



B. Communications Ltd.

Quarterly Report for the Period Ended June 30, 2025

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

Report of the Board of Directors on the State of the Corporation's business for the Period ended June 30, 2025

Chapter C – Condensed Interim Financial Statements for the Period ended June 30, 2025

Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure for the period ended June 30, 2025

THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE HEBREW VERSION OF THE COMPANY'S FINANCIAL STATEMENTS AND THE MANAGEMENT DISCUSSION AND ANALYSIS FOR Q2 2025 ("THE STATEMENTS"). 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.: 2025-01-016387) ("**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, each with a par value of NIS 1, representing 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 in 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), incorporated by reference in this report.
- 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 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.: 2025-01-033086).
- 1.4. On April 21, 2025, the Company announced the resolution 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 was carried out on May 31, 2025. For additional details, see immediate reports published by the Company on April 21, 2025 and June 3, 2025 (Reference No.: 2025-01-028321 and 2025-01-039610), which are 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 of the Group's business

2.1. Section 1.1 – Group activities and description of 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 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 Buyer") 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 Buyer 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 Bezeq

Section 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 Section B of Chapter 9.1 of the Securities Law between the State and Ron Ayalon, within the framework of which Ron Ayalon admitted the facts related to the inflation of 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, as well as regarding the Board of Directors' recommendation dated 5.8.2025 to the General Meeting of Bezeq's shareholders regarding the distribution of a dividend for the profits of the first half of 2025, see Note 7 to the Statements.

Bezeq's balance of distributable profits as of the date of the report: approximately NIS 1,164 million (surplus accumulated in the last two years after deducting distributions made for that period).

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

2.5. Section 1.5.4 - Key results and operating data

Section 1.5.4.1 - Bezeq Fixed Lines (Bezeq's operations as NIO)

Financial data (NIS millions)	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	1,102	1,101	1,071	1,105	1,075	1,091
Operating profit	386	384	303	355	383	397
Depreciation and amortization	261	258	260	256	255	252
Operating profit before depreciation and amortization (EBITDA) (1)	647	642	563	611	638	649
Share in loss of equity-accounted investee	1	3	2	3	3	-
Net profit	218	256	193	217	238	258
Cash flow from current activities	501	553	626	589	491	748
Payments for investments in property, plant and equipment and intangible assets and other investments	266	294	303	300	266	270
Receipts from the sale of PP&E and intangible assets	31	3	-	7	4	2
Lease payments	36	42	38	38	37	31
Free cash flow (2)	230	220	285	258	192	449
<u>Operating data</u>						
Total number of Internet subscribers at the end of the period (thousands) (3)	1,476	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)	907	863	810	759	694	635
Number of Internet subscribers at the end of the period – retail (thousands) (3)	999	1,003	1,008	1,012	1,014	1,019
Of which are subscribers connected to the fiber network at the end of the period – retail (thousands) (3)	583	554	521	483	442	407
Number of Internet lines at the end of the period – wholesale (thousands) (3)	477	474	471	474	472	470
Of which are subscribers connected to the fiber network at the end of the period – wholesale (thousands) (3)	324	309	289	276	252	228
Average monthly revenue per Internet subscriber (NIS) - Retail (ARPU) (5)	136	134	133	131	129	127
Fiber optic network deployment at the end of the period (thousands of households available for connection) (6)	2774	2,671	2,571	2,448	2,312	2,191
Average plan speed for Internet subscriber – retail (Mbps) (4)	620	572	526	483	430	382
Number of Be routers in use by Company customers (thousands)	870	864	862	858	846	837
Number of Be Spot and Be Mesh reception range enhancers of the home internet network (thousands)	470	466	462	457	449	445
Number of active telephony subscribers at the end of the period (thousands) (7)	1351	1,366	1,383	1,397	1,409	1,419
Average monthly revenue per telephony line (NIS) (ARPL) (8)	30	31	31	32	33	33
Telephony churn rate (9)	2.3%	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. Bezeq presents this index as another index for evaluating its business results since it is an accepted index in Bezeq'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 Bezeq's activity results or cash flow. Also, the index presented in this report may not be calculated in the same way as other indices in other companies. Bezeq'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, Bezeq 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 statement of income). For this matter, see Note 5 to the Statements and Section 7 of the chapter describing the corporation's business for the year 2024.

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- (2) Free cash flow is a financial measure 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 PP&E. Bezeq presents free cash flow as an index to evaluate business results and cash flows, since Bezeq is of the opinion that cash flow is an important liquidity index that reflects the cash provided to Bezeq from its current operations after investing cash in infrastructure and property, plant and equipment 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 – Bezeq'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 2.810 million households are available for connection, of which approximately 924k subscribers are connected to the fiber network (of which approximately 592k are in retail and approximately 332k 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 Bezeq 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. see also 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)	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Total revenue	530	566	563	547	561	583
Of which: revenue from interconnect (1)	34	41	39	41	72	81
Total revenue net of interconnect (1)	496	525	524	506	489	502
Revenue from services	395	401	394	406	420	416
Revenue from services net of interconnect (1)	361	360	355	365	348	335
Revenue from sale of end equipment	135	165	169	141	141	167
Operating profit	43	44	42	52	55	40
Depreciation and amortization	141	140	145	135	134	138
Operating profit before depreciation and amortization (EBITDA) (2)	184	184	187	187	189	178
Net profit	30	31	31	38	39	30
Cash flow from operating activity	187	175	153	212	161	122
Payments for investments in property, plant and equipment, intangible assets, and other investments, net	91	84	76	65	82	82
Lease payments	53	96	55	58	52	79
Free cash flow (2)	43	(5)	22	89	27	(39)
Operating data						
Number of postpaid subscribers for the end of the period (thousands) (3)	2,279	2,265	2,257	2,251	2,228	2,213
Number of prepaid subscribers for the end of the period (thousands) (3)	1,315	1,276	1,237	1,195	1,144	1,086
Number of subscribers for the end of the period (thousands) (3)	366	366	376	388	387	398
Of which are postpaid subscribers in 5G packages (thousands) (3)	2,645	2,631	2,633	2,639	2,615	2,611
Average monthly revenue per subscriber (ARPU) net of interconnect fees (NIS) (1) (4)	46	45	45	46	44	43
Subscriber churn rate (Churn Rate) (5)	5.6%	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, which started gradually in June 2023 and continued until June 2025, resulted in a decrease in interconnect revenues, most of which have been canceled as of this date, and a decrease in ARPU, 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 the needs of 5G, while close to the date of publication of the report, there are about 1.329 million subscribers out of all postpaid subscribers in plans of this type. Of Pelephone's 5G subscribers, the number of subscribers who have joined the advanced 5G MAX 5G services (which include browsing prioritization) is approximately 80,000 as of the date of publication of the reports. Pelephone estimates that the number of subscribers to 5G MAX services will be approximately 150k by the end of 2025.
- (4) The average monthly revenue per subscriber (postpaid and prepaid). The index is calculated by dividing the 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 based on the ratio of the subscribers who disconnected from Pelephone services and the subscribers who became inactive during the period to the average number of active subscribers during the period. See also Section 7 of the chapter describing the corporation's business for the year 2024.

2.5.2. Section 1.5.4.3 - Bezeq International

Financial data (NIS millions)	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	263	273	285	270	261	289
Of which: revenue from private customers (1)	32	34	36	39	44	48
Operating profit (loss)	8	14	(67)	13	18	20
Depreciation and amortization	29	19	42	23	26	27
Operating profit (loss) before depreciation and amortization (EBITDA) (2)	37	33	(25)	36	44	47
Net profit (loss)	6	11	(69)	11	18	18
Cash flow from operating activities	24	42	55	51	19	49
Payments for investments in property, plant and equipment and intangible assets and other investments, net (3)	15	12	27	21	19	14
Lease payments	9	11	10	10	10	12
Free cash flow (2)	0	19	18	20	(10)	23
<u>Operating data</u>						
Subscriber churn rate (4)	5.1%	6.3%	6.6%	9.8%	10.7%	8.0%

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

(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)	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	320	319	317	317	316	315
Operating profit (loss)	193	(3)	57	13	(12)	(18)
Depreciation, amortization and ongoing impairment	(46)	40	19	30	48	58
Operating profit before depreciation, amortization and ongoing impairment (EBITDA) (1)	147	37	76	43	36	40
Net profit (loss)	172	3	55	12	(5)	(13)
Cash flow from operating activities	26	75	(18)	55	46	93
Payments for investments in property, plant and equipment and intangible assets and other investments, net	57	36	63	42	67	49
Lease payments	7	6	6	7	6	6
Free cash flow (1)	(38)	33	(87)	6	(27)	38
Operating data						
Number of TV subscribers (thousands) (2)(3)	562	561	562	563	567	571
Of which are IP subscribers (4)	480	475	467	452	431	412
Of which are Sting+ subscribers	151	146	139	132	129	124
Average monthly revenue per TV subscriber (ARPU) (NIS) (5)	172	174	172	175	174	173
Average monthly revenue per subscriber (ARPU Subscribers) (NIS) (5)	189	189	186	187	184	182
Subscriber churn rate (6)	3.6%	4.1%	3.8%	4.3%	3.9%	3.9%
Number of subscribers connected to the fiber network (EoP, thousands) (7)	94	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 standardized. 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 as of the date of publication of the report about 152k.

(4) Number of TV subscribers using Yes+ and STING+ services transmitted via the Internet. As of the date of publication of the report, is about 483k customers, who constitute approximately 86% of all Yes's TV subscribers. The number of IP subscribers and the aforementioned rate also include subscribers who also use the satellite services in parallel.

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

(6) 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 99k.

Section 1.6 – Forecast and targets

On 30.7.2025, Bezeq has updated again the Group's forecast for 2025, which was published in Bezeq's immediate report dated 11.5.2025 ("**the May 2025 Forecast**")³, based on the information known to it at that time, as follows⁴:

- Adjusted net profit⁵ attributable to shareholders is expected to be approximately NIS 1.45 billion (compared to approximately NIS 1.32 billion in the May 2025 Forecast).
- Adjusted EBITDA⁶ is expected to be approximately NIS 3.85 billion (compared to approximately NIS 3.75 billion in the May 2025 Forecast).
- CAPEX⁷ is expected to be approximately NIS 1.75 billion (unchanged).

The main changes are due to expected one-off accounting effects as a result of an expected change in the valuation of Yes, following the publication of a hearing by the Ministry of Communications regarding the determination of maximum payments in the wholesale market as detailed in Bezeq's immediate report dated 29.7.2025 and in the update to Section 2.16.5 of this report.

It should also be stated that 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).

The Bezeq 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 results of the hearing regarding the determination of maximum payments in the wholesale market, and in relation to the structure of competition in the communications market and the regulatory arrangement of the sector, on the current economic situation, 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 the effects that 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.

2.6. Section 1.7.2 – Communication groups in the Israeli market and Section 2.6.1 – Infrastructure-deployment

Regarding the holdings in IBC - to the best of Bezeq's knowledge, in May 2025, HOT and the Israel Infrastructure Fund received a binding offer from a corporation in the "Phoenix" group to purchase their entire holdings in IBC, and in this context, Cellcom (which is also a partner in IBC) announced the exercise of its right to join the sale of all of its holdings in IBC to the acquiring entity.

2.7. Section 1.7.3 Regulatory oversight – structural unbundling duty

Regarding Section 1.7.3.1 regarding the elimination of structural unbundling – On 8.4.2025, the Ministry of Communications' work plan for 2025 was published, in which it was noted as a main task in the plan, among other things, the formulation of staff work to examine regulatory provisions regarding structural separation for telecom companies, and it was also noted as a success indicator that a decision on the matter would be published by the end of 2025.

Furthermore, on 26.6.2025, Bezeq received an information request ("**the Information Request**"), which was addressed to all communications companies, within the framework of which the companies are required to provide the Ministry of Communications with information on the main communications areas: the landline communications field, the cellular field, and the broadcasting field, for the years 2023 and 2024, in order to examine the issue of structural

³ The May 2025 Forecast was an updated forecast to the original forecast published by Bezeq on 12.3.2025.

⁴ With respect 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 above May 2025 Forecast.

⁵ Adjusted net profit and adjusted EBITDA - excluding other operating expenses/income, net and one-off losses/gains from depreciation/appreciation, and expenses for the capital compensation plan.

⁶ See Footnote 5.

⁷ CAPEX - Payments (gross) for investment in PP&E and intangible assets.

unbundling in the communications market and publish a resolution on the matter before the end of the year. The Information Request also noted that this issue was last examined in 2020, and as a result, some of the structural unbundling rules that had applied then were changed, and it is possible that even more significant changes will be implemented as a result of the current examination, and that this is an issue of considerable significance both for the communications companies and for competition in the communications market and the subscriber public. In Bezeq's assessment, to the extent that the structural unbundling is eliminated as a result of the aforementioned examination process, this is expected to have a material positive impact on Bezeq's results. Bezeq has provided the Ministry with the information requested from it.

The information stated in the paragraph above regarding Bezeq's assessment with respect to the expected consequences of the elimination of the structural unbundling for Bezeq's results is forward-looking information, as defined in the Securities Law, based on Bezeq's assessments, assumptions, and expectations in accordance with the data in its possession at this time, and which may not materialize or may materialize in a materially different manner than anticipated, *inter alia*, depending on the decisions of the Ministry of Communications and the results of the aforementioned examination, as well as due to factors beyond Bezeq's control.

2.8. **Section 1.7.6 – Additional regulatory aspects that are relevant to the entire Group or to a number of companies in it**

On 8.5.2025, 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 standing order to debit 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 standing order that the payment be made before receiving the service, in accordance with the billing cycles offered to its subscribers. The amendment will enter into force three months from the date of publication and is expected to result in a loss of revenue in the Group companies to an insignificant extent.

2.9. **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.

