



B. Communications Ltd.

2025 Annual Report

Chapter A - Description of the Corporation's Business

Chapter B - Report of the Board of Directors on the State of the Corporation's business

Chapter C - Financial Statements

Chapter D - Additional Details on the Corporation and Corporate Governance Questionnaire

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THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE HEBREW VERSION OF THE COMPANY'S FINANCIAL STATEMENTS AND THE MANAGEMENT DISCUSSION AND ANALYSIS FOR Q4 2025 (THE "REPORTS"). THE HEBREW VERSION OF THE REPORTS IS THE BINDING VERSION AND THE ONLY VERSION HAVING LEGAL EFFECT. THE ENGLISH TRANSLATION HAS BEEN CREATED FOR THE PURPOSE OF CONVENIENCE ONLY. THE APPROVAL OF THE COMPANY'S BOARD OF DIRECTORS WAS GIVEN TO THE HEBREW VERSION ONLY AND NO SUCH APPROVAL HAS BEEN GIVEN TO THE ENGLISH TRANSLATION. THIS ENGLISH TRANSLATION WAS NOT SUBMITTED TO THE ISRAELI SECURITIES AUTHORITY AND IS NOT REVIEWED BY ANY REGULATORY AUTHORITY.



Chapter A

Description of the Corporation's Business

2025 Periodic Report

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The Company is a “small corporation” as defined in the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the “**Reporting Regulations**”), and the Board of Directors has adopted and applied to the Company all relevant reliefs in this regard, as relevant to the Company from time to time, including: (a) Exemption from the obligation to publish a report on internal control and the independent auditor’s report on the Company’s internal control; (b) Raising the materiality threshold in connection with the inclusion of valuations to 20%; (c) Raising the threshold for including material reports of consolidated companies in interim reports to 40%; (d) Reporting according to a semi-annual reporting format; and (e) Exemption from publishing a solo report.

Chapter A - Description of the Corporation's Business

B. Communications Ltd. (“**the Company**”) together with the subsidiary Bezeq the Israeli Telecommunications Corporation Ltd. (“**Bezeq**”) 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**” or “**Bezeq Group**”.

For convenience, Appendix A this chapter contains a glossary of terms in relation to the key terms mentioned in it.

1. Description of the general development of the Group's business

1.1. Group activity and description of the development of its business

1.1.1. General

The Company was incorporated in Israel in 1999 under the name Gold E Ltd. and on March 16, 2010 changed its name to its current name. From its inception until October 2007, the Company was fully owned by Internet Gold Ltd., in October 2007 the Company's shares were first issued on the NASDAQ stock exchange and in November 2007 the Company's shares were listed on the Tel Aviv Stock Exchange under a double listing arrangement. On December 2, 2019, the transaction with Searchlight II BZQ LP and a corporation controlled by the Forer family (TNR Investments Ltd.) was completed, in which control of the Company and Bezeq was transferred to these entities, following the liquidation of Eurocom Communications Ltd., in which the holdings in the Company of its subsidiary, Internet Gold, were sold.

On September 9, 2020, the Company announced the voluntary delisting of its shares from trading on the NASDAQ Stock Exchange, and as of that date, the Company's securities has been traded on the Tel Aviv Stock Exchange only, and the Company is a “reporting corporation” within the meaning of this term in the Securities Law, 5728-1968. (“**Securities Law**”). On December 17, 2025, the general assembly of the Company’s shareholders approved the voluntary liquidation of the Company, and accordingly, as of December 28, 2025, the Company’s shares were delisted from trading on the stock exchange, and from that date, the Company no longer had any securities registered for trading on the Stock Exchange.

As of April 14, 2010, the Company operated in the communications sector through its shareholdings in Bezeq. On November 23, 2025, upon the completion of the sale of all Bezeq shares held by the Company, the Company became inactive and meets the definition of a “shell company” as defined in Part Four of the Stock Exchange Guidelines.

1.1.2. Acquisition of control of Bezeq

On April 14, 2010, the Company completed an acquisition of 30.44% of the issued and paid-up equity and voting rights in Bezeq, in exchange for a total amount of approximately NIS 6.5 billion in cash and became the largest shareholder in Bezeq, and as of the financial statements for the first quarter of 2010, the Company consolidates Bezeq’s financial statements in its own financial statements.

As of the date of this report, the Company does not hold any Bezeq securities.

For further details regarding the control of the Company and the control permit in connection with the Company's holding in Bezeq shares, see Section 1.1.4 below.

1.1.3. Bezeq Group - General

As of the date of publication of this periodic report, Bezeq Group is a major provider of communications services in the State of Israel. Bezeq Group provides a wide range of

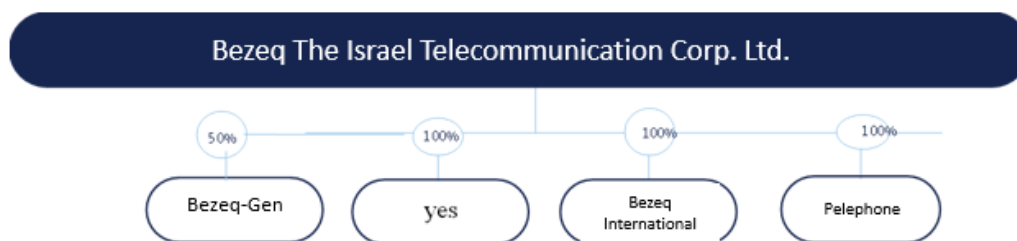
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Bezeq services and other services, including landline interior communication services, internet infrastructure and access services, mobile radio telephone services (cellular telephony), international communication services, and multi-channel television services over the Internet (OTT) and via satellite, maintenance and development of communication infrastructure, providing communication services to other communication providers, including wholesale market services, distribution of television and radio broadcasts, and the supply and maintenance of equipment and services in customer premises (network endpoint services). For the Company's activity within the electricity supply sector, see Section 1.9 below.

Bezeq was established in 1980 as a government company to which Bezeq's activities that had taken place up to that date in the Ministry of Communications were transferred, and it was privatized over the years. Since 1990, the Company has been a public company whose shares are traded on the Stock Exchange.

In **November 2025**, the Company, which held a controlling interest in Bezeq until that date, **sold all of its holdings in the company**. For further details, see **Section 1.1.4 below**.

Below is a diagram of the structure of the holdings of Bezeq Group as of the date of approval of Bezeq's report (8.03.2026):



(*) Regarding the Company and the control of Bezeq - see Sections 1.1.1, 1.1.2 and 1.1.4 of this Chapter A.

On 17.4.2025, the transaction for the sale of all of Bezeq's holdings in Bezeq Online to Wan Software Technologies Ltd. was completed for a total consideration of approximately NIS 50 million (the "**Agreement**"), following the fulfillment of all conditions precedent under the Agreement. In accordance with the Agreement, ownership was transferred to the purchaser and the agreed cash consideration was received. For further details, see Note 12.5 to the 2025 Statements..

1.1.4. Control of the Company

On December 2, 2019, a debt arrangement was completed between the Company and its bondholders, as part of which Searchlight II BZQ LP and a corporation controlled by the Forer family (TNR Investments Ltd.) purchased control of the Company (and consequently, the control of Bezeq). It should be noted that as of the date of the report, the Company does not hold Bezeq shares.

As of the date of completion of the debt arrangement as stated above, the controlling shareholders of the Company are Searchlight II BZQ LP, a limited partnership incorporated in the Cayman Islands ("**Searchlight**") and TNR Investments Ltd. ("**TNR**"), a private company incorporated in Israel. The final general partner of Searchlight is Searchlight Capital Partners II GP LLC, a limited liability company incorporated in the State of Delaware, which is held by a number of individuals including Eric Zinterhofer, Erol Uzumeri and Oliver Harmaann, the latter being among the only ones to receive the Company's control permit from the Ministry of Communications. TNR is wholly owned and fully controlled by Mr. David Forer (50%) and Mrs. Michal Forer (50%). Searchlight and TNR are considered controlling shareholders in the Company by virtue of a control permit dated November 11, 2019 and by virtue of a voting agreement between them which gives them a cumulative holding, as of the date of publication of this report, of approximately 79.92% of the voting rights in the Company.

To the best of the Company's knowledge, the shareholders' agreement between Searchlight and TNR includes, among other things, a provision according to which as long as the holdings of an "Israeli factor" in Bezeq's controlling shareholder are required,

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Searchlight will grant TNR power of attorney regarding the amount of shares that will allow TNR to vote at the general assemblies of the Company, an amount of shares equal to: (a) the number of shares held by TNR on the effective date of the meeting, or (b) the number of shares that reflects 19% of the issued equity and voting rights in the Company on the effective date of the meeting, whichever is higher. To the best of the Company's knowledge, the shareholders' agreement includes additional provisions, including an obligation by Searchlight to refrain from voting for the approval of certain issues without the consent of TNR.

The control permit

On November 11, 2019, the Minister of Communications, by virtue of his authority and by virtue of the Prime Minister's authority (jointly: "**the Ministers**") transferred thereto, granted Bezeq control permits under Article 4D of the Communications Law and Article 3 of the Communications Order (Bezeq and Broadcasting) (Determination of Essential Service Provided by Bezeq the Israel Telecommunications Corporation Ltd.), 5757-1997 ("**Communications Order**"), as follows:

- a. A control permit for corporations is given to the Company, Searchlight corporations, and TNR ("**Permit for Corporations**").
- b. A control permit for individuals to hold means of control in Bezeq and to control it is given to Michal Forer, David Forer, Oliver Harmaann, Erol Uzumeri, Eric Zinterhofer, and Darren Glatt¹ ("**Permit for Individuals**").

The Permit for Corporations and the Permit for Individuals will be jointly referred to as "**the Control Permits**" and the parties to whom such permits were granted will be referred to as "**the Permit Holders**".

Amendment to the Communication Order

On September 19, 2023, an amendment to the Communications Order (Bezeq and Broadcasting) (Determining an essential service provided by "Bezeq", the Israel Telecommunications Corporation Ltd.), (Amendment), 5783-2023 ("**Amendment to the Order**") was published in the records and entered into force, which allows a controlling shareholder, subject to obtaining the approval of the Prime Minister and the Minister of Communications after consulting with the Minister of Defense, to transfer means of control to another party if, as a result of the transfer, he ceases to have control. The Amendment to the Order includes additional amendments to the Communications Order, including, among others:

- A. Adding an option for the controlling shareholder to replace the Israeliness requirement with instructions from the General Security Service by virtue of Article 13 of the Communications Law. Following the Amendment to the Order regarding the addition of an option for a controlling shareholder to replace the Israeliness requirement with instructions from the General Security Service pursuant to Article 13 of the Communications Law – in May 2024, Bezeq was given the aforementioned instructions replacing the Israeliness requirement as detailed in Section 2.16.1.6 below.
- B. Allowing an (Israeli) institutional investor to increase to a holding of up to 7.5% in a certain type of control without the need for ministerial approval.
- C. Repeal of Article 7(g) of the Communications Order which establishes reporting obligations, conditions and limitations for any entity that owns 2.5% or more of some type of control in a Company in a situation where over 75% of the Company's shares will be held by the public.
- D. Repeal of Article 3(a) of the Communications Order, so that there is no longer a provision in the Communications Order requiring the Ministers to determine a minimum holding rate in a control permit.
- E. Amendment of Article 3(a1) of the Communications Order, so that the Communications Order removes the obligation to obtain ministerial approval for a

¹ The permit is given to Mr. Darren Glatt for his status in Searchlight in the context of the acquisition of control of the Company. In addition, he serves as Chairman of the Company's Board of Directors and as a director in Bezeq.

decrease below the minimum holding rate.

- F. Amendment of Article 3(a2) of the Communications Order, so that there is no longer a provision in the Communications Order requiring ministerial approval for an allocation of shares by Bezeq that would result in the controlling shareholder holding a type of means of control in Bezeq at a rate lower than the minimum rate determined in the control permit.
- G. Cancellation of Article 3(a3) of the Order, which states that the transfer or allocation of means of control as a result of which the controlling shareholder will hold a type of means of control in Bezeq at a rate lower than the minimum rate determined in the control permit, does not require approval if the controlling shareholder has not ceased to be a controlling shareholder and if it was done in one of the ways specified in the article.
- H. Determination that the exercise of “joint appointment” (the exercise by two or more parties of the right to appoint the CEO or a director, to elect him, or to remove him from office) and holding “significant influence” in the Company (the ability to materially influence the activities of an essential service provider, which does not constitute control and does not arise solely from holding a means of control—as defined in Article 4D of the Communications Law) require prior written approval from the Ministers. For further details, see Section 2.16.1 below.

Amendment to the Control Permit

On November 11, 2025 (the “**Amendment Date**”), the Company notified Bezeq that an amendment to its control permit in Bezeq, originally granted to the permit holders on November 11, 2019 (the “**Amendment**” and the “**Permit**”), had been signed. The main points of the Amendment are as follows:

- a. The Permit allows the permit holders to control Bezeq through the Company by holding, in each type of control instrument in Bezeq, a percentage not less than 15%.
- b. The Permit Holders may hold less than 15% of any type of control instrument in Bezeq, thereby effectively ceasing to be the controlling shareholders of Bezeq. Under the Amendment, the reduction in holdings shall occur within a period not exceeding 24 months from the Amendment Date, which may be extended by 12 months with the approval of the Director General of the Ministry of Communications.
- c. Within 24 months from the date the Permit Holders’ holdings in any type of Bezeq control instrument fall below 15%, the permit holders shall further reduce their holdings to below 5% (the “**Transition Period**”). During the Transition Period, additional provisions shall apply to the Permit Holders, including the following: (i) The Permit Holders shall not vote any voting rights exceeding 5% of Bezeq’s control instruments; (ii) Bezeq directors appointed by the permit holders, or whose appointment was proposed by the permit holders’ representatives, shall resign from the Bezeq Board of Directors within three business days from the start of the Transition Period (the “**Resigning Directors**”), except for one director representing the Permit Holders, who may continue to serve during and after the Transition Period.

For further details regarding the control permit amendment, see the Company’s immediate report dated November 11, 2025 (Reference No.: 2025-01-086208), included in this report by reference.

On November 18, 2025, the Company notified Bezeq that it had sold, in an off-exchange transaction, 441,135,157 ordinary shares of Bezeq, with a nominal value of NIS 1 each (the “**Bezeq Shares Sold**”), representing the Company’s entire holdings in Bezeq, to several institutional entities for NIS 6.20 per Bezeq share, resulting in a total consideration of approximately NIS 2,735 million (the “**Consideration**”). On November 21, 2025, the sale of the shares was completed, the Company ceased to hold any Bezeq shares, and directors Ran Fuhrer and Darren Glatt ended their service on Bezeq’s Board, thereby rendering Bezeq a company without a controlling permit holder.

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In light of the above, and in accordance with Sections 2.9.4, 4.8, and 5.10.3, following the sale of the Bezeq Shares Sold, the second and final instalment of approximately NIS 40 million from a special one-time grant totaling approximately NIS 80 million was paid to employees of Bezeq and other group companies.

- 1.1.5. In accordance with Article 50(a) of the Companies Law and in accordance with Regulations 119 and 121 (1) of Bezeq's Articles of Association - the powers of the CEO in all matters related to the corporations held, directly or indirectly, by Bezeq (Including Pelephone, Bezeq International, and Yes were transferred to the Board of Directors.

1.2. Areas of activity

The Group has four main areas of activity that correspond to the corporate division among the Group's companies and are reported as business segments in the Company's consolidated financial statements (see also Note 28 to the 2025 Statements):

- 1.2.2. Bezeq – Landline interior communications

This area mainly includes the activities carried out by Bezeq as an NIO (National Interior Operator), including telephony services, Internet services (including service over fibers and wholesale BSA service), transmission and data communication services and wholesale services of using Bezeq's physical infrastructure. Bezeq's activity in the field of landline interior communications is described in Section 2 of this report.

- 1.2.3. Pelephone - Cellular communication ("**Mobile Radio Telehpone**")

This field includes the provision of cellular radio-telephone services (cellular communications), marketing of end equipment, installation, operation and maintenance of equipment and systems in the field of cellular communications. Pelephone activity is described in Section 3 of this report.

- 1.2.4. Bezeq International - Internet, international communications and ICT solutions for businesses

This field includes integration and Internet services for businesses, as well as hosting services and ICT solutions. This sector also includes international communication services and Internet services to existing subscribers in a private service and does not include the marketing of this service to new/renewing subscribers ("**Bezeq International Services**"). Bezeq International's activity is described in Section 4 of this report.

- 1.2.5. Yes – TV and communication services

This field includes the provision of digital multi-channel TV broadcasting services to subscriptions over the Internet (OTT) and via satellite (DBS), and the provision of value-added services to subscribers and Internet services (infrastructure component through a wholesale market). Yes's activity is described in Section 5 of this report.

