decrease in current and eligible tax liabilities in the landline interior communications segment.
Employee benefits	701	594	107	18.0	The increase was mainly due to increased provisions in 2024 for the termination of employee-employer relationships through early retirement and voluntary retirement in the Group and for severance pay, vacation and sickness benefits in the landline interior communications segment, offsetting payments for employee retirement.
Provisions	120	135	(15)	(11.1)	The decrease is mainly due to a decrease in the Company's provision for claims.
	34	-	34	-	Classification of Bezeq Online's liabilities due to Bezeq entering into an agreement to sell all of its holdings in Bezeq Online, see Note 15.5 to the statements.
Deferred tax liabilities	310	334	(24)	(7.2)	
Other liabilities	261	173	88	50.9	The increase was due to an increase in long-term advance income in the landline interior communications segment, mainly due to a long-term agreement for the provision of an IRU (Indefinite Right of Use) service in the BSA fiber service (wholesale market) with Partner Communications Ltd.
Total liabilities	15,162	15,301	(139)	(0.9)	
Non-controlling interests	3,352	*2,696	656	24.3	The increase in non-controlling interests was mainly due to a decrease in the Company's holding in Bezeq without loss of control during Q1/2025, see Note 4.4 in the consolidated statements.
Equity attributed to shareholders of the company	500	*5	495	9,999.0	Equity attributable to owners constitutes approximately 2.6% of the total balance sheet as of 31.3.2025, compared to approximately 0.03% of the total balance sheet as of 31.3.2024. The increase in equity attributable to owners of the Company stemmed mainly from a decrease in the Company's holding in Bezeq without loss of control during Q1/2025, see Note 4.4 to the consolidated statements.
Total equity	3,852	2,701	1,150	42.6	
Total liabilities and equity	19,014	18,002	1,012	5.6	

* Retrospective adjustment for change in accounting policy - see Note 2.5 to the consolidated statements.

1.2. The results of operations

1.2.1. Results summary

	March 31, 2025	March 31, 2024	Increase (decrease)		Explanation
	NIS millions			%	
Revenues	2,235	2,255	(20)	(0.9)	The decrease was due, among other things, to a reduction in interconnection rates. For more information, see Section 1.2.2 below.
Operating and general expenses	830	858	(28)	(3.3)	Expenses were impacted by a decrease in interconnection payments to telecommunications operators due to the rates reduction from June 2024, primarily in the cellular communications segment. For more information, see Section 1.2.2 below.
Salary	497	487	10	2.1	The increase was mainly due to the landline interior communications segment. For more information, see Section 1.2.2 below.
Depreciation, amortization, and impairment	456	473	(17)	(3.6)	The decrease was mainly due to a decrease in the scope of the impairment loss on assets at Yes.
Other operating expenses, net	13	1	12	1,200.0	The increase was due, among other things, to expenses for a conditional bonus for employees in the multichannel television segment. For additional information, see Note 10 to the statements.
Operating Profit	439	436	3	0.7	
Financing expenses, net	102	67	35	52.2	For additional information, see Notes 11 and 15.3 to the consolidated statements.
Share in loss of equity-held investee, net	3	-	3	-	Starting in the Q2/2024, Bezeq will record its share of the net operating results of Bezeq-Gen in its statements.
Profit before income taxes	334	369	(35)	(9.5)	
Income tax expenses	90	98	(8)	(8.2)	
Profit for the period	244	271	(27)	(10.0)	

Report of the Board of Directors on the state of affairs of the corporation for the period ended March 31, 2025

1.2.2. Operating segments

- a. The following are data regarding revenues and operating profit in accordance with the Group's operating segments:

	1-3.2025		1-3.2024	
	NIS millions	% of total revenues	NIS millions	% of total revenues
Revenues by operating segment:				
Interior landline communication	1,101	49.4	1,091	48.4
Cellular communication	566	25.4	583	25.9
Bezeq International services	273	12.2	289	12.8
Multi-channel TV	319	14.3	315	13.9
Others and adjustments	(24)	(1.1)	(23)	(1.0)
Total revenues	2,235	100	2,255	100

	1-3.2025		1-3.2024	
	NIS millions	% of total revenues	NIS millions	% of total revenues
Operating profit (loss) by operating segment				
Interior landline communication	384	34.9	397	36.4
Cellular communication	44	7.8	40	6.9
Bezeq International services	14	5.1	20	6.9
Multi-channel TV (proforma) *	(20)	(6.3)	(19)	(6.0)
Others and adjustments	17	-	(2)	-
Consolidated operating profit / percentage of Group revenues	439	19.6	436	19.3

* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized since 2018. This is in accordance with the way the Group's chief operating decision maker evaluates the segment's performance and makes decisions regarding the allocation of resources to the segment. In addition, see Note 14.3 to the consolidated statements for a summary of selected data from the statements of Yes Television and Communications Ltd.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended March 31, 2025

1.2.2. Operating segments

b. Interior landline communications segment

	1-3.2025	1-3.2024	Increase (decrease)	
	NIS millions			%
Internet infrastructure	505	501	4	0.8
Landline telephony	128	143	(15)	(10.5)
Transmission, data communication and other	381	360	21	5.8
Cloud and digital services	87	87	-	-
Total revenues	1,101	1,091	10	0.9
Operating and general expenses	188	183	5	2.7
Salaries	267	260	7	2.7
Depreciation and amortization	258	252	6	2.4
Other operating expenses (income), net	4	(1)	5	-
Operating profit	384	397	(13)	(3.3)
Financing expenses, net	46	52	(6)	(11.5)
Share in loss of equity-held investee, net	3	-	3	-
Income taxes	79	87	(8)	(9.2)
Segment profit	256	258	(2)	(0.8)

Explanation
The increase was due to an increase in average revenues per retail internet subscription, which mainly resulted from an increase in the number of subscribers connected to the fiber network, offsetting a decrease in wholesale market revenues, among other things due to a decrease in access rates for antennas starting from 1.4.2024.
The decrease was due to a decrease in the average revenue per telephone line, mainly due to the reduction in interconnection rates from June 2024 and a decrease in traffic volume. There was also a decrease in the number of lines.
The increase was mainly due to an increase in revenues from paid work as well as an increase in data transmission and communication services for businesses, offsetting a decrease in transmission revenues to Internet service providers (ISPs) due to subscribers switching to Bezeq due to the unified internet reform.
The increase was mainly due to an increase in subcontractor expenses and provision expenses for loan-loss, offset by a decrease in interconnection payments to telecommunications operators due to the decrease in rates as stated above.
The increase was mainly due to salary updates and a decrease in the reimbursement of reserve benefits from National Insurance due to the impact of the war, offsetting employee retirements.
The increase was due to an increase in expenses for provisions for legal claims.
Starting in Q2/2024, Bezeq will record its share of the net operating results of Bezeq-Gen in its statements.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended March 31, 2025

1.2.2. Operating segments

c. **Cellular communications segment**

	1-3.2025	1-3.2024	Increase (decrease)		Explanation
	NIS millions		%		
Revenues from services excluding interconnect *	360	335	25	7.5	The increase was mainly due to an increase in postpaid revenues resulting from growth in the number of subscribers, including subscribers to 5G packages. In addition, there was an increase in revenues from roaming services as a result of recovery from the effects of the war, as well as an increase in content revenues.
Interconnect expenses *	41	81	(40)	(49.4)	The decrease was mainly due to the reduction of interconnect rates in June 2023.
Sale of end equipment to customers	165	167	(2)	(1.2)	
Total revenues	566	583	(17)	(2.9)	
Operating and general expenses	296	316	(20)	(6.3)	The decrease was mainly due to a decrease in the expenses attributed to interconnect revenues, a decrease in the cost of sale of end equipment, as well as a decrease in the costs of roaming services in parallel with a decrease in the attributable revenues.
Salaries	85	83	2	2.4	The decrease was mainly due to an increase in salary deductions for investment as well as a decrease in the number of employees. On the other hand, there was an increase in expenses mainly due to the effects of the collective agreement.
Depreciation and amortization	140	138	2	1.4	The increase was mainly due to an increase in investments in the 5G network, as well as by updating the estimate of site dismantling and removal assets. This increase was partially offset by a decrease in depreciation expenses for assets whose depreciation period has ended.
Other operating income, net	1	6	(5)	(83.3)	The other operating expenses, net mainly include employee retirement expenses as well as expenses for financial sanctions.
Operating profit	44	40	4	10.0	
Financing expenses, net	3	-	3	-	The decrease in financing income, net, was mainly due to a decrease in interest income from loans given to the parent company and repaid during the year 2023, as well as to an increase in financing expenses due to linkage differences. This decrease was partially offset by a decrease in exchange rate differential expenses due to a decrease in the dollar exchange rate.
Income tax	10	10	-	-	
Segment profit	31	30	1	3.3	

* Revenues from interconnect - as part of the reform to change the interconnect rates regime (hereinafter: "the Reform"), which began gradually from June 2023 until June 2025, interconnect revenues from mobile radio telephone operators and NIO operators to whom the Reform applies are presented separately.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended March 31, 2025

1.2.2. Operating segments

d. **Bezeq International services**

	1-3.2025	1-3.2024	Increase (decrease)	
	NIS millions		%	
Revenues	273	289	(16)	(5.5)
Operating and general expenses	185	193	(8)	(4.1)
Salaries	55	53	2	3.8
Depreciation and amortization	19	27	(8)	(29.6)
Other operating income	-	(4)	4	-
Operating profit	14	20	(6)	(30.0)
Financing expenses, net	3	2	1	50.0
Segment profit	11	18	(7)	(38.9)