2.10. **Section 1.7 – General**

Submarine Cable

The Bezeq Group is examining the possibility of establishing a new submarine cable that will connect Israel to strategic landing points in Europe and enable a significant increase in the volume of Internet traffic between Israel and Europe ("**the Project**"). The initiative to examine the construction of the new cable comes against the backdrop of global trends of dramatic growth in digital traffic volumes, both into Israel and on the route between Europe and the Near and Far East, *inter alia*, against the backdrop of the establishment of giant players in the data and cloud sectors in Israel and throughout the region. Bezeq has begun an initial phase of examining the implications of the Project and estimates that a decision on the subject will be made in the near future. It is clarified that as of the date of publication of the report, no binding decision has been made, and there is no certainty that a decision will be made to implement the Project, in whole or in part.

The information contained in the above paragraph regarding the examination of the construction of a new submarine cable, global trends in growth in digital traffic, a decision whether to implement the Project, and the date the decision was made is forward-looking information, as defined in the Securities Law, based on Bezeq's estimates, assumptions, and expectations in accordance with the data in its possession at this time, and which may not materialize or may materialize in a materially different manner than anticipated, depending, among other things, on the results of the aforementioned examination, the costs of executing the project, the scope of demand for Internet traffic, prices and economic feasibility, regulatory issues, and due to additional factors beyond Bezeq's control.

Additionally, further to the above, on 14.7.2025, Bezeq signed an initial and non-binding Memorandum of Understanding⁸ to acquire all (100%) of the issued and paid-up share capital of Exelera Telecom Ltd. ("**Exelera**") (fully diluted) from the shareholders of Exelera ("**the Sellers**" and "**Memorandum of Understanding**", respectively), *inter alia*, as a possible alternative being considered for the above. Exelera is a private company incorporated in Israel⁹ that engages, *inter alia*, in providing communications services via an international communications network over a fiber-optic submarine cable and maintains a landing site in Israel.

The consideration in the transaction, if completed, will amount to USD 160 million (subject to customary adjustments) ("**the Consideration**"). Additional future consideration of up to USD 10 million may be added to the consideration if agreed conditions are met.

The transaction is subject to the fulfillment of customary conditions precedent, including: completion of due diligence, consent of all Sellers to the sale of their shares, and the parties entering into a detailed agreement until the end of the exclusivity period to which the sellers and Accelerera are committed (75 days from the date of entering into the Memorandum of Understanding) ("**the Exclusivity Period**"), approval by Bezeq's authorized bodies, and obtainment of all required approvals from third parties and by law (including approval from the Competition Commissioner and approval from the Ministry of Communications).¹⁰

It is clarified that, to the extent that a detailed agreement is not signed by the end of the Exclusivity Period in relation to the transaction subject to the Memorandum of Understanding, then, except in the event of "exempting circumstances" (as defined in the Memorandum of Understanding) and subject to obtainment of all required approvals and the absence of legal impediment, Bezeq will purchase from the Sellers shares representing, at the date of their sale, 4.9% of the issued share capital of Exelera (fully diluted), in consideration for a total of USD 7.5 million ("**the Alternative Transaction Shares**"). The Alternative Transaction Shares are subject, *inter alia*, to PUT and CALL options for the buyes and Sellers respectively at prices (which shall not be less than USD 7.5 million) and under the terms specified in the Memorandum of Understanding.

It is clarified that there is no certainty regarding the parties entering into a detailed agreement and/or regarding the completion of the transaction that is the subject of the Memorandum of Understanding, which is subject to the existence of various conditions precedent that have not yet been obtained as of this date. Some of the above information is forward-looking information as defined in the Securities Law, based on the information available to Bezeq's Management as of the date of this report and its assessments, and which there is no certainty that will materialize in whole or in part or may materialize in a materially different manner than anticipated, due to, among other things, factors beyond Bezeq's control, including the parties' failure to reach all of the required commercial agreements, the failure to receive consents from third parties and regulatory authorities and/or the failure to meet all of the conditions precedent required for the completion of the transaction.

3. Bezeq - Landline interior communications

3.1. Section 2.6.2 – Telephony

Regarding the proportion of Bezeq's unified Internet customers among Bezeq's retail customers - this proportion was approximately 89% as of 30.6.2025.

Paragraph 2.6.2.2 regarding the IRU agreement between Bezeq and Partner - in June 2025, Partner exercised an option granted to it in accordance with the agreement for the right to use 24k additional lines.

3.2. Section 2.7.2 – Landline interior communication 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' resolution was published, which accepted the recommendations

⁸ Except for the issue of the alternative transaction shares (the purchase of which is subject, among other things, to the absence of 'exempting circumstances') and the Exclusivity Period, as detailed below.

⁹ Controlled by Aluma Infrastructure Fund (2020) Ltd., whose shares are publicly traded on the Tel Aviv Stock Exchange.

¹⁰ The acquisition does not include additional activities of Exelera which are carried out through two companies in which Exelera has partial ownership, and which will be separated by the date of completion of the transaction.

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 resolution, 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 as follows:

- 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 resolution (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.

In Bezeq's assessment, closing the copper network is expected to result in cost savings in the short term. Bezeq's current 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 estimates regarding the closure of the copper networks and its implications. Accordingly, Bezeq's estimates 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 connection therewith.

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 according to the shelf prospectus until 9.5.2026.

3.4. To Section 2.13.6 - Credit rating

On 5.5.2024, Maalot affirmed the ratings of Bezeq, Pelephone, and Yes at iLAA with a stable outlook, as well as the iLAA rating for Bezeq's debentures. In addition, on 7.5.2025, Midroog affirmed the Aa2.il rating for Bezeq and its debentures with a stable outlook. For this matter, see also Bezeq'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. To Section 2.16.4 - Advanced network – Fiber, and Section 1.7.6.4 Enforcement and financial dancions

On 4.8.2025, Bezeq's offices received a notification from the Ministry of Communications regarding its intention to impose a financial sanction for a violation regarding the deployment of advanced infrastructure in incentive zones in the amount of approximately NIS 10 million. According to the Ministry of Communications' supervision report, it was found that Bezeq violated the provisions of Article 14E of the Communications Law by deploying advanced infrastructure in incentive zones where it is not permitted to deploy advanced infrastructure, before five years had passed from the date of the deployment obligation in the licenses awarded in these zones. In light of this, the Ministry of Communications announced that it intends to impose a financial sanction on Bezeq in the amount of approximately NIS 10 million. Bezeq has the right to assert its claims in writing regarding the intention to impose a financial sanction and its amount, within 30 days of the date of delivery of the notification. Bezeq is reviewing the notification and intends to assert its claims in the matter before the Ministry of Communications.

3.6. To Section 2.16.5 - Wholesale market

Paragraph 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, Bezeq 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.

Regarding a petition submitted to the High Court in September 2024 to advance the hearing date and apply the rates To be determined retroactively from September 2023 – In July 2025, the Ministry of Communications submitted an additional update notice stating that in the coming weeks it is expected to publish a hearing regarding the new increase model. Following this, the High Court of Justice ordered the state to update on the matter by 15.10.2025.

Regarding the hearing on the determination of maximum payments for the use of passive infrastructure over the Bezeq network – Following the publication of a temporary order by the Ministry of Communications to extend the validity of the rates until 31.12.2025 in order to complete the work of the staff to determine the new cost model, on 30.6.2025, the Communications Regulations (Bezeq and Broadcasting) (Use of the Public Bezeq Network of the Ministry of Communications) (Temporary Order) (Amendment), 5785-2025 were amended, and the validity of the rates was extended until 31.12.2025.

Ministry of Communications Hearing – Determining Maximum Payments in the Wholesale Market

On 29.7.2025, Bezeq received a hearing regarding determining maximum payments in the wholesale market, which was published by the Ministry of Communications. According to the hearing, the Ministry believes that it is necessary to update the cost model underlying the wholesale rates and determine new rates for Bezeq. According to the hearing, in the remaining period of time for 2025 and for the next two years (2026-2027), it would be correct to allow all players to use the BSA service, while the obligation to provide it to everyone who requests it and without discrimination will continue to apply to Bezeq. However, in a gradual process until the end of 2027, this obligation will be reduced in such a way that, as of 1.1.2028, Bezeq will no longer be required to provide it to the large communications groups (companies with 300,000 or more retail Internet subscribers, including HOT), except with respect to 5% of the total existing fiber subscribers.

According to the hearing, it is proposed that updated tariffs be set for wholesale services, including a managed broadband access service tariff and a passive infrastructure access service:

Payment Component	2025	2026	2027	2028	2029 Onwards
Speed up to 1 Gbps	49.06	50.52	52.89	55.64	58.17
Speed over 1 Gbps up to 2.5 Gbps	58.15	60.22	63.90	68.25	72.19
Passive Infrastructure Access Service	150.3	153.8	157.3	160.9	164.6

* The remaining rates are detailed in the hearing attached to Bezeq's immediate report dated 29.7.2025, which is included in this report by reference.

The reference to the hearing must be submitted to the Ministry by 11.9.2025. The full text of the hearing (without appendices) is attached to Bezeq's immediate report dated 29.7.2025, which is included in this report by reference.

Bezeq estimates that the impact of the proposed rate reduction, to the extent that it is accepted and implemented in the manner described in the hearing, is not expected to be material to Bezeq, *inter alia* due to the IRU agreements signed by Bezeq. In addition, to the extent that the proposed rate reduction is approved, it is expected to have a positive impact on Yes, and therefore Bezeq is expected to recognize in its financial statements for the third quarter of 2025 a material, one-off accounting gain due to the increase in the value of Yes in Bezeq's reports.

The information contained in this section, including regarding the results of the hearing process

and its impact on Bezeq and its activities, is forward-looking information as defined in the Securities Law, based on Bezeq's estimates, among other things, with respect to Bezeq's assumptions and expectations in accordance with the data in its possession at this time. Accordingly, Bezeq's estimates may not materialize or may materialize partially and/or in a manner materially different from the above, depending on the variables noted above, among other things due to factors beyond Bezeq's control.

3.7. Section 2.18 - Legal proceedings

Paragraphs A, C, D, E, F, and Footnote 40 regarding civil legal proceedings in which the hearing is delayed at the request of the Attorney General in view of the ongoing criminal proceedings related to them - the proceedings were delayed until 8.5.2025. In May 2025, an update notice and a request were submitted in all proceedings on behalf of the Attorney General stating that a stay of the proceedings was no longer requested, while at the same time, the Court was requested 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 transactions of interested parties (Section 1.1.5.3 of the 2024 Statements). Further to this and agreements between the parties in view of the criminal proceedings, the stay of the proceedings continued, at this stage until December 2025.¹¹

Paragraph B regarding a class action lawsuit from November 2015 alleging abuse of position in connection with competition in the communications market – mediation that took place in the case ended without the parties reaching an agreement.

Paragraph J regarding a motion to approve a class action lawsuit alleging payment of an increased amount for an Internet browsing speed level that is higher than what the members of the class could actually utilize – 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 where they paid for a certain speed level, while the infrastructure in their home is capable of providing a speed corresponding to a lower speed level, from 27.4.2014 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 light of the partial approval of the motion, the claim ceased to be material to Bezeq's operations. On 20.5.2025, the plaintiff appealed the narrowing of the definition of the class.

4. Pelephone - Radio - Mobile Phone (Cellular Telephony)

4.1. Section 3.8.2 – Frequency usage rights

Section 3.8.2.2 regarding the frequency inventory at the Pelephone Authority - 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 Pelephone's essential suppliers - Pelephone's agreement with Apple has been extended until March 2026.

4.3. Section 3.15 - Material agreements

Section 3.15.2 –

Regarding the extension of the contract period - On 29.6.2025, an agreement was signed to extend the contract until 31.12.2025.

Regarding the new tender for the supply of cellular communication services and end equipment - on 5.6.2025, Pelephone was announced as a candidate for first-place winner as the main supplier (for the supply of 60% of the services and equipment, replacing its exclusive supplier in the tender that ended), in a tender held by the Accountant General at the Ministry of Finance for the supply of cellular communication services and communication equipment for

¹¹ Regarding the procedure described in Footnote 40 in the 2024 Statements – Bezeq is not a party to the procedure and has no information regarding its continued management.

government ministries, auxiliary units, and associated bodies, according to a defined content defined therein (Bundle 1 ("the Tender")). Pelephone, which has been providing cellular services to the State and its employees for several years following its victory in previous tenders, also participated in this Tender and was determined, as stated and as explained below, as a candidate for first-place winner for the supply of 60% of the services and equipment. Therefore, Pelephone will continue to serve as the main supplier of the cellular services and communication equipment in the Tender, for employees of government ministries, auxiliary units, and associated bodies. According to the terms of the Tender, Pelephone will provide cellular services to an estimated number of at least 60,000 subscribers, plus several tens of thousands of data subscribers, over a period of 42 months (with the State's option to extend the period to a total of 72 months, beyond the basic 42 months). As part of the Tender, Pelephone will provide tens of thousands of subscribers who choose to do so with end equipment through a leasing mechanism. Pelephone's renewed winning of the Tender is expected to retain significant revenue of hundreds of millions of NIS throughout the term of the agreement. The forecasts of Pelephone and Bezeq detailed above are forward-looking information, as defined in the Securities Law. The forecasts are based on Pelephone's estimates, assumptions, and expectations regarding, among other things, the number of subscribers to whom Pelephone will provide services, as well as the scope of the services and end equipment that will be provided by it in accordance with the terms of the tender, which may or may not materialize and/or materialize differently than described above.

4.4. Section 3.16.1 – Contingent and pending legal proceedings

In the matter of a motion to approve a class action lawsuit concerning claims concerning the characteristics of a service for filtering offensive websites and content and the manner in which customers were informed of its existence – on 19.5.2025, a ruling was issued approving a compromise arrangement in the case, the main purpose of which (with respect to Pelephone) is to provide a browsing benefit to service subscribers (existing and new) for a limited period and a payment of approximately NIS 350k for attorney fees and compensation.