It should be noted that in addition, Bezeq's consolidated financial statements include the "other" segment, which includes mainly call center services for customers via Bezeq Online. By the end of Q1/2025 (for details regarding the sale of this business, see Section 1.1.1), and is immaterial in group terms.

1.3. Investments in Bezeq's equity and transactions in its shares

During 2024, the Company acquired approximately 11.8 million Bezeq shares for a total amount of approximately NIS 52.6 million (an average price of approximately NIS 4.44 per share).

On 17.3.2025, the Company sold, in an off-exchange transaction, 160,000,000 ordinary shares of Bezeq, with a nominal value of NIS 1 each, representing approximately 5.77% of Bezeq's issued and paid-up share capital, to several foreign and Israeli institutional entities at NIS 5.70 per share, resulting in a total gross consideration of NIS 912 million.

Additionally, on August 11, 2025, the Company sold another 160,000,000 ordinary Bezeq shares, with a nominal value of NIS 1 each, representing approximately 5.77% of Bezeq's issued and paid-up share capital, to several foreign and Israeli institutional entities at NIS 6.03 per share, resulting in a total gross consideration of NIS 965 million.

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On 18.11.2025, the Company sold, in another off-exchange transaction, 441,135,157 ordinary Bezeq shares, with a nominal value of NIS 1 each, representing the Company's entire holdings in Bezeq, to several institutional entities at NIS 6.20 per share, resulting in a total consideration of approximately NIS 2,735 million. For further details, see Section 1.1.2.

Further to the amendment to the Communications Order (as specified in Section 1.1.4), which allows, among other things, an Israeli institutional investor to increase his holding to up to 7.5% by means of a certain type of control in the Company without the need for the approval of the Ministers, in the months of September-October 2023, the entities include Clal Holdings Insurance Business Ltd., Harel Investments in Insurance and Financial Services and Ltd., and Migdal Holdings Insurance and Finances Ltd., And in January 2026 – Menora Mivtachim Holdings Ltd., reported to Bezeq that they became related parties after their holdings increased on said dates beyond 5% of Bezeq's shares.

In November 2025, two market makers – Migdal Capital Markets Ltd. and Proxima Dynamics Ltd. – were appointed to operate in Bezeq shares, following Bezeq's engagement with the Stock Exchange under an agreement to implement a tailor-made market-making program in Bezeq shares (the "Program"). Under the Program, the Stock Exchange is responsible for monitoring the market makers' compliance with the Exchange's regulations and guidelines, as well as with the decisions of the Exchange's Board of Directors, as amended from time to time. Bezeq bears payments to the market makers, which include a fixed component for the activity and a variable component based on the market makers' performance. The amounts payable by Bezeq for market-making activity are not material to Bezeq. The parties intend to operate the Program for at least one year. Each party may terminate the Program with 60 days' prior notice. However, for one year from the commencement of the market makers' activities, the parties may not terminate the Program, except in the case of regulatory prohibition.

1.4. Dividend distribution

1.4.1. Dividend distribution policy in the Company

The Company has not distributed dividends to its shareholders in the last two years (2024-2025), and as of the date of this report, the Company does not have a valid dividend distribution policy. It should be noted that, following the approval by the Company's general meeting of shareholders on December 17, 2025 of the Company's voluntary liquidation and the appointment of Mr. Tomer Raved (the "Trustee") as trustee for the liquidation process, the Trustee decided to carry out an interim distribution to the Company's shareholders in the total amount of NIS 2,785.5 million, which was actually executed on January 8, 2026. For further details regarding the interim distribution, see the Company's immediate report dated December 17, 2025 (Reference No.: 2025-01-100841), included in this report by reference.

1.4.2. Dividend policy at Bezeq

On March 13, 2024, the Bezeq Board of Directors decided to update Bezeq's dividend distribution policy, so that Bezeq will distribute every six months 80% of the semi-annual profit (after tax) according to Bezeq's consolidated statements, starting with the distribution for the second half of 2024.

1.4.2.1 Dividend distribution in Bezeq - The distribution of dividends by Bezeq is subject to the condition that, at the time of distribution, Bezeq is not in unremedied breach of any of its material obligations toward the holders of Bezeq's bonds (Series 11, 12, 13, and 14). For details regarding the dividends distribution carried out by Bezeq in 2024-2025, see Note 20 to the 2025 Statements. Bezeq's balance of distributable profits as of the date of the report are about NIS 1,089 million (the said balance consists of surpluses accumulated in the last two years in Bezeq after deducting the dividend amounts paid in respect of that period).

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1.5. Financial information regarding the areas of activity of Bezeq Group

All data in sections 1.5.1 to 1.5.4 are in NIS millions, unless stated otherwise.

1.5.1. 2025

	Lnadline interior communication	Cellular communication (mobile radio telephone)	Bezeq International services	TV and communication services (3)	Other	Consolidation adjustments (2)	Consolidated
Total income:							
External	4,171	2,151	1,027	1,299	54	-	8,702
From other areas of activity in the corporation	257	16	53	1	-	(327)	-
Total income	4,428	2,167	1,080	1,300	54	(327)	8,702
Total attributable costs:							
Variable costs attributed to the area of activity (1)	760	618	688	463	44		
Fixed costs attributed to the area of activity (1)	2,426	1,364	349	870	8		
Total costs	3,186	1,982	1,037	1,333	52	(905)	6,685
Costs that do not constitute income in another area of activity (3)	3,162	1,906	920	1,236	52	(591)	6,685
Costs that constitute income of other areas of activity	24	76	117	97	-	(314)	-
Total costs	3,186	1,982	1,037	1,333	52	(905)	6,685
Profit from ordinary activities attributed to the owner of the Company	1,242	186	43	(33)	2	577	2,017
Total assets attributed to activity as of December 31, 2025	10,824	3,019	937	1,172	-	(14)	15,938
Total liabilities attributed to the area of activity as of December 31, 2025	10,627	1,481	695	520	-	(340)	12,983

(1) The Group companies, which are companies that provide services (as opposed to manufacturing companies), do not maintain a dedicated pricing system that distinguishes between fixed and variable costs. The above division was made for the purposes of this report only. Variable costs are costs that companies have flexibility in managing and controlling in the short term, as well as their effect on direct output, compared to fixed costs that are not flexible in the short term and do not directly affect output (in this regard, up to one year). The variable costs included non-recurring expenses (income) that were included in the item of other expenses (income) of each company.

(2) Details of the adjustments to consolidated - transactions between areas of activity.

(3) See Notes 10 and 28 to the 2025 Statements regarding the neutralization of the impairment loss in the TV and communication services segment. The impairment loss in this segment is shown in the adjustments.

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1.5.2. 2024

	Lnadline interior communication	Cellular communication (mobile radio telephone)	Bezeq International services	TV and communication services (3)	Other	Consolidation adjustments (2)	Consolidated
Total income:							
External	4,129	2,231	1,053	1,264	207	-	8,884
From other areas of activity in the corporation	213	23	52	1	-	(289)	-
Total income	4,342	2,254	1,105	1,265	207	(289)	8,884
Total attributable costs:							
Variable costs attributed to the area of activity (1)	620	614	744	429	179		
Fixed costs attributed to the area of activity (1)	2,284	1,451	377	928	28		
Total costs	2,904	2,065	1,121	1,357	207	(422)	7,232
Costs that do not constitute income in another area of activity (3)	2,871	1,992	985	1,323	204	(143)	7,232
Costs that constitute income of other areas of activity	33	73	136	34	3	(279)	-
Total costs	2,904	2,065	1,121	1,357	207	(422)	7,232
Profit from ordinary activities attributed to the owner of the Cpany	1,438	189	(16)	(92)	2	131	1,652
Total assets attributed to activity as of December 31, 2024	10,660	2,880	932	1,163	83	(557)	15,161
Total liabilities attributed to the area of activity as of December 31, 2024	10,206	1,493	728	457	34	(261)	12,657

(1) The Group companies, which are companies that provide services (as opposed to manufacturing companies), do not maintain a dedicated pricing system that distinguishes between fixed and variable costs. The above division was made for the purposes of this report only. Variable costs are costs that companies have flexibility in managing and controlling in the short term, as well as their effect on direct output, compared to fixed costs that are not flexible in the short term and do not directly affect output (in this regard, up to one year). The variable costs included non-recurring expenses (income) that were included in the item of other expenses (income) of each company.

(2) Details of the adjustments to consolidated - transactions between areas of activity.

(3) See Notes 10 and 28 to the 2025 Statements regarding the neutralization of the impairment loss in the TV and communication services segment. The impairment loss in this segment is shown in the adjustments.

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1.5.3. 2023

	Lnadline interior communication	Cellular communication (mobile radio telephone)	Bezeq International services	TV and communication services (3)	Other	Consolidation adjustments (2)	Consolidated
Total income:							
External	4,157	2,309	1,139	1,308	190	-	9,103
From other areas of activity in the corporation	255	39	73	1	2	(370)	-
Total income	4,412	2,348	1,212	1,309	192	(370)	9,103
Total attributable costs:							
Variable costs attributed to the area of activity (1)	656	734	744	385	165		
Fixed costs attributed to the area of activity (1)	2,305	1,418	429	928	28		
Total costs	2,961	2,152	1,173	1,313	193	(468)	7,324
Costs that do not constitute income in another area of activity (3)	2,913	2,053	984	1,293	190	(109)	7,324
Costs that constitute income of other areas of activity	48	99	189	20	3	(359)	-
Total costs	2,961	2,152	1,173	1,313	193	(468)	7,324
Profit from ordinary activities attributed to the owner of the Cmpany	1,451	196	39	(4)	(1)	98	1,779
Total assets attributed to activity as of December 31, 2022	9,311	2,832	1,000	1,231	88	(584)	13,878
Total liabilities attributed to the area of activity as of December 31, 2023	9,189	1,448	779	445	30	(210)	11,681

(1) The Group companies, which are companies that provide services (as opposed to manufacturing companies), do not maintain a dedicated pricing system that distinguishes between fixed and variable costs. The above division was made for the purposes of this report only. Variable costs are costs that companies have flexibility in managing and controlling in the short term, as well as their effect on direct output, compared to fixed costs that are not flexible in the short term and do not directly affect output (in this regard, up to one year). The variable costs included non-recurring expenses (income) that were included in the item of other expenses (income) of each company.

(2) Details of the adjustments to consolidated - transactions between areas of activity.

(3) See Notes 10 and 28 to the 2022 statements regarding the neutralization of the impairment loss in the tv and communication segment.

For explanations about the developments in the financial data presented in sections 1.5.1 to 1.5.3, see Section 1 of the Board of Directors' report on the state of the corporation's affairs ("**Board of Directors' Report**").

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1.5.4. Main results and operational data

The following is a summary of data on the results of Bezeq Group in 2024 and 2025:

Financial data (NIS millions)	2025	2024	2023	Q4/ 2025	Q3/ 2025	Q2/ 2025	Q1/ 2025	Q4/ 2024	Q3/ 2024	Q2/ 2024	Q1/ 2024
Operating profit before Depreciation and amortization (EBITDA)	3,704	3,496	3,646	797	996	1,014	897	797	880	907	912
Other expenses (income), net	279	199	161	235	39	(8)	13	173	29	(4)	1
Share-based compensation expenses	22	21	10	5	6	7	4	7	6	7	4
Adjusted EBITDA ²	4,005	3,716	3,817	1,037	1,041	1,013	914	974	915	910	917
Impact of reversal of impairment loss / impairment in Yes	(265)	(33)	(18)	(74)	(102)	(92)	3	(30)	(8)	2	3
Comparative EBITDA ³	3,740	3,683	3,799	963	939	921	917	944	907	912	920
Net profit	1,417	1,073	1,189	242	446	426	303	210	281	287	295
Other operating expenses, net after tax	217	171	129	181	30	(6)	12	151	22	(2)	(1)
Equity-based compensation plan expenses	22	21	10	5	6	7	4	4	6	7	4
Adjusted net profit ⁴	1,656	1,265	1,328	428	482	427	319	365	309	292	299
Impact of reversal of impairment loss / impairment in Yes	(543)	(132)	(96)	116)	(215)	(195)	(17)	(76)	(42)	(13))1(
Impact of Bezeq International impairment	(27)	(23)	(30)	(1)	(9)	(3)	(14)	5	(10)	(9)	(9)
Comparative net profit ⁵	1,086	1,110	1,202	311	258	229	288	294	257	270	289

² Adjusted Net Profit and Adjusted EBITDA – excluding other operating income/expenses, net, one-time losses/gains from impairment or revaluation, and expenses related to the equity-based compensation plan.

³ Comparable Net Profit and Comparable EBITDA – Adjusted Net Profit and Adjusted EBITDA excluding the total impact of impairments/revaluations.

⁴ See Footnote 2.

⁵ See Footnote 3.

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1.5.4.1 Bezeq Fixed Lines (Bezeq's activity as NIO)

Financial data (NIS millions)	2025	2024	Q4/ 2025	Q3/ 2025	Q2/ 2025	Q1/ 2025	Q4/ 2024	Q3/ 2024	Q2/ 2024	Q1/ 2024
Income	4,428	4,342	1,114	1,111	1,102	1,101	1,071	1,105	1,075	1,091
Operating profit	1,242	1,438	144	328	386	384	303	355	383	397
Depreciation and amortization	1,060	1,023	272	269	261	258	260	256	255	252
Operating profit before depreciation and amortization (EBITDA) ⁽¹⁾	2,302	2,461	416	597	647	642	563	611	638	649
Share in losses (profits) of equity-held investee	19	8	(1)	16	1	3	2	3	3	-
Net profit	720	906	67	179	218	256	193	217	238	258
Cash flow from operating activities	2,192	2,454	573	565	501	553	626	589	491	748
Payments for investments in property, plant and equipment and intangible assets and other investments	1,097	1,139	257	280	266	294	303	300	266	270
Receipts from the sale of property, plant and equipment and intangible assets	39	13	1	4	31	3	-	7	4	2
Lease payments	165	144	48	39	36	42	38	38	37	31
Free cash flow ⁽²⁾	969	1,184	269	250	230	220	285	258	192	449
Operating data										
Total number of Internet lines at the end of the period (thousands) ⁽³⁾	1,473	1,479	1,473	1,473	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⁾	993	810	993	954	907	863	810	759	694	635
Internet lines at the end of the period (thousands)	980	1,008	980	990	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⁾	628	521	628	609	583	554	521	483	442	407
Internet lines at the end of the period –wholesale (thousands) ⁽³⁾	493	471	493	483	477	474	471	474	472	470
Of which are subscribers connected to the fiber network at the end of the period - wholesale (thousands) ⁽³⁾	365	289	365	345	324	309	289	276	252	228
Average monthly income per Internet subscriber (NIS) - retail (ARPU) ⁽⁵⁾	136	130	138	136	136	134	133	131	129	127
Fiber optic network deployment at the end of the period (thousands, households available for connection) ⁽⁶⁾	2,913	2,571	2,913	2,859	2,774	2,671	2,571	2,448	2,312	2,191
Average plan speed per Internet subscriber - retail (Mbps) ⁽⁴⁾	721	526	721	673	620	572	526	483	430	382
Number of Be routers used by the Company's customers (thousands)	875	862	875	873	870	864	862	858	846	837
Number of home internet network range enhancers of the Be Spot and Be Mesh types (thousands)	474	462	474	479	470	466	462	457	449	445
Number of active telephony subscriber lines at the end of the period (thousands) ⁽⁷⁾	1,329	1,383	1,329	1,339	1,351	1,366	1,383	1,397	1,409	1,419
Average monthly income per telephony line (NIS) (ARPL) ⁽⁸⁾	30	32	29	30	30	31	31	32	33	33
Churn rate of telephony subscribers ⁽⁹⁾	9.5%	10.0%	2.2%	2.6%	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 the Bezeq area of activity which neutralizes aspects resulting from variability in capital structure, various taxation aspects and manner and period of amortization of property, plant and equipment and intangible assets. This index is not a substitute for indices based on generally accepted accounting principles, and does not serve as a single index for assessing the Company's results of operations or cash flow. Also, the index presented in this report may not be calculated in the same way

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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 10 to the financial statements and Section 8 of the chapter on the description of the corporation's business in the 2023 periodic report.