Explanation
The decrease was due to a decrease in Internet service provider (ISP) revenues in private activity due to a decrease in the number of subscribers following the unified internet reform and a decrease in revenues from equipment sales and licensing, as well as in revenues from Internet services for businesses. This decrease was offset by an increase in revenues from cloud activity.
The decrease was mainly due to a decrease in expenses for the use of internet infrastructure in light of a decrease in activity in this area, a decrease in equipment and licensing expenses, and a decrease in the costs of Internet services for businesses. This decrease was partially offset mainly by an increase in expenses for cloud services.
The increase was mainly due to an increase in the salary of the subsidiary CloudEdge, offsetting a decrease in the Bezeq International salary as a result of a continuous decrease in its employee balance.
The decrease was due to a decrease in the recording of impairment losses as a result of a decrease in investments compared to the corresponding quarter, as well as a decrease in current depreciation expenses.
The change resulted from recording income in the corresponding quarter in respect of amending the lease agreement for the Server Farm (Bnei Zion), offsetting a decrease in claims provision expenses.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended March 31, 2025

1.2.2. Operating segments

e. **Multi-channel TV (proforma) ***

	1-3.2025	1-3.2024	Increase (decrease)	
	NIS millions		%	
Revenues	319	315	4	1.3
Operating and general expenses	227	225	2	0.9
Salaries	44	47	(3)	(6.4)
Depreciation and amortization	60	62	(2)	(3.2)
Other operating income, net	8	-	8	-
Operating loss	(20)	(19)	(1)	5.3
Financing income, net	(6)	(5)	(1)	(20.0)
Segment loss	(14)	(14)	-	-

Explanation
The increase was mainly due to an increase in revenues from combined television and fiber packages.
The change was mainly due to an increase in costs for fiber activities, which were mainly offset by a decrease in the volume of costs for collaborations with international content providers and satellite costs.
The decrease was mainly due to an increase in salary discounts.
Mainly recording expenses for a conditional grant to employees for the change in control of Bezeq.

* The results of the multi-channel television segment are presented net of the overall effect of impairment recognized as of the fourth quarter of 2018 (for more information, see Notes 5.1 and 13 to the statements). This is in accordance with the way in which the Group's chief operating decision maker evaluates the segment's performance and makes decisions regarding the allocation of resources to the segment. In addition, see Note 14.3 to the consolidated statements regarding a summary of selected data from the financial statements of Yes Television and Telecommunication Services Ltd. as well as from the table below.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended March 31, 2025

1.2.2. Operating segments

f. **Multi-channel TV (Cont.) - Comparison between accounting P&L and proforma P&L**

	1-3.2025		1-3.2024	
	Accounting P&L	Proforma P&L	Accounting P&L	Proforma P&L
NIS millions				
Revenues	319	319	315	315
Operating and general expenses	227	227	227	225
Salaries	47	44	48	47
Depreciation and amortization	40	60	58	62
Other operating income, net	8	8	-	-
Operating loss	(3)	(20)	(18)	(19)
Financing income, net	(6)	(6)	(5)	(5)
Segment profit (loss)	3	(14)	(13)	(14)

1.3. Cash Flow

	1-3.2025	1-3.2024	Change		Explanation
		NIS millions		%	
Net cash flow derived from operating activities	829	999	(170)	(17.0)	The decrease in net cash flow from operating activities was mainly due to Income Tax paid in the current quarter compared to the receipt of an Income Tax refund in the corresponding quarter in the landline interior communications segment.
Net cash flow used for Investing operations	(718)	(1,421)	703	(49.5)	The decrease in net cash used in investing activities was due to a decrease in net investment in bank deposits and other financial investments in the landline interior communications segment.
Net cash flow derived from financing operations	725	918	(193)	(21.0)	The decrease in net cash flow from financing activities was due to the fact that the corresponding quarter included the issuance of debentures and the receipt of loans in the landline interior communications segment, while the current quarter included proceeds from the sale of Bezeq shares by the Company in a lower amount.
Net increase in cash	836	496	340	68.5	

Average volume in the reported year

Long-term liabilities (including current liabilities) to financial institutions and bondholders: approx. NIS 9,740 million.

Provider credit: approx. NIS 985 million.

Short-term customer credit: approx. NIS 1,411 million. Long-term customer credit: approx. NIS 241 million.

Working capital

The Group's consolidated working capital as of 31.3.2025 amounted to approximately NIS 1.8 billion, compared with working capital of approximately NIS 1.2 billion as of 31.3.2024.

The Company's working capital (according to its separate statements) as of 31.3.2025 amounted to approximately NIS 1.1 million, compared with working capital of approximately NIS 65 million as of 31.3.2024.

Bezeq (according to its separate statements) as of 31.3.2025 has a working capital surplus in the amount of NIS 801 million, compared with a working capital of NIS 1.14 billion as of 31.3.2024.

The increase in working capital surplus in the Group and in the Company was mainly due to the increase in cash and cash equivalents in the Company.

1.4. Disclosure regarding the Company's projected cash flow

The Company's Board of Directors reviewed the Company's consolidated statements and separate (Solo) statements as of March 31, 2025, including sources for repayment of the Company's liabilities, including the Company's debentures (Series F and G). In addition, the Company's Board of Directors examined the warning signs set forth in Regulation 10(b)(14)(a) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 and determined that despite the existence of a continuing negative cash flow from current operations in the separate (Solo) statements of the Company, in the opinion of the Company's Board of Directors, after receiving explanations for its opinion from the Company's Management, the continuing negative cash flow from current activities in the Company's separate (Solo) statements does not indicate a liquidity problem in the Company, and the Company has sufficient financial resources to continue its operations and meet its obligations, *inter alia*, taking into account the Corporation's cash balances in the solo statement.

1.5. Update on the effects of inflation and the increase in interest rates on the results of the Group's activities

As mentioned in Note 30.5.1 to the annual statements, changes in the inflation rate affect the Group's profitability and its future cash flows, mainly due to its index-linked liabilities. The Group implements a policy to reduce and partially hedge the exposure to the price index and the dollar-shekel exchange rate through the execution of forward transactions. See details regarding hedging transactions in Note 30.6 to the annual report.

In the three-month period that ended on 31.3.2025, the increase in the consumer price index was reflected in the recording of financing expenses for the Group's financial debt amounting to approximately NIS 7 million, similar to the previous quarter (approximately NIS 10 million after hedging). It should be noted that the effect of the increase in the consumer price index on the operational results of the Group was immaterial. It should also be noted that there was no change in the Bank of Israel interest rate during the aforementioned period.

In accordance with the extent of the Group's index-linked debt as of 31.3.2025, every 1% increase in the Consumer Price Index is expected to result in an increase in the Group's financing expenses to the extent of approximately NIS 24 million (approximately NIS 15 million after hedging).

In addition, depending on the extent of the existing debt with the Company's variable interest rate, an increase of 1% in the Bank of Israel's interest rate is expected to cause an increase in the Group's financing expenses to the extent of approximately NIS 7 million per year, and accordingly, no significant impact on the Group's operating results is expected as a result.

The Company's debentures are in shekels, and therefore they are not affected by changes in the inflation rate or interest rate increase.

1.6. State of War - "Iron Swords"

As of October 7, 2023, the State of Israel has been in a state of war with variable intensity in the Gaza Strip as well as in the northern border area. The war situation creates different effects on the Bezeq Group companies, which are reflected on the one hand in the increase in demand for some services, in internet traffic, and in the use of landline telephony, and on the other hand in the decrease in roaming activity, and the removal/freezing of business lines in the areas that are affected by the war. Also, with the outbreak of the war, due to the recruitment of employees to reserve service and a decrease in contractor activity, there was a slowdown in deployment and installation activity in the Bezeq network. Also, a number of regulatory moves were made as part of the State of Israel's handling the war situation, including a law to postpone payment dates for those eligible and to ease phone call charges, including calls related to distance learning. It should be noted that some of the Bezeq Group companies took their own initiative to ease charges towards localities in the Gaza Envelope and the northern border.

The Bezeq Group companies that provide, among other things, essential communication services to private, business, and institutional customers, including the State institutions, the security forces, and the health system, are organized accordingly and respond to the various needs, including handling faults, increasing vigilance and preparedness in cyber systems, and assisting the community in diverse ways. Also, the Group companies regularly examine and follow closely the developments related to the war.

At this stage the effects of the war and its consequences as described above do not have a material impact on the activities and business results of the Company and Bezeq Group. Also, the liquidity and financial situation of the Company and Bezeq Group allow them to function well during the war. The scope and duration of the war and its consequences on the state of the Israeli economy, as well as on the Company and the Bezeq Group companies, are unexpected, difficult to predict, and depend, among other things, on the manner and scope of the development of the war and the possibility of the economy slipping into recession as a result. In this context, attention is also drawn to the relevant risk factors listed in Chapter A (description of the corporation's business) of the periodic report for the year 2023 (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 contained in this section is forward-looking information, as defined in the Securities Law, based on the Company's estimates, assumptions, and expectations, which may not materialize, or may materialize in a materially different manner than anticipated, among other things, depending on the manner and scope of the development of the war and the state of the economy as a whole.

2. Disclosure in connection with the Corporation's financial reporting

2.1. Due to lawsuits filed against the Group, for which the exposure cannot yet be assessed or cannot be estimated, the accountants drew attention to this in their opinion on the Statements.

2.2. Current and subsequent material events

Regarding material events during the reporting period and after the date of the statements, including an agreement signed between Yes and Partner Communications Ltd. - see Note 15 to the consolidated statements.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended March 31, 2025

3. Details related to Bezeq's debentures

- 3.1. On 21.4.2025, the Company announced that it would make a full early redemption of the Company's Series F debentures on 31.5.2025, which would be equal to the principal plus accrued interest to the early repayment date (see Immediate Report Ref. No. 2025-01-028321)..
- 3.2. On 5.5.2025, Ma'alot confirmed Bezeq's iIAA rating with a stable rating outlook, as well as the iIAA rating for the Company's debentures (see Immediate Report dated 5.5.2025 Ref. No. 2025-01-031386). Also, on May 7, 2025, Midroog maintained the Aa2.il rating for Bezeq and its debentures with a stable rating outlook (see Immediate Report Ref. No. 2025-01-032132).
- 3.3. On May 12, 2025, Midroog Ltd. raised the rating of the Company's Series F and Series G debentures from A3.il to A2.il with a stable outlook (see Immediate Report Ref. No. 2025-01-033192).