Paragraph C regarding two motions for approval of class actions regarding the collection of fees for payment of the cellular bill via standing order - In March 2025, the Court decided to consolidate the two motions with an additional motion submitted on the same subject.

4.5. Section 3.18 - Expected development in the coming year

On 15.7.2025, Pelephone submitted an initial and non-binding letter of intent to the Altice International group, according to which it proposes to acquire in cash the full ownership of Hot Mobile, for a total amount of up to two billion shekels (subject to adjustments). It is clarified that this is an initial and non-binding letter of intent that was submitted without conducting prior contacts and based on public and partial information only¹², and there is no knowledge or assurance that its submission will lead to the initiation of contacts and subsequently to negotiations regarding a possible acquisition as stated. The letter of intent includes an initial, non-binding business outline, and is subject, among other things, to conducting a due diligence review, adequacy, formulation of commercial and legal agreements between the parties and required approvals, and subject to maintaining Bezeq's high credit rating in the AA group and Bezeq's current dividend policy.

The above paragraph includes forward-looking information, as defined in the Securities Law, the materialization of which in whole or in part is uncertain, including with regard to the commencement of negotiations between the parties, the development of an agreement, its terms, schedules, required approvals, including approval from the Ministry of Communications and the Competition Authority, and the completion of any transaction, for the reasons detailed above.

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

5.1. Section 4.12.1 – Contingent and pending legal proceedings

Paragraph B regarding a motion to approve a class action 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 a non-compensated withdrawal, in which the motion to approve a class action was deleted and the claim against Bezeq International was dismissed.

¹² Based on reports from the public company Altice International

Paragraph C, regarding a motion to approve a class action on the grounds that Bezeq International is charging its customers for services it does not provide, with the alleged knowledge that the customer has changed Internet providers and disconnected from Bezeq International – on 23.6.2025, a ruling was issued dismissing the motion, and striking out the ground regarding the associated Internet services. It should be noted that the additional motion mentioned in this section continues to be processed. The matter of the additional motion is the claim that Bezeq International is charging fees for services when it allegedly knows that the customer has not activated the services and is not using them.

6. Yes - Multi-channel TV

6.1. Section 5.1.1 - Structure of the field of activity and the changes that have occurred in it

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

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. Also, to the best of Yes's knowledge, in June 2025, the Ministerial Committee approved the draft law, as well as the wording of the bill that was forwarded to the Committee, after changes to the wording as the Minister of Communications was authorized to make according to the resolution of the Ministerial Committee of May 2025. As of the date of this report, to the best of Yes's knowledge, apart from the resolutions of the Ministerial Committee of May and June 2025, 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 wording ratified by the Ministerial Committee), if any, will be enshrined as binding legislation, and what the content and arrangements of the bill will be. Such legislation, and therefore it is difficult, at this stage, to assess the extent of the impact on Yes's business of the legislation and regulation that will be determined following the memorandum (if any are determined).

6.3. Section 5.2.2 – Internet access services

Yes has begun accepting the services from Bezeq (instead of Gilat), and as of the date of this report, these are provided to the vast majority of subscribers to Yes's Internet access services.

Regarding a hearing published by the Ministry of Communications on 29.7.2025 regarding the determination of maximum payments in the wholesale market, see update to Section 2.16.5.

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' Committee to extend the collective agreement until 31.12.2025, which also anchored the other agreements between the parties that are the subject of the document of principles from February 2025.

6.5. Section 5.11.2 – Dependence on suppliers

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

6.6. Section 5.12 – Financing

In August 2025, Bezeq approved a credit line or investment in Yes's capital in the amount of NIS 100 million, for a period of 15 months starting on 1.7.2025. This approval is *in lieu* of a similar approval given in May 2025 (and not in addition to it).

6.7. Section 5.15.1 - Agreement for the lease of Space segments, and Section 5.17.1 – Targets and strategy

With regard to the gradual transition (migration) plan from satellite broadcasting to over-the-top (OTT) broadcasting (“**the Transition Plan**”), which Yes is implementing - in June 2025 Yes decided to continue satellite broadcasting until the end of 2028, when, starting in February 2026, satellite broadcasting will be provided in a limited and focused format to relevant customers, including institutional customers, subject to (a) the signing of an agreement (currently under negotiation) between Yes and Space Communications Ltd. (“**Space**”).

Communications") for a non-material consideration to Bezeq, starting from 1.3.2026¹³ until the end of 2028 ("**the Agreement**"); and (b) the launch and placement of a new satellite as aforesaid on the dates planned in this regard.¹⁴

The negotiations regarding the new agreement with Space Communications are based, among other things, on the following principles:

- Yes will lease three (3) Space segments from Space Communications on the new satellite, where Space Communications will declare in the agreement that it has the right to lease them to Yes from the owner of the rights to the new satellite.
- Space Communications will have the right to terminate the Agreement (not due to a breach) at the request of the owner of the rights to the satellite, and this in general without compensation.

The extension of the transition outline is expected to have a positive impact on Yes's results.

The signing of the Agreement, and the continuation of satellite broadcasts in a reduced format during the period after February 2026, are forward-looking information, as defined in the Securities Law, which is based, among other things, on the successful completion of negotiations regarding the agreement in accordance with the principles described above, as well as on the actual implementation of the Agreement, the successful positioning in space and proper operation of the new satellite, the manner of regulation and licensing regarding Yes, the exercise of the rights of the owner of the rights to the new satellite, as well as the availability of resources and inputs required to continue the migration process and the relevant market conditions. However, it is possible that Yes Management's forecasts, its estimates, its objectives, and the aforementioned format will not materialize, or materialize in a materially different manner, in light of the possibility that the negotiations for signing the Agreement will not be completed in the aforementioned format and/or at all, in light of the possibility that the new satellite will not be positioned on the scheduled date, as well as in light of changes and/or restrictions related to the inputs that will be required for its implementation, regulatory and/or other restrictions imposed or that will be imposed on Yes, failure to obtain the required consents or exercise rights to the satellite, changes in demand for this format, and other or additional changes in the field.

6.8. Section 5.15.2 – Agreement with Partner

In March 2025, Yes received a letter from the Competition Authority regarding a request for exemption from 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's position is unfounded in its concerns, 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, in April 2025 an amendment to the agreement between Yes and Partner was signed. 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

¹³ At this time, the lease of space segments on the "Amos 3" satellite, in which Yes currently leases space segments, will cease. To the extent that the new satellite is operational prior to 1.3.2026, in accordance with the terms to be determined in the Agreement, Yes will be entitled to commence the lease at that time without additional consideration.

¹⁴ On 13.7.2025, the satellite was launched into space.

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).

Following and in accordance with the agreement's amendment, Yes and Partner withdrew the exemption request.

Following additional 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 acquisition through Yes and regarding the license to use the dedicated application.

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

Bezeq and Yes estimate that the contribution from the agreement to the business activity of the Bezeq Group is not expected to be material. It should also be noted that a one-off material positive accounting was registered in Bezeq's financial statements for the second quarter of 2025. For this matter, see also Notes 5.1 15.4 to the Statements.

The information mentioned regarding the date of commercial launch, estimates regarding the accounting implications and the contribution of the agreement to the business activity of the Bezeq Group is forward-looking information, as 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.

6.9. Section 5.16.1 – Contingent and pending legal proceedings

Paragraph C - Regarding a motion for approval of a derivative claim filed in connection with a motion for disclosure of documents regarding the "Space" transaction - see update to Section 2.18.1(d).

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

Paragraph F - Regarding a motion for approval of a derivative claim regarding the sale of Bezeq shares by the Company - see update to Section 2.18.1(f).

7. The Company

Section 6.2 – Legal proceedings

- 7.1. Further to what is stated in Section 6.2.1 of the Periodic Report, on 7.4.2025, the Court approved the distribution of compensation between the classes. Additionally, on 8.5.2025, the Attorney General submitted an update stating that, at this stage of the trial and at least until the cross-examination hearing stage in the parallel criminal proceedings that are underway, there is no need for further stay in the current proceedings, and on 15.5.2025, the Court ordered the other parties in the proceedings to submit a joint update notice regarding a plea agreement to manage the continuation of the proceedings.
- 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 resort to mediation and, if no agreement is reached between the parties, the appeal will 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 resorting to mediation with Prof. Assaf Hamdani. Accordingly, the parties motioned to delay the conduct of the proceedings between them, in order to exhaust the mediation. The Court granted the motion. This deadline has been extended, and the parties must submit an update notice by 10.9.2025.
- 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 or an appropriate motion by 10.9.2025.

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

- 7.4. For details regarding the procedure described in Section 6.2.4 of the Periodic Report, see Section 3.5 above.

5.8.2025

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 June 30, 2025

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 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 periods of six and three months ended June 30, 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.

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 communications, and ICT solutions (hereinafter: "Bezeq International Services")**
4. **Multi-channel TV**

Group Results

The following are the Group's results for the reported period:

	1-6/2025	1-6/2024	Change		4-6/2025	4-6/2024	Change	
	NIS millions		NIS millions	%	NIS millions		NIS millions	%
Net profit	656	533	123	23.1	412	262	150	57.3
Adjusted net profit	672	541	131	24.2	411	265	146	55.1
EBITDA*	1,906	1,814	92	5.1	1,011	905	106	11.7
Adjusted EBITDA*	1,922	1,822	100	5.5	1,010	908	102	11.2
Free cash flow*	483	641	(158)	(24.6)	223	175	48	27.4

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

The increase in net profit was mainly due to the reversal of a loss due to impairment of assets at Yes, see Note 5.1 in the statements, offsetting an increase in financing expenses in the Group. For more information, see Chapter 1.2 below.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 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.

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 income/expenses, net after tax, and one-off 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/incomes of a one-off nature.
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	Defined as profit before financing income/expenses, 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. It should be noted that the adjusted EBITDA index should not be compared to indices with a similar name reported by other companies due to a possible difference in the way the index is calculated.
Free cash flow	Defined as cash that arose 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.

The following is the method of calculating the indices:

	1-6/2025	1-6/2024	4-6/2025	4-6/2024
	NIS millions		NIS millions	
Net profit	656	533	412	262
Excluding other operating expenses (income), net	5	(3)	(8)	(4)
Excluding expenses for capital compensation plan	11	11	7	7
Adjusted net profit	672	541	411	265

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2025

	1-6/2025	1-6/2024	4-6/2025	4-6/2024
	NIS millions		NIS millions	
Operating profit	1,067	879	628	443
Excluding depreciation, amortization, impairment, and reversal of impairment loss	839	935	383	462
EBITDA	1,906	1,814	1,011	905
Excluding other operating expenses (income), net	5	(3)	(8)	(4)
Excluding expenses for capital compensation plan	11	11	7	7
Adjusted EBITDA	1,922	1,822	1,010	908

	1-6/2025	1-6/2024	4-6/2025	4-6/2024
	NIS millions		NIS millions	
Net cash generated from current operations	1,555	1,705	726	706
Minus cash for the purchase/sale of PP&E and intangible assets, net	815	834	399	427
Minus payments for leases	257	230	104	104
Free cash flow	483	641	223	175

Report of the Board of Directors on the state of affairs of the corporation for the Period ended June 30, 2025

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

1.1 Financial position

	June 30, 2025	June 30, 2024	Increase (decrease)		Explanation
	NIS millions	%	NIS millions	%	
Cash, restricted cash, and current investments	2,695	3,010	(315)	(10.5)	For more information, see Chapter 1.3 below.
Current and non-current trade receivables	1,977	2,133	(156)	(7.3)	The decrease was mainly due to the sale of the Bezeq Online subsidiary and its exit from consolidation in the current quarter, see Note 15.5 to the Statements, and a decrease in customer and receivable balances in the landline interior communications segment.
Inventory	112	107	5	4.7	
Right-of-use assets	1,761	1,765	(4)	(0.2)	
Property, plant and equipment	7,349	6,977	372	5.3	The increase was mainly due to the landline interior communications segment, partly due to the progress of the fiber network deployment project, as well as from Yes, due to investments and reversal of loss from impairment of assets, see Note 5.1 to the Statements.
Intangible assets	3,320	3,274	46	1.4	The increase was due to investments and the reversal of loss from impairment of assets at Yes.
Deferred expenses and non-current investments	459	324	135	41.7	The increase was due to an increase in the balance of broadcasting rights at Yes due to investments in content and reversal of loss from the impairment of the asset.
Total assets	17,673	17,590	83	0.5	

Report of the Board of Directors on the state of affairs of the corporation for the Period ended June 30, 2025

1.1. Financial position (Cont.)

	June 30, 2025	June 30, 2024	Increase (decrease)	
	NIS millions	%	NIS millions	%
Debt to financial institutions and bondholders	8,572	9,835	(1,263)	(12.8)
Liabilities in respect of leases	1,948	1,943	5	0.3
Trade payables	1,830	1,916	(86)	(4.5)
Employee benefits	647	548	99	18.1
Provisions	114	135	(21)	(15.6)
Deferred tax liabilities	318	338	(21)	(6.2)
Other liabilities	284	203	82	40.6
Total liabilities	13,713	14,918	(1,205)	(8.1)
Non-controlling interests	3,380	*2,635	745	28.3
Equity attributed to shareholders of the company	580	*37	543	1,466.5
Total equity	3,960	2,672	1,288	48.2
Total liabilities and equity	17,673	17,590	83	0.5

Explanation
The decrease was due to early repayment of Company debentures and repayment of debentures and loans, in accordance with the repayment schedule, offsetting the issuance of debenture through the expansion of Series 13 and 14 in December 2024 in the landline interior communications segment.
The decrease was mainly due to a decrease in current tax liabilities in the landline interior communications segment.
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 and vacation in the landline interior communications segment, offsetting payments for employee retirement.
The decrease was due to a settlement payment in a lawsuit against the Company.
The decrease was due to the landline interior communications segment.
The increase was due to an increase in long-term advance revenues 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.
Capital as of 30.06 2025 constitutes approximately 22.4% of the total balance sheet, compared to approximately 15.2% of the total balance sheet on 30.6.2024.