- (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, and starting in 2018, with the implementation of IFRS 16, payments for leases are also deducted. Bezeq presents free cash flow as an additional measure to evaluate the business results and cash flows since, in Bezeq's opinion, free cash flow is an important liquidity measure that reflects the cash that the Company derives from its current operations after investing cash in infrastructure and PP&E and other intangible assets. For this matter, see Section 8 of the chapter describing the corporation's business in the periodic report for 2024.
- (3) Total number of Internet subscribers including retail and wholesale subscribers. Retail – the Company's direct Internet subscribers. Wholesale - Internet subscribers through wholesale service to other communication providers.
- (4) In plans where there is a range of speeds, the maximum speed in the plan is taken into account.
- (5) Income from retail Internet services divided by the average number of retail customers in the period. For this matter, see also Section 8 of the chapter on the description of the corporation's business in the 2024 periodic report.
- (6) 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).
- (7) Calculated according to the average of subscribers for the period. For this matter see also Section 7.
- (8) 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 1.7.

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1.5.4.2 Telephone

Financial data (NIS millions)	2025	2024	Q4/ 2025	Q3/ 2025	Q2/ 2025	Q1/ 2025	Q4/ 2024	Q3/ 2024	Q2/ 2024	Q1/ 2024
Income from services	2,167	2,254	554	517	530	566	563	547	561	583
Of which is income from interconnect (1)	75	233	-	-	34	41	39	41	72	81
Income from service net of interconnect interconnectivity (1)	2,092	2,021	554	517	496	525	524	506	489	502
Income from the sale of end equipment	1,550	1,636	373	381	395	401	394	406	420	416
Total income	1,475	1,403	373	381	361	360	355	365	348	335
Total income net of interconnect (1)	617	618	181	136	135	165	169	141	141	167
Operating profit	186	189	43	56	43	44	42	52	55	40
Depreciation and amortization	576	552	148	147	141	140	145	135	134	138
Operating profit before depreciation and amortization (EBITDA) (2)	762	741	191	203	184	184	187	187	189	178
Net profit	146	138	47	38	30	31	31	38	39	30
Cash flow from operating activities	764	648	186	216	187	175	153	212	161	122
Payments for investments in property, plant and equipment, intangible assets and other investments, net	354	305	91	88	91	84	76	65	82	82
Lease payments	267	244	54	64	53	96	55	58	52	79
Free cash flow (2)	143	99	41	64	43	(5)	22	89	27	(39)
Operating data										
Number of postpaid subscribers for the end of the period (thousands) (3)	2,315	2,257	2,315	2,295	2,279	2,265	2,257	2,251	2,228	2,213
Of which are postpaid subscribers in 5G plans (thousands) (3)	1,375	1,237	1,375	1,348	1,315	1,276	1,237	1,195	1,144	1,086
Of which are subscribers in 5 MAX plans (thousands) (3)	140	3	140	102	68	35	3	2	-	-
Number of prepaid subscribers for the end of the period (thousands) (3)	362	376	362	366	366	366	376	388	387	398
Number of subscribers for the end of the period (thousands) (3)	2,677	2,633	2,677	2,661	2,645	2,631	2,633	2,639	2,615	2,611
Average monthly income per subscriber net of interconnect (NIS) (ARPU) (1)	46	45	47	48	46	45	45	46	44	43
Subscriber churn rate (Churn Rate) (5)	23.8%	23.9%	5.9%	6.1%	5.6%	6.2%	6.0%	5.8%	5.6%	6.5%

(1) Average monthly income per subscriber (ARPU) excluding income from interconnect - the reform to change the interconnect rates regime that gradually applied from June 2023 until June 2025, led to a decrease in interconnect income, most of which were eliminated by this date, and a decrease in ARPU, which is why Pelephone chose to present the average monthly income per subscriber (ARPU) minus the component of income from interconnect.

(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 subscriber data include Pelephone subscribers (net of other operators' subscribers hosted on Pelephone's network, and net of IoT subscribers) and do not include subscribers connected to Pelephone's service for six months or more but are inactive. Inactive subscribers are subscribers who in the last six months have not received at least one call, did not make at least one

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call / message or did not perform a browsing operation or did not pay for Pelephone's services. Prepaid subscribers are included in the active subscriber base from the date of performing a charge and are deducted from the active subscriber base when no making outbound use for six months or more. It should be noted that a customer may have more than one subscriber ("line"). The number of subscribers includes subscribers who consume various services (such as data for in-vehicle media systems), the average income 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.

- (4) The average monthly income per subscriber (postpaid and prepaid). The index is calculated by dividing the average monthly consolidated total income including cellular services, from both Pelephone's subscribers and other communication operators, including income 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 8 of the chapter on the description of the corporation's business in the 2023 periodic report.
- (5) The subscriber churn rate is calculated according to the ratio of the subscribers who disconnected from Pelephone services and the subscribers who became inactive during the period to the average of active subscribers during the period. See also Section 8 of the chapter on the description of the corporation's business in the 2023 periodic report.

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1.5.4.3 Bezeq International

Financial data (NIS millions)	2025	2024	Q4/ 2025	Q3/ 2025	Q2/ 2025	Q1/ 2025	Q4/ 2024	Q3/ 2024	Q2/ 2024	Q1/ 2024
Income	1,080	1,105	263	281	263	273	285	270	261	289
Of which: Income from private customers (1)	122	167	26	30	32	34	36	39	44	48
Operating profit (loss)	43	(16)	4	17	8	14	(67)	13	18	20
Depreciation and amortization	103	118	32	23	29	19	42	23	26	27
Operating profit (loss) before depreciation and amortization (EBITDA) (2)	146	102	36	40	37	33	(25)	36	44	47
Net profit (loss)	36	(22)	3	16	6	11	(69)	11	18	18
Cash flow from operating activities	132	174	30	36	24	42	55	51	19	49
Payments for investments in PP&E and intangible assets and other investments, net (3)	58	81	17	14	15	12	27	21	19	14
Lease payments	40	42	10	10	9	11	10	10	10	12
Free cash flow (2)	34	51	3	12	0	19	18	20	(10)	23
Operating data										
Subscriber churn rate (4)	22.2%	35.3%	5.0%	5.7%	5.1%	6.3%	6.6%	9.8%	10.7%	8.0%

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

(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 8 of the chapter on the description of the corporation's business in the periodic report for 2023.

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1.5.4.4 Yes

Financial data (NIS millions)	2025	2024	Q4/ 2025	Q3/ 2025	Q2/ 2025	Q1/ 2025	Q4/ 2024	Q3/ 2024	Q2/ 2024	Q1/ 2024
Income	1,300	1,265	340	321	320	319	317	317	316	315
Operating profit (loss)	510	40	104	216	193	(3)	57	13	(12)	(18)
Depreciation, amortization, and ongoing impairment (impairment loss reversal)	(43)	155	19	(56)	(46)	40	19	30	48	58
Operating profit before depreciation, amortization and ongoing impairment (impairment loss reversal) (EBITDA) (1)	467	195	123	160	147	37	76	43	36	40
Net profit (loss)	485	49	97	213	172	3	55	12	(5)	(13)
Cash flow from current activities	205	176	51	53	26	75	(18)	55	46	93
Payments for investments in PP&E and intangible assets and other investments, net	180	221	44	43	57	36	63	42	67	49
Lease payments	26	25	7	6	7	6	6	7	6	6
Free cash flow (1)	(1)	(70)	0	4	(38)	33	(87)	6	(27)	38
Operating data										
Number of TV subscribers (thousands) (2)(3)	565	562	565	565	562	561	562	563	567	571
Of which are IP subscribers (4)	492	467	492	486	480	475	467	452	431	412
Of which are STING+ subscribers	156	139	156	154	151	146	139	132	129	124
Average monthly income per TV subscriber (ARPU) (NIS) (5)	170	174	166	168	172	174	172	175	174	173
Yes average monthly income from subscribers (Yes ARPU) (NIS) (5)	192	185	200	189	189	189	186	187	184	182
Subscriber churn rate (6)	15.5%	15.9%	4.1%	3.7%	3.6%	4.1%	3.8%	4.3%	3.9%	3.9%
Number of subscribers connected to the fiber network (thousands) (7)	118	73	118	106	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 a gym), the number of subscribers is adjusted. The number of non-small business customers is usually calculated by dividing the total payment received from all non-small business customers by the average income per small business customer, which is determined once per period.

(3) The average monthly revenue per TV subscriber is calculated by dividing total Yes income (excluding income from the sale of content to external broadcasting entities, income from the sale of end-user equipment, income from the Partner agreement, income from advertising sales activities, and income from ISP services) by the average number of relevant subscribers during the period. The average monthly revenue per Yes subscriber is calculated by dividing total Yes income (excluding income from the sale of content to external broadcasting entities and income from the sale of end-user equipment) by the average number of relevant subscribers during the period. See also Section 8 in the Chapter "Description of the Corporation's Business" in the 2024 Annual Report.

(4) The number of DBS subscribers who churned from Yes during the period divided by the average number of subscribers registered in the period. See also Section 8 of the chapter on the description of the corporation's business in the 2024 periodic report.

1.6. General environment and the influence of external factors on the Group's activities

The communications industry in the world and in the Israeli economy is characterized by a rapid pace of development, and frequent changes in terms of technology, in terms of the business structure of the industry and in terms of the regulation applied to it. The main trends and main characteristics of the communications market in recent years, which have a significant impact on the Group's operations as a whole, will be described below.

In view of the diversity in the areas of the Group's communications activities, regulatory and other developments may sometimes have a different effect (and even in opposite directions) on various areas of activity in the Group and on its risk factors (see Sections 0, 3.19, 4.14 and 5.18), that is - changes in regulation and other factors that adversely affect one area may have a positive effect on another area. In some cases, adverse effects on areas of activity may be partially offset against each other at the group level.

1.6.1. Competition in the communications market

There is fierce competition in the communications market:

In the field of Internet services, there is fierce competition both with companies that have passive infrastructure and fiber infrastructure, and with companies that use the Company's passive infrastructure (within the wholesale market) for the purpose of transferring independent fiber infrastructure. Regarding the companies that offer services through the wholesale market, see Section 1.7.5 and Section 2.16.4. Competition exists both with companies that provide service at the national level and with companies that provide service to customers at the regional level, among other things, in light of regulatory relief that has encouraged regional players.

In the field of cellular telephony, the multitude of competitors results in lively competition that results in low prices and increased customer mobility. In the field of landline telephony, competition, mainly from the cellular companies, leads to a decrease in the consumption of landline telephony minutes as well as to the churn in landline telephony services (including the continuation of the trend of increase in the number of households without a landline home line).

In the field of television services, there is competition with free Idan+ channels, and the increase in competition versus television content (VOD services and linear channels) broadcast over the Internet (OTT) is evident, including by foreign providers such as Netflix and Disney, which are not subject to regulatory oversight and the same obligations as those of multi-channel public broadcasting providers.

In the field of ICT services, the market is characterized by low barriers to entry and a large number of competitors. Competition in the field leads to low profit margins.

In order to reduce the damage resulting from the aforementioned, Bezeq Group companies take streamlining measures as well as acting to increase revenues, *inter alia*, through initiatives/measures to improve the services they provide and differentiate them from the competition.

1.6.2. Communication groups in the Israeli market

The market is characterized by competition between communications groups (Bezeq Group, Hot Group, Cellcom Group (which includes Golan Telecom, which operates in the cellular segment), and Partner Group, operating simultaneously in several segments of the communications market (landline and mobile telephony, landline and mobile Internet services, multi-channel television and international calls)⁶.

The communication groups market various communication service packages of each group's corporations in a manner that allows to offer the customer a comprehensive solution that eliminates the need to contract simultaneously with several different suppliers, as well as to offer the customer attractive rates for the purchase of each service separately (in some cases with a "cross subsidy" between the components included in the basket). In addition, the wholesale market has opened up additional options and allows groups to offer a comprehensive offer, even if part of it is based on service segments from other companies. As of April 3, 2022, Bezeq, as an infrastructure owner, and later also

⁶ In this regard, a "group" is characterized by a close relationship that results from the identity of shareholders, although in some groups there is a corporate, accounting or marketing separation between the entities belonging to the Group.

Hot, is allowed to provide private service subscribers Internet access service themselves, together with their infrastructure service, after the obligation to separate infrastructure service and Internet access service was lifted.

Competitors that are not part of a telecommunications group also operate in the market (such as Xfone and MVNO operators in the cellular segment, including Internet providers that provide service within the wholesale market. Also, as mentioned, the number of small service providers (that are not part of a group) that provide broadband Internet services, including infrastructure, has expanded (See Section 1.7.6).

As of the date of the report, Bezeq Group is subject to stricter restrictions on the marketing of service packages than the other communication groups.

1.6.3. Bezeq Group's activity as a communications group

As of the date of the report, the Group is subject to regulatory restrictions related to creating collaborations between the Group's companies, which include a structural separation obligation between Bezeq and its subsidiaries, as well as restrictions on shared marketing and marketing shared service baskets which include the services of Bezeq and its subsidiaries. For this matter, see Section 1.7.3.

1.6.3.1 Structural unbundling duty

Bezeq's NIO license stipulates that Bezeq must maintain structural unbundling between itself and its subsidiaries⁷. In this context, full unbundling between Bezeq's management and the managements of the subsidiaries is required, including everything related to the business system, the financial system and the marketing system, and Bezeq is prohibited from transferring commercial information to a subsidiary (subject to exceptions).

The origin of this unbundling is in the authority granted by the Communications Law to the Minister of Communications to order accounting separation between different services provided by the same group/company, as well as the authority to require the existence of separate corporations for the purpose of providing different services, including separation between providing services to a licensee and providing services to a subscriber, and instructions regarding the implementation of the separation.

The limitations of structural unbundling place the Group in a position of competitive disadvantage vis-à-vis the other communication groups which are not subject to restrictions of a similar extent. In addition, the limitations of structural separation cause high operating costs and overheads.

1.6.3.2 Examining the cancellation of structural unbundling

Bezeq's position is that it should be cancelled. It should be noted that following the report of an interdepartmental team for the examination of the updating of the structural separation obligations in the Bezeq and Hot groups, which was established by the State and submitted its recommendations to the Minister of Communications in 2020, the unbundling that existed between the infrastructure service and the ISP service was cancelled (for the aforementioned elimination of separation, see Section 2.1.8).

On April 8, 2025, the Ministry of Communications published its 2025 work plan, in which it noted as a key task, among other things, the formulation of a staff review to examine regulatory provisions regarding structural unbundling for telecom companies, and stated that a decision on the matter would be published by the end of 2025 as a success metric.

In addition, on June 26, 2025, Bezeq received an information request (the "**Information Request**"), which was addressed to all telecommunications companies, under which the companies were requested to provide the Ministry of Communications with information regarding the main communications segments: the fixed-line communications segment, the

⁷ Pelephone, Bezeq International, DBS and Bezeq Online.

cellular segment, and the broadcasting segment, for the years 2023 and 2024. The purpose of this request was to examine the structural unbundling issue in the communications market and to publish a decision on the matter before the end of 2025. It was further noted in the Information Request that this issue was last examined in 2020, following which some of the structural unbundling rules that applied at that time were modified. It was also noted that the current review could result in even more significant changes, and that the issue is of considerable importance both for telecommunications companies and for competition in the communications market and the subscriber public. Bezeq submitted the requested information to the Ministry.

Further to the above, on October 22, 2025, the Ministry of Communications published a public appeal for comments addressed to the public and telecommunications companies regarding a re-examination of the structural unbundling obligation applicable to the Bezeq Group and HOT. According to the appeal, the Ministry of Communications is seeking public input regarding a comprehensive and in-depth review of the structural unbundling obligation imposed on the Bezeq and HOT communications groups, in light of the changes in the fixed-line communications market in Israel, characterized by a rapid transition from copper infrastructure to advanced fiber-optic networks and the entry of new players into the infrastructure market and additional markets. The appeal further notes that it is not clear that the current structural unbundling achieves the objective for which it was established, and that from a competitive perspective the existing model may provide only a partial response to competitive concerns. Therefore, there is a need to examine whether it would be preferable to move to alternative models that would result in a better market structure. Accordingly, the call focuses on three main policy alternatives (although additional alternatives may arise): Alternative A – full cancellation of structural unbundling; Alternative B – functional unbundling; Alternative C – separation of ownership of passive infrastructure. On November 16, 2025, the Company submitted a detailed response to the call for comments, together with an expert economic opinion, establishing the necessity of implementing Alternative A and the lack of feasibility and justification for Alternatives B and C. In Bezeq's assessment, full cancellation of structural unbundling is expected to have a material positive impact on Bezeq's results.

The information in the paragraph above regarding Bezeq's assessment of the expected implications of the cancellation of structural unbundling on the Company's results constitutes forward-looking information, as defined in the Securities Law, based on Bezeq's estimates, assumptions and expectations according to the data available to it at this time. Such information may not materialize, or may materialize in a materially different manner or at different times than expected, inter alia depending on the decisions of the Ministry of Communications and the outcome of the examination mentioned above, as well as due to factors beyond Bezeq's control..

In the matter of the Employee Representative Council regarding the promotion of the treatment of the cancellation of structural unbundling, see Section 2.9.6.