3.4. **Financial clauses in the Company's debentures**

In accordance with the Company's commitment in debentures (Series F) and debentures (Series G) to comply with an LTV condition, the LTV ratio as of March 31, 2025 was 28.0%.

The Company's net debt balance as of March 31, 2025 is approximately NIS 968 million and consists of a principal balance and accrued interest as of the balance sheet date in respect of its debentures in the amount of NIS 2,062 million, net of restricted and non-restricted cash and cash equivalents balances and short-term investments in the amount of NIS 1,094 million.

4. Miscellaneous

For information regarding the balance of liabilities of the reporting corporation as of March 31, 2025, see the form to be reported by the Company on the MAGNA system on May 20, 2025.

Regarding current and subsequent material events - see Note 15 to the consolidated statements.

Darren Glatt
Chairman of the Board of Directors

Tomer Raved
CEO

Date of signing: May 19, 2025



Chapter C

Condensed Consolidated Interim Financial Statements As of March 31, 2025

(Unaudited)

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

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**Auditors' Review Report to the Shareholders of
B Communications Ltd.**

Introduction

We reviewed the attached financial information of B Communications Ltd. and its subsidiaries (hereinafter - the Group), which includes the condensed consolidated statement of financial position as of March 31, 2025 and the condensed consolidated statements of P&L, comprehensive income, and changes in equity and cash flows for a period of three months that ended on the same date. The Board of Directors and Management are responsible for the compilation and presentation of financial information for this interim period in accordance with the international accounting standard IAS 34 "Financial Reporting for Interim Periods", and they are also responsible for the compilation of financial information for this interim period according to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on financial information for this interim period based on our review.

Scope of our review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Conducted by the Entity's Auditor". A review of separate interim financial information consists of inquiries, primarily with persons responsible for financial and accounting matters, and the application of analytical and other review procedures. A review is considerably smaller than an audit conducted in accordance with generally accepted auditing standards in Israel, and therefore does not allow us to obtain assurance that we will know all the significant matters that could have been identified in the audit. Accordingly, we do not provide an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that makes us believe that the above separate interim financial information has not been prepared, in all material respects, in accordance with the international accounting standard IAS 34.

In addition to what was stated in the previous paragraph, based on our review, nothing came to our attention that causes us to believe that the above financial information does not fulfill, in all material respects, the disclosure provisions under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Emphasis paragraph (drawing attention)

Without limiting our above conclusion, we draw attention to what is stated in Note 1.2 to the statements which refers to Note 1.3 to the annual consolidated financial statements, regarding the investigation by the Securities Authority and the Israel Police. As stated in the above note, the Company is unable to assess the effects of the investigations, their findings and results on Bezeq as well as on the statements and estimates used in the preparation of these reports, if any.

In addition, without limiting our above conclusion, we draw attention to what is stated in Note 6 regarding claims filed against the Company and the exposure in respect of which cannot be assessed or calculated at this stage.

Somekh Chaikin
Certified Public Accountants

May 19, 2025

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

Condensed Consolidated Interim Statements of Financial Position as of				
		March 31, 2025	March 31, 2024	December 31, 2024
		(Unaudited)	(Unaudited)	(Audited)
Assets	Note	NIS millions	NIS millions	NIS millions
Cash and cash equivalents		1,739	1,140	896
Restricted cash and cash equivalents		19	10	18
Investments		2,310	2,301	1,977
Trade receivables		1,427	1,494	1,395
Other receivables		221	219	174
Inventory		141	118	162
Assets of a disposal group held for sale	15.5	83	-	83
Total current assets		5,940	5,282	4,705
Trade and accounts receivable		408	448	410
Right-of-use assets		1,774	1,761	1,762
Property, plant and equipment		7,241	6,928	7,160
Intangible assets		3,285	3,278	3,287
Deferred expenses and non-current investments		366	305	368
Total non-current assets		13,074	12,720	12,987
Total assets		19,014	18,002	17,692

* Including restricted deposits.

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

Condensed consolidated interim statements of financial position as of (Cont.)				
		March 31, 2025	March 31, 2024	December 31, 2024
		(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	Note	NIS millions	NIS millions	NIS millions
Debentures, loans and credit		1,124	1,074	1,123
Current maturities of lease liabilities		417	418	438
Trade payables		2,041	2,139	1,955
Employee benefits		389	341	400
Provisions		90	106	84
Assets of a disposal group held for sale	15.5	34	-	34
Total current liabilities		4,095	4,078	4,034
Debentures and loans		8,624	8,930	8,571
Leasing liabilities		1,530	1,504	1,530
Employee benefits		312	253	300
Derivatives and other liabilities		261	173	214
Deferred tax liabilities		310	334	304
Provisions		30	29	30
Total non-current liabilities		11,067	11,223	10,949
Total liabilities		15,162	15,301	14,983
Equity	7			
Attributed to the shareholders of the Company		500	*5	*13
Attributed to non-controlling interests		3,352	*2,696	*2,696
Total equity		3,852	2,701	2,709
Total liabilities and equity		19,014	18,002	17,692

* Retrospective adjustment for change in accounting policy - see Note 2.5.

Darren Glatt
Chairman of the Board of Directors

Tomer Raved
CEO

Itzik Tadmor
CFO

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

The notes attached to the condensed consolidated interim financial statements form an integral part hereof.

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

Condensed Consolidated Interim Statements of income			
	For the period of three months ended March 31		For the year ended
	2025	2024	December 31
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Revenues (Note 8)	2,235	2,255	8,884
Operating expenses			
Operating and general expenses	830	858	3,264
Salaries	497	487	1,936
Depreciation, amortization, and impairment*	456	473	1,844
Other operating expenses, net (Note 10)	13	1	199
Total operating expenses	1,796	1,819	7,243
Operating profit	439	436	1,641
Financing expenses (income)			
Financing expenses	165	120	627
Financing income	(63)	(53)	(203)
Financing expenses, net (Note 11)	102	67	424
Profit after financing expenses, net	337	369	1,217
Share in loss of equity-held investee, net	3	-	8
Profit before income taxes	334	369	1,209
Income taxes	90	98	321
Net profit for the period	244	271	888
Profit attributed to:			
Shareholders of the Company	21	56	108
Non-controlling interests	223	215	780
Net profit for the period	244	271	888
Profit per share (NIS)			
Baseline and diluted profit per share	0.20	0.52	1.02

* See Note 5 regarding impairment loss recognized in the reporting period.

The notes attached to the condensed consolidated interim financial statements form an integral part hereof.

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

Condensed Consolidated Interim Statements of Comprehensive Income			
	For the period of three months ended March 31		For the year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Profit for the year	244	271	888
Reassessment of defined benefit plan, net of tax – will not be transferred to P&L	(1)	-	(5)
Other comprehensive income (loss) items, net of tax – will be transferred to P&L	(3)	3	(1)
Total comprehensive income for the period	240	274	882
Attributable to:			
Shareholders of the company	20	57	106
Non-controlling interests	220	217	776
Total comprehensive income for the period	240	274	882

The notes attached to the condensed consolidated interim financial statements form an integral part hereof.

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

Condensed consolidated interim statements of changes in equity

	Shareholder equity	Premium on shares	Treasury shares	Other principals	Loss balance	Equity attributable to shareholders of the company	Non-controlling interests	Total
NIS millions								
For period of three months ended March 31, 2025 (unaudited)								
Balance as of January 1, 2025	12	1,495	(180)	(34)	*(1,280)	13	*2,696	2,709
Profit for the period	-	-	-	-	21	21	223	244
Other comprehensive loss for the period, net of tax	-	-	-	(1)	-	(1)	(3)	(4)
Total comprehensive income (loss) for the period	-	-	-	(1)	21	20	220	240
Transactions imputed directly to equity								
Share-based compensation	-	-	-	-	-	-	4	4
Transactions with non-controlling interests	-	-	-	6	461	467	432	899
Balance as of March 31, 2024	12	1,495	(180)	(29)	(798)	500	3,352	3,852
For period of three months ended March 31, 2024 (unaudited)								
Balance as of January 1, 2024	12	1,495	(160)	(32)	*(1,346)	(31)	*2,477	2,446
Profit for the period	-	-	-	-	56	56	215	271
Other comprehensive income for the period, net of tax	-	-	-	1	-	1	2	3
Total comprehensive income for the period	-	-	-	1	56	57	217	274
Transactions imputed directly to equity								
Share-based compensation	-	-	-	-	-	-	4	4
Transactions with non-controlling rights	-	-	-	-	(13)	(13)	(2)	(15)
Buyback of shares	-	-	(8)	-	-	(8)	-	(8)
Balance as of March 31, 2024	12	1,495	(168)	(31)	(1,303)	5	2,696	2,701
For the year ended December 31, 2024 (audited)								
Balance as of January 1, 2024	12	1,495	(160)	(32)	*(1,346)	(31)	*2,477	2,446
Profit for the year 2024	-	-	-	-	108	108	780	888
Other comprehensive loss for the year, net of tax	-	-	-	(2)	-	(2)	(4)	(6)
Total comprehensive income (loss) for the year 2024	-	-	-	(2)	108	106	776	882
Transactions imputed directly to equity								
Share-based compensation	-	-	-	-	-	-	21	21
Dividend distributed to non-controlling interests	-	-	-	-	-	-	(568)	(568)
Transactions with non-controlling interests	-	-	-	-	(42)	(42)	(10)	(52)
Buyback of shares	-	-	(20)	-	-	(20)	-	(20)
Balance as of December 31, 2024	12	1,495	(180)	(34)	(1,280)	13	2,696	2,709

* Retrospective adjustment for change in accounting policy - see Note 2.5.