* Retroactive adjustment for change in accounting policy - see Note 2.5 to the Consolidated Statements.

Report of the Board of Directors on the state of affairs of the corporation for the Period ended June 30, 2025

1.2. Enterprise results

1.2.1. Key results

	1-6/2025	1-6/2024	Increase (decrease)		4-6/2025	4-6/2024	Increase (decrease)		
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Revenue	4,371	4,447	(76)	(1.7)	2,136	2,192	(56)	(2.6)	The decrease was mainly due to the reduction in interconnection rates from June 2024, and also due to the sale of the subsidiary Bezeq Online and its exit from consolidation starting in the second quarter of 2025, see Note 15.5 to the Statements. For more information, see Section 1.2.2 below.
Operating and general expenses	1,511	1,671	(160)	(9.6)	681	813	(132)	(16.2)	The decrease was mainly due to the reversal of a loss due to the impairment of a broadcasting rights asset at Yes, as well as a decrease in interconnection payments to telecommunications operators due to the reduction in rates as stated above, mainly in the cellular communications segment. For more information, see Notes 5.1 and 9 to the Statements.
Salary	949	965	(16)	(1.7)	452	478	(26)	(5.4)	The decrease was due to the sale of the Bezeq Online subsidiary and its exit from consolidation starting in the second quarter of 2025, offset mainly by an increase in salary expenses in the landline interior communications segment.
Depreciation, amortization, impairment, and reversal of impairment loss	839	935	(96)	(10.3)	383	462	(79)	(17.1)	The decrease was mainly due to the cancellation of a loss due to impairment of assets at Yes, see Note 5.1 to the Statements.
Other operating expenses (income), net	5	(3)	8	-	(8)	(4)	(4)	(100.0)	For more information, see Note 10 to the Statements.
Operating Profit	1,067	879	188	21.4	628	443	185	41.8	
Financing expenses, net	240	161	79	49.1	138	94	44	46.8	The increase in expenses in the current quarter was primarily due to a decrease in the value of forward transactions as a result of the decline in the dollar exchange rate in the current quarter in the landline interior communications segment and the multichannel TV segment. For more information, see Note 11 to the Statements.
Share in loss of equity-accounted investees	4	3	1	33.3	1	3	(2)	(66.7)	Starting in the second quarter of 2024, Bezeq will record its share of the net operating results of Bezeq-Gen in its statements.
Taxes on income	167	182	(15)	(8.2)	77	84	(7)	(8.3)	
Profit for the period	656	533	123	23.1	412	262	150	57.3	

Report of the Board of Directors on the state of affairs of the corporation for the Period ended June 30, 2025

1.2.2. Activity segments

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

Revenues by operating segments	1-6/2025		1-6/2024		4-6/2025		4-6/2024	
	NIS millions	% of total revenue	NIS millions	% of total revenue	NIS millions	% of total revenue	NIS millions	% of total revenue
Interior landline communication	2,203	50.4	2,166	48.7	1,102	51.6	1,075	49.0
Cellular communication	1,096	25.1	1,144	25.7	530	24.8	561	25.6
Bezeq International services	536	12.3	550	12.4	263	12.3	261	11.9
Multi-channel TV	639	14.6	631	14.2	320	15.0	316	14.5
Others and adjustments	(103)	(2.4)	(44)	(1.0)	(79)	(3.7)	(21)	(1.0)
Total Revenues	4,371	100	4,447	100	2,136	100	2,192	100

Operating profit (loss) by operating segment	1-6/2025		1-6/2024		4-6/2025		4-6/2024	
	NIS millions	% of segment revenue	NIS millions	% of segment revenue	NIS millions	% of segment revenue	NIS millions	% of segment revenue
Interior landline communication	770	35.0	780	36.0	386	35.0	383	35.6
Cellular communication	87	7.9	95	8.3	43	8.1	55	9.8
Bezeq International services	22	4.1	38	6.9	8	3.0	18	6.9
Multi-channel TV *	(22)	(3.4)	(44)	(7.0)	(2)	(0.6)	(25)	(7.9)
Others and adjustments	210	-	10	-	193**	-	12	-
Consolidated operating profit / percentage of Group revenues	1,067	24.4	879	19.8	628	29.4	443	20.2

* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized since the fourth quarter of 2018 (For more information see Notes 5 and 13 to the Statements). 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 for a summary of selected data from the statements of Yes Television and Communication Services Ltd.

** Main reconciliation of the gap between the operating loss of the multichannel television segment (proforma) and the accounting operating profit of Yes, mainly due to the reversal of impairment loss, see Note 5.1 and Section 1.2.2e below.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2025

1.2.2. Activity segments (Cont.)

b. Interior landline communications segment

	1-6/2025	1-6/2024	Increase (decrease)		4-6/2025	4-6/2024	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Internet revenue	1,013	995	18	1.8	508	494	14	2.8	The increase was due to an increase in the average revenue per retail internet subscriber, which mainly resulted from an increase in the number of subscribers connected to the fiber network, offsetting a decrease in wholesale market revenues during the period, due, among other things, to a decrease in access rates for antennas starting from 1.4.2024.
Landline telephony revenues	251	281	(30)	(10.7)	123	138	(15)	(10.9)	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 lien balance.
Transmission, data communication, and other	762	716	46	6.4	381	356	25	7.0	The increase was mainly due to an increase in data transmission and communication services and equipment sales to businesses, as well as an increase in revenue from paid jobs, offsetting a decrease in transmission revenue to Internet service providers (ISPs) due to subscribers switching to Bezeq due to the unified internet reform.
Cloud and digital services	177	174	3	1.7	90	87	3	3.4	
Total revenues	2,203	2,166	37	1.7	1,102	1,075	27	2.5	
Operating and general expenses	380	370	10	2.7	192	187	5	2.7	The increase was mainly due to an increase in subcontractor expenses and marketing and general expenses, offsetting a decrease in interconnection payments to telecommunications operators due to the decrease in rates as stated above.
Salary	537	518	19	3.7	270	258	12	4.7	The increase was mainly due to salary updates, employee retirement offsets, and an increase in the capitalization of salary for investment.
Depreciation and amortization	519	507	12	2.4	261	255	6	2.4	
Other operating income, net	(3)	(9)	6	66.7	(7)	(8)	1	12.5	The increase was mainly due to a decrease in capital gains from the sale of real estate, which was offset in the quarter mainly due to a reduction in the provision for legal claims.
Operating profit	770	780	(10)	(1.3)	386	383	3	0.8	

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2025

1.2.2. Activity segments (Cont.)

b. Interior landline communications segment – Cont.

	1-6/2025	1-6/2024	Increase (decrease)		4-6/2025	4-6/2024	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Financing expenses, net	147	122	25	20.5	101	70	31	44.3	The increase in expenses was mainly due to a decrease in the value of forward transactions as a result of the decline in the dollar exchange rate in the current quarter.
Share in loss of equity-accounted investee	4	3	1	33.3	1	3	(2)	(66.7)	Starting with the second quarter of 2024, Bezeq records its share of the net operating results of Bezeq-Gen in its statements.
Taxes on income	145	159	(14)	(8.8)	66	72	(6)	(8.3)	
Segment profit	474	496	(22)	(4.4)	218	238	(20)	(8.4)	

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2025

1.2.2. Activity segments (Cont.)

C. Cellular communications segment

	1-6/2025	1-6/2024	Increase (decrease)		4-6/2025	4-6/2024	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Revenue from services net of interconnect *	721	683	38	5.6	361	348	13	3.7	The increase was mainly due to an increase in postpaid revenues as a result of growth in the subscriber balance (including subscribers on 5G packages), the recovery of prepaid revenues from the effects of the war, and an increase in content revenues. In addition, an increase in revenue from roaming services began as a result of the recovery from the effects of the war (despite a decrease at the end of the period following operation "Rising Lion").
Interconnect expenses *	75	153	(78)	(51.0)	34	72	(38)	(52.8)	The decrease in interconnect revenues was mainly due to the reduction in interconnect rates from June 2024. Most of the rates were canceled on 15.7.2025.
Revenue from the sale of end equipment	300	308	(8)	(2.6)	135	141	(6)	(4.3)	The decrease was mainly due to erosion in device prices due to the increase in sales volume, and in addition, a decrease in sales following operation "Rising Lion" at the end of the period.
Total revenues	1,096	1,144	(48)	(4.2)	530	561	(31)	(5.5)	
Operating and general expenses	560	609	(49)	(8.0)	264	293	(29)	(9.9)	The decrease was mainly due to a decrease in expenses attributable to interconnect revenue (in parallel with a decrease in revenue). This decrease was partially offset mainly by an increase in expenses for frequency fees following the cancellation of discounts granted until the end of 2024.
Salary	167	162	5	3.1	82	79	3	3.8	The increase was mainly due to the effects of the collective agreement and the increase in the minimum wage. On the other hand, there is a decrease in the number of employees.
Depreciation and amortization	281	272	9	3.3	141	134	7	5.2	The increase was mainly due to an increase in new investments. On the other hand, there was a decrease in depreciation of right-of-use assets.
Other expenses, net	1	6	(5)	(83.3)	-	-	-	-	Most of the decrease in the period was due to legal expenses and expenses for employee retirement.
Operating profit	87	95	(8)	(8.4)	43	55	(12)	(21.8)	
Financing expenses, net	6	4	2	50.0	3	4	(1)	(25.0)	The increase in financing expenses, net in the period was mainly due to an increase in financing expenses for lease liabilities and an increase in expenses for advance transactions (Powerwood), which exceeded exchange rate revenue in light of changes in the dollar exchange rate. The decrease in financing expenses, net in the quarter was mainly due to changes in the dollar exchange rate.
Income taxes	20	22	(2)	(9.1)	10	12	(2)	(16.7)	
Segment profit	61	69	(8)	(11.6)	30	39	(9)	(23.1)	

* Revenues from interconnect - as part of the reform to change the interconnect rates regime (hereafter: "the Reform"), which began gradually from June 2023 until June 2025, interconnect revenues from mobile radio telephone operators and NIOs 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 June 30, 2025

1.2.2. Activity segments (Cont.)

d. Bezeq International services

	1-6/2025	1-6/2024	Increase (decrease)		4-6/2025	4-6/2024	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Revenues	536	550	(14)	(2.5)	263	261	2	0.8	The change in revenue was due to a decrease in revenue from Internet services (ISP) in private activity due to a decrease in the number of subscribers following the unified Internet reform, a decrease in revenue from Internet services for businesses and international data communication services, offset by an increase in revenue from cloud activity and international telephony services, and in the quarter also an increase in revenue from equipment, licensing, and service contracts.
Operating and general expenses	357	359	(2)	(0.6)	172	166	6	3.6	The change in expenses was primarily due to an increase in expenses for cloud operations and international telephony services, and in the quarter, also an increase in equipment, licensing, and service contract costs. This increase was offset by a decrease in expenses for Internet services in private operations, Internet services for businesses and international data communication services.
Salary	109	104	5	4.8	54	51	3	5.9	The increase was mainly due to an increase in salaries at the CloudEdge subsidiary, offsetting a decrease in salaries at Bezeq International as a result of a continuous decrease in its employee count.
Depreciation, amortization, and impairment	48	53	(5)	(9.4)	29	26	3	11.5	The increase in the quarter was mainly due to an increase in total impairments. The decrease in the period was mainly due to a decrease in the recording of impairments as a result of a decrease in investments compared to the parallel period.
Other operating income, net	-	(4)	4	-	-	-	-	-	The parallel period last year included the recording of revenue from the amendment of the lease agreement for the Server Farm (Bnei Zion) offsetting expenses for the provision for claims.
Operating profit	22	38	(16)	(42.1)	8	18	(10)	(55.6)	
Financing expenses, net	4	2	2	100.0	1	-	1	-	The increase was mainly due to dollar exchange rate differences.
Income taxes	1	-	1	-	1	-	1	-	
Segment profit	17	36	(19)	(52.8)	6	18	(12)	(66.7)	

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2025

1.2.2. Activity segments (Cont.)

e. Multi-channel TV (pro forma) *

	1-6/2025	1-6/2024	Increase (decrease)		4-6/2025	4-6/2024	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Revenues	639	631	8	1.3	320	316	4	1.3	The increase was mainly due to an increase in revenue from combined television and fiber packages.
Operating and general expenses	449	454	(5)	(1.1)	222	229	(7)	(3.1)	The decrease was mainly due to a decrease in satellite costs, a decrease in content expenses, and a decrease in costs for collaborations with international content providers, which were partially offset by an increase in fiber operating costs.
Salary	88	92	(4)	(4.3)	44	45	(1)	(2.2)	
Depreciation and amortization	117	125	(8)	(6.4)	57	63	(6)	(9.5)	The decrease was mainly due to a change in the estimated useful life of assets as well as fully depreciated assets.
Other expenses (income), net	7	4	3	75.0	(1)	4	(5)	(125.0)	The decrease in the quarter was mainly due to the recording of expenses for provision for claims in the parallel quarter.
Operating loss	(22)	(44)	22	50.0	(2)	(25)	23	92.0	
Financing expenses (income), net	15	(12)	27	-	21	(7)	28	-	The change was mainly due to a decrease in the value of forward transactions as a result of a decrease in the dollar exchange rate.
Segment loss	(37)	(32)	(5)	15.6	(23)	(18)	(5)	27.8	

* The results of the multichannel 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 and 13 to the Statements).

This is in accordance with the way the Group's main operational decision maker evaluates the sector's performance and makes decisions regarding the allocation of resources to the segment.