1.6.3.3 Marketing a shared basket of services with a subsidiary and between subsidiaries

Bezeq was allowed, in its NIO license, to offer subscribers shared services ("Bundles") with the subsidiaries, subject to approval by the Ministry of Communications and subject to a number of conditions set forth in the NIO license, including:

- The baskets will be "detachable", that is - each service included in them will be offered separately outside the framework of a basket of services, under the same conditions.

- At the time of submitting the application for approval of the basket, there is a group of services in a similar format that is marketed to a subscriber as a package by a licensee who is not a Bezeq subsidiary, or there is a group that includes licensees who provide the subscriber with all services included in the shared basket of services.
- The marketing of shared service baskets by the subsidiaries, which include Bezeq Services, is also subject, according to their licenses, to similar restrictions, including the requirement of "detachability" (except for a basket marketed by a subsidiary that includes only Bezeq's broadband access service for Internet providers).

These restrictions, and in particular the "detachability" obligation, which severely limits the Group's ability to provide discounts on various components in the basket of services, place the Group in an inferior competitive position relative to competing communications groups that are not subject to similar restrictions on the marketing of bundles (except Hot Group, which is subject to fewer restrictions than Bezeq).

Selling packages that include television service – Following the amendment of the terms of the merger of the Company and Yes set forth in the resolution of the Commissioner of Competition dated 12.4.2021, Yes is allowed to sell communication packages that include internet services and television services without the obligation to sell the television services at a detachable price that will be uniform for package buyers and those who are not Purchasers of packages - see Section 2.16.9.3.

Conversely, in recent years, the Ministry of Communications rejected various requests from Bezeq to provide its Internet services together with the television services of the subsidiary Yes (including using OTT technology).

1.6.3.4 Additional restrictions on collaboration and preference between group companies

There are additional restrictions on cooperation between Bezeq and the Group companies both by virtue of competition law and conditions set by the Competition Commissioner for mergers between Bezeq and Group companies, which prohibit discrimination in favor of the Group companies in the provision of certain services (see Section 9.2.16), and by virtue of the provisions of Bezeq's license, which require it to provide its services equally. For additional restrictions see also Section 5.14.2.

Removal of the restrictions on structural separation and other restrictions that apply to collaborations between the Group companies as detailed above, insofar as they are removed, may create different opportunities for the Group to exploit such synergies or facilitate the exploitation of such synergies (mainly operational) and a reduction in tax payments.

1.6.4. Regulatory structure in the Communications Law

The provision of communication services in Israel⁸ is carried out since October 2022, registration in the registry is managed by the Director General of the Ministry of Communications and is subject to general permit regulations, so that an entity interested in providing a Bezeq service can know in advance what the conditions for its activity are and begin operating without requesting or receiving a license. According to the law, there are cases in which it is still mandatory to obtain a license or continue operating under a license, in the following cases: (a) a Bezeq service provided through the mobile radio-telephone system; (b) a Bezeq service provided through the Bezeq network whose number of users or subscribers or the number of network terminal points or end points exceeds the number determined by the Minister; (c) Bezeq service provided through a Bezeq network in which one of the following occurs: (1) It includes a landline or mobile

⁸ "Bezeq service" is defined in the Law as a service provided to the general public or a portion thereof via the Bezeq network, which is one of the following: data transmission service, Internet access service, telephony service, other service listed in Schedule 1 of the Law (as of the date of the report, there is no detail in the Schedule of the Law).

ground station in Israel for communication with a satellite; (2) It includes a satellite located at the location or using the registered route in the name of the State of Israel in the International Telecom Union (ITU); (d) Carrying out a Bezeq operation in a landline lightning facility connecting a point in Israel and a point outside Israel (with the exception of Judea and Samaria). Also, the obligation to receive a license also applies to a local authority (including a municipal company or a municipal subsidiary), unless it holds a license and in accordance with the terms of the license; The Minister has the authority to determine, with the approval of the Knesset's Economic Committee, additional Bezeq services that will require a license, as well as additional service providers that will be subject to the licensing obligation, and to order a Bezeq service provider registered in the registry that the provision of a Bezeq service thereby will be subject to obtaining a license for every service it provides or for a certain service.

In accordance with the general permit regulations, many of the entities that provided Bezeq services prior to the amendment of the Communications Law in this regard transitioned from regulation through a license to regulation through registration in a dedicated registry and in accordance with the regulations. In accordance with the provisions of the regulations, they do not apply to certain licensees, including the Company and its subsidiaries Pelephone, Bezeq International, and Yes, except in relation to the ISP service provided by Yes. In parallel, as it appeared from the explanation of the regulations, the Ministry of Communications intends to map the licenses and actively cancel the instructions in the licenses that are regulated in the regulations, as well as to examine the justifications for determining different arrangements within the licenses.

1.6.5. Wholesale market

Starting from 2015, a model of "wholesale market" has been implemented in Israel, in which the owners of the nationwide landline access infrastructures in Israel have been required to allow other communications operators to use their infrastructures, at prices not to exceed the maximum rates set in the regulations.

The format for providing wholesale services was determined by the Ministry of Communications within the framework of "service portfolios" for the various services:

1.6.5.1 Wholesale BSA service

This service allows Internet service providers who do not own an infrastructure to offer their customers a full Internet service that includes both an Internet connection service (of the service provider) and an Internet infrastructure service (based on the Bezeq network, the Hot network, and the IBC network - both on the traditional network and on the fiber network).

1.6.5.2 Wholesale passive infrastructure use service

This service allows providers to use Bezeq's passive infrastructure for the passage of communication cables and for certain providers to use dark fiber at the rates set in the regulations.

Bezeq was also given the right to use passive infrastructures of other companies, except that their rates (except Hot) are not set in the regulations.

1.6.5.3 Wholesale telephony service

This service allows service providers who do not own infrastructure to offer their customers telephony service at wholesale rates through the Bezeq network. Currently there are no customers in the service.

The regulatory determinations in relation to the wholesale market as well as its implementation and development during the reporting period and thereafter have an impact on a significant part of the Group's activities. For more details about the wholesale market services and their regulation, see section 2.16.5.

1.6.6. Additional regulatory aspects that are relevant to the whole Group or to a number of companies in it

1.6.6.1 Interconnectivity rates

Until June 16, 2025, the Group's communications companies (Bezeq, Pelephone and Bezeq International) had paid interconnectivity fees to other communications operators for calls that end in the networks of those operators, and some (Bezeq and Pelephone) had received interconnectivity fee payments for calls that ended in their networks and from international communication operators for outgoing and incoming calls to their networks. Changes in interconnectivity rates had had an offsetting effect at the Group level in light of their effect on Bezeq's expenses and income and the subsidiaries in this matter.

Starting June 15, 2025, the transfer of interconnection payments for telephone calls that end on the networks of mobile radio-telephone and NIO operators was stopped, so that each communications operator bears its own costs and there are no longer any transfers of payments between interconnection service licensees with regard to call minutes, and an international operator does not pay for the transmission of an outgoing international call.

For incoming international calls, an international operator is still required to pay as required by NIO or mobile radio-telephone respectively. At this point, it is not different from the interconnect rate regime in the SMS service

1.6.6.2 Limiting the exit fee that a licensee may charge from a subscriber

In accordance with the provisions of the Communications Law, NIO, international operator and broadcasting licensees (including Bezeq, Bezeq International and Yes) are not allowed to charge an exit fee for cancellation of contract by a subscriber whose average monthly bill is less than NIS 5,000, or deny him a benefit he would have received if he had not terminated the contract⁹. Cellular operators (including Pelephone) - are not allowed to charge exit fees from customers who hold up to 100 telephone lines or link a contract for the receipt of cellular services to a contract for the purchase, rent or borrowing of end equipment.

1.6.6.3 Call centers

In the licenses of Bezeq, Pelephone, Bezeq International, and Yes, instructions were set regarding the obligation to route calls in certain matters to a professional human answer, response times, as well as instructions regarding call center manning hours, recording and documentation of calls, and reporting obligations, and this is further to the amendment to the Consumer Protection Law that deals, among other things, with the time of waiting for a human answer.

1.6.6.4 Consumer legislation and privacy protection laws

Changes in consumer legislation affect the activities of the Group companies on an ongoing basis. In recent years, various amendments to the Consumer Protection Law and its regulations have been approved. In addition, the activity of the Group companies is affected by the provisions of the Privacy Protection Law and its regulations regarding the management and maintenance of databases and the security of the information contained therein. In August 2025, Amendment No. 13 to the Privacy Protection Law came into effect, expanding the definitions of "personal information" and "data processing", as well as the supervisory powers and enforcement measures of the Privacy Protection Authority. The Company has adjusted its operations accordingly to comply with the amendment.

1.6.6.5 Enforcement and financial sanctions

The Communications Law, the Economic Competition Law, the Securities Law, the Consumer Protection Law, The Privacy Proteciton Law, the Law for

⁹ With regard to the operators' claim in the hearing held by the Ministry in connection with this directive, according to which discounts or benefits stipulated by conditions that the subscriber is required to comply with do not constitute a violation of the directive, the Ministry stated that it will examine whether the condition is true and relevant also when the subscriber remains a subscriber with the operator.

Increasing the Enforcement of Labor Law, 5772-2011, and the Telegraph Order entitle the regulators to powers of enforcement, supervision and the imposition of significant tiered financial sanctions for violations of the said laws or regulations and provisions thereunder.

In Amendment 76 to the Communications Law, the Director General of the Ministry of Communications was given the authority to impose a financial sanction at a rate of up to 10 times the basic amount stipulated in the Communications Law for violating a license provision regarding the obligation to deploy a fiber network or provide a service over it.

For financial sanctions imposed by the Ministry of Communications regarding wholesale services, see Section 2.16.5.1 (Footnote 37) for sanctions imposed.

The Consumer Protection and Fair Trade Authority also makes use of the enforcement powers conferred on it by the Consumer Protection Act, and from time to time data demands are issued, investigations are conducted against the Group companies on suspicion of violating this law and fines are imposed. For details regarding the imposition of a financial sanction for a violation related to the deployment of advanced infrastructure in incentive areas, see Section 2.16.4.5.

1.6.6.6 The Centralization Law

The Centralization Law enacted in 2013 establishes limitations in relation to extending credit to business groups, separation between significant real corporations and significant financial entities (Bezeq and the Group companies are defined as significant real corporations according to the Centralization Law) and consideration of economy-wide centralization considerations in the allocation of rights - limitations on the allocation of rights in essential infrastructure to "centralizing factor". For this matter, a list of areas that will be considered "essential infrastructure areas" has been defined, including activities in the area for which certain communication licenses are required. Bezeq and the group companies are included in the list published by the Competition Authority and are considered a "concentrated entity". The law may have negative effects on the group's ability to operate in new areas of activity and even on its activities in its existing areas of activity.

1.6.7. Restrictions on creating liens on the assets of the Group companies

For the sake of convenience, the following are references to sections in the 2025 periodic report that relate to the restrictions that apply to the Group companies in the lien on their assets and the main restrictions:

1.6.7.1 Regulatory restrictions - The Communications Law, the Communications Order (applicable to Bezeq) and some of the communications licenses of the Group companies include restrictions on the granting of rights to third parties in the assets used to provide the essential service or in the license assets¹⁰, as the case may be, including the need to obtain regulatory approvals to create liens on these assets. In some cases, for example Pelephone's mobile radio telephone license and Bezeq International's unified license, there are exceptions that allow the creation of liens in favor of a banking corporation without the need for advance regulatory approval, provided that the lien agreement includes provisions ensuring that the exercise of the lien by the banking corporation will not impair the provision of the services under the license. In addition, according to the provisions of the law and the media licenses, the license and the rights under it are not transferable, and cannot be encumbered or foreclosed (subject to exceptions). See also Sections 2.16.1.7, 3.14.2, 5.14.2.7.

1.6.7.2 Restrictions under agreements- Bezeq undertook to certain financiers in an undertaking not to encumber its assets unless, at the same time, it creates

¹⁰ The assets needed to ensure the provision of services by the licensee.

in favor of those financing bodies a lien of the same type, rank and amount (negative lien), subject to certain exceptions. see also Note 13.3 to the 2025 Statements.

1.6.8. Cyber defense management

The Group companies implement a cyber protection policy that includes security systems to protect their infrastructures and systems which are designed to prevent and reduce the possibility of the companies' data being exploited by an outside party or an internal party maliciously or inadvertently, as well as the possibility of an outside party taking over and managing network components or abusing information on the company's infrastructure and systems. For more details regarding each field of activity and cyber risks see Sections 2.20.11, 3.19.2.8, 4.14.7 and 5.18.3.9.

In addition, the Director's directives and the licenses of Bezeq, Pelephone, and Bezeq International set forth, *inter alia*, provisions regarding the protection of the communications network, maintaining the relevance and up-to-dateness of systems, the license holder's handling of cyber incidents, and circumstances in which the license holder is required to report and share information.

1.6.9. Additional regulatory developments during the reporting period and the main restrictions that apply to the Group's areas of activity – for a description on such matters, see Sections 2.16, 3.14, 4.11 and 5.14.

For a description of these matters see Sections 2.16, 3.14, 4.11 and 5.14.

1.6.10. Submarine cable

Bezeq Group is examining the possibility of establishing new regional cables, independently or with cooperations that would connect Israel to strategic landing points in Europe and enable a significant increase in internet traffic capacity between Israel and Europe (the "**Project**"), and as part of this, it is in contact with various stakeholders to advance the matter. The initiative to examine the establishment of such regional cables is against the backdrop of global trends of dramatic growth in digital traffic volumes, both into Israel and along the route between Europe and the Near and Far East, *inter alia* due to the increasing presence of major data and cloud players in Israel and the broader region. The Company has begun an initial stage of reviewing the implications of the Project. The establishment of new regional cables constitutes part of the Group's strategic plan. It should be clarified that, as of the date of publication of this report, no binding decision has been made, and there is no certainty that a decision will be made to carry out the Project, in whole or in part.¹¹

In December 2025, Bezeq International Ltd. entered into a long-term transaction with an international telecommunications company operating in the Middle East, under which Bezeq Group will provide advanced communications services to the international company. These services will be based on Bezeq International's submarine cable infrastructure and the Group's fiber-optic infrastructure, for the purpose of creating a communications route between East and West. The scope of the transaction is estimated at tens of millions of NIS, and includes consideration for access to the Group's infrastructure as well as related services. In the Company's assessment, the transaction strengthens the Group's position as a player in the international communications market, and the Group intends to continue expanding its activities and strengthening its position in this market.

The information included in this section above regarding the examination and promotion of new regional cables, global trends of growth in digital traffic, the decision whether to implement the Project and the timing of such decision, as well as connecting Israel to strategic landing points in Europe and strengthening the Company's market position, constitutes forward-looking information, as defined in the Securities Law, based on Bezeq's estimates, assumptions and expectations according to the data available to it as of this date. Such information may not materialize or may materialize in a materially different manner than expected, *inter alia* depending on the results of the

¹¹ It should be noted that on September 14, 2025, Bezeq reported its decision not to continue negotiations for the acquisition of Exelera Telecom Ltd., due to the inability of Bezeq and the sellers to complete the transaction under a definitive agreement. For further details, see Bezeq's immediate report of the same day, included in this report by reference.

aforementioned review, project implementation costs, the scope of demand for internet traffic, pricing and economic feasibility, regulatory matters, and additional factors beyond the Company's control.

1.7. The field of electricity supply

1.7.1. Bezeq's entry into the field of electricity supply

On 15.5.2024, A detailed shareholders' agreement ("**the Agreement**") was signed between Bezeq and the company Powergen Ltd. ("**Powergen**")¹², a company wholly owned by Generation Capital Ltd., which coordinates the fund's energy activities. The Agreement was signed based on principles previously agreed upon between the parties and established the principles of cooperation between Bezeq and Powergen in the field of electricity supply to household customers and small and medium-sized business customers.

1.7.1.1 For the purpose of the cooperation, a company jointly owned by Bezeq (50%) and Powergen (50%) ("**the Venture**") was established, which holds a supply license to suppliers who do not possess production means (which was transferred from Bezeq to the Venture on 27.6.2024), by virtue of the regulation published by IEC.

1.7.1.2 Bezeq, through the services it provides to the Venture, is responsible for marketing, sales, acquisition, and customer retention, as well as for providing account management services to customers, including collection services and contact with the customer. Powergen will be responsible for providing voltage for the benefit of the Venture, both through electricity production and storage facilities that belong to the corporations held by it, and through continuing to initiate, operate, and finance projects for the establishment and operation of electricity production and storage facilities, by itself or through corporations under its control. It is hereby clarified that the investments in these projects will be made, directly or indirectly, by Powergen Group only, and Bezeq Group or the Venture are not expected to make substantial investments in connection with the Venture's activities. Powergen will also provide the Venture's activity with electricity trade and optimization services to the Venture, under certain conditions as reflected in the memorandum of understanding.