The notes attached to the condensed consolidated interim financial statements form an integral part hereof.

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

Condensed Consolidated Interim Cash Flow Statements

	For period of three months ended March 31		For year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Cash flows from current operations			
Profit for the year	244	271	888
Adjustments:			
Depreciation and amortization	456	473	1,844
Equity gain, net	(5)	(2)	(17)
Financing expenses, net	116	69	435
Share in loss of equity-held investee	3	-	8
Impairment loss on disposal group held for sale	2	-	9
Share-based compensation	4	4	21
Income tax expenses	90	98	321
Change in trade and other receivables	(84)	(65)	69
Change in inventory	15	(44)	(109)
Change in trade and other payables	163	165	147
Change in provisions	6	(2)	(25)
Change in employee benefits	(1)	11	115
Change in other liabilities	1	13	(53)
Income Tax received (paid), net	(178)	8	(244)
Net cash derived from operating activities	829	999	3,409
Cash flows from investing activities			
Purchase of property, plant and equipment	(325)	(312)	(1,356)
Investment in intangible assets and deferred expenses	(94)	(98)	(390)
Investment transactions, net	(312)	(1,028)	(669)
Government grant received for frequencies	-	-	4
Proceeds from the sale of PP&E	3	3	16
Classification as restricted cash and cash equivalents	-	(10)	(18)
Investment in equity-held investee	(11)	-	(10)
Interest received from banking deposits	20	24	95
Miscellaneous	1	-	8
Net cash used for investing activities	(718)	(1,421)	(2,320)

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

Condensed consolidated interim statements of cash flows (Cont.)			
	For period of three months ended March 31		For year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Cash flows from financing activities			
Issuance of debentures and receipt of loans	-	1,084	1,648
Repayment of debentures and loans	-	-	(1,071)
Transaction with non-controlling interests	903	(15)	(52)
Leasing principal and interest payments	(153)	(126)	(449)
Buyback of company shares	-	(6)	(20)
Interest paid	(25)	(19)	(304)
Dividend distributed to non-controlling interests	-	-	(568)
Receipt for completed hedging transactions	-	-	7
Net cash derived from (used for) financing activities	725	918	(809)
Net increase (decrease) in cash and cash equivalents	836	496	280
Cash and cash equivalents for the beginning of the period	896	644	644
Change in cash balance held for sale	7	-	(28)
Cash and cash equivalents at the end of the period	1,739	1,140	896

The notes attached to the condensed consolidated interim financial statements form an integral part hereof.

1. General

1.1. The reporting entity

- 1.1.1. B. Communications Ltd. (hereinafter - the "Company") is a company incorporated in Israel and its address is 144 Menachem Begin Rd., Tel Aviv. The Company is a public company traded on the Tel Aviv Stock Exchange. The Company began operations in 1999 and owns Control of Bezeq, the largest and leading communications group in Israel.

The condensed consolidated financial statements of the Company as of March 31, 2025 include those of the Company and its subsidiaries (hereinafter collectively - "the Group"), (see also Note 13 - Segmental Reporting).

1.2. Investigations by the Israel Securities Authority and the Israel Police

Regarding the indictment against the former controlling shareholder of the Company and Bezeq and former senior officers of the Bezeq Group, in May 2025, an arrangement was published for the conditional cessation of proceedings under conditions in accordance with Section B of Chapter 9.1 of the Securities Law between the State and Ron Ayalon, within the framework of which Ron Ayalon admitted to facts related to the inflation of Yes's free cash flow in 2016.

Regarding investigations by the Israel Securities Authority and the Israel Police regarding relevant suspicions of offenses committed under the Securities Law and the Penal Law, see Note 1.3 to the annual statements.

As stated in Note 1.3.3 in the annual statements, Bezeq does not yet have complete information regarding the investigations, plans, materials and evidence in the possession of the relevant law authorities. Accordingly, Bezeq is still unable to assess the effects of the investigations, their findings and results on the Company, as well as the financial statements and estimates used in the preparation of these statements, if any.

No impact is expected on the Company's ability to meet its debt service.

2. Basis of preparation of the statements

- 2.1. The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, which deals with interim financial reporting and in accordance with the provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.
- 2.2. The condensed consolidated interim financial statements do not include all the information required in full annual financial statements and these reports should be read in the context of the annual financial statements of the Company and its subsidiaries as of December 31, 2024 and the year ended on the same date and accompanying notes (hereinafter - the annual financial statements). The Group presents in the notes to the consolidated interim financial statements only the material changes that occurred from the date of the last annual financial statements to the date of these interim financial statements.
- 2.3. A summary of these consolidated interim financial statements was approved by the Company's Board of Directors on May 19, 2025.

2.4. Use of estimates and discretion

When preparing the condensed consolidated interim financial statements in accordance with IFRS, management is required to exercise discretion and be assisted by estimates, estimates and assumptions that affect the implementation of accounting policies and the reported amounts of assets and liabilities, revenue, and expenses. Actual results may differ from estimates.

Management's judgment, when applying the Group's accounting policies and the key assumptions used in the estimates involving uncertainty, are consistent with those used in the annual financial statements.

2.5. Change in accounting policy

In accordance with the Group's accounting policy, and in accordance with IFRS rules, the Company elected to measure non-controlling interests at the date of the joining of business according to their proportional share of the fair value of the net identifiable assets of the acquired company.

In accordance with the Company's accounting policy in the reporting periods in which the Company's shares were traded in the US, when the holding ratio decreased without loss of control, the amount by which the non-controlling interests were adjusted was calculated according to the proportional share of the owners of the subsidiary in the identifiable assets net of the liabilities of the subsidiary that was realized, without allocating a proportional share of goodwill.

Following the realization of the shares of the subsidiary on March 17, 2025 (see Note 4.4), starting from these statements, the Company decided to change its accounting policy with respect to transactions of this type, which was in accordance with the position of the Israeli Accounting Standards Board, which in the opinion of the Company constitutes a more relevant accounting policy. As a result, the amount by which the non-controlling interests are adjusted is calculated according to the proportional share of the owners of the subsidiary in the identifiable assets net of the liabilities of the subsidiary that was realized, including the allocation of a proportional share of goodwill.

The change in policy will be applied retrospectively in accordance with the provisions of IAS 8. Accordingly, the statements have been adjusted to reflect the effect of the change in accounting treatment so that the new policy had been applied also on transactions carried out in the past.

For the effect of the adjustment of the Company's Consolidated Statements, see Note 2.5 to the Consolidated Statements.

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

The following is the effect of the adjustment of the change in accounting policy on the Company's separate statements:

In the Statement of Financial Position

	As Previously	Reported The Change	As Presented in These Statements
	NIS millions		
<u>As of March 31, 2024 (unaudited)</u>			
Investment in equity-held investee	2,105	(220)	1,885
Equity attributed to the owner of the Company	225	(220)	5
<u>As of December 31, 2024 (audited)</u>			
Investment in equity-held investee	2,109	(220)	1,889
Equity attributed to the owner of the Company	233	(220)	13

In the Statement of Changes in equity

	As Reported Previously	The Change	As Presented in These Statements
	NIS millions		
<u>As of January 1, 2025 (audited)</u>			
Loss balance	(1,126)	(220)	(1,346)
Non-controlling interests	2,257	220	2,477

3. Reporting rules and accounting policies

The Group's accounting policies, summarized in these consolidated interim financial statements, are the policies applied in the annual financial statements.

4. Group entities

A detailed description of the Group's entities appears in Note 12 to the annual statements. The following is a breakdown of the material changes that have taken place in connection with Bezeq Group's entities since the publication of the annual statements.

Regarding the completion of the sale of Bezeq Online by Bezeq, see Note 15.5 below.

4.1. Yes Television and Communications Ltd. (Yes)

- 4.1.1. As of 31.3.2025, according to the statements of Yes, the equity balance is in the amount of NIS 129 million, and the working equity deficit is in the amount of NIS 261 million. According to Yes' forecasts, it expects to accumulate operating losses in the coming years, and therefore it will not be able to meet its obligations and continue to operate as a live going concern without Bezeq's support.

On 19.5.2025, Bezeq's Board of Directors approved a credit or investment framework in Yes' equity in the amount of NIS 100 million, for a period of 15 months, from 1.4.2025 until 30.6.2026, instead of a similar commitment from March 2025. It should be noted that so far, during 2025, no utilization of the credit facilities provided by Bezeq has been made by Yes.

In the opinion of Yes' Management, the sources of funding available to it, which include, *inter alia*, the continuation of the existing policy of working equity deficit and the credit and investment framework in Bezeq's equity, will satisfy the needs of Yes' operations for the coming year.

- 4.1.2. See Note 5.1 below regarding impairment of assets recognized by Yes in the financial statements as of 31.3.2025.

4.2. Bezeq International Ltd.

See Note 5.2 below regarding impairment of assets recognized by Bezeq International in the statements as of March 31, 2025.

4.3. Dividend distribution by Bezeq

- 4.3.1. See Note 12.9 to the annual financial statements regarding Bezeq's dividend distribution policy, which was approved by Bezeq's Board of Directors on 11.3.2025.
- 4.3.2. On 23.4.2025, the General Meeting of Bezeq's shareholders (following the recommendation of Bezeq's Board of Directors dated 11.3.2025) approved the distribution of a cash dividend to Bezeq's shareholders in the total amount of NIS 392 million (constituting NIS 0.1414586 per share as of the effective date). The dividend was paid on 14.5.2025. The Company's share in the above mentioned dividend is approximately NIS 85 million.