In addition, see Note 14.4 regarding a summary of selected data from the statements of Yes Television and Communication Services Ltd. as well as the table below.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2025

1.2.2. Activity segments (Cont.)

f. Yes Multichannel TV Services Ltd. (Cont.) - Comparison between accounting profit and proforma profit

	1-6/2025		1-6/2024		4-6/2025		4-6/2024	
	Accounting P&L	Proforma P&L	Accounting P&L	Proforma P&L	Accounting P&L	Proforma P&L	Accounting P&L	Proforma P&L
	NIS millions				NIS millions			
Revenues	639	639	631	631	320	320	316	316
Operating and general expenses	356	449	456	454	129	222	229	229
Salary	92	88	95	92	45	44	47	45
Depreciation and amortization	(6)	117	106	125	(46)	57	48	63
Other expenses (income), net	7	7	4	4	(1)	(1)	4	4
Operating profit (loss)	190	(22)	(30)	(44)	193	(2)	(12)	(25)
Financing expenses (income), net	15	15	(12)	(12)	21	21	(7)	(7)
Segment profit (loss)	175	(37)	(18)	(32)	172	(23)	(5)	(18)

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2025

1.3. Cash flow

	1-6/2025	1-6/2024	Increase (decrease)		4-6/2025	4-6/2024	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	NIS millions		NIS millions	%	
Net cash flow from operating activities	1,555	1,705	(150)	(8.8)	726	706	20	2.8	The decrease in net cash flow from current activities in the period was mainly due to an increase in Income Tax paid in the landline interior communications segment. The increase in net cash flow from operating activities in the quarter was mainly due to an increase in profit, mainly offset by change in broadcasting rights
Net cash flow derived from (used for) investing activities	(582)	(1,507)	925	61.4	136	(87)	223	-	The increase in net cash flow from investing activities in the quarter and the decrease in net cash flow used in investing activities in the period were mainly due to a decrease in net investment in bank deposits and other financial investments in the fixed landline interior communications segment. There are also proceeds from the sale of the Bezeq Online subsidiary in the current quarter.
Net cash flow derived from (used for) financing activities	(1,056)	153	(1,209)	-	(1,781)	(764)	(1,017)	(133.1)	The change in the period was mainly due to the fact that the parallel period included the issuance of debentures (expansion of Series 11 and 13 debentures) and the receipt of loans in the landline interior communications segment. The change in the quarter is due to early repayment of the Company's debentures.
Net increase (decrease) in cash	(83)	351	(434)	-	(919)	(145)	(774)	(533.8)	

Average volume in the reported half

Long-term liabilities (including current liabilities) to financial institutions and bondholders: approx. NIS 8,746 million.

Provider credit: approx. NIS 973 million.

Short-term customer credit: approx. NIS 1,411 million. Long-term customer credit: approx. NIS 283 million.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2025

Working Capital

The Group's consolidated working capital surplus as of June 30, 2025 amounted to approximately NIS 34 million, compared to a working capital surplus of approximately NIS 1,007 million as of June 30, 2024.

The Company's working equity surplus (according to the "Solo" Statements) as of June 30, 2025 amounted to approximately NIS 109 million, compared to a working equity surplus of approximately NIS 122 million as of June 30, 2024.

Bezeq (according to the "Solo" Statements) as of June 30, 2025, has a working equity deficit in the amount of approximately NIS 474 million, compared to a working equity surplus of approximately NIS 886 million as of June 30, 2024.

The decrease in the consolidated working capital surplus in the company resulted mainly from an increase in current maturities of Bezeq debentures due to the first repayment date of debentures from Series 11 and 12 of Bezeq in June 2026 in accordance with the repayment schedule, as well as from a decrease in investment balances and cash and cash equivalents in Bezeq.

1.4. Disclosure regarding the Company's projected cash flow

The Company's Board of Directors reviewed the Company's consolidated financial statements and separate (Solo) financial statements as of June 30, 2025, including sources for repayment of the Company's liabilities, including the Company's debentures (Series 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) financial 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 stated in Note 30.5.1 to the annual financial statements, changes in the inflation rate affect the Group's profitability and 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 shekel-dollar exchange rate through the execution of forward transactions. See details regarding hedging transactions in Note 30.6 to the annual report.

In the six-month period that ended on June 30, 2025, the increase in the consumer price index was manifested in financing expenses in respect of Bezeq Group's financial debt to the extent of approximately NIS 38 million (approximately NIS 36 million after hedging), a decrease of about NIS 10 million (a decrease of about NIS 3 million after hedging) in the parallel period. It should be noted that the effect of the increase in the consumer price index on the operational results of the Group has not been material. It should also be noted that there was no change in the Bank of Israel interest rate during the parallel period.

In accordance with the scope of the Group's index-linked debt as of June 30, 2024, 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 25 million (approximately NIS 12 million after hedging).

In addition, in accordance with the volume of Bezeq's existing floating interest rate debt, an increase of every 1% in the Bank of Israel interest rate is expected to result in an increase in the Group's financing expenses to the extent of approximately NIS 7 million per year and, accordingly, no material impact on the Group's operating results is expected as a result.

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

1.6. State of war - "Iron Swords"

As of October 7, 2023, the State of Israel has been in a state of war, with varying intensity, mainly in the Gaza Strip and in the northern border area (where a ceasefire is in place as of the date of publication of the report). During the second quarter of 2025, there was a further deterioration in the security situation, with the expansion of the fighting to the Iranian sector for a period of 12 days.

The Group's companies, which provide, among other things, essential communications services to private, business, and institutional customers, including government institutions, security forces, and the healthcare system, are prepared for the emergency and maintained functional continuity and a full response to market needs, including handling malfunctions, increasing alertness and readiness in cyber systems, and assisting the community in various ways.

Effects on the activities of the Group companies were reflected, on the one hand, in a decrease in mobile roaming activity and the removal/freezing of business lines in areas that

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2025

were affected by the war, and on the other hand, especially in the early stages of the war, in an increase in demand for some services.

In addition, as part of the State's preparations for a state of emergency, regulatory measures were taken, including a law to postpone payment deadlines for those eligible and to ease telephone call charges, including calls related to remote learning. It should be noted that some of the Group companies took the initiative to ease charges for customers in localities of the Gaza Envelope and on the northern border. The Group companies are regularly monitoring security developments.

So far, the effects of the war and its consequences, as described above, have not had a material impact on the Group's activities and business results. In addition, the Group's liquidity and financial position allow it to function well during this period. The consequences of the war, as well as its possible indirect effects on the state of the Israeli economy and the market, as well as on the Group's companies, are unforeseeable and difficult to predict, and they depend, among other things, on the manner and scope of the development and intensity of the war, taking into account its duration, 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 2024 (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.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2025

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

2.1. Disclosure regarding valuations

The following are details of a material valuation in accordance with Regulation 8B(i) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. For more information, see Note 5.1 to the Statements.

	<p>Yes Television Services Ltd. ("Yes")</p> <p>Material Valuation Dated June 30, 2025</p> <p>Attached to the Bezeq Financial Statements</p>
Identification of subject of valuation	Examination of the impairment of the assets of Yes as of June 30, 2025.
Timing of the valuation	<p>June 30, 2025.</p> <p>The valuation was signed on 31.7.2025.</p>
Value of the subject of the valuation close to the date of the valuation, if the accepted accounting rules, including depreciation and amortization, did not require a change in its value in accordance with the valuation	Carrying value before impairment as of June 30, 2025 is positive in the amount of NIS 127 million.
Value of the subject of the valuation determined in accordance with the valuation	<p>The value-in-use of Yes's assets, under the revenue discount (value-in-use) approach, is a positive value of approximately NIS 274 million. In accordance with the provisions of IAS36, the recoverable amount of Yes's assets was determined to be approximately NIS 274 million.</p> <p>Based on the valuation, the Group recognized in the quarter a reversal of impairment loss in the amount of approximately NIS 147 million, and in the period of six months – a reversal of impairment loss of about NIS 110 million.</p>
Identification and characterization of the valuator	<p>The valuation was performed by CPA Guy Feibish, Partner, Valuations and Economic Models Field in the Economic Department of Ernst Young (Israel) Ltd. CPA Feibish holds a bachelor's degree in economics with a specialization in accounting from Ben-Gurion University, Be'er-Sheva, and is also a certified public accountant in Israel.</p> <p>As part of his role, CPA Feibish leads projects with leading private and public companies in Israel and the world and accompanies transactions in Israel and abroad and has led complex valuations for a variety of purposes, including financial reporting, taxation, regulatory compliance, and capital raising in a variety of sectors, including real estate, retail, Industry, energy and communication. Also, as part of his role, he accompanies companies in the planning and implementation of business processes. In addition, CPA has experience in providing financial opinions for the needs of legal proceedings and/or commercial disputes.</p> <p>The valuator has no dependence on Bezeq. Bezeq undertook to indemnify the valuator for damages in excess of three times her fee unless he acted maliciously or through gross negligence.</p>
Valuation model	The cash flow discounting method - (DCF).
The assumptions according to which the valuator performed the valuation	<p>Discount rate – 10.5% (after tax).</p> <p>The rate of permanent growth - 1%.</p> <p>The percentage of the scrap value out of the total value determined in the valuation – 77.1%.</p>

2.2. 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.

2.3. Current and subsequent material events

Regarding material events after the date of the financial statements - see Note 15 to the Condensed Consolidated Financial Statements.

Report of the Board of Directors on the State of Affairs of the Corporation for the Period ended June 30, 2025

3. Details related to debentures

- 3.1.** On 5.5.2025, Ma'alot confirmed Bezeq's iIAA rating with a stable rating outlook, as well as the iIAA rating for Bezeq's debentures (see immediate report dated 5.5.2025, Reference No. 2025-01-031386).
- 3.2.** On 7.5.2025, Midroog left the Aa2.il rating for Bezeq and its debentures unchanged with a stable rating outlook (see immediate report, Reference No. 2025-01-032132).
- 3.3.** On 12.5.2025, 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 Reference No. 2025-01-033192).
- 3.4.** On 31.5.25, the Company made a full early redemption of the Company's Series F bonds, which is equal to the principal plus accrued interest to the early repayment date (see immediate report Reference No. 2025-01-028321).

3.5. Financial clauses in the Company's debentures

In accordance with the Company's commitment in the Series G debentures, to comply with the LTV condition, the LTV ratio as of June 30, 2025 was 27.3%.

The Company's net debt balance as of June 30, 2025 is approximately NIS 900 million and consists of the principal balance and accrued interest as of the balance sheet date for its debentures in the amount of NIS 1,014 million, minus cash and cash equivalents balances, and short-term investments in the amount of NIS 114 million.

2. Miscellaneous

For information regarding the balance of liabilities of the reporting corporation in its financial statements as of June 30, 2025, see the form to be reported by the Company on the MAGNA system on August 9, 2025.

Darren Glatt
Chairman of the Board of Directors

Tomer Raved
CEO

Date of signing: August 5, 2025



Chapter C

Condensed Consolidated Interim Financial Statements As of June 30, 2025 (Unaudited)

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

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Somekh Chaikin
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8000 684 03

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 reviewed the attached financial information of B Communications Ltd. and its subsidiaries (hereinafter - the Group), which includes the condensed consolidated report of financial position as of June 30, 2025 and the condensed consolidated P&L, comprehensive profit, changes in equity, and cash flows statements for the periods of six and three months that ended on the same date. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with the international accounting standard IAS 34 "Financial Reporting for Interim Periods", and they are also responsible for editing financial information for these interim periods according to Chapter D of the Securities Regulations (Periodic and Immediate Financial Reports), 5730-1970. Our responsibility is to express a conclusion on financial information for these 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 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 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 the Company as well as on the statements and estimates used in the preparation of these statements, 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

August 5, 2025

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

Condensed consolidated interim statements of financial position as of				
		June 30, 2025	June 30, 2024	December 31, 2024
		(Unaudited)	(Unaudited)	(Audited)
Assets	Note	NIS millions	NIS millions	NIS millions
Cash and cash equivalents		841	996	896
Restricted cash and cash equivalents		-	17	18
Investments *	12.1	1,854	1,997	1,977
Trade receivables		1,393	1,475	1,395
Other receivables		187	223	174
Inventory		112	107	162
Assets of a disposal group held for sale	15.5	-	-	83
Total current assets		4,387	4,815	4,705
Trade and other receivable		397	435	410
Right-of-use assets		1,761	1,765	1,762
Property, plant and equipment		7,349	6,977	7,160
Intangible assets		3,320	3,274	3,287
Deferred expenses and non-current investments		459	324	368
Total non-current assets		13,286	12,775	12,987
Total assets		17,673	17,590	17,692

* Including restricted deposits.

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

Condensed consolidated interim statements of financial position as of (Cont.)