1.7.1.3 Powergen offers from time to time to the Venture the electricity it produces, directly and indirectly, and the Venture will purchase the electricity from it (under certain conditions), as long as it is required, within the framework of long-term engagements with commitments to purchase the electricity through various price-setting mechanisms. As part of contracts with Powergen renewable energy facilities, the eligibility for "green" electricity production, including the eligibility for issuing green certificates, will belong to the Venture.

1.7.1.4 The Venture's operations are funded by both parties, in equal shares.

1.7.1.5 Each party between Bezeq and Powergen will appoint half of the members of the Venture's Board of Directors. The Chairman of the Venture's Board of Directors will be the CEO of Bezeq. All decisions of the Venture's Board of Directors will be made jointly, but the directors appointed by Bezeq will have an excess vote in the Venture's Board of Directors, mainly on issues such as decisions concerning transactions with Powergen Group, the marketing strategy and its implementation.

Bezeq's entry into the electricity supply sector is in accordance with Bezeq's strategy, which includes identifying opportunities for expansion in areas that are tangential and complementary to the Group's activities, while diversifying the portfolio and reducing dependence on regulatory risks (on this matter, see Section 2.19).

¹² Powergen Ltd. (formerly Generation Energy Ltd.) coordinates the energy activities of Generation Capital Ltd., corporations under its control possess electricity production facilities on a significant scale, and it also engages directly and through corporations under its control in initiating projects for the establishment and operation of electricity production and storage facilities.

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In accordance with the business plan of the Venture, the Venture aims to reach a market share of approximately 400,000 household electricity customers and tens of thousands of business customers by the end of 2030.

1.7.2. The Venture's activity

The Venture, which allows consumers to transfer their electricity supply from IEC through several discount channels, is being carried out through Bezeq-Gen under the brand "Bezeq Energy", which is a company jointly owned by Bezeq (50%) and Powergen. On 27.6.2024, the Electricity Authority announced the approval of the transfer of a license for the supply of electricity without means of production from Bezeq to Bezeq-Gen. Bezeq-Gen began purchasing electricity for its operations, and Bezeq began marketing Bezeq-Gen's operations.

1.7.3. Background regarding the reform of the electricity sector in Israel

As part of the reform of the electricity sector in Israel, it was determined in 2018 that the supply segment relating to the purchase of electricity and its sale to consumers, including determining the price for the consumer, generating bills, etc., would be gradually opened to competition. While the distribution activity, at least at the regional level, is almost entirely controlled by the Israel Electric Corporation Ltd. ("IEC") and can in any case be carried out by only one distributor (a natural monopoly), the supply activity can be open to competition. The supply segment was open to competition for large consumers and starting in 2021 it was gradually opened to competition for household consumers as well. Competition in the supply segment allows consumers to contract with a private supplier instead of continuing to purchase electricity from IEC. According to the Electricity Authority's decisions, customers who have a smart meter installed (a continuous meter that allows remote data reading) and (from July 2024) also household consumers without a smart meter, can be transferred from IEC to suppliers that do not have production facilities, thus opening up a market competition on a very significant scale, with the IEC prevented from offering discounts to customers until it loses 40% of the low-voltage market share. According to the estimate dated February 2026 by consulting firm BDO Consulting, the market share that may pass to IEC'S competitors by 2030 Estimated at approximately NIS 10 billion.

Some of the information contained in this section includes forward-looking information, within its meaning in the Securities Law and is based, among other things, on estimates regarding future developments regarding the electricity sector, the behavior and needs of electricity customers, regulatory policy, competitors' marketing strategy, etc. These estimates may not materialize, or materialize in a materially different way than projected, among other things, depending on the variables mentioned above, which are not necessarily under Bezeq's control

1.8. Corporate responsibility (ESG)

The Group is committed to implementing Environmental, Social, and Corporate Governance (ESG) principles as a core part of its operational strategy and in alignment with international standards. The Group focuses on the development of advanced communications infrastructure in Israel and globally, which serves as a foundation for national resilience, economic growth, and enhanced connectivity between Israel and the world, while maintaining a commitment to sustainability and high-quality corporate governance.

The current ESG report highlights significant progress in strengthening management and measurement infrastructures: conducting the first external audit of greenhouse gas emissions for Scope 1 and 2, expanding Scope 3 emissions reporting across the value chain, and formulating a new ESG strategy based on international standards. To increase transparency, the Group has advanced the publication of this report, presenting it alongside the financial statements in order to provide an integrated view of performance and strengthen stakeholder trust in Israel and abroad.

Looking ahead, the Group is preparing for the future demands of an accelerated digital economy driven by AI through strategic investments in infrastructure: establishing server farms and data centers, expanding advanced 5G cellular capabilities, and advancing projects connecting infrastructure between Israel and the world. These initiatives reinforce the role of communications as a critical component of national resilience and Israel's integration into the global economy.

The Group has defined long-term ESG targets, including: achieving net zero greenhouse gas emissions by 2050 (Net Zero 2050), increasing the percentage of women in management positions to 50% by 2030 (and at least 40% on the Board of Directors), and raising the representation of diverse populations to 20% by 2030. In 2025, the Company continued its initiatives to reduce the digital divide and supported beneficiaries through the "Connected Fund", which aids IDF veterans, reserve soldiers, and their families in areas of rehabilitation, resilience, and reintegration into life and careers. The Group encourages employee volunteering and invests in the continuous improvement of corporate governance, including the adoption of advanced management practices and the operation of comprehensive compliance programs. Additionally, the Group operates a Group-level ESG monitoring forum, which reports regularly to the Board of Directors.

2. Bezeq – Landline interior communications

2.1. General information about the field of activity

2.1.1. The field of activity and changes that apply to it

Bezeq owns a general license for the provision of landline interior communications services and provides a variety of communication services as specified in Section 2.2, the main ones being: Internet access and infrastructure services, landline interior telephony, transmission and data communication services, Cloud and digital services and wholesale services (for wholesale services, see Section 2.16.5).

2.1.2. Legislative and regulatory constraints and special constraints

2.1.2.1 Communications Law and Bezeq's NIO license

Bezeq's activities are subject to governmental regulation and comprehensive supervision arising from its status as a general licensee under the Communications Law, subject to the provisions of the Communications Law, the provisions, regulations, orders and rules enacted thereunder and the provisions of the NIO license and other laws. In this regard and for the restrictions on Bezeq's activities and changes in this context, *inter alia*, regarding the determination of rates, structural separation, approvals for new services and service baskets as well as wholesale market see Section 1.7.3 and section 2.16.

Additionally, Bezeq has been declared an essential Bezeq service provider under the Communications Order. By virtue of this declaration, Bezeq is obligated to provide a number of basic services under the NIO license and may not discontinue or reduce them without approval. The order further stipulates restrictions on the transfer and purchase of means of control of Bezeq and certain restrictions on Bezeq's activity. For details, see section 2.16.4 2.16.

2.1.2.2 Laws of Economic Competition

Bezeq has been declared a monopoly in the main areas of its operations, and it is also subject to supervision and restrictions under the Economic Competition Law (see section 2.16.9).

2.1.2.3 Environmental law and planning and construction law

Some of Bezeq's activities involve the use of wireless frequencies and the operation of facilities that emit electromagnetic radiation, which are subject to the Telegraph Order (see Section 2.16.10), to the Non-Ionizing Radiation Law (see Section 2.15.2), and to National Outline Plan 36 and National Outline Plan 56 (see Section 2.16.11).

2.1.3. Changes in the scope of activity in this field and its profitability and developments in the market and in the characteristics of customers

For key data on the scope of activity in the field of landline interior communications and its profitability in 2024 and 2025, See Section 1.5.4.1.

Development in the wholesale BSA fiber service in recent years – beyond providing the service in the format of an IRU – that is, through long-term agreements for the provision of an indefeasible right-of-use service in the BSA fiber service. Bezeq signed such agreements with Partner and Gilat (see section 2.6.2.2).

- 2.1.4. Technological changes that could have a significant impact on the field of activity
- 2.1.4.1 In the communications market, the trend of increasing demand by the Company's Internet, data transmission, and communication customers for ever-increasing bandwidths that enable a wide range of applications and services on IP-based infrastructures continues. In the business segment, the entry of large global cloud service providers into the Israeli market, such as AWS, MICROSOFT, GOOGLE, may threaten some of Bezeq's services, such as V-CLOUD, DR. On the other hand, cooperation with them constitutes an opportunity for Bezeq's growth and entry into new areas.
- The development of SD WAN technology¹³ and its increasing use in the business segment, including the integration of the technology into Bezeq's communication networks, constitutes an opportunity to enrich the business services offered by Bezeq.
- Technological changes can also lead to the cannibalization of existing services.
- Technological developments and dropping equipment prices may allow other operators to provide services similar to those provided by Bezeq, even at lower costs.
- The increase in the browsing rates of the cellular service enables the cellular operators to compete with Bezeq's Internet services, and to market greater bandwidths to their customers at lower prices than in the past. In the Bezeq's opinion, as of the date of the report, the increase in the number of customers browsing the cellular Internet did not materially affect the scope of Bezeq's Internet activity. However, the potential for increase in the use of cellular networks at the expense of the use of the Bezeq network exists and may increase with the establishment of 5G (see Section 3.1.5), since they will also be able to provide ultra-fast internet at the customer's home.
- The development of artificial intelligence (AI) and the increased adoption of its applications is expected to drive higher demand for high-speed communications infrastructure and impact digital consumption patterns, thereby creating growth opportunities for Bezeq alongside operational streamlining.
- 2.1.5. The critical success factors in the field of activity and the changes that apply to them.
- 2.1.5.1 The ability to offer reliable communication systems at a competitive price based on a cost structure adapted to the frequent changes in Bezeq's business environment.
- 2.1.5.2 Regulatory decisions and the ability to deal with them.
- 2.1.5.3 The ability to maintain innovation and technological leadership and translate it into advanced, reliable and valuable applications for the customer in short response times, as well as marketing primacy.
- 2.1.5.4 Preservation of brand values and their adaptation to the conditions of the changing competitive environment.
- 2.1.5.5 Effectiveness of sales and service systems.
- 2.1.5.6 Informed pricing policy management, subject to regulatory restrictions.
- 2.1.6. The main barriers to entry and exit of this field of activity and changes that apply to them
- Activities in the field of landline interior communications require registration in the registry and operation in accordance with general permit regulations, or the receipt of appropriate licenses in certain circumstances. For regulatory easements, see Section 1.7.4.
- Traditionally, the main barrier to entry into this field has stemmed from the need for heavy investments in technological infrastructure and enveloping systems to achieve size

¹³ SD-WAN is a solution from the software defined networking family - implementing a network on smart software over uniform hardware. In SD-WAN, intelligent central software manages endpoint routers at customer sites and enables uniform communication and information security for the organization with easy and convenient central management.

advantages, and high costs associated with setting up marketing, sales, collection and customer support systems and brand building. Over the years, the traditional barriers to entry into Bezeq's areas of activity have significantly decreased as a result of the following factors: technological improvements, declining prices of infrastructure and equipment, changes in the rules of regulation (see sections 2.7.2 and 2.16.5), regulatory relief granted to new competitors, the obligation to allow the use of Bezeq, Hot, and IBC infrastructure and services - including within the wholesale market.

The main barriers to exit stem from the following: Bezeq's obligation, set forth in its license, to provide its services on a universal basis (to the general public in Israel, except in relation to fiber as specified in section 2.16.5); Its subordination to the provisions of the Communications Order, regulations under the Communications Law, as well as provisions under Article 13a of the Communications Law regarding emergency activities; Its commitment to some of its employees employed under collective agreements; Large investments that require a long return on investment; And a commitment to repay long-term debentures and loans taken to finance investments. Some of these exit barriers are unique to Bezeq and are not relevant to other operators operating in this field of activity.

2.1.7. Substitutes for products in this field of activity and changes that apply thereto

Cellular communication services are a substitute product for Bezeq services, both in the field of telephony, including through apps and in IP technologies such as VoB (see Section 2.6.3 2.6.3.1), and in the field of the Internet (see Section 2.6.2), transmission and data communication. Technological developments (such as 4G and 5G in cellular, fiber-optic-based infrastructure, millimeter waves and advanced cable Internet protocols) enable the provision of new services at high speeds and at competitive prices.

2.1.8. The structure of competition in this field of activity and changes that apply thereto

The field of interior landline communications is regulated and supervised by the Ministry of Communications, among other things, by allowing communication service providers to register as authorized providers operating in accordance with the permit regulations as well as by granting licenses, in circumstances where a license is required, to bodies operating in the field.

Competition is both in the provision of various services to end customers and in the provision of services to licensed providers and in infrastructures. Some providers are active competitors in some markets and some providers compete in all. For more information on the subject, see Section 2.6.

Infrastructure – Deployment

In the communications market, there is competition between infrastructures and communications networks over which services are provided to both private and business end customers, and licensed providers who use them to provide services to their end customers. In recent years, the market has been characterized by the accelerated deployment of fiber networks, both in independent infrastructures and in Bezeq's passive infrastructure. Bezeq's fiber network, as of the date of the report, reaches approximately 2.95 million households that are available for connection in the statistical areas in which Bezeq has chosen to deploy ("**Service Areas**"), and the IBC network reaches, to the best of Bezeq's knowledge, approximately 2.4 million households.

In relation to a traditional network (non-fiber, copper) – Bezeq has a fully nationwide network, and is obligated to provide service to all who request it ("**Universal Service Duty**"). This duty is also imposed on HOT (which received relief in implementing the duty), and it also has a nationwide network (almost completely). For details regarding the closure of the copper network, see Section 2.7.2.3.

Internet Service

Internet service for end customers – the service is characterized by a significant increase in bandwidth and browsing speeds, mainly upon the deployment of fiber networks. Starting in April 2022, Bezeq will market its own unified private Internet service (infrastructure and access service). In this service, Bezeq's main competitors are HOT, Partner, and Cellcom, as well as other licensed providers that provide service via landline infrastructure that they have been authorized to deploy, or licensed providers that lack infrastructure (via the wholesale service).

Wholesale Internet Service (BSA) for Licensed Providers

Bezeq's main competitor in providing services to licensed providers on the fiber network is IBC. IBC provides services to telecommunications providers and is generally not permitted to market directly to end customers. For the provision of services in the form of IRU agreements, see Section 2.6.2.2. On the copper network, the main competitor is HOT.

For wholesale services using passive infrastructures and dark fiber - see Section 2.16.5.

Transmission

In the field of transmission and data communications, Bezeq's competitors are mainly Hot Telecom, Cellcom, and Partner, which operate within the framework of communication groups and offer a comprehensive communication solution to the customer.

Telephony

In the field of fixed-line telephony, Bezeq's competitors are Hot Telecom, as well as VoB service providers operating under licenses without a Universal Service Duty, as well as cellular companies (see Section 2.6.3.2). For details about wholesale telephony services, see Section 2.16.5.

Competition in the communications market depends on various factors such as: technological developments, regulatory resolutions, possible changes in the terms of the licenses of Bezeq and its subsidiaries and the terms of the licenses of their competitors; mergers and collaborations between companies competing with the Group companies; Possible implications of the Centralization Law; asymmetry between Bezeq's ability and the ability of competitors to sell a comprehensive service; The new services that Bezeq will be allowed to provide; The rates policy, cancellation of the structural unbundling and the degree of flexibility that will be given to Bezeq in offering undetachable service packages, including with subsidiaries.

For a description of the development of competition, see Sections 1.7 and 2.6.

2.2. Products and services

2.2.1. General

Bezeq provides a wide range of communication services to its business and private customers as detailed below.

2.2.2. Telephony

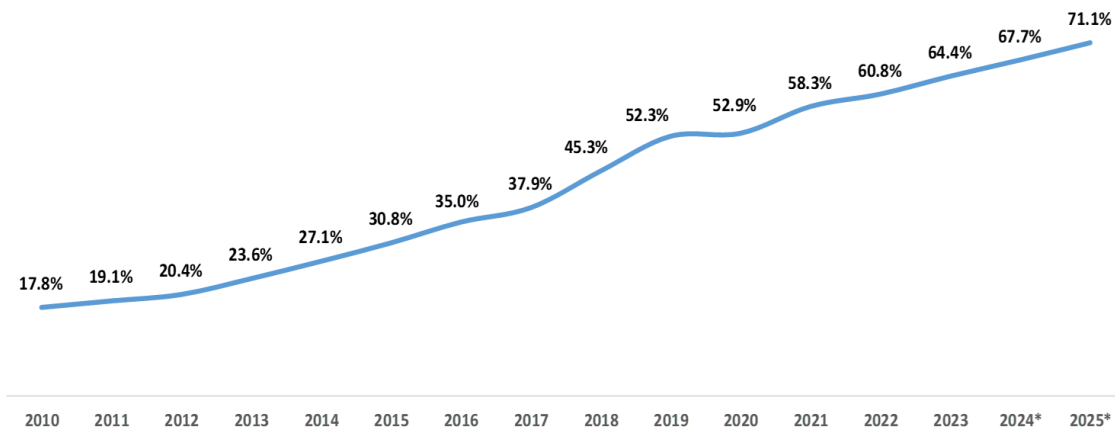
Bezeq's telephony services mainly include the basic telephone services via the home telephone line, and ancillary services such as: voicemail and caller ID. Following the hearings published by the Ministry of Communications regarding the closure of the copper network (see Section 2.7.2.3), Bezeq has begun to provide telephony service over the fiber network.