4.4. Investment in Bezeq

On March 17, 2025, the Company sold 160,000,000 ordinary shares of the subsidiary Bezeq at a price of NIS 5.7 per share. The sale proceeds net of transaction costs are approximately NIS 900 million. After the sale, the Company holds 21.69% of the issued share equity and voting rights in the subsidiary.

The transaction was treated as a decrease in the holding percentage without loss of control, as a result of which the shareholders' equity increased by NIS 467 million, and the adjustment of non-controlling interests amounted to NIS 432 million, reflecting the proportional share of the owner of the subsidiary in the identifiable assets net of the liabilities of the subsidiary that was realized, including the allocation of a proportional share of goodwill.

Regarding the change in accounting policy regarding the adjustment of non-controlling interests upon a decrease in the holding percentage without loss of control, see Note 2.5 above.

5. Impairment

5.1. Impairment in the multi-channel TV segment (Yes)

Following Note 10.5 to the annual statements regarding impairment recognized in Yes in 2024, the valuation as of 31.12.2024 presented a value materially lower than the book value of Yes.

In accordance with an examination conducted by an external valuator on 31.3.2025 and in accordance with the assessment of Yes' Management, it was found that during the three months that have passed since the previous valuation, there have been no material changes which may indicate a material change that requires an update of the Yes forecasts compared to the forecast that was used for the purpose of preparing the valuation for 31.12.2024.

The enterprise value as of 31.3.2025, taking into account the impact of advancement in time and timing gaps in working capital, is positive and amounts to a total of NIS 61 million.

The nominal cost of capital used in the valuation is 11% (after tax). Additionally, a permanent growth rate of 1% was assumed. Therefore, Yes amortized its assets as of 31.3.2025 up to: the amount of value in use, the net fair value of these assets, or zero, whichever is higher.

Based on the valuation of Yes, enterprise value, which was performed by an external valuator as of 31.3.2025, the book value of the depreciable assets is approximately NIS 37 million of the value of its assets. Therefore, the Company recognized, in a period of three months which ended on 31.3.2025, with loss due to impairment in the amount of approximately NIS 37 million.

For information regarding the Yes Partner transaction, see Note 15.6 below.

The following are details regarding Yes' enterprise value and the fair value of its assets and liabilities, net, as determined by an external valuator and recognized impairment losses:

	Yes' enterprise value (according to DCF method)	Fair value of assets and liabilities, net	Yes' and	Book value of Yes' assets and liabilities, net before recognition of impairment	Impairment loss
	NIS millions	NIS millions		NIS millions	NIS millions
for March 31, 2025 and for a period of three months that ended on that date (unaudited)	61	(75)		98	(37)
Total impairment recognized in the three-month period ending March 31, 2025					(37)
As of December 31, 2024 and for the year ending on that date (audited)	86	(34)			(151)

It should be noted that the value in use valuation is sensitive to the net cash flow in the representative year in general, and to the assessment of the ARPU level (average revenue per subscriber) and the subscriber base at the end of the forecast range in particular. A change of NIS 1 in ARPU throughout the years of the forecast and in the terminal year results in a change in enterprise value in the amount of between approximately NIS 55 and (560 million and a change of 5K subscribers throughout the years of the forecast, and in the terminal year results in a change in enterprise value in the amount of approximately NIS 72 to (73) million.

5.1. Impairment in the multi-channel TV segment (Yes) (Cont.)

The following is a breakdown of the loss allocation for the Group's assets:

	For period of three months ended March 31		For year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Broadcasting rights – minus used rights *	18	22	64
Property, plant and equipment **	11	20	41
Intangible assets **	7	20	39
Other payables (advance expenses) *	1	6	7
Total impairment recognized	68	69	204

* The expense was presented as part of operating and general expenses

** The expense was presented as amortization, amortization, and impairment expenses

For information regarding the manner in which Yes determined the fair value (at level 3) of the assets minus exercise costs, see Note 10.5 in the annual financial statements.

5.2. Impairment in the Internet services, international communications, and ICT solutions segment (Bezeq International)

Further to Note 10.6 to the annual statements regarding impairment recognized in Bezeq International in 2024, the valuation as of 31.12.2024 presented a value in use substantially lower than the book value of Bezeq International.

As of 31.3.2025 it was found that during the three months that have passed since the previous valuation date, there have been no material changes in the market or regulatory changes that could materially affect Bezeq International's forecasts for years to come, and there have been no material changes in the discount rate. Therefore, as of 31.3.2025, there was no change in Bezeq International's enterprise value, which amounted to a negative sum of NIS 89 million.

The net fair value of Bezeq International's assets as of 31.3.2025 is negative in the amount of NIS 57 million.

In view of the fact that the enterprise value is lower than the net fair value of the assets and liabilities, Bezeq International reduced its assets up to the amount of the net fair value of these assets. As of 31.3.2025, the book value of the depreciable assets is about NIS 12 million higher than the net fair value. Therefore, the Group recognized, in the three-month period that ended 31.3.2025, an impairment loss of approximately NIS 12 million.

The following are details regarding Bezeq International's enterprise value and the fair value of its assets and liabilities, net, as determined by an external valuator and recognized impairment losses:

5.2. Impairment in the Internet services, international communications, and ICT solutions segment (Bezeq International) (Cont.)

	Bezeq International's enterprise value (according to DCF method)	Fair value of Bezeq International's assets and liabilities, net	Book value of Bezeq International's assets and liabilities, net before recognition of impairment	Impairment loss
	NIS millions	NIS millions	NIS millions	NIS millions
for March 31, 2025 and for a period of three months that ended on that date (unaudited)	(89)	(57)	(45)	(12)
Total impairment recognized in the three-month period ending March 31, 2025				(12)
As of December 31, 2024 and for the year ending on that date (audited)	(89)	(51)		(91)

The following is the detailed allocation of loss from the impairment of the Group's assets:

	For period of three months ended March 31		For year ended
	2025	2024	December 31
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Property, plant and equipment and intangible assets **	7	11	57
Short-term and long-term advance expenses *	5	7	21
Long-term advance payments for capacities **	-	5	13
Total impairment recognized	12	23	91

* The expense was presented as part of operating and general expenses

** The expense was presented as amortization, amortization, and impairment expenses

For information regarding the manner in which DBS determined the fair value (at level 3) of the assets minus exercise costs, see Note 10.6 in the annual financial statements.

6. Contingent liabilities

- 6.1. During the day-to-day business, legal claims have been filed against the Group companies or various legal proceedings are pending against them (hereinafter in this section: "legal claims").

In the opinion of the managements of the Group companies, which is based, among other things, on legal opinions regarding the chances of the legal claims, the statements included adequate provisions in the amount of NIS 84 million, where provisions were required to cover the exposure as a result of such legal claims.

In the opinion of the managements of the Group companies, the amount of additional exposure (beyond said provisions), as of 31.3.2025, due to legal claims filed against the Group companies on various issues and whose probability of realization is unexpected, amounted to a total of NIS 1.7 billion. Additional exposure in the amount of approximately NIS 2.5 billion in respect of claims the chances of which is not yet possible to assess at this stage. In addition, motions were filed against the companies of the Group to recognize the claims as class actions that did not specify an exact amount of the claim, for which the Group has additional exposure beyond the above.

The amounts of additional exposure in this Note are nominal.

- 6.2. The following is a description of the contingent liabilities and provisions of the Group as they were in effect as of 31.3.2025, classified in accordance with groups with similar characteristics:

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

Claims group	Claims essence	Provision balance	Additional exposure amount	Exposure amount in respect of claims whose chances cannot yet be assessed
Customer claims	Mainly motions for approval of class actions (and claims by virtue thereof) that concern allegations of illegal collection of funds and damage to the provision of services provided by Bezeq Group companies.	84	1,638	661
Claims by enterprises and companies	Legal claims in which the liability of the Group companies is claimed in connection with their operations and / or investments.	-	24	⁽¹⁾ 1,808
Claims of employees and former employees of Bezeq Group companies	Mainly individual claims filed by employees and former employees of the Bezeq Group concerning various payments.	-	1	-
Miscellaneous	Other legal claims, including tort claims (with the exception of claims for which there is no dispute regarding the existence of insurance coverage), real estate, infrastructure, suppliers, etc.	-	27	21
Total legal claims against the Company and the subsidiaries⁽¹⁾		84	1,690	2,490

(1) Including two motions for approval of a class action in the total amount of NIS 1.8 billion filed in June 2017 against the Company, Bezeq, officers in the Bezeq Group and companies from the then controlling group of the Company and Bezeq regarding the purchase of Yes shares by Bezeq from Eurocom DBS Ltd. In accordance with a court decision, a consolidated motion is expected to replace these two motions. It should be noted that a partial judgment was issued which approved a partial settlement arrangement in the consolidated proceedings between the applicants, the Company, and Mr. Shaul and Or Elovitch.

(2) In addition, see Note 6.6 to the annual statements.

6.3. After the date of the statements, two claims were concluded without specifying the exact amount. In addition, two motions for approval of class actions were filed against the Group companies without specifying the exact amount. As of the date of approval of the statements, it is not possible to assess their prospects.

7. Equity

	As of March 31, 2025	As of March 31, 2024	As of December 31, 2024
	Shares	Shares	Shares
	(Unaudited)	(Unaudited)	(Audited)
Registered shareholders equity	300,000,000	300,000,000	300,000,000
Issued and paid up shareholders' equity	116,335,793	116,335,793	116,335,793
Treasury shares	(12,173,530)	(11,220,979)	(12,173,530)
Issued and paid up equity, net	104,162,263	105,114,814	104,162,263

7.1. On March 12, 2025, the Company's Board of Directors approved an additional buyback plan of the Company's shares in the amount of up to NIS 25 million. As part of the aforementioned buyback plan, the Company purchased a total of 1,500,000 of its shares for approximately NIS 20 million.