		June 30, 2025	June 30, 2024	December 31, 2024
		(Unaudited)	(Unaudited)	(Audited)
Liabilities and equity	Note	NIS millions	NIS millions	NIS millions
Debentures, loans and credit		1,681	1,064	1,123
Current maturities of liabilities in respect of leases		426	426	438
Trade payables		1,830	1,916	1,955
Employee benefits		333	294	400
Provisions		82	108	84
Liabilities of a disposal group held for sale	15.5	-	-	34
Total current liabilities		4,352	3,808	4,034
Loans and debentures		6,891	8,771	8,571
Leasing liabilities		1,522	1,517	1,530
Employee benefits		314	254	300
Derivatives and other liabilities		284	203	214
Deferred tax liabilities		318	338	304
Provisions		32	27	30
Total non-current liabilities		9,361	11,110	10,949
Total liabilities		13,713	14,918	14,983
Equity:	7			
Attributed to the shareholders of the Company		580	*37	*13
Attributed to non-controlling interests		3,380	*2,635	*2,696
Total equity		3,960	2,672	2,709
Total liabilities and equity		17,673	17,590	17,692

* Retroactive 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: August 5, 2025

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

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

Condensed consolidated interim Statements of P&L

	For the period of six months ended June 30		For the period of three months ended June 30		December 31, 2023
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues (Note 8)	4,371	4,447	2,136	2,192	8,884
Operating expenses					
Operating and general expenses (Note 9) *	1,511	1,671	681	813	3,264
Salary	949	965	452	478	1,936
Depreciation, amortization, impairment, and reversal of impairment loss *	839	935	383	462	1,844
Other operating expenses (income), net (Note 10)	5	(3)	(8)	(4)	199
Total operating expenses	3,304	3,568	1,508	1,749	7,243
Operating profit	1,067	879	628	443	1,641
Financing expenses (income) (Note 11)					
Financing expenses	349	283	196	163	627
Financing income	(109)	(122)	(58)	(69)	(203)
Financing expenses, net	240	161	138	94	424
Profit after financing expenses, net	827	718	490	349	1,217
Share in loss of equity-accounted investee, net	4	3	1	3	8
Profit before income taxes	823	715	489	346	1,209
Income tax expenses	167	182	77	84	321
Net profit for the period	656	533	412	262	888
Net profit for the period attributable to:					
Shareholders of the company	102	110	81	54	108
Non-controlling interests	554	423	331	208	780
Net profit for the period	656	533	412	262	888
Profit per share (NIS)					
Basic profit per share	0.98	1.03	0.78	0.50	1.02
Diluted profit per share	0.97	1.03	0.78	0.50	1.02

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

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

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

Condensed consolidated interim statements of comprehensive income					
	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profit for the period	656	533	412	262	888
Reassessment of defined benefit plan, net of tax – will not be transferred to P&L	(1)	-	-	-	(5)
Additional other comprehensive income (loss) items, net of tax - will be transferred to P&L	(7)	3	(4)	-	(1)
Total comprehensive income for the period	648	536	408	262	882
Comprehensive profit for the period attributable to:					
Shareholders of the company	100	111	80	54	106
Non-controlling interests	548	425	328	208	776
Total comprehensive income for the period	648	536	408	262	882

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

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

Condensed consolidated interim statements of changes in equity

	Shareholders' equity	Premium on shares	Treasury shares	Other funds	Loss balance	equity attributable to shareholders of the company	Non-controlling interests	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For period of six months ended June 30, 2025 (unaudited)								
Balance as of January 1, 2025	12	1,495	(180)	(34)	*(1,280)	13	*2,696	2,709
Net profit for the period	-	-	-	-	102	102	554	656
Other comprehensive loss for the period, net of tax	-	-	-	(2)	-	(2)	(6)	(8)
Total comprehensive income (loss) for the period	-	-	-	(2)	102	100	548	648
Transactions recognized directly in equity								
Share-based compensation	-	-	-	-	-	-	11	11
Transactions with non-controlling interests	-	-	-	6	461	467	432	899
Dividend distributed to non-controlling interests	-	-	-	-	-	-	(307)	(307)
Exercise of stock options	**	**	-	**	-	-	-	-
Balance as of June 30, 2025	12	1,495	(180)	(30)	(717)	580	3,380	3,960
For period of six months ended June 30, 2024 (unaudited)								
Balance as of January 1, 2024	12	1,495	(160)	(32)	*(1,346)	(31)	*2,477	2,446
Net profit for the period	-	-	-	-	110	110	423	533
Other comprehensive income for the period, net of tax	-	-	-	1	-	1	2	3
Total comprehensive income for the period	-	-	-	1	110	111	425	536
Transactions recognized directly in equity								
Share-based compensation	-	-	-	-	-	-	11	11
Transactions with non-controlling interests	-	-	-	-	(23)	(23)	(6)	(29)
Buyback of shares	-	-	(20)	-	-	(20)	-	(20)
Dividend distribution for non-controlling interests	-	-	-	-	-	-	(272)	(272)
Balance as of June 30, 2024	12	1,495	(180)	(31)	(1,259)	37	2,635	2,672

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

** Amount less than NIS 1 million.

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

Condensed consolidated interim statements of changes in equity (Cont.)

	Shareholders' equity	Premium on shares	Treasury shares	Other funds	Loss balance	equity attributable to shareholders of the company	Non-controlling interests	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions

For period of three months ended June 30, 2025 (unaudited)

Balance as of April 1, 2025	12	1,495	(180)	(29)	(798)	500	3,352	3,852
Net profit for the period	-	-	-	-	81	81	331	412
Other comprehensive loss for the period, net of tax	-	-	-	(1)	-	(1)	(3)	(4)
Total comprehensive income (loss) for the period	-	-	-	(1)	81	80	38	408
Transactions recognized directly in equity								
Share-based compensation	-	-	-	-	-	-	7	7
Dividend distributed to non-controlling interests	-	-	-	-	-	-	(307)	(307)
Exercise of stock options	**	**	-	**	-	-	-	-
Balance as of June 30, 2025	12	1,495	(180)	(30)	(717)	580	3,380	3,960

For period of three months ended June 30, 2024 (unaudited)

Balance as of April 1, 2024	12	1,495	(167)	(31)	*(1,303)	6	*2,695	2,701
Net profit for the period	-	-	-	-	54	54	208	262
Total comprehensive income for the period	-	-	-	-	54	54	208	262
Transactions recognized directly in equity								
Share-based compensation	-	-	-	-	-	-	7	7
Transactions with non-controlling interests	-	-	-	-	(10)	(10)	(3)	(13)
Buyback of shares	-	-	(13)	-	-	(13)	-	(13)
Dividend distribution for non-controlling interests	-	-	-	-	-	-	(272)	(272)
Balance as of June 30, 2024	12	1,495	(180)	(31)	(1,259)	37	2,635	2,672

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

Condensed consolidated interim statements of changes in equity (Cont.)

	Shareholders' equity	Premium on shares	Treasury shares	Other funds	Loss balance	equity attributable to shareholders of the company	Non-controlling interests	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For year ended December 31, 2024 (audited)								
Balance as of January 1, 2024	12	1,495	(160)	(32)	(1,346)*	(31)	*2,477	2,446
Net 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 recognized directly in equity								
Share-based compensation	-	-	-	-	-	-	21	21
Dividend distribution for 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

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

** Amount less than NIS 1 million.

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

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

Condensed consolidated interim statements of cash flows					
	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from operating activities					
Profit for the period	656	533	412	262	888
Adjustments:					
Depreciation, amortization, impairment, and reversal of impairment loss	839	935	383	462	1,844
Capital gains, net	(7)	(12)	(2)	(10)	(17)
Share in loss of investee	4	3	1	3	435
Financing expenses, net	258	162	145	93	8
Impairment loss on disposal group held for sale	2	-	-	-	9
Share-based compensation	11	11	7	7	21
Income tax expenses	167	182	77	84	321
Change in trade and other receivables	(29)	(28)	55	37	69
Change in inventory	42	(38)	27	6	(109)
Change in trade and other payables	20	68	(143)	(97)	147
Change in provisions	(1)	-	(7)	2	(25)
Change in employee benefits	(51)	(34)	(50)	(45)	115
Change in other liabilities	(94)	3	(95)	(10)	(53)
Income tax paid, net	(262)	(80)	(84)	(88)	(244)
Net cash derived from operating activities	1,555	1,705	726	706	3,409
Cash flows from investing activities					
Purchase of property, plant and equipment	(660)	(645)	(335)	(333)	(1,356)
Investment in intangible assets and deferred expenses	(190)	(196)	(96)	(98)	(390)
Investment transactions, net	150	(702)	462	325	(669)
Government grant received for frequencies	-	-	-	-	4
Proceeds from the sale of property, plant and equipment	35	7	32	4	16
Classification as cash and cash equivalents	18	(17)	18	(7)	(18)
Investment in investee	(11)	-	-	-	(10)
Proceeds from the sale of a subsidiary minus cash sold	28	-	28	-	-
Interest received from bank deposits	45	43	25	19	95
Miscellaneous	1	3	-	3	8
Net cash derived from (used for) investing activities	(582)	(1,507)	136	(87)	(2,320)

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

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

Condensed consolidated interim statements of cash flows (Cont.)

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows for financing activities					
Issuance of debentures and receipt of loans	-	1,084	-	-	1,648
Repayment of debentures and loans	(1,216)	(220)	(1,216)	(220)	(1,071)
Transactions with non-controlling interests	903	(29)	(4)	(13)	(52)
Leasing principal and interest payments	(257)	(230)	(104)	(104)	(449)
Buyback of company shares	-	(20)	-	(14)	(20)
Interest paid	(179)	(160)	(154)	(141)	(304)
Dividend distributed to non-controlling interests	(307)	(272)	(307)	(272)	(568)
Receipt from settled hedging transactions	-	-	-	-	7
Net cash derived from (used for) financing activities	(1,056)	153	(1,781)	(764)	(809)
Net increase (decrease) in cash and cash equivalents	(83)	351	(919)	(145)	280
Effect of changes in foreign currency exchange rate	-	1	-	1	-
Cash and cash equivalents for the beginning of the period	896	644	1,739	1,140	644
Change in the balance of cash and cash equivalents of a sold subsidiary	28	-	21	-	(28)
Cash and cash equivalents at the end of the	841	996	841	996	896

The notes attached to the condensed consolidated interim 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 June 30, 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 increase in Yes's free cash flow in 2016.

Regarding investigations by the Israel Securities Authority and the Israel Police regarding 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 to 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, the Company 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 effect 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 condensed 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. These condensed consolidated interim financial statements was approved by the Company's Board of Directors on August 5, 2025.

2.4. Use of estimates and discretion

When preparing the condensed consolidated interim financial statements in accordance with international accounting standards (IFRS), Management is

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

required to exercise discretion and be assisted by estimates, estimates and assumptions that affect the implementation of accounting policies and the reported amounts of liabilities and equity, 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 preparing 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 business combination 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 during the reporting periods in which the Company's shares were traded in the United States, upon a decrease in the holding 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 were realized, without allocating a proportional share of goodwill.

Following the exercise of the shares of the subsidiary on March 17, 2025 (see Note 4.4), 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 Company's opinion 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 were realized, including the allocation of a proportional share of goodwill.

The change in policy will be applied retroactively in accordance with the provisions of IAS 8. Accordingly, the financial statements have been adjusted to reflect the effect of the change in accounting treatment so that the new policy has also been applied to transactions that were made in the past.

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 June 30, 2024 (unaudited)</u>			
Capital attributed to the owners of	257	(220)	37
Non-controlling interests	2,415	220	2,635
<u>As of December 31, 2024 (audited)</u>			
Capital attributed to the owners of the Company	233	(220)	13
Non-controlling interests	2,476	220	2,696

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

In the Statement of Changes in Equity

	As Previously Reported	The Change	As Presented in these Statements
NIS millions			
<u>As of June 30, 2024 (unaudited)</u>			
Loss balance	(1,126)	(220)	(1,346)
Non-controlling interests	2,257	220	2,477
 <u>As of December 31, 2024 (audited)</u>			
Loss balance	(1,083)	(220)	(1,303)
Non-controlling interests	2,475	220	2,695

3. Reporting rules and accounting policies

3.1. 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 the Group's entities since the publication of the annual statements.

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

4.1. Yes TV and Communication Services Ltd. (Yes)

4.1.1. As of June 30, 2025, Yes has a positive equity in the amount of NIS 503 million, and conversely, a working equity deficit in the amount of approximately NIS 267 million. According to Yes' forecasts, it expects to accumulate operating losses in the next year, and therefore is not expected to be able to meet its obligations and continue to operate as a live going concern without Bezeq's support.

On August 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 1.7.2025 until 30.9.2026, instead of a similar commitment from May 2025. It should be noted that so far, during 2025, Yes did not utilize the credit facilities provided by Bezeq in any way.

In the opinion of Yes' Management, the sources of funding available to it, which include, *inter alia*, the continuation of the current policy of deficit in working equity 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 reversal of loss (loss) from impairment of assets recognized by Yes in the financial statements as of 30.6.2025.

4.2. Bezeq International Ltd.

See Note 5.2 below regarding impairment of assets recognized by Bezeq International in the statements as of June 30, 2025.

4.3. Dividends 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 Assembly of Bezeq's shareholders (following the recommendation of Bezeq's Board of Directors of 11.3.2025) approved the distribution of a cash dividend to Bezeq's shareholders in a total amount of NIS 392 million (which, as of the day determining the distribution, is NIS 0.1414586 per share). The dividend was paid on 14.5.2025. The Company's share of the aforementioned dividend is approximately NIS 85 million.
- 4.3.3. On 5.8.2025, Bezeq's Board of Directors decided to recommend to the General Meeting of Bezeq's shareholders to distribute a cash dividend to Bezeq's shareholders in the total amount of NIS 583 million. As of the date of approval of the financial statements, the said dividend has not yet been approved by the General Meeting of the Bezeq shareholders. The Company's share of the said dividend, when approved, is about NIS 127 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 minus transaction costs are approximately NIS 900 million. After the sale and as of the date of the Statements, 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 rate without loss of control, as a result of which the owner's share of 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 realized liabilities of the subsidiary, including the allocation of a proportional share of goodwill.

Regarding the change in accounting policy regarding the adjustment of non-controlling interests when the ownership interest decreases without loss of control, see Note 2.5 above.

5. Impairment

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

Further to Note 10.5 to the Annual Statements regarding impairment recognized in 2024, the valuation as of 31.12.2024 presented a value-in-use substantially lower than the book value of Yes.

In order to calculate the enterprise value as of 30.6.2025, an update was made to the forecast on the basis of which the valuation was made as of 31.12.2024, so that it would include the expected cash flow from the Partner transaction (see Note 15.6 below). In addition, an update was made to the forecast for the number of television subscribers for the years 2025-2026 in light of the actual number of subscribers being higher than the previous forecast.