Bezeq also provides its customers with national numbering services for businesses ("1-800", "1-700"), the calls in which are paid in full or in part by the business.

Bezeq operates a centralized call center for telephone number inquiries also for operators of landline and cellular telephony, as well as a unified website free of charge.

In recent years, the landline telephony segment has been characterized by a decline in demand, which is reflected in a decline in the rate of ownership of a landline telephone line and a gradual erosion in the number of calls to and from landline networks. According to Bezeq, this trend stems mainly from the increase in the use of mobile phones and smartphones, from large-scale call minute packages that mobile companies market, from prices in the segment, as well as from an increase in the number of calls over the Internet (see Section 2.1.4). In 2025, a decrease of approximately 4% was recorded in the number of Bezeq lines compared to 2024. Nevertheless, it should be noted that in the past year the decline in the Company's telephony income has moderated, due to the completion of the regulatory fee reduction scheme – see Section 1.7.6.1.

Chart - Rate of households without a fixed home telephone line¹⁴



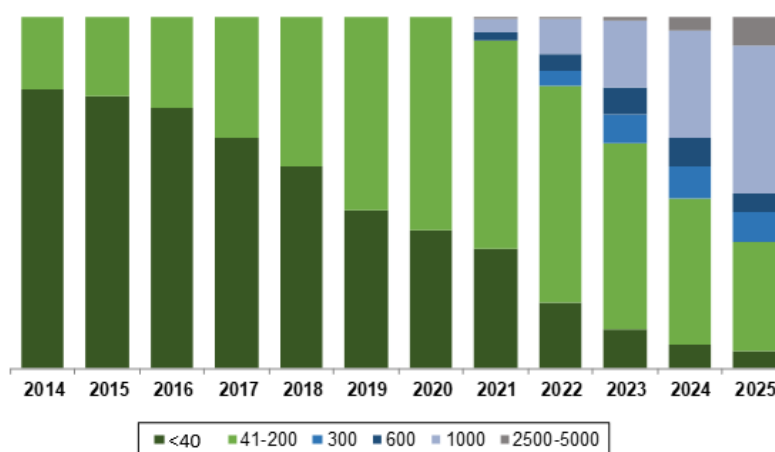
For wholesale telephony service, see Section 2.16.5.4.

2.2.3. Internet access infrastructure services and ISP

Bezeq provides broadband Internet services nationwide over the copper infrastructure using xDSL technology and over the fiber network in statistical areas subject to milestones in its license (for Bezeq's service areas, see Section 2.16.4). There are also a limited number of areas where the Company uses wireless technologies such as VBAND. As of April 3, 2022, Bezeq markets and provides a unified Internet service, infrastructure and Internet access in a private service (for this matter, see Section 2.1.8).

The Internet market has seen a significant increase in bandwidth and browsing speeds in recent years, mainly with the deployment of the fiber network, which allows for significantly higher speeds than the traditional copper network, and customers joining it increase the average package speed. In addition to customers migrating to Bezeq's fiber network, Bezeq is also working to upgrade customers' browsing speeds on the fiber network. Bezeq provides service via fiber at speeds of up to 300Mbps, 600Mbps, 1Gb, 2.5Gb and 5Gb. Bezeq also provides speeds of up to 200Mb on its copper network.

Distribution of Internet speeds among the Company's retail subscribers (in Mbs as of the end of each year)



* In packages where there is a range of rates, the maximum rate in the package is taken into account.

¹⁴ The data were sourced from publications of the Central Bureau of Statistics (findings from the Household Expenditure Survey for 2019–2022, dated 9.6.2024; findings from the Household Expenditure Survey for 2023, including data on household income, expenses, and product ownership in Israel, as of 1.1.2026). Regarding the data for 2024–2025, they are based on Bezeq's estimates, derived from previous years' surveys of the Central Bureau of Statistics.

In recent years, the growth trend in terms of the number of customers has continued. During 2025, Bezeq estimates the following changes will occur compared to 2024: an increase of approximately 1.3% in the number of landline Internet subscribers in Israel and a decrease of approximately 0.5% in the total number of Bezeq Internet subscribers (decrease in retail and increase in wholesale).

For details regarding changes in the number of Bezeq Internet subscribers in the average monthly income per Internet subscriber and in the average package speed, see Section 1.5.4.1. For details regarding Bezeq's market share in this field, see Section 2.6.2.

The Internet service is one of Bezeq's main occupations and a major route in its investments in technologies, marketing, advertising and customer acquisition and upgrade.

Bezeq is obligated to provide a broadband Internet access in a BSA wholesale format to authorized providers, who in this way provide their customers with a uniform Internet service. For this service see Section 2.16.5. For the agreement for the provision of the indefeasible right-of-use (IRU) service in the BSA fiber service (wholesale market) by Bezeq to Partner and Gilat, see Section 2.6.2.1.

2.2.4. Data transmission and communication services

Data communication services are network services for transferring data from point to point, data transfer between computers and various communication networks, services for connecting communication networks to the Internet and remote business access services.

Bezeq offers transmission services to communications operators, international parites and its business customers in a variety of interfaces.

The field is characterized, on the one hand, by a rapid increase in customers' bandwidth needs and, on the other hand, by a decrease in the price for a given volume of traffic, which stems both from the development of technology (see Section 2.1.4), which allows for increased bandwidth at lower costs than in the past, and from increased competition in the field (see Section 2.6.4). In addition, there is a noticeable shift away from the use of the communications providers' own infrastructure (on this matter, see Section 2.1.8).

2.2.5. Cloud and digital services

This category includes, among others, cloud computing (V-CLOUD), cyber services, smart complexes services, virtual private hub services (Centrex IP), BCAM SMS services, WIFI for businesses, as well as the B144 service which is Bezeq's advertising platform for digital advertising and marketing for small businesses.

2.2.6. Wholesale services

Bezeq provides a wholesale BSA Internet service to service providers - as of the end of 2025, the number of wholesale Internet lines on the Bezeq network was approximately 493K, constituting approximately 33% of Bezeq's total Internet subscribers. In this context, it should be noted that these lines also include lines that were not originally on the Bezeq network (new or from a competing network).

Bezeq also provides a wholesale service that allows competitors to use Bezeq's passive infrastructure.

Regarding wholesale services, see Sections 2.1.8 and 2.16.5.

2.2.7. Other services

2.2.7.1 Additional services for communications operators

Bezeq provides services to other communications operators, including: cellular operators; International operators; Hot; Network endpoint operators; Internet Service Providers (ISPs); Interior operators; Palestinian communications providers.

The services that Bezeq provides, as stated, include infrastructure services, linking to the Bezeq network, billing and collection services, renting areas and providing services in rented properties.

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For the provision of wholesale services to communications operators and for the possibility of using Bezeq's physical infrastructure also for infrastructure owners, see section 1.7.4.

2.2.7.2 Broadcast services

Bezeq operates and maintains radio transmitters, among others, for the broadcasting corporation, Galei Tzahal and a number of regional radio stations. Bezeq also operates the DTT broadcasters for the Second Authority. Bezeq is responsible solely for operating and maintaining the transmitters for the purpose of distributing the broadcast of the radio and television programs, and not for the content of the broadcasts. For this matter, see also section 2.15.

2.2.7.3 Contractor work

Bezeq performs construction and operation of networks or sub-networks for various customers (such as the Ministry of Defense, radio and television broadcasting companies, cellular operators, international communications operators, local authorities, municipalities and government bodies).

2.2.8. Sale of end equipment and devices

As of 2019, Bezeq has been selling smartphones (in addition to other end equipment sold thereby). Bezeq has expanded its offering to additional equipment and devices (including products not in the field of communications).

2.3. Income segmentation of products and services

The following is data about the distribution of Bezeq's income according to the products and services in its field of activity in the years 2023-2025 (NIS millions):

	2025	2024	2023
Income from Internet infrastructure services	2,032	1,999	1,947
Rate out of the total Company income in the field of activity	45.89%	46.04%	44.13%
Income from landline telephony	488	544	650
Rate out of the total Company income in the field of activity	11.02%	12.53%	14.73%
Income from transmission and data communication services	1,211	1,179	1,163
Rate out of the total Company income in the field of activity	27.35%	27.15%	26.36%
Income from Cloud and digital services	365	348	349
Rate out of the total Company income in the field of activity	8.24%	8.01%	7.91%
Income from other services and sale of end equipment	332	272	303
Rate out of the total Company income in the field of activity	7.50%	6.26%	6.87%
Total income from the field of landline interior communications	4,428	4,342	4,412

2.4. Customers

Bezeq is not dependent on a single customer, and there is no customer Bezeq's income from whom constitute 10% or more of its total income. Bezeq's income are divided into two main types of customers: private customers (approximately 48%) and business customers (approximately 52%)¹⁵. The aforesaid distribution is according to income, as detailed in the table below (in NIS millions):

	2025	2024	2023
Income from private customers	2,122	2,098	2,114
Income from business customers	2,306	2,244	2,298
Total income	4,428	4,342	4,412

2.5. Marketing, distribution, and service

Bezeq has marketing, sales and service systems for businesses and private customers, including customer managers for the business segment, integrated sales and service centers throughout Israel, technical support centers for private customers and business customers, as well as an online virtual store. In 2025, Bezeq launched a new AI-based voice bot ("Ron"), which provides telephone support at the technical call center and handles over 1,000 calls per day.

Bezeq markets its services mainly through advertising in the mass media, telephone sales centers, customer managers and through a system of marketers that includes outsourced sales centers. Bezeq has independent service and sales channels on its website, in a dedicated application (My Bezeq), and through a computerized voice answering service.

Also, the internet providers (ISPs) market the Company's Internet infrastructure as part of a unified Internet service based on Bezeq's BSA wholesale service. Note that as of April 3, 2022, they can no longer market Bezeq's internet infrastructure to private customers in a bundle outside of the wholesale market.

2.6. Competition

The following is a description of the development of competition in the field of landline interior communications:

2.6.1. Infrastructure - Deployment

In the communications market, two licensees for the provision of landline interior communications services are obligated to deploy nationwide and provide service to all who require it ("universal service")¹⁶ on the traditional (copper) network: Bezeq and Hot Telecom.

As of the date of publication of the report, Bezeq's fiber network was deployed to approximately 2.95 million households nationwide that are available for commercial connection, of which approximately 1.01 million subscribers were connected (637K retail and 380K wholesale). With respect to the fiber network, the Company is obligated to provide service according to its service areas - see Section 2.16.4).

Hot and IBC also have a fiber network in extensive deployment. According to a report on the IBC website, as of the end of 2025, approximately 2.4 million households have access to its network. According to a report on the IBC website, as of the end of 2025, approximately 2.4 million households have access to its network. To the best of Bezeq's knowledge, HOT and Cellcom have IRU agreements with IBC, which include commitments regarding the purchase volume from IBC's network deployment.

2.6.2. The field of Internet

2.6.2.1 Internet service (retail) for end customers

The Internet sector is characterized by high penetration rates and a large number of licensed providers, and in recent years there have been significant changes: (1) Internet service over fiber - Starting in March 2021, Bezeq provides Internet service over its fiber network, according to milestones in its service areas; in incentive areas, Bezeq Group is prohibited from doing so for five years from the date of determination of the duty to deploy in the winner's license or by administrative directive. The companies Cellcom and Partner began providing fiber service several years before the Company; (2) Unified service - Until April 2022, the Internet service Bezeq was permitted to provide to customers was only an Internet infrastructure service, with the customer required to purchase the access service (ISP) separately from a service provider or in a Bezeq bundle. The aforementioned also applies to HOT, while other providers were permitted to sell a unified service, either on their own or through a wholesale market. Starting in April 2022, Bezeq provides customers with a private Internet service (fiber and copper) as a unified service, which includes both

¹⁶

The duty to provide service to everyone who requests it nationwide also applies to holders of general licenses to provide mobile radio telephone services, such as Pelephone, Cellcom, and Partner, as well as in the field of international carrier services - such as Bezeq International.

infrastructure and access service (ISP), and Bezeq is not permitted to market bundles with other access providers; later, Hot was also permitted to provide a unified Internet service to customers.

In providing Internet services to end customers, Bezeq competes with Hot (which is also permitted to market a shared service basket on the IBC network), Partner (on its own network and through the wholesale market), Cellcom, and licensed providers¹⁷ that provide service via landline infrastructure that have been permitted to be deployed (including through the use of the Company's passive infrastructure after meeting security requirements), and licensed providers without infrastructure (through the wholesale service).

Cellular companies have deepened their activity in the field of Internet over the cellular medium in both the private and business segments. Browsing services are provided both from the cellular device and via a cellular modem that connects to mobile and desktop computers.

Bezeq estimates that its market share in terms of retail customers as of the end of 2025 is approximately 35%.¹⁸ In addition, the proportion of Bezeq's unified Internet customers among its retail customers as of the end of 2025 is approximately 91%.

2.6.2.2. Wholesale Internet service

Bezeq's wholesale Internet service (BSA) allows licensed providers, including Cellcom and Partner (excluding IBC. In the matter of Hot, see Section 2.16.5.3), to provide end-to-end Internet service also via Bezeq's Internet infrastructure (fiber and copper), at maximum controlled prices not set by Bezeq.

Fiber – In providing wholesale Internet service to licensed providers over fiber, Bezeq's main competitor is IBC, which provides the service mainly in the format of IRU agreements. The IBC license allows the provision of services mainly to licensees and requires it to submit for approval by the Ministry a shelf offer to purchase the fiber infrastructure service (in the IRU format) at a reduced rate (to the best of the Company's knowledge, IBC is linked with Cellcom and HOT through IRU agreements).

Signing of IRU Agreements for the Provision of BSA Service Between Bezeq, Partner, and Gilat

On 21.12.2022, a long-term agreement was signed between Bezeq and Partner for the provision of an indefeasible right-of-use (IRU) service in the BSA fiber service (wholesale market) by Bezeq to Partner, and on 12.9.2024, an amendment to the agreement was signed. In accordance with the agreement, Partner was granted an indefeasible right-of-use for providing service to its customers on 120,000 unspecified Bezeq fiber optic lines at a rate of 1 gigabit download per line, for a period of 15 years starting on 1.1.2023 (the right-of-use of the lines will begin in phases over a period of up to five years. It should be noted that as of the date of the report, Partner has activated all its lines quota included in the agreement. The consideration for providing the service, which includes one-off payments and annual payments, is expected to reach a total amount of approximately NIS 1 billion (approximately NIS 574 million for one-off payments, annual maintenance fees at a rate of 4% of the one-time payments for the lines for which the right-of-use will be granted until that year, plus interest and/or linkage differences according to the terms of the agreement), with most of the consideration expected to be paid during the The first 6 years of the

¹⁷ Including those who do not have licenses but are only registered in the Ministry of Communications registry and operate according to general permit regulations.

¹⁸ Bezeq's assessment of its market share in the field of Internet infrastructure services for the end of 2024 is based on the number of customers consuming services on the Company's infrastructure (retail and wholesale) and on publications regarding the number of Partner and Cellcom subscribers. It should be noted that Hot and smaller companies operating in the market are not reporting corporations and their data is not public, accordingly, it is difficult to provide accurate data regarding market shares and these are estimates only.

agreement. The agreement includes the option to increase the number of lines by up to 48,000 additional lines under the same conditions, to upgrade rates, and to extend the agreement period by two five-year option periods, each with a lower line cost than in the first agreement period. Increasing the content of the agreement as stated will result in a corresponding increase in the overall financial scope of the agreement. The agreement also includes a price protection mechanism for Partner in a manner that weighs down the price of the regulatory line, starting from the sixth year of the agreement. The agreement increases the usability and utilization of Bezeq's fiber network, its income and profits, as well as its free cash flow (mainly during the first 6 years of the agreement) and creates certainty regarding future income from the wholesale market from the lines included in it. However, the agreement embodies a discount for a commitment to quantity and period in relation to wholesale market rates (for an amendment to the agreement between the Company and Partner dated 12.9.2024, see "Immediate Supplementary Report - IRU Agreement between the Company and Partner" dated 12.9.2024, Reference No.: 2024-01-602992, incorporated in this report by way of reference). As of the end of 2025, Partner exercised the options available to it under the agreement for the right of use for 36,000 additional lines.