8. Revenues

	For period of three months ended March 31		For year ended
	2025	2024	December 31
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Interior landline communication - Bezeq Fixed			
Internet - Infrastructure	485	496	1,961
Transmission and data communication	265	257	1,025
Landline telephony	125	139	531
Cloud and digital services	88	87	348
Other services	76	60	264
	1,039	1,039	4,129
Mobile radio telephone - Pelephone			
Cellular services and end equipment	397	410	1,615
Sale of end equipment	165	166	616
	562	576	2,231
Multi-channel TV - Yes	319	315	1,264
Internet (ISP), international communications and ICT services – Bezeq International	261	274	1,053
Other	54	51	207
Total revenues	2,235	2,255	8,884

9. Operating and general expenses

	For period of three months ended March 31		For year ended
	2025	2024	December 31
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
End equipment and materials	219	216	828
Connectivity and payments to communications operators in Israel and abroad	125	178	613
Content costs	129	128	491
Marketing and general	141	126	490
Maintenance of buildings and sites	66	62	264
Services and maintenance by subcontractors	134	132	511
Vehicle maintenance	16	16	67
Total operating and general expenses	830	858	3,264

10. Other operating expenses, net

	For period of three months ended March 31		For year ended
	2025	2024	December 31
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Equity gain (mainly from exercise of real estate)	(5)	(2)	(17)
Impairment loss on disposal group held for sale	2	-	9
Expenses in respect of the termination of an employer-employee relationship in early retirement in Bezeq	-	3	104
Expenses in respect of the termination of an employer-employee relationship in early retirement and a streamlining agreement in Pelephone, Bezeq International and Yes	9	4	91
Provision for claims	7	5	20
Other income	-	(9)	(8)
Other operating expenses, net	13	1	199

11. Financing expenses, net

	For period of three months ended March 31		For year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Interest expenses in respect of financial liabilities	129*	91	371
Loss due to exchange of debentures	-	-	84
Financing expenses on employee benefits	5	4	21
Exchange rate and linkage differences	10	7	71
Financing expenses for liabilities in respect of leases	19	16	72
Other financing expenses	2	2	8
Total financing expenses	165	120	627
Revenue from credit grossing in sales	7	7	26
Interest revenue from investments	21	20	85
Other financing income	12	5	31
Change in the fair value of financial assets measured at fair value through P&L	23	21	61
Total financing income	63	53	203
Financing expenses, net	102	67	424

* See Note 15.3.

12. Financial instruments

12.1. Investment composition

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Shekel deposits in banks (1)	1,061	1,355	901
Investment in securities at fair value through P&L	1,229	933	1,067
Derivatives	20	13	9
	2,310	2,301	1,977

(1) Deposits in shekels in banks are due until December 2025.

12.2. Financial instruments measured at fair value for disclosure purposes only

The table below lists the differences between the book value and the fair value of financial liabilities. The methods by which the fair value of financial instruments is determined are explained in Note 30.8 to the annual statements.

	As of March 31, 2025		As of March 31, 2024		As of December 31, 2024	
	Book value (including accrued interest)	Fair value	Book value (including accrued interest)	Fair value	Book value (including accrued interest)	Fair value
	(Unaudited)		(Unaudited)		(Audited)	
	NIS millions		NIS millions		NIS millions	
Loans from banks and institutional entities (non-linked)	1,518	1,482	1,754	1,700	1,517	1,479
Debentures issued to the public (index-linked)	2,362	2,292	2,455	2,416	2,342	2,287
Debentures issued to the public (non-linked)	5,269	5,151	5,185	5,084	5,158	5,072
	9,149	8,925	9,394	9,200	9,017	8,838

12.3. Fair value hierarchy

The table below presents an analysis of the financial instruments measured at fair value, detailing the valuation method. The methods by which the fair value is determined are detailed in Note 30.7 to the annual statements.

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Level 1 - Investment in marketable securities measured at fair value through P&L	1,229	933	1,067
Level 2 – Forward contracts	40	37	32

13. Segmental reporting

For period of three months ended March 31, 2025 (unaudited)							
	Interior landline communication	Cellular communication *	Internet, international communications, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustments	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	1,039	562	261	319	54	-	2,235
Inter-segmental revenues	62	4	12	-	-	(78)	-
Total revenues	1,101	566	273	319	54	(78)	2,235
Operating and general	188	296	185	227	8	(74)	830
Salary	267	85	55	44	43	3	497
Depreciation, amortization, and impairment	258	140	19	60	1	(22)	456
Segment results - operating profit (loss)	384	44	14	(20)	2	15	439
Financial expenses	92	10	6	1	-	56	165
Financing income	(46)	(7)	(3)	(7)	-	-	(63)
Total financing expenses (income), net	46	3	3	(6)	-	56	102
Segment profit (loss) after financing expenses, net	338	41	11	(14)	2	(41)	337
Share in loss of equity-held investee, net	3	-	-	-	-	-	3
Income taxes	79	10	-	-	1	-	90
Segment results - net profit (loss)	256	31	11	(14)	1	(41)	244

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

For period of three months ended March 31, 2024 (unaudited)							
	Interior landline communication	Cellular communication *	Internet, international communications, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustments	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	1,039	576	274	315	51	-	2,255
Inter-segmental revenues	52	7	15	-	-	(74)	-
Total revenues	1,091	583	289	315	51	(74)	2,255
Operating and general	183	316	193	225	8	(67)	858
Salary	260	83	53	47	42	2	487
Depreciation, amortization, and impairment	252	138	27	62	-	(6)	473
Segment results - operating profit (loss)	397	40	20	(19)	-	(2)	436
Financial expenses	89	7	4	2	-	18	120
Financing income	(37)	(7)	(2)	(7)	(2)	2	(53)
Total financing expenses (income), net	52	-	2	(5)	(2)	20	67
Segment profit (loss) before income taxes	345	40	18	(14)	2	(22)	369
Income taxes	87	10	-	-	1	-	98
Segment results - net profit (loss)	258	30	18	(14)	1	(22)	271

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

For the year ended December 31, 2024 (audited)							
	Interior landline communication	Cellular communication *	Internet, international communications, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustments	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	4,129	2,231	1,053	1,264	207	-	8,884
Inter-segmental revenues	213	23	52	1	-	(289)	-
Total revenues	4,342	2,254	1,105	1,265	207	(289)	8,884
Operating and general	738	1,178	722	911	29	(314)	3,264
Salary	1,037	321	211	184	171	12	1,936
Depreciation, amortization and impairment	1,023	552	118	254	5	(108)	1,844
Segment results - operating profit (loss)	1,438	189	(16)	(92)	2	120	1,641
Financial expenses	398	37	15	5	-	172	627
Financing income	(148)	(30)	(10)	(15)	-	-	(203)
Total financing expenses (income), net	250	7	5	(10)	-	172	424
Segment profit (loss) before income taxes	1,188	182	(21)	(82)	2	(52)	1,217
Share in loss of equity-held investee, net =	8	-	-	-	-	-	8
Income taxes	274	44	1	1	1	-	321
Segment results - net profit (loss)	906	138	(22)	(83)	1	(52)	888

* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized since 2018. This is in accordance with the way the Group's chief operating decision maker evaluates the segment's performance and makes decisions regarding the allocation of resources to the segment. In addition, see Note 14.4 regarding the summary of selected data from the financial statements of Yes.

14. Condensed statements of Bezeq, Pelephone, Bezeq International and Yes

14.1. Bezeq the Israel Telecommunications Corporation Ltd.

Data from the statement of financial position:

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	3,488	3,714	3,232
Non-current assets	9,549	9,328	9,477
Total assets	13,037	13,042	12,709
Current liabilities	2,525	2,546	2,555
Long-term liabilities	7,707	7,998	7,652
Total liabilities	10,232	10,544	10,207
Equity	2,805	2,498	2,502
Total liabilities and equity	13,037	13,042	12,709

Data from the P&L statement:

	For period of three months ended March 31		For year ended December
	2025	2024	31
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Revenues	1,101	1,091	4,342
Operating expenses			
Salary	267	260	1,037
Depreciation, amortization, and impairment	258	252	1,023
Operating and general expenses	188	183	738
Other operating expenses (income), net	4	(1)	106
Total operating expenses	717	694	2,904
Operating profit	384	397	1,438
Financing expenses (income)			
Financing expenses	92	89	398
Financing income	(46)	(37)	(148)
Financing expenses, net	46	52	250
Profit after financing expenses, net	338	345	1,188
Share in the profits of equity-held investee companies, net	44	37	158
Profit before income taxes	382	382	1,346
Income taxes	79	87	274
Profit for the period	303	295	1,072

14.2. Pelephone Communications Ltd.

Data from the statement of financial position:

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

Data from the P&L statement:

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

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

14.3. Bezeq International Ltd.

Data from the statement of financial position:

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

Data from the P&L statement:

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

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

14.4. Yes Television and Communications Ltd. (Yes)

Data from the statement of financial position:

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

Data from the P&L statement:

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

15. Current and subsequent material events

- 15.1. Regarding the sale of Bezeq's shares by the Company on 17.3.2025, see Note 4.4.
- 15.2. Regarding the distribution of a cash dividend by Bezeq on 14.5.2025 and the Company's share of said dividend, see Note 4.3.
- 15.3. On April 21, 2025, after the reporting date, the Company announced that it would make a full early repayment of the Company's Series F debentures on May 31, 2025 in a total amount (principal plus accrued interest to the early repayment date) of NIS 1,029 million.

In light of this, the Company updated the estimate of expected cash flows of the Series F debentures. As a result of the update, the Company recognized financing expenses of approximately NIS 35 million in Q1/2025.