The nominal cost of capital used in the valuation is 10.5% after tax (11.7% before tax). In addition, a permanent growth rate of 1% was assumed.

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Enterprise value as of 30.6.2025, taking into account the updated forecasts as stated above, the effect of the passage of time and the effect of the change in the discount rate, amounts to approximately NIS 274 million.

The recoverable amount of the Yes activity was determined according to the enterprise value of the activity calculated using the discounted cash flow approach.

Based on the enterprise valuation, which was performed by an external valuator as of 30.6.2025, the book value of the depreciable assets is approximately NIS 147 million lower than the enterprise value. Therefore, the Group recognized, in the three-month period ended 30.6.2025, a reversal of an impairment loss in the amount of approximately NIS 147 million. And in the six-month period ended 30.6.2025, a reversal of an impairment loss in the amount of approximately NIS 110 million.

Below are details regarding Yes's enterprise value and the fair value of the assets and liabilities, net, as determined by an external valuator and any impairment losses or loss reversals recognized:

	Yes' enterprise value (according to the DCF method)	Fair value of Yes' liabilities and equity, net	Book value of Yes' liabilities and equity, net before recognition of impairment	Impairment loss
	NIS millions	NIS millions	NIS millions	NIS millions
As of June 30, 2025 and for the period of three months that ended on that date (unaudited)	274	(49)	127	147
As of March 31, 2025 and for the period of three months that ended on that date (unaudited)	61	(75)	98	(37)
Total impairment recognized in period of six months that ended June 30, 2025				110
As of December 31, 2024 and for the year that ended on that date (audited)	86	(34)		(151)

It should be noted that the enterprise valuation is sensitive to the net cash flow in the terminal year in general, and to the evaluation 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 approximately NIS 56 to (57) 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 66 to NIS (68) million.

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

The following is a breakdown of the allocation of reversal of loss or (loss) from the impairment of the Group's assets:

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Broadcasting rights *	56	(50)	74	(28)	(64)
PP&E **	24	(35)	35	(15)	(41)
Intangible assets **	26	(34)	33	(14)	(39)
Other payables (advance expenses) *	3	(7)	4	(1)	(7)
Rights to use leased assets**	1	-	1	-	-
Total reversal of loss or (loss) from impairment recognized	110	(126)	147	(58)	(151)

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

** The expense reversal (expense) was presented as depreciation, amortization, impairment, and reversal of impairment loss

For information regarding the manner in which Yes determined the fair value (at level 3 - data not based on observable market data) of the assets minus exercise costs, see Note 10.5 to the annual financial statements.

5.2. Impairment in the Internet, international communications, and ICT solutions services 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 30.6.2025, it was found that during the six months that passed from the date of the previous valuation, there were no material changes in the market, or regulatory changes that could have a material effect on Bezeq International's forecasts for years to come, and there were no material changes in the discount rate. Therefore, as of 30.6.2025, no adjustment is required for the change in Bezeq International's enterprise value and it remains at a negative amount of NIS 89 million, as determined in the valuation as of 31.12.2024.

The net fair value of Bezeq International's assets as of 30.6.2025 is negative in the amount of approximately NIS 59 million.

In light of the fact that the enterprise value is lower than the net fair value of liabilities and equity, Bezeq International reduced its assets to the amount of the net fair value of these assets. As of 30.6.2025, the book value of the depreciable assets is higher than the fair value, net by about NIS 21 million. Therefore, in the six- and three-month periods that ended on 30.6.2025, the Group recognized an impairment loss in the amount of about NIS 33 million and NIS 21 million, respectively.

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

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

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

	Yes' enterprise value (according to the DCF method)	Fair value of Yes' liabilities and equity, net	Book value of Yes' liabilities and equity, net before recognition of impairment	Impairment loss
	NIS millions	NIS millions	NIS millions	NIS millions
As of June 30, 2025 and for the period of three months that ended on that date (unaudited)	(89)	(59)	(38)	(21)
As of March 31, 2025 and for the period of three months that ended on that date (unaudited)	(89)	(57)	(45)	(12)
Total impairment recognized in period of six months that ended June 30, 2025				(33)
As of December 31, 2024 and for the year that ended on that date (audited)	(89)	(51)		(91)

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

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Property, plant and equipment and intangible assets **	21	23	14	12	57
Short-term and long-term advance expenses *	9	11	4	4	21
Long-term advance payments for capacities **	3	8	3	3	13
Total impairment recognized	33	42	21	19	91

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

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

For information regarding the manner in which Bezeq International determined the fair value (at level 3) of the assets minus exercise costs, see Note 10.6 to the Annual 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 it (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 77 million, where provisions were required to cover the exposure as a result of such legal claims.

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

In the opinion of the managements of the Group companies, the amount of additional exposure (beyond said provisions), as of 30.6.2025, 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 Group companies 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 aforementioned.

The exposure amounts in this Note are nominal.

- 6.2. The following is a description of the contingent liabilities of the Bezeq Group that were in effect as of June 30, 2024, classified in accordance with groups with similar characteristics:

Claims group	Claims essence	Provision balance	Additional exposure amount	Exposure amount in respect of claims whose chances cannot yet be assessed
		NIS millions		
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 the Group companies.	77	1,629	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
Miscellaneous	Other legal claims, including tort claims (except for claims in which there is no dispute about the existence of insurance coverage), real estate, infrastructure, suppliers, etc.	-	40	8
Total legal claims against the Company and the consolidated companies⁽²⁾		102	77	1,693

- (1) The total includes 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 approving a partial settlement in the consolidated proceedings between the applicants, the Company, and Mr. Shaul and Or Elovitch. The Court approved the parties' agreed requests to stay the proceedings at this stage until December 2025.

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

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

7. Equity

	As of June 30, 2025	As of June 30, 2024	As of December 31, 2024
	Shares	Shares	Shares
	(Unaudited)	(Unaudited)	(Audited)
Registered shareholders' capital	300,000,000	300,000,000	300,000,000
Issued and paid up shareholders' capital	116,568,402	116,335,793	116,335,793
Treasury shares	(12,173,530)	(12,173,530)	(12,173,530)
Issued and paid up capital, net	104,394,872	104,162,263	104,162,263

As of the date of approval of the financial statements, Searchlight and the Forer family hold approximately 67.20% and 12.72%, respectively, of the Company's net issued and paid-up share capital.

8. Revenues

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Interior landline communication - Bezeq Fixed Lines					
Internet - infrastructure	972	985	487	489	1,961
Transmission and data communication	538	511	273	254	1,025
Landline telephony	246	274	121	135	531
Cloud and digital services	177	174	89	87	348
Other services	146	120	70	60	264
	2,079	2,064	1,040	1,025	4,129
Mobile radio telephone - Pelephone					
Cellular services and end equipment	787	823	390	413	1,615
Sale of end equipment	300	307	135	141	616
	1,087	1,130	525	554	2,231
Multi-channel TV - Yes	639	631	320	316	1,264
Internet (ISP), international communications, and ICT solutions– Bezeq International	512	521	251	247	1,053
Other	54	101	-	50	207
Total Revenues	4,371	4,447	2,136	2,192	8,884

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9. Operating and general expenses

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
End equipment and materials	405	398	186	182	828
Connectivity and payments to communications operators in Israel and abroad	239	347	114	169	613
Content costs (including impairment or reversal of impairment loss on content)	167	263	38	135	491
Marketing and general	280	247	139	121	490
Maintenance of buildings and sites	130	126	64	64	264
Services and maintenance by subcontractors	259	254	125	122	511
Vehicle maintenance	31	36	15	20	67
Total operating and general expenses	1,511	1,671	681	813	3,264

10. Other operating expenses (income), net

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Capital gain (mainly from exercise of real estate)	(7)	(12)	(2)	(10)	(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	2	5	2	2	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	10	5	1	1	91
Provision for claims	-	9	(7)	4	20
Other income	(2)	(10)	(2)	(1)	(8)
Other operating expenses (income), net	5	(3)	(8)	(4)	199

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11. Financing expenses, net

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Linkage and exchange rate differences	219	186	90	95	371
Rate and linkage differences	40	39	30	32	71
Financing expenses for liabilities in respect of leases	38	34	19	18	72
Change in fair value of derivatives measured at fair value through P&L	36	-	48	-	-
Financing expenses in respect of employee benefits	9	9	4	5	21
Other financing expenses	7	15	5	13	8
Loss from debenture exchange	-	-	-	-	84
Total financing expenses	349	283	196	163	627
Revenue from credit grossing in sales	15	13	8	6	26
Interest revenue from investments	46	45	25	15	85
Other financing income	22	23	10	18	31
Change in the fair value of financial assets measured at fair value through P&L statement	26	41	15	30	61
Total financing income	109	122	58	69	203
Total financing expenses, net	240	161	138	94	424

12. Financial instruments

12.1. Investments composition

	June 30, 2025	June 30, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Shekel deposits in banks (1)	601	933	901
Investment in securities at fair value through P&L	1,243	1,042	1,067
Derivative instruments	10	22	9
Total	1,854	1,997	1,977

(1) Deposits in NIS in banks due before January 2025.

12.2. Fair value

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 June 30, 2025		As of June 30, 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)	1,311	1,292	1,529	1,455	1,517	1,479
Debentures issued to the public (index-linked)	2,388	2,334	2,487	2,397	2,342	2,287
Debentures issued to the public (non-linked)	4,202	4,171	5,148	4,966	5,158	5,072
Total	7,901	7,797	9,164	8,818	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 in Note 30.7 to the annual statements.

	June 30, 2025	June 30, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Level 1 - Investment in financial funds and marketable securities measured at fair value through P&L	1,243	1,042	1,067
Level 2 – Forward contracts	(9)	55	32

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

13. Segmental reporting

For period of six months ended June 30, 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 revenue	2,079	1,087	512	639	54	-	4,371
Inter-segmental revenue	124	9	24	-	-	(157)	-
Total revenue	2,203	1,096	536	639	54	(157)	4,371
Operating and general	380	560	357	449	8	(242)	1,512
Salary	537	167	109	88	43	4	948
Depreciation, amortization, impairment, and reversal of impairment loss	519	281	48	117	1	(127)	839
Segment results - operating profit (loss)	770	87	22	(22)	2	208	1,067
Financing expenses	224	21	10	18	-	76	349
Financing income	(77)	(15)	(6)	(3)	-	(8)	(109)
Total financing expenses, net	147	6	4	15	-	68	240
Segment profit (loss) after financing expenses, net	623	81	18	(37)	2	140	827
Share in loss of equity-accounted investee, net	4	-	-	-	-	-	4
Income taxes	145	20	1	-	1	-	167
Segment results - net profit (loss)	474	61	17	(37)	1	140	656

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

For period of six months ended June 30, 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 revenue	2,064	1,130	521	631	101	-	4,447
Inter-segmental revenue	102	14	29	-	-	(145)	-
Total revenue	2,166	1,144	550	631	101	(145)	4,447
Operating and general	370	609	359	454	14	(135)	1,671
Salary	518	162	104	92	83	6	965
Depreciation, amortization, and impairment	507	272	53	125	2	(24)	935
Segment results - operating profit (loss)	780	95	38	(44)	1	9	879
Financing expenses	208	18	8	2	-	47	283
Financing income	(86)	(14)	(6)	(14)	-	(2)	(122)
Total financing expenses (income), net	122	4	2	(12)	-	45	161
Segment profit (loss) after financing expenses, net	658	91	36	(32)	1	(36)	718
Share in loss of equity-accounted investee, net	**3	-	-	-	-	-	3
Income taxes	159	22	-	-	1	-	182
Segment results - net profit (loss)	496	69	36	(32)	-	(36)	533

* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized starting from 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 to the condensed selected data from the financial statements of Yes. ** Starting in the second quarter of 2024, Bezeq began recording its share of Bezeq-Gen's losses.

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

For period of three months ended June 30, 2025 (unaudited)							
	Interior landline communicati on	Cellular communicatio n *	Internet, international communication s, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustmen ts	Consolidate d
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenue	1,040	525	251	320	-	-	2,136
Inter-segmental revenue	62	5	12	-	-	(79)	-
Total revenue	1,102	530	263	320	-	(79)	2,136
Operating and general	192	264	172	222	-	(168)	682
Salary	270	82	54	44	-	1	451
Depreciation, amortization, impairment, and reversal of impairment loss	261	141	29	57	-	(105)	383
Segment results - operating profit (loss)	386	43	8	(2)	-	193	628
Financing expenses	125	11	4	21	-	35	196
Financing income	(24)	(8)	(3)	-	-	(23)	(58)
Total financing expenses, net	101	3	1	21	-	12	138
Segment profit (loss) before financing expenses, net	285	40	7	(23)	-	181	490
Share in loss of equity-accounted investee, net	1	-	-	-	-	-	1
Income taxes	66	10	1	-	-	-	77
Segment results - net profit (loss)	218	30	6	(23)	-	181	412

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

For period of three months ended June 30, 2024 (unaudited)							
	Interior landline communicati on	Cellular communicatio n *	Internet, international communication s, network endpoint services and ICT solutions	Multi- channel TV *	Others	Adjustmen ts	Consolidate d
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenue	1,025	554	247	316	50	-	2,192
Inter-segmental revenue	50	7	14	-	-	(71)	-
Total revenue	1,075	561	261	316	50	(71)	2,192
Operating and general	187	293	166	229	6	(68)	813
Salary	258	79	51	45	41	4	478
Depreciation, amortization, and impairment	255	134	26	63	2	(18)	462
Segment results - operating profit (loss)	383	55	18	(25)	1	11	443
Financing expenses	119	11	4	-	-	29	163
Financing income	(49)	(7)	(4)	(7)	2	(4)	(69)
Total financing expenses (income), net	70	4	-	(7)	2	25	94
Segment profit (loss) before financing expenses, net	313	51	18	(18)	(1)	(14)	349
Share in loss of equity-accounted investee, net	**3	-	-	-	-	-	3
Income taxes	72	12	-	-	-	-	84
Segment results - net profit (loss)	238	39	18	(18)	(1)	(14)	262

* The results of the multi-channel television segment are presented net of the overall impact of impairment recognized starting from 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 to the condensed selected data from the financial statements of Yes. ** Starting in the second quarter of 2024, Bezeq began recording its share of Bezeq-Gen's losses.