Further to the above agreement and contacts with the Ministry of Communications, Bezeq agreed to reduce the prices of discrete lines in the BSA Fiber service (at an aggregate rate of up to 1.1 gigabits/second) for all providers to a price of NIS 72 per month (linked to the index in accordance with the price update mechanism that was in use) plus VAT, so that after this price reduction, the Ministry viewed the agreement as a shelf offer for anyone who wishes to do so. On 25.12.2023, Bezeq informed the Ministry of its decision not to link the said price to the index in 2024 and to leave it at the aforementioned amount of NIS 72. Approval of the non-linkage was also given for 2025. For the decision in the hearing on the wholesale prices and the petition submitted to the High Court of Justice by certain authorized suppliers, see Section 2.16.5.3.

On December 15, 2024, Bezeq signed an IRU agreement with Gilat, similar in nature to the agreement signed with Partner, for 18,000 lines over a 15-year period (phased in over up to three years, with the lines fully realized), for a total consideration of approximately NIS 140 million (of which approximately NIS 90 million relates to one-time payments). Additionally, on 3.11.2025, Bezeq and Gilat signed an amendment to the IRU agreement, expanding the existing agreement to grant Gilat the right to use an additional 90,000 lines, phased in four tranches over a 15-year usage period, starting from the payment date for each tranche¹⁹. The total consideration for the amendment is expected, depending on the full exercise of all tranches by Gilat, to exceed NIS 600 million (of which approximately NIS 400 million relates to one-time payments, plus annual maintenance fees and/or interest and/or indexation differences under the terms of the agreement), with the majority of the payment expected during the early years of the amendment period. The extended agreement includes the option to upgrade speeds and extend the usage period through two five-year option periods (at Gilat's discretion), at a lower line cost than in the initial agreement periods. The exercise of these options will result in a corresponding increase in the total financial scope of the agreement. The amendment is expected to increase the utilization and efficiency of Bezeq's fiber network, enhance its revenues and profits, improve its free cash flow (particularly during the early years), and provide greater certainty regarding future wholesale market revenues from the included lines. As of the report date, Gilat had implemented approximately 21,000 lines. For the hearing decision concerning BSA fiber rates - including the establishment of quotas

¹⁹ There is a condition on the exercise of each of tranches 2 to 4 (each comprising 18,000 lines), dependent on Gilat's overall activity growth as specified in the agreement.

for large companies and the need for Ministry approval for exceeding them - see Section 2.16.5.3.

Some of the information contained in this section is forward-looking information as defined in the Securities Law, based on Bezeq's assessments, among other things, regarding the structure of competition and regulation in the communications sector, the behavior of communications operators and consumer behavior, as well as regarding the manner in which Partner and Gilat chose to utilize the right to use the lines in the various areas. The assessments and actual results may change accordingly depending on changes in the aforementioned variables.

For the provision of BSA service by licensed providers in incentive areas - see Section 2.16.5.1.

Copper - In providing BSA wholesale Internet service over a traditional (copper) network, Bezeq's main competitor is HOT. HOT has a traditional communications infrastructure with an almost nationwide deployment through which a variety of communications services can be provided.

According to Bezeq, as of the end of 2025, its market share in the Internet infrastructure market (retail and wholesale customers) was approximately 53%.

2.6.3. The field of telephony

The field of private landline telephony is characterized by a decrease in the number of owners of a landline telephone line and an ongoing erosion in the number of calls to and from landline networks (see Section 1.5.4.1). Bezeq estimates that in 2025 the entire landline telephony market continued to erode at a similar rate to 2024. For this matter, see also Section 2.4. Since not all competitors in the field are reporting corporations and their data is not public, it is not possible to detail the market shares of the competitors in the field. For Bezeq's fiber telephony service following the hearing to close the copper networks, see Section 2.7.2.3.

2.6.3.1 Competition from additional NIO licensees

Bezeq and Hot Group have a fixed telephony infrastructure nationwide, and there is competition between them, which is reflected, among other things, in the fact that Hot Group markets Internet infrastructure, telephony and cable television), and possibly also cellular services, especially for households, including through packages. In addition, Hot Group markets telephony services for business customers.

In addition, there is competition with licensees for the provision of landline interior communications services, including VoB, which provide the service, including over Bezeq's broadband access service, including the wholesale BSA service.

As of July 2017, Bezeq allows holders of unified licenses who are authorized to provide NIO services, Wholesale telephony service on the Bezeq network (initially in the resale format and then in the service portfolio format). There is no demand for the aforementioned wholesale telephony service. For the matter of wholesale telephony service, see Section 2.16.5.

2.6.3.2 Telephony competition from cellular companies

Bezeq is of the opinion that the high penetration rate of cellular phones, combined with low airtime rates compared to the rest of the world, packages that include call minutes with no effective limit on a fixed monthly fee, and diminishing interconnect rates have made cellular telephony a substitute for landline telephony. In Bezeq's estimation, the deepening of the interchangeability between a landline and a mobile line is one of the main reasons for the decrease in the average traffic per line, and the high rate of removal of telephone lines (see section 2.1.3 2.1.3). Partner and Cellcom also sell service packages that combine landline, cellular, and Internet services.

In the field of cellular telephony, there is a trend of moving to the use of applications allowing you to make calls and send text messages over the Internet.

2.6.4. The field of transmission and data communication

In this field there is increasing competition, when, mainly Cellcom, Partner and Hot, as well as ISP companies operate in this field in addition to Bezeq.

To the best of Bezeq's knowledge, Cellcom has established a transmission network, which is used both for its own needs and for competition with Bezeq's services in the transmission and data communications market. Partner also operates in the field of providing transmission and data communication services, combined with telephony and Internet, to business customers.

Cellcom, Partner, HOT, and IBC use Bezeq's physical infrastructure as part of the wholesale service (see Section 2.46.5.2), *inter alia*, in order to compete with Bezeq in this field.

IBC's is allowed to provide IPVPN services and broadband data communication lines.

2.6.5. Additional competing infrastructures²⁰

In addition, there are currently a number of infrastructures in Israel that have the potential to serve as communications infrastructures, which are based on fiber optics and mostly owned by companies and government bodies, such as: Israel Railways, Mekorot, Oil Infrastructure Company and Trans-Israel Highway. Some local authorities are also trying to create an alternative for laying pipes or fibers using their infrastructures. Amendment 76 to the Communications Law states that a service requested by a local authority, including a municipal company and a municipal subsidiary company, will require a license in any case (and not just registration in the registry).

2.6.6. Bezeq's preparations and ways of dealing with the growing competition

Bezeq faces competition in the landline interior Bezeq services in a number of ways:

Bezeq is working to introduce the high-speed Internet service and to increase the number of its customers in this field (see also Sections 2.2.3 and 2.7.2). In March 2021, the Company launched the fiber service on a fiber network deployed in the statistical areas (see Sections 2.7.2.2 and 2.6.5).

2.6.6.1 As of 2018, Bezeq has been marketing its Be router (in version upgrades over the years). This is an advanced router with an innovative design and advanced capabilities that include, among other things, Smart Wi-Fi that enables quality and continuous browsing over the home Internet and Cyber protection. The router and services are managed by an app for Bezeq customers. Bezeq also markets products to improve the reception range of the Be spot (including a fiber-optimized version) and Be mesh home Internet networks. With the advent of Internet services on the fiber, a router was launched that improves the reception range that is compatible with the fiber network at ultra-fast speeds.

In May 2023, Bezeq, together with the global company Nokia, conducted a trial demonstrating the ability to deliver speeds of up to 25 Gbps using advanced technologies, and simultaneously announced a future roadmap for speed and service development, including the launch of multi-gig speeds of 25 Gbps in 2027, advanced WiFi7 standards, and an upgrade to Bezeq's Be router. Additionally, in 2025, Bezeq launched a new Fiber router supporting AI-based cybersecurity and WiFi7, designed for standard fiber speeds (up to 2.5 Gbps). Bezeq also introduced a new WiFi7 range extender, the BOOST model, for remote rooms and reinforced security rooms (Mamad), as well as a backup battery for the Be router.

2.6.6.2 Bezeq is constantly working to improve the quality of its services and retain its customers (including by upgrading browsing speed and providing value to the customer), simplify processes and automate, and adapt its operations

- to the structure of competition in its areas of activity.
- 2.6.6.3 Bezeq offers to telephony customers packages, consumption-adjusted plans and promotions.
- 2.6.6.4 Bezeq is working to reduce its operating expenses and to focus investments on growth activities and as a means of reducing maintenance expenses. However, Bezeq's ability to make short- and medium-term adjustments to its expenses is limited due to its cost structure, which is mainly rigid short- and medium-term costs (mainly depreciation and payroll-related expenses, as well as operating costs, such as infrastructure maintenance and rental and maintenance of buildings).
- Bezeq is launching new communication services and value-added applications (such as Cyber+, BIZFIBER, integration services, etc.), as well as product and service packages and shared baskets (similar to certain baskets marketed by its competitors, although subject to a detachability limit - see Section 1.7.3.1), in order to expand the scope of the use of subscriber lines, to respond to customer needs, and to strengthen the image of technological innovation. Bezeq invests in the improvement of its infrastructure, to enable the provision of advanced services and products to its subscribers.
- 2.6.6.5 Bezeq has launched several business services under the brand "Bezeq Business Pro", which include security solutions and business networking, installed either on the customer's premises or on the Company's infrastructure. In addition, Bezeq is promoting a cloud computing server solution for businesses as part of the V-CLOUD service. Bezeq is also working on upgrading access lines to higher speeds.
- 2.6.7. Main positive and negative factors affecting Bezeq's competitive position
- 2.6.7.1 Positive factors
- a. Quality nationwide infrastructure, through which a variety of services are provided.
 - b. Presence in most businesses and households.
 - c. A well-known and strong brand.
 - d. Technological innovation.
 - e. High positive cash flow, financial resilience and access to financing sources
 - f. Extensive service infrastructure and diverse customer interfaces.
 - g. Professional, experienced and skilled personnel.
- 2.6.7.2 Negative factors
- Bezeq believes that various restrictions that apply to it make it difficult for it to compete in its areas of activity. The following are the main limitations in this regard:
- a. Limited rate flexibility
Bezeq is limited in its ability to offer differential rates on its main services.
For the hearing on the prevention of "margins reduction" in the wholesale market, see Section 2.16.5.1.
 - b. Structural separation obligation and limitations in the marketing of joint service packages of Bezeq and Group companies;
For this matter, see Section 1.7.3.
 - c. The universal service and fiber deployment obligation
Bezeq has an obligation to provide service at a uniform price to the general public in Israel (universal service), except in relation to fiber network deployment in incentive areas. By virtue of this obligation,

Bezeq is required to provide services even in non-economic circumstances (subject to the possibility of obtaining an exemption in exceptional circumstances). Regarding the scope of the obligation in relation to the provision of services on an ultra-broadband fiber infrastructure, see Section 2.16.5. This obligation does not apply to other authorized providers for the provision of stationary services (except Hot and not in the matter of fiber. Regarding Hot and IBC, see Section 2.6.2.1), who may offer their services to profitable customers only, who constitute a substantial source of income for Bezeq. These companies has carried out and are carrying out an accelerated deployment of fibers in economically viable areas. In addition, Hot, which has a universal service obligation (not in fiber), received various reliefs in the implementation of full deployment obligation, significant exemptions and reliefs were granted to IBC, and Bezeq is committed to allowing Hot and IBC to use Bezeq's passive infrastructure. (see Section 2.16.4).

d. The nature of end equipment in landline telephony

End equipment in the field of landline telephony does not have personal characteristics. It is also less technologically advanced compared to cellular end equipment, and the range of advanced services that can be consumed through it is limited.

2.7. PP&E, real estate and facilities

2.7.1. General

Bezeq's property, plant and equipment include, mainly: infrastructure and equipment for interior communications, real estate assets (land and buildings), computer systems, vehicles and office equipment.

During the coming year, Bezeq intends to begin a phased process to move its server farm in Tel Aviv to a new facility in the Ramla area ("**Bezeq Ayalon**"). Pelephone is also expected to move its core facility to this facility.

2.7.2. Infrastructure and stationary interior communications equipment

2.7.2.1 Data transfer and transmission network

Bezeq's fiber infrastructure for private customers (in the access segment) began to be deployed in 2020 and allows for ultra-broadband speeds (for the scope of the network deployment, see Section 2.6.1). This infrastructure is based on GPON technology and currently allows bandwidths of up to 10Gbps in the downstream channel (as of the date of publication of the report, Bezeq markets bandwidths of up to 5Gbps in the downstream channel).

For the amendment of Bezeq's license and the selection of areas for the fiber network deployment by Bezeq, see Section 2.16.4.

In parallel with this infrastructure, the NGN network is also operating, which is based on fiber-optic infrastructures to street cabinets (FTTC) and on an access network based on copper cables from street cabinets to the subscriber's network termination point (mentioned in the description of the telephony network, see Section 2.7.2.2). On this network, it is currently possible to provide bandwidths of up to 200 Mbps on the downstream channel, depending on the quality of the copper infrastructure.

This data transmission network is used by Internet providers in Israel as a dual access network in a wholesale model based on both xDSL technology on a copper infrastructure and GPON technology on a fiber infrastructure to customers' homes. All access infrastructures are interconnected at a national level through an advanced MPLS network for all providers in Israel, and for Bezeq's own uses. The MPLS network enables the implementation of reliable and efficient national connectivity for various uses, at a national level.

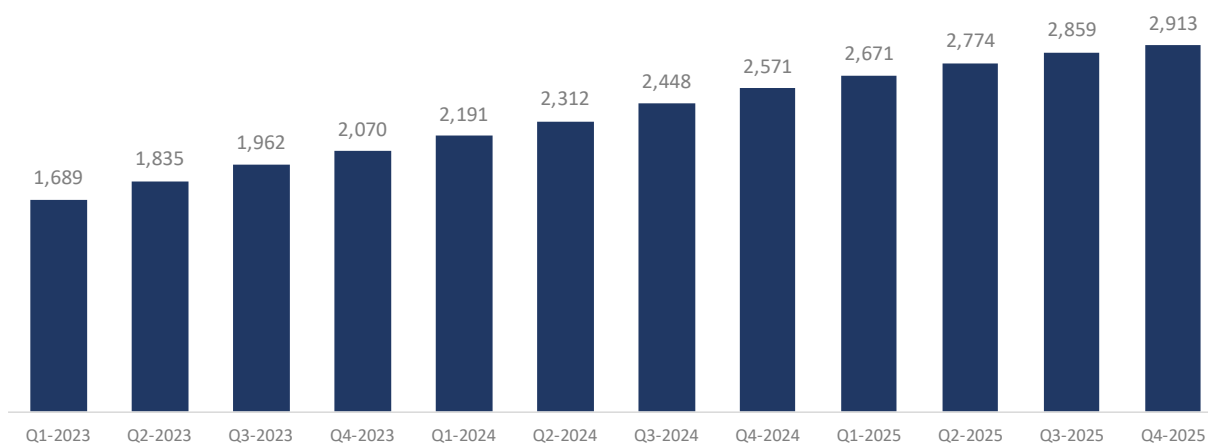
Bezeq has two parallel MPLS networks from different equipment manufacturers for backup and survivability in various implementations. In addition to the Internet service, these networks provide IP Layer 3 transmission services, cellular backhaul services as a service for cellular traffic, as well as broadband metro transmission services (Ethernet Layer 2 connectivity), with a high level of performance and great flexibility. The services are provided on Bezeq's infrastructures through New and advanced communication systems that enable the transfer of large volumes of traffic between sites for a variety of applications. In addition, the services include advanced options for full management by Bezeq or independent management, which allow the business customer better control over the management of the corporate communication network.

Since receiving the license to operate as an ISP (see Section 2.2.3), Bezeq has added an ISP Internet Service Provider infrastructure, backed up and survivable at two sites. This infrastructure includes an IP network, a customer connection system, a system for sharing valid IPv4 addresses in the CGNAT model (address translation and sharing) with full support for IPv6. Connections were also deployed and equipment was installed at three sites in Europe to enable the use of content from the global Internet in a flexible and efficient manner. In addition, during 2024-2025, international links were added to the network to support survivability and traffic growth.