- 15.4. On February 27, 2025, Yes signed a document of principles between itself and the National Labor Federation and the Yes Employees Council, according to which, subject to the approval of the Yes Board of Directors, the parties will sign an extension of the collective agreement they entered into on 11.8.2021, until 31.12.2025, with certain changes. Among other things, it was agreed in the document of principles that, with regard to Bezeq's activity to eliminate unbundling, the Yes Employees Council will act in full cooperation on the matter. In April 2025, an agreement was signed between yes and the National Labor Federation and the Bezeq Employees Council to extend the collective agreement until 31.12.2025, which also anchored the remaining agreements between the parties that are the subject of the document of principles from February 2025.
- 15.5. Further to the provisions of Note 12.5 in the annual statements regarding the sale of Bezeq Online by Bezeq, on 17.4.2025, the transaction was completed, after all the conditions precedent to the agreement were met. In accordance with the agreement, ownership was transferred to the purchaser and the financial consideration stipulated therein was received by Bezeq.
- 15.6. In connection with the agreement signed between Yes and Partner Communications Ltd. on 23.4.2025, following a hearing held before the Competition Commissioner regarding a request for exemption from the approval of a restrictive agreement submitted by the parties to the agreement and contacts that took place with the Competition Authority in connection with the request for exemption, on 23.4.2025, Yes and Partner signed an amendment to the agreement.

As part of the amendment to the agreement, a number of arrangements stipulated in the agreement were amended, and among other things, according to the amendment to the agreement, Yes will grant Partner a license to use a dedicated audio-visual content application based on the Sting+ service operated by Yes, will provide various services in connection with the aforementioned application, and will grant a license to broadcast content as specified in the agreement and in the amendment to the agreement.

The amendment to the agreement further stipulated, in light of the amendment to the arrangements as aforesaid, that the condition precedent stipulated in the agreement regarding the receipt of the Competition Authority's approval for the purpose of completing and executing the agreement was no longer necessary, in view of the performance of a self-assessment and independent assessment by each of the parties; and that the additional condition precedent set in the agreement concerning the receipt of the necessary approvals for yes to comply with its obligations under the agreement was met. Therefore, the agreement entered into force on the date of signing the amendment to the agreement.

In addition, the amendment to the agreement stipulated that the commercial launch date would apply within four to six months from the date of signing it and that Partner would be entitled to extend the agreement for an additional year (in addition to the one-year extension period set in the agreement). Subsequently and in accordance with the signing of the amendment to the agreement, Yes and Partner withdrew the exemption request.

Following further discussions with the Competition Authority, in May 2025 the parties signed an additional amendment to the agreement, which, among other things, re-arranged rules regarding joint content procurement through Yes and regarding the license to use the dedicated application. Yes estimates that the agreement is expected to have a one-time material positive accounting impact estimated in the range of NIS 110-120 million, which will be reflected in the cancellation of asset impairments.

- 15.7. On May 5, 2025, Bezeq received an extension of the shelf prospectus from 9.5.2023 to 9.5.2026.



**Condensed Separate Interim
Financial Information
As of March 31, 2025
(Unaudited)**

Condensed Separate Interim Financial Information as of March 31, 2025 (Unaudited)

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Somekh Chaikin
KPMG Millennium Tower
17 HaArbaa Street P.O.B. 609
Tel Aviv 6100601
03 684 8000

To
Shareholders of B Communications Ltd.

Re: Special report of the auditors on separate interim financial information under Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

Introduction

We audited the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 of B. Communications Ltd. (hereinafter – “the Company”) as of March 31, 2025 and for a period of the three months that ended on the same date. The separate financial information is within the responsibility of the Company's Board of Directors and Management. It is our responsibility to provide a conclusion on the separate interim financial information for said interim periods based on our review.

Scope of our review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Conducted by the Entity's Auditor". A review of separate interim financial information consists of inquiries, primarily with persons responsible for financial and accounting matters, and the application of analytical and other review procedures. A review is considerably smaller than an audit conducted in accordance with generally accepted auditing standards in Israel and therefore does not allow us to obtain assurance that we will know all the significant matters that could have been identified in the audit. Accordingly, we do not provide an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that makes us believe that the above separate interim financial information has not been prepared, in all material respects, in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Emphasis paragraph (drawing attention)

Without limiting our above conclusion, we draw attention to what is stated in Note 4.4 which refers to Note 1.3 in the annual consolidated statements, regarding the investigation by the Securities Authority and the Israel Police. As stated in the above note, the Company is unable to assess the effects of the investigations, their findings, and results on Bezeq as well as on the statements and estimates used in the preparation of these reports, if any.

Somekh Chaikin
Certified Public Accountants

May 19, 2025

Condensed Separate Interim Financial Information as of March 31, 2025 (Unaudited)

Condensed Interim Financial Position Information as of			
	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	1,015	43	112
Restricted cash and cash equivalents*	19	10	18
Short-term investments and deposits	60	58	60
Other receivables	1	3	2
Total current assets	1,095	114	192
Investment in equity- accounted investee	1,537	**1,885	**1,889
Total non-current assets	1,537	1,885	1,889
Total assets	2,632	1,999	2,081
Liabilities			
Trade payables	46	28	20
Provisions	-	20	-
Total current liabilities	46	48	20
Debentures	2,086	1,946	2,048
Total non-current liabilities	2,086	1,946	2,048
Total liabilities	2,132	1,994	2,068
Equity	500	**5	**13
Total liabilities and equity	2,632	1,999	2,081

* Including restricted deposits

** Retrospective adjustment for change in accounting policy - see Note 1.3.

Darren Glatt
Chairman of the Board of Directors

Tomer Raved
CEO

Itzik Tadmor
CFO

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

The notes attached to the condensed consolidated interim financial statements form an integral part hereof.

Condensed Separate Interim Financial Information as of March 31, 2025 (Unaudited)

Condensed Interim P&L Information			
	For period of three months ended		For year ended
	March 31		December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Operating expenses			
Salaries	1	1	4
Operating and general expenses	1	2	7
Total operating expenses	2	3	11
Operating loss	(2)	(3)	(11)
Financing expenses (income) (See Note 2)			
Financing expenses	60	23	181
Financing income	(3)	(2)	(7)
Financing expenses, net	57	21	174
Loss after financing expenses, net	(59)	(24)	(185)
Share in the profits of equity-accounted investee, net	80	80	293
Net profit for the period	21	56	108

Condensed Interim Comprehensive Income Information			
	For period of three months ended		For year ended
	March 31		December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Net profit for the period	21	56	108
Other comprehensive income (loss) items, net of tax	(1)	1	(2)
Total comprehensive income for the period	20	57	106

The notes attached to the condensed consolidated interim financial statements form an integral part hereof.

Condensed Separate Interim Financial Information as of March 31, 2025 (Unaudited)

Condensed Interim Cash Flows Information			
	For a period of three months ended		For year ended
	March 31		December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Cash flows from current activities			
Profit for the period	21	56	108
Adjustments:			
Share in profits of equity-held investee companies, net	(80)	(80)	(293)
Financing expenses, net	56	20	166
Share-based compensation	*	*	*
Change in receivables and credit balances	-	2	*
Change in other payables	1	-	2
Change in provisions	-	-	(20)
Net cash used for current activities	(2)	(2)	(37)
Cash flows from investing activities			
Change in deposits and investments, net	(1)	(6)	(5)
Decrease (increase) in the holding rate in equity-held investee	903	(15)	(52)
Classification as restricted cash and cash equivalents	-	(10)	(18)
Dividend received from the subsidiary	-	-	213
Interest / dividend received in cash	3	1	5
Net cash generated from (used for) investing activities	905	(30)	143
Cash flows for financing activities			
Buyback of shares	-	(6)	(20)
Interest paid	-	-	(55)
Net cash used for financing activities	-	(6)	(75)
Increase (decrease) in cash and cash equivalents	903	(38)	31
Cash and cash equivalents at the beginning of the period	112	81	81
Cash and cash equivalents at the end of the period	1,015	43	112

(*) An amount less than NIS 1 million.

The notes attached to the condensed consolidated interim financial statements form an integral part hereof.

Notes to the Condensed Separate Interim Financial Information as of March 31, 2025 (Unaudited)

Notes to the Condensed Separate Interim Financial Information

1. Method of preparation of the financial data

1.1. Definitions

"The Company" - "B Communications" Ltd.

"Associated Company", "Group", "Holding Company": as these terms are defined in the Company's consolidated statements for 2024.

1.2. Main methods of preparing the financial data

The condensed interim financial information is presented in accordance with the provisions of Regulation 38D (hereinafter - "the Regulation") and Schedule 10 to the Securities Regulations (Periodic and Immediate Reports), 5770-1970 (hereinafter – "Schedule 10") regarding the condensed interim financial information of the Corporation (hereinafter: "the Report"). The Report should be read alongside the separate financial information as of the day and year ended December 31, 2024, and alongside the condensed consolidated interim financial statements as of 31.03.2024 (hereinafter: "the Consolidated Statements").

The accounting policy in this condensed separate interim financial information is in accordance with the accounting policy rules which are specified in the separate financial information as of the day and year ended December 31, 2024.

For accounting policy for new incidents, see Note 3 to the Consolidated Statements.

1.3. Change in accounting policy

In accordance with the Group's accounting policy, and in accordance with IFRS rules, the Company elected to measure non-controlling interests at the date of the joining of business according to their proportional share of the fair value of the net identifiable assets of the acquired company.

In accordance with the Group's accounting policy in the reporting periods in which its shares were traded in the US, when the holding ratio decreased without loss of control, the amount by which the non-controlling interests were adjusted was calculated according to the proportional share of the owners of the subsidiary in the net assets of the subsidiary that was realized, without allocating a proportional share of goodwill.

In light of the realization of the shares of the subsidiary on March 17, 2025 (see Note 4.1 below), starting from these statements, the Company decided to change its accounting policy with respect to transactions of this type, in accordance with the position of the Israeli Accounting Standards Board, which in the opinion of the Company constitutes a more relevant accounting policy. As a result, the amount by which the non-controlling interests are adjusted is calculated according to the proportional share of the owners of the subsidiary in the net assets of the subsidiary that was realized, including the allocation of a proportional share of goodwill.