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

For 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 revenue	4,129	2,231	1,053	1,264	207	-	8,884
Inter-segmental revenue	213	23	52	1	-	(289)	-
Total revenue	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
Financing 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) after financing expenses, net	1,188	182	(21)	(82)	2	(52)	1,217
Share in loss of equity- accounted 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 starting from 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 to the condensed selected data from the financial statements of Yes.

** Starting in the second quarter of 2024, Bezeq began recording its share of Bezeq-Gen's losses.

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

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

14.1. Bezeq the Israel Telecommunications Corporation Ltd.

Data from the statement of financial position:

	June 30, 2025	June 30, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Current assets	3,001	3,239	3,232
Non-current assets	9,809	9,449	9,477
Total assets	12,810	12,688	12,709
Current liabilities	2,977	2,375	2,555
Long-term liabilities	6,991	7,895	7,652
Total liabilities	9,968	10,270	10,207
Equity	2,842	2,418	2,502
Total liabilities and equity	12,810	12,688	12,709

Data from the P&L statement:

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues	2,203	2,166	1,102	1,075	4,342
Operating expenses					
Salary	537	518	270	258	1,037
Depreciation, amortization, and impairment	519	507	261	255	1,023
Operating and general expenses	380	370	192	187	738
Other operating expenses (income), net	(3)	(9)	(7)	(8)	106
Total operating expenses	1,433	1,386	716	692	2,904
Operating profit	770	780	386	383	1,438
Financing expenses (income)					
Financing expenses	224	208	125	119	398
Financing income	(77)	(86)	(24)	(49)	(148)
Financing expenses, net	147	122	101	70	250
Profit after financing expenses, net	623	658	285	313	1,188
Share in the profits of equity-accounted investee, net	251	83	207	46	158
Profit before income taxes	874	741	492	359	1,346
Income taxes	145	159	66	72	274
Profit for the period	729	582	426	287	1,072

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

14.2. Pelephone Communications Ltd.

Data from the statement of financial position:

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

Data from the P&L statement:

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

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

14.3. Bezeq International Ltd.

Data from the statement of financial position:

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

Data from the P&L statement:

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

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

14.4. Yes TV and Communication Services Ltd. (Yes)

Data from the statement of financial position:

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

Data from the P&L statement:

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

15. Material current and subsequent events

- 15.1. Regarding the sale of Bezeq 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 the said dividend, see Note 4.3.
- 15.3. On 1.6.2025, the Company made a full early repayment of the Company's Series F debentures in a total amount (principal plus accrued interest to the date of early repayment) of NIS 1,029 million. Following the aforementioned early repayment, the Company recognized financing expenses in the amount of NIS 35 million.
- 15.4. On 27.2.2025, Yes signed a document of principles between itself and the National Labor Federation and the Yes Employees' Committee, 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 structural unbundling, the Yes Employees' Committee 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' Committee to extend the collective agreement until 31.12.2025, which also anchored the other agreements between the parties that are the subject of the document of principles from February 2025.
- 15.5. Further to the statement in Note 12.5 in the annual reports regarding the sale of Bezeq Online by Bezeq, on 17.4.2025 the transaction was completed, after all the conditions precedent in the agreement were met. In accordance with the agreement, ownership was transferred to the purchaser, and the full consideration was received in net cash in the amount of approximately NIS 34 million, minus the cash balance of approximately NIS 6 million of the sold company.
- 15.6. On 23.4.2025, Yes and Partner Communications Ltd. signed an agreement between them. As part of the agreement, Yes will grant Partner a license to use a dedicated content application based on the Sting+ service, provide related services and grant a license to broadcast content. The commercial launch date was set for four to six months from the date of signing. In May and July 2025, additional amendments to the agreement were signed, which regulated the rules for purchasing the joint content, the license to use the application and the payment format for it. The agreement has a one-time material positive accounting impact of approximately NIS 120 million, which was reflected in the cancellation of asset impairments, see Note 5.1 above.
- 15.7. On 5.5.2025, Bezeq received an extension of the shelf prospectus' validity from 9.5.2023 to 9.5.2026.
- 15.8. On 29.7.2025, Bezeq received a hearing regarding the determination of maximum payments in the wholesale market, which was published by the Ministry of Communications. According to the hearing, the Ministry believes that it is necessary to update the cost model underlying the wholesale rates and determine reduced rates. To the extent that the proposed rate reduction is approved, Yes estimates that there is expected to be a one-time material positive accounting impact estimated in the range of approximately NIS 90-120 million, which will be reflected in the reversal of asset impairments in the third quarter of the year.



**B. Communications Ltd.
Condensed Separate Interim
Financial Information
As of June 30, 2025
(Unaudited)**

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Somekh Chaikin
KPMG Millennium Tower
17 HaArbaa Street P.O.B. 609
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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 June 30, 2025 and for the periods of six and three months that ended on that 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 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 the Company as well as on the statements and estimates used in the preparation of these statements, if any.

Somekh Chaikin
Certified Public Accountants

August 5, 2025

Condensed Separate Interim Financial Information as of June 30, 2025 (unaudited)

Condensed Interim Financial Position Data as of			
	June 30, 2025	June 30, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	52	80	112
Restricted cash and cash equivalents	-	17	18
Short-term investments and deposits*	62	49	60
Other receivables	1	3	2
Total current assets	115	149	192
Investment in equity- accounted investee	1,546	**1,866	**1,889
Total non-current assets	1,546	1,866	1,889
Total assets	1,661	2,015	2,081
Liabilities			
Trade and other payables	6	7	20
Provisions	-	20	-
Total current liabilities	6	27	20
Debentures	1,075	1,951	2,048
Total non-current liabilities	1,075	1,951	2,048
Total liabilities	1,081	1,978	2,068
Equity	580	**37	**13
Total liabilities and equity	1,661	2,015	2,081

* Including restricted deposits.

** Retroactive 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: August 5, 2025

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

Condensed Separate Interim Financial Information as of June 30, 2025 (unaudited)

Condensed Interim P&L Data					
	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Operating expenses					
Salary	2	2	1	1	4
Operating and general expenses	3	3	2	1	7
Total operating expenses	5	5	3	2	11
Operating loss	(5)	(5)	(3)	(2)	(11)
Financing expenses (income) (See Note 2)					
Financing expenses	81	48	21	25	181
Financing income	(13)	(4)	(10)	(2)	(7)
Financing expenses, net	68	44	11	23	174
Loss after financing expenses, net	(73)	(49)	(14)	(25)	(185)
Share in profits of equity- accounted investee, net	175	159	95	79	293
Net profit for the period	102	110	81	54	108

Condensed Interim Comprehensive Income Data					
	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Net profit for the period	102	110	81	54	108
Other comprehensive income (loss) items, net of tax	(2)	1	(1)	-	(2)
Total comprehensive income for the period	100	111	80	54	106

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

Condensed Separate Interim Financial Information as of June 30, 2025 (unaudited)

Condensed Interim Cash Flows Data					
	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS	NIS	NIS	NIS	NIS
	millions	millions	millions	millions	millions
Cash flows from current activities					
Net profit for the period	102	110	81	54	108
Adjustments:					
Share in profits of equity-accounted investee, net	(175)	(159)	(95)	(79)	(293)
Financing expenses, net	67	44	11	24	166
Share-based compensation	*	*	*	*	*
Change in other payables	1	1	-	1	*
Change in trade payables	(4)	(1)	(4)	(3)	2
Change in provisions	-	-	-	-	(20)
Net cash used for current activities	(9)	(5)	(7)	(3)	(37)
Cash flows from investing activities					
Change in deposits and investments, net	(1)	2	-	7	(5)
Decrease (increase) in cash and cash equivalents	18	(17)	18	(7)	(18)
Decrease (increase) in holding rate in affiliated company	903	(29)	-	(13)	(52)
Dividend received from the subsidiary	85	102	85	102	213
Interest and dividend received in cash	13	2	10	1	5
Net cash derived from investing activities	1,018	60	113	90	143
Cash flows for financing activities					
Repayment of debentures	(1,011)	-	(1,011)	-	-
Buyback of shares	-	(20)	-	(14)	(20)
Interest paid	(58)	(37)	(58)	(37)	(55)
Net cash used for financing activities	(1,069)	(57)	(1,069)	(51)	(75)
Increase (decrease) in cash and cash equivalents	(60)	(2)	(963)	36	31
Effect of changes in foreign currency exchange rate	-	1	-	1	-
Cash and cash equivalents at the beginning of the period	112	81	1,015	43	81
Cash and cash equivalents at the end of the period	52	80	52	80	112

(*) Represents an amount lower than NIS 1 million.

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

Notes to condensed 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 following is the condensed financial data from the condensed consolidated interim statements of the Group as of June 30, 2025 (hereinafter: the "Consolidated Statements"), attributed to the Company itself ("hereinafter: the "Condensed Separate Interim Financial Information") 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 Separate Interim Financial Information of the Corporation. This Condensed Separate Interim Financial Information should be read alongside the Consolidated Statements as of the day and year ended December 31, 2024 and alongside the condensed consolidated interim statements as of June 30, 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 Consolidated Statements as of the day and year ended December 31, 2024.

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 business combination 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 during the reporting periods in which the Company's shares were traded in the United States, upon a decrease in the holding 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 were realized, without allocating a proportional share of goodwill.

Following the exercise of the shares of the subsidiary on March 17, 2025 (see Note 4.1 below), 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 Company's opinion 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 were realized, including the allocation of a proportional share of goodwill.

The change in policy will be applied retroactively in accordance with to the provisions of IAS 8. Accordingly, the financial statements have been adjusted to reflect the effect of the change in accounting treatment so that the new policy has also been applied to transactions that were made in the past.

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

Condensed Separate Interim Financial Information as of June 30, 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 June 30, 2024 (unaudited)</u>			
Investment in affiliated company	<u>2,086</u>	<u>(220)</u>	<u>1,866</u>
Capital attributed to the owners of the Company	<u>257</u>	<u>(220)</u>	<u>37</u>
<u>As of December 31, 2024 (audited)</u>			
Investment in affiliated company	<u>2,109</u>	<u>(220)</u>	<u>1,889</u>
Capital attributed to the owners of the Company	<u>233</u>	<u>(220)</u>	<u>13</u>

2. Financing expenses, net

	For period of six months ended June 30		For period of three months ended June 30		For year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Interest expenses in respect of debentures	81	48	21	25	97
Loss due to exchange of debentures	-	-	-	-	84
Total financing expenses	81	48	21	25	181
Interest revenue from investments in marketable securities and bank deposits	12	2	9	1	5
Change in the fair value of financial assets measured at fair value through P&L	1	1	1	-	2
Exchange rate differences	-	1	-	1	-
Total financing income	13	4	10	2	7
Financing expenses, net	68	44	11	23	174

3. Contingent liabilities

For information regarding claims against the Company and against Bezeq Group companies, see Note 6 in the Consolidated Statements.

4. Material current and 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, net of 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.
- 4.2. The transaction was accounted for as a decrease in the holding without loss of control, as a result of which the owner's 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 exercised liabilities of the subsidiary, including the allocation of a proportional share of goodwill.
- 4.3. Regarding the change in accounting policy regarding the adjustment of non-controlling interests when the ownership interest decreases without loss of control, see Note 1.3 above.
- 4.4. For information regarding the distribution of a dividend by Bezeq and the Company's share in the said dividend, see Note 4.3 to the Consolidated Statements as of June 30, 2025.
- 4.5. On June 1, 2025, the Company made a full early repayment of the Company's Series F debentures in a total amount (principal plus accrued interest to the early repayment date) of NIS 1,029 million. Following the aforementioned early repayment, the Company recognized financing expenses in the amount of NIS 35 million.
- 4.6. For information regarding the investigation by the Securities Authority and the Police, see Note 1.2 to the Consolidated Statements as of June 30, 2025.



Chapter E

Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure for the Period ended June 30, 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) 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 a reasonable degree of assurance regarding the reliability of the financial reporting and the preparation of the statements in accordance with the provisions of the law, and to ensure that information that the Corporation is required to disclose in statements 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 the disclosure of which by the Corporation is required, 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 statements will be avoided or discovered.

In the quarterly report regarding the effectiveness of the internal control over the financial reporting and the disclosure which was attached to the quarterly report for the period ending on March 31, 2025 (hereinafter - the quarterly report regarding the latest internal control), the internal control was found to be effective.

Until the date of the report, the Board of Directors and the Management have not been informed of any incident or matter that may change the assessment of the effectiveness of the internal control as reported in the last quarterly report on internal control.

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

Regarding the investigations by the Israel Securities Authority and the Israel Police, as detailed in Section 1.1.7 of the chapter describing the Corporation's business in the periodic report for 2024, the Corporation does not yet have complete information regarding the investigations (mainly regarding transactions related to the former controlling shareholder of the Company and Bezeq and former Chairman of the Company and Bezeq Board of Directors, Mr. Shaul Elovitch, regarding the purchase of Yes shares and the provision of satellite communication services to Yes), their content, the materials and evidence in the possession of the law authorities in this case. Accordingly, it is still unable to assess all the effects of the investigations, findings and results on the Corporation and on the 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 the second quarter of 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 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 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: August 5, 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 second 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 Statements; 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: August 5, 2025

Itzik Tadmor, Chief Financial Officer