The change in policy will be applied retrospectively in accordance with the provisions of IAS 8. Accordingly, the statements have been adjusted to reflect the effect of the change in accounting treatment as if the new policy had been applied from the outset.

For the effect of the adjustment of the Company's Consolidated Statements, see Note 2.5 to the Consolidated Statements.

Notes to the Condensed Separate Interim Financial Information as of March 31, 2025 (Unaudited)

The following is the effect of the adjustment of the change in accounting policy on the Company's separate statements:

In the Statement of Financial Position

	As Reported Previously	The Change	As Presented in These Statements
NIS millions			
<u>As of March 31, 2024 (unaudited)</u>			
Investment in equity-held investee	2,105	(220)	1,885
Capital attributed to the owner of the Company	225	(220)	5
<u>As of December 31, 2024 (audited)</u>			
Investment in equity-held investee	2,109	(220)	1,889
Capital attributed to the owner of the Company	233	(220)	13

2. Financing expenses, net

	For a period of three months ended		For year ended
	March 31		December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Interest expenses in respect of debentures, net	60**	23	97
Loss due to exchange of debentures	-	-	84
Total financing expenses	60	23	181
Interest income from investments in marketable debentures and bank deposits	3	1	5
Change in the fair value of financial assets measured at fair value through P&L	*	1	2
Total financing income	3	2	7
Financing expenses, net	57	21	174

(*) An amount less than NIS 1 million.

(**) See Note 4.3.

Notes to the Condensed Separate Interim Financial Information as of March 31, 2025 (Unaudited)

3. Contingent liabilities

For information regarding claims against the Company and the Bezeq Group companies, see Note 6.1 in the Consolidated Statements.

4. Material subsequent events

- 4.1. On March 17, 2025, the Company sold 160,000,000 ordinary shares of the subsidiary Bezeq at a price of NIS 5.7 per share. The sale proceeds minus transaction costs are approximately NIS 900 million. After the sale, the Company holds 21.69% of the issued share capital and voting rights in the subsidiary.

The transaction was treated as a decrease in the holding percentage without loss of control, as a result of which the shareholders' equity increased by NIS 467 million, and the adjustment of non-controlling interests amounted to NIS 432 million, reflecting the proportional share of the owner of the subsidiary in the identifiable assets net of the liabilities of the subsidiary that was realized, including the allocation of a proportional share of goodwill.

Regarding the change in accounting policy regarding the adjustment of non-controlling interests upon a decrease in the holding percentage without loss of control, see Note 1.3 above.

- 4.2. For information regarding the dividend distribution by Bezeq on 9.5.2025 and the Company's share of said dividend, see Note 4.3 to the Consolidated Statements.
- 4.3. On April 21, 2025, after the reporting date, the Company announced that it would make a full early repayment of the Company's Series F debentures on May 31, 2025 in a total amount (principal plus accrued interest to the early repayment date) of NIS 1,029 million.

In light of this, the Company updated the estimate of expected cash flows of the Series F debentures. As a result of the update, the Company recognized financing expenses of approximately NIS 35 million in Q1/2025.

- 4.4. For information regarding the investigation by the Securities Authority and the Police, see Note 1.2 to the Consolidated Statements.



Chapter E

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

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

Annual 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), 5730-1970:

Management, under the supervision of the Board of Directors of B Communications Ltd. (hereinafter - "**the Corporation**" or "**the Company**"), is responsible for determining and maintaining adequate internal control over the financial reporting and disclosure in the Corporation.

For this purpose, the members of Management are:

1. Tomer Raved, CEO;
2. Itzik Tadmor, CFO;

In addition to the said members of Management, serving in the Company are:

1. Ilan Chaikin, Internal Auditor;
2. Lital Aharoni, Comptroller;

Internal control over financial reporting and disclosure includes controls and procedures existing in the Corporation, designed by or under the supervision of the CFO and CEO in the field of finance, or by the person actually performing the said functions, supervised by the Corporation's Board of Directors, which are intended to provide reasonable assurance regarding 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 Corporation is required to disclose in reports it publishes under the provisions is collected, processed, summarized and reported on the date and in the format as prescribed by law.

Internal control includes, *inter alia*, controls and procedures designed to ensure that information that the Corporation is required to disclose is accumulated and transmitted to the Corporation's Management, including the CEO and senior executives in the field of finance or to those actually performing the said functions, in order to enable decisions with regard to the disclosure requirement to be made at the appropriate time.

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

In the annual report on the effectiveness of the internal control over financial reporting and disclosure which was attached to the Company's periodical report for the period ended December 31, 2024 (hereinafter - the last annual report on internal control), the Board of Directors and Management evaluated the internal control in the corporation; Based on this assessment, the Board of Directors and Management of the corporation came to the conclusion that the aforementioned internal control, as of December 31, 2024, is effective.

Until the date of the report, the Board of Directors and Management have not been informed of any event or matter that may change the evaluation of the effectiveness of internal control that appeared in the last annual report on internal control;

As of the date of the report, based on the evaluation of the effectiveness of internal control in the last annual report on internal control, and based on information brought to the attention of the Management and the Board of Directors as stated above, the internal control is effective.

Regarding the investigations by the Israel Securities Authority and the Israel Police, as specified in Section 1.1.7 of the chapter describing the Corporation's business in the 2024 Periodic Report, the Corporation does not yet have complete information regarding the investigations (mainly regarding transactions related to the previous controlling shareholder of the Company and Bezeq and the former Chairman of the Board of Directors of the Company and Bezeq, Mr. Shaul Elovitch , regarding the purchase of Yes shares and the provision of satellite communication services to Yes), their content, and the materials and evidence available to the law authorities in the matter, and accordingly, the Corporation is still unable to assess all the effects of the investigations, their findings, and their effect on the Corporation and statements. For this matter, see Note 1.3 to the 2024 statements.

Executive statements:

(a) Statement of the CEO pursuant to Regulation 38c(d)(1) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970:

I, Tomer Raved, declare that:

- (1) I examined the quarterly report of B Communications Ltd. (hereinafter – the Corporation) for 2025 (hereinafter - "the Statements");
- (2) To my knowledge, the Statements do not include any misrepresentation of a material fact and do not lack a presentation of a material fact necessary so that the presentations included in them, in light of the circumstances in which those representations were included, will not be misleading with respect to the reported period;
- (3) To my knowledge, the financial statements and other financial information contained in the Statements adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods to which the statements relate;
- (4) I revealed to the Corporation's Auditor, the Board of Directors, the Audit Committee and the committee for examining the Corporation's statements, based on my most recent assessment of the internal control over financial reporting and disclosure:
 - (A) Any significant deficiencies and material vulnerabilities in the determination or exercise of internal control over the financial reporting and disclosure that are likely to adversely affect the Corporation's ability to collect, process, summarize or report financial information in a manner that casts doubt on the financial reporting reliability and preparation of financial statements; and-
 - (B) Any fraud, whether material or immaterial, involving the CEO or his subordinates directly or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, alone or with others in the Corporation:
 - (A) Have established controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my attention by others in the Corporation and its subsidiaries, in particular during the preparation period of the Statements; -
 - (B) Have established controls and procedures, or verified the determination and existence of controls and procedures under my supervision, designed to reasonably ensure 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) I have not been informed of any incident or matter that occurred during the period between the date of the last report (quarterly or periodic, as the case may be) and the date of this report, which may change the conclusion of the Board and Directors and Management regarding the effectiveness of internal control over financial reporting and disclosure of the Corporation.

Nothing in the foregoing shall derogate from my liability or the liability of any other person, under any law.

Date: May 19, 2025

Tomer Raved, CEO

(b) Statement of the most senior officer in the field of finance pursuant to Regulation 38b(d)(2) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970:

I, Itzik Tadmor, declare that:

- (1) I examined the interim statements and the other financial information contained in the interim statements of B Communications Ltd. (hereinafter – “the Corporation”) for the first quarter of 2025 (hereinafter – “the Statements” or “the Interim Statements”);
- (2) To the best of my knowledge, the Interim Statements do not include any misrepresentation of a material fact and do not lack a presentation of a material fact necessary so that the presentations included in them, in light of the circumstances in which those representations were included, will not be misleading with respect to the reported period;
- (3) To the best of my knowledge, the Interim Statements and other financial information contained in the Interim Statements adequately reflect, in all material respects, the financial position, results of operations and cash flows of the corporation for the dates and periods to which the Statements relate;
- (4) I revealed to the Corporation's Auditor, the Board of Directors, the Audit Committee and the committee for examining the Corporation's financial statements, based on my most recent assessment of the internal control over financial reporting and disclosure:
 - (A) Any significant deficiencies and material vulnerabilities in the determination or exercise of internal control over financial reporting and disclosure as it relates to interim financial statements and other financial information contained in interim financial statements that are likely to adversely affect a corporation's ability to collect, process, summarize or report financial information in such a way as to cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; And -
 - (B) Any fraud, whether material or immaterial, involving the CEO or his subordinates directly or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, alone or with others in the Corporation:
 - (A) Have established controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my attention by others in the Corporation and its subsidiaries, in particular during the preparation period of the Reports; And –

- (B) Have established controls and procedures, or verified the determination and existence of controls and procedures under my supervision, designed to reasonably ensure 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; And -
- (C) I have not been informed of any incident or matter that occurred during the period between the date of the last report (quarterly or periodic, as the case may be) and the date of this report, which may change the conclusion of the Board and Directors and Management regarding the effectiveness of internal control over financial reporting and disclosure of the Corporation.

Nothing in the foregoing shall derogate from my liability or the liability of any other person, under any law.

Date: May 19, 2025

Itzik Tadmor, Chief Financial Officer