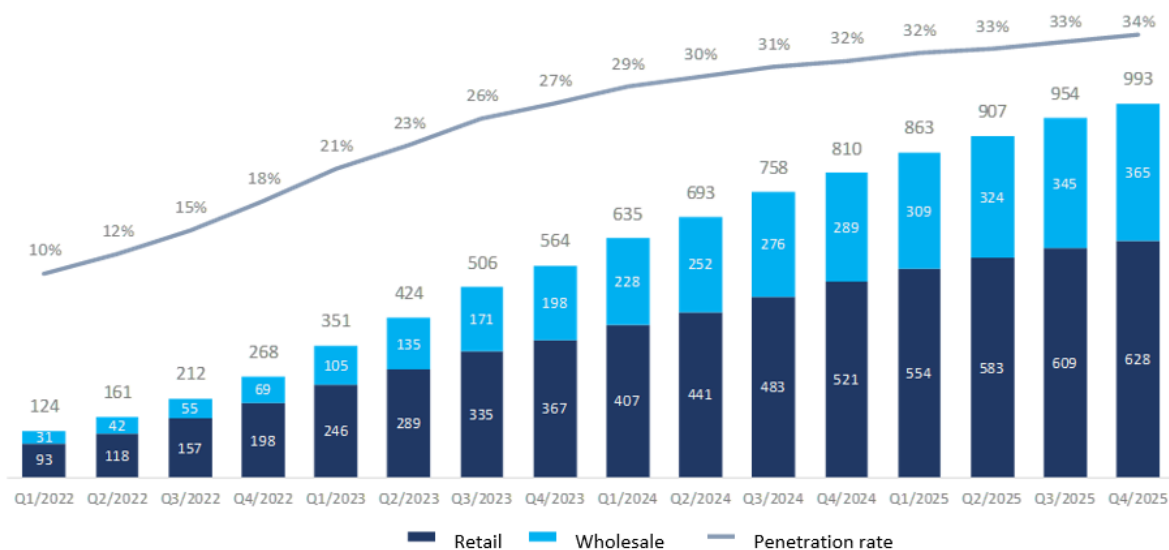
Most of the end equipment (equipment installed at the subscriber, such as routers) is owned by the Company and is rented to the customer.

The following is a description of the development of the number of households available for commercial connection to Bezeq's fiber network, the total number of subscribers in Bezeq's fiber network, and the distribution between copper infrastructure versus fiber:

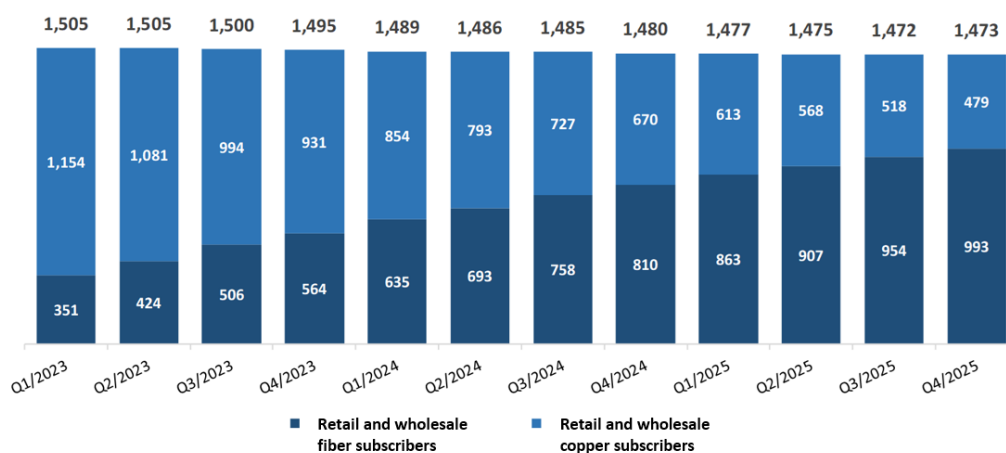
**Households Available for Commercial Connection
(Home Passed) (Quarterly, in thousands)**



Total Subscribers on Bezeq's Fiber Network (Retail + Wholesale) (Quarterly, in thousands)



Copper VS Fiber Infrastructure – Retail + Wholesale (Quarterly, in thousands)



2.7.2.2 Telephony network

The infrastructure of Bezeq's telephony network consists of exchanges (used to switch the calls and transfer them from the origin to the destination), a transmission network (through which the connection between the exchanges takes place), data communication networks and an access network (connecting the subscriber's endpoint to the switchboard). The infrastructure connects to the end equipment installed with the subscriber. The connection from the end equipment to the access network is based on copper cables, and this copper network forms Bezeq's access infrastructure for telephony services (it should be noted that those copper cables also form part of Bezeq's Internet network as detailed below). Subscriber management is performed using a Class 5 telephony switch and operator relationship management using a Class 4 switch. All switches are backed up and survivable in different farms, as well as all telephony components. For fiber telephony service, see Section 2.7.2.3.

2.7.2.3 Closure of the copper networks

Following the hearing regarding lines on the subject, on April 9, 2025, the Minister of Communications published a decision accepting the

recommendations of the ministerial team for forming a plan for closing the traditional copper networks of Bezeq and HOT, in favor of a complete transition from their copper infrastructures to fiber infrastructures by 2030. According to the decision, the closure will be carried out in several stages as detailed in the decision, which was attached to Bezeq's immediate report on April 10, 2025, included in this report by reference, with the main points:

- Stage A – Exemption from copper deployment in new construction areas
 - A. Bezeq's deployment in fiber rollout areas – an exemption from copper deployment will be granted to Bezeq only regarding new construction in its fiber rollout areas as defined in its license.
 - B. Bezeq's deployment in incentive areas – Bezeq will be entitled to request from the advisory committee and the Ministry of Communications, according to the provisions of the Communications Regulations (Bezeq and Broadcasting) (Advisory Committee), 5771-2011, not to deploy copper in these areas, as detailed in this section.
- Stage B – Gradual closure of the copper network - During 2025, according to the policy, the obligation to connect new retail and wholesale subscribers on the copper infrastructure is canceled in locations where there is a fiber alternative²¹. After 85% of the users in a certain area receive service via fiber, it will be possible to shut down the copper networks with at least three months' prior notice. In incentive areas, at least until the end of 2030, Bezeq will be obligated to supply services as currently defined, including Internet and telephony services, unless fiber networks have been deployed there earlier as permitted.

The infrastructure owner will be required to remove the overhead infrastructure within one year from the closure of copper in the statistical area, at the latest.

- Stage C – 2030 and onwards - Planned date for closing copper networks in all areas where there will be fiber infrastructure for each residence, even if in a certain area the percentage of users receiving service via fiber does not reach 85%, following prior notice to customers and wholesale service providers.

It should be noted that according to the decision (unlike what was proposed in the hearing), telecom infrastructure owners will be required to bury fiber in the ground only in cases where an entity, such as a local authority, initiates and funds excavation works. To implement the plan for closing copper networks, the Ministry will act to amend the Communications Law and determine provisions in subsidiary legislation or in licenses under the law. On 25.12.2025, the Minister of Communications published a decision regarding requests to limit the obligation to deploy copper networks and cables in new construction areas and to provide services via an advanced network. According to the decision, which fully adopted the advisory committee's decisions:

Bezeq will be exempt from deploying copper regarding new construction in its fiber rollout areas as defined in its license. Therefore, in new construction in fiber rollout areas, Bezeq will only

²¹ According to the clarification from the Ministry of Communications dated 15.2.2026, in order to implement the Minister's policy allowing the discontinuation of service over the copper network after reaching 85% of subscribers, it is necessary to complete a legislative amendment that will approve, among other things, the Minister's policy. Therefore, until the legislative amendment is completed, there is no change in the universal service obligation over the copper network (except for the aforementioned exemption from laying copper in new neighborhoods), and the existing copper infrastructure must not be removed.

be required to deploy an advanced network and provide all its services over it and will not be required to deploy a copper network. The obligation to complete the deployment of the advanced network in a new neighborhood and provide service will be no later than the occupancy date.

Regarding deployment in incentive areas, Bezeq will be entitled to request from the advisory committee and the Minister of Communications not to deploy copper networks in these areas under the following conditions:

1. Underground deployment of passive infrastructure in new construction in incentive areas no later than the occupancy date in that neighborhood.
2. Deployment of an advanced network and provision of service over it from the date Bezeq is entitled to do so according to law. During the interim period, Bezeq will be exempt from copper deployment and service provision (including telephony) in new construction in the incentive area until the fiber deployment in that area as required.

According to Bezeq's assessment, closing the copper network is expected to bring short-term savings in operating and investment costs amounting to tens of millions of shekels per year.

2.7.2.4 Millimeter waves

Another domestic technology providing a solution for the last mile, i.e., the connection to the subscriber endpoint for providing broadband Internet services, is millimeter-wave technology, which allows transmitting significantly higher bandwidth than previously available technologies and serves as complementary infrastructure. This technology can be used point-to-point as well as point-to-multipoint. Using this technology, it is possible to connect (subject to Ministry of Communications approval) large areas relatively quickly and at lower costs compared to wired infrastructure deployment.

2.7.3. Computing

Bezeq's computing system supports four main areas: marketing and customer management, Bezeq's engineering infrastructure, Bezeq's resource management and lateral systems.

Bezeq's computer system is large and complex, it supports critical work processes and handles very large volumes of data. This system consists of a large number of systems, some are information systems whose development began many years ago, and some of which are modern systems developed and implemented in recent years. Most systems operate in open computing environments.

2.7.4. Real estate

2.7.4.1 General

Bezeq has real estate assets from four sources: assets transferred to Bezeq by the State in 1984 as part of the asset transfer agreement (see Section 2.17.2.1), assets the rights in which were acquired by Bezeq after this date, assets that it leases from third parties, and assets in which Bezeq has received a right-of-use, according to the provisions of the Communications Law and the regulations established pursuant to it, for the purpose of providing Bezeq services and/or performing Bezeq operations, whether or not there is a written arrangement of rights. In addition, the Company has easements (rights of passage, etc.) in other real estate for the purpose of providing Bezeq services (such as for laying cables)..

The following is a list of Bezeq assets in accordance with the nature of the rights in the asset. In addition, Bezeq has easements (passage rights, etc.) in

Chapter A (Description of the Corporation's Business) to the 2025 Periodic Report

other real estate (such as for the purpose of setting up transmitters and laying cables):

The essence of the right	Number of assets	Lot area (sqm. thousands)	Built-up area (sqm. thousands)	Notes
Ownership, lease or right to lease	Approx. 297	Approx. 825	Approx. 79	From this, approx.. 293 field assets in the area approx. 806k sqm. of plots, approx. 71k sqm. built-up are assets for communication needs and the rest are for administrative needs.
Possession (authorized by right / right of possession according to law)	Approx. 64	Approx. 2	Approx. 0.7	Properties in Israeli localities in Judea and Samaria, all for communication purposes. There is no written series of contractual rights, but in Bezeq's opinion this does not create material exposure.
rent	Approx. 321	Approx. 141	Approx. 67	Approx. 306 assets, of which a built-up area of about 17k sqm. are for communication needs and the rest for administrative needs. Approx. 2k sqm. built-up of which are sublet.
Various rights in "concentration rooms"	Approx. 2,888	Irrelevant	Approx. 29 (based on an estimate)	These are cable rooms and facilities for neighborhood communication needs. As for most of the properties, this is a right-of-use granted to Bezeq in accordance with the Communications Law and regulations thereunder, and there is no written rights arrangement with the asset owners. In Bezeq's opinion and based on past experience, this does not create material exposure.

2.7.4.2 Registration

As of the date of publication of the periodic report, Bezeq's rights in some of its real estate assets are not registered in the Land Registry (some of the assets are in the process of being registered and other assets are not eligible for registration).

2.7.4.3 Settlement agreement regarding the real estate

On March 10, 2004, an agreement signed on May 15, 2003 between Bezeq and the Israel Land Administration (now ILA) and the State ("**Settlement Agreement**") regarding most of the real estate assets which were transferred to Bezeq as part of the transfer agreement signed prior to the beginning of Bezeq's business operations was given the validity of a ruling. The Settlement Agreement stipulated that the assets remaining with Bezeq are in the status of a discounted lease, and subject to the signing of individual lease contracts, Bezeq will be entitled to carry out any transaction in the assets, as well as improvement operations. The agreement stipulates a mechanism for payment to ILA for improvement actions to be performed on the assets (if any) beyond rights under plans approved until 1993 as stipulated in the agreement, at a rate of 51% of the increase in value of the asset following the improvement actions (when in the event that the Company also pays an improvement levy for that improvement operation, it will be entitled to receive from ILA a refund of half of the payment paid to RAMI due to the increase in value or from the improvement levy, whichever is the lower). The Settlement Agreement also stipulates that 17 assets will be returned to the State, through ILA, on various dates (until 2010) and under the conditions set forth in the Settlement Agreement.

As of the publication date of this periodic report, Bezeq has returned 16 properties to ILA.

2.7.4.4 Real estate exercise

General

Subject to the approval of Bezeq's Board of Directors, Bezeq continues to act for the sale of assets that are inactive and / or that can be vacated relatively easily and without significant expenses, or that the consideration for them justifies the presentation of another suitable alternative, and during the years Bezeq has sold such assets while registering equity gains for these sales, which in some years were substantial.

Bezeq has completed the sale of most of the assets (in terms of value) that met the aforesaid definition and intends to complete the sale of the balance of such assets in the coming years. The sale of the balance of such assets may yield Bezeq additional capital gains in substantial amounts (although in a significantly lower amount than the cumulative amount of equity gains that Bezeq has recorded in recent years for the sale of said assets).

It should be emphasized that the aforesaid also applies to real estate assets for the sale of which a concrete decision has not yet been made and there is no certainty as to the timing of their sale, if it is decided to sell them. Also, the sale of some assets may involve difficulties, including circumstances of lack of demand or various planning constraints.

In light of the aforesaid, it should be emphasized that Bezeq's assessments as aforesaid are forward-looking information as defined in the Securities Law, which may not materialize or materialize in a materially different manner than anticipated. These assessments are based, among other things, on Bezeq's assessments of the value of the real estate assets it owns in relation to their book value, since Bezeq does not have appraisals in relation to some of the assets, or Bezeq's appraisals are not up-to-date, therefore, the assessments are also based on Bezeq's internal estimates, Bezeq cannot anticipate the amount of consideration actually paid in respect of the assets to be sold (if and to the extent that they are sold).

The asset in Sakia

On January 21, 2018, Bezeq entered into an agreement for sale of an near the Mesubim junction where Bezeq had a discounted lease right ("**the Assets**"). On May 5, 2019, the transaction was completed, when the total consideration received by Bezeq for the asset (including linkage differences and interest in accordance with the provisions of the agreement) amounted to NIS 511 million, plus VAT.

On May 21, 2018, Bezeq received a demand from ILA for the payment of a permit fee in the amount of NIS 148 million plus VAT, in respect of a property improvement plan that was approved prior to the signing of the agreement ("**the Improvement Plan**"). Bezeq filed an appeal on legal grounds to this demand January 20, 2019, ILA rejected all of Bezeq's claims in the legal attainment, however, the parties conducted contacts within the framework of the dispute resolution mechanism set forth in the Settlement Agreement. At the same time, Bezeq submitted an appraisal contention on the Demand. On August 5, 2018, Bezeq received a demand from the Or Yehuda Local Planning and Construction Committee to pay an improvements levy in the amount of NIS 143.5 million due to the sale of the asset by way of a sale ("**the Improvements Levy Demand**"). On September 17, 2018, Bezeq filed an appeal against the Improvements Levy Demand, and sent ILA a demand for payment of the full improvements levy in accordance with the Authority's obligation under the Settlement Agreement. On January 20, 2019, ILA rejected Bezeq's demand for payment of the said improvement levy. Upon completion of the sale transaction as stated above and receipt of the full consideration, Bezeq paid half of the improvements levy in the amount of NIS 75 million and provided a bank guarantee for the other half of the levy, without detracting from or harming the proceedings that Bezeq has taken or will take in order to cause the cancellation or reduction of this levy.

On June 27, 2021, Bezeq filed a lawsuit against ILA with the District Court in Tel Aviv to recover all of the funds it paid as permit fees and the improvement levy in a total amount of approximately NIS 217 million, as well as to receive declaratory relief according to which ILA must pay Bezeq any amount that is forfeited, if any, out of the bank guarantee in the amount of NIS 75 million that Bezeq provided to the Or Yehuda Local Planning and Construction Committee to guarantee the balance of the improvement levy. As part of the lawsuit, Bezeq claimed that it is not obligated to pay the permit fee and the improvement levy since, in accordance with the provisions of the settlement agreement signed between itself, ILA, and the State of Israel, it was entitled to receive the lease contract relating to the asset when it is improved according to the plan and without paying the permit fee to ILA, and that the liability The payment of the improvement levy applies in accordance with the provisions of the settlement agreement, to ILA.

On January 17 ,2022, the Israel Land Authority filed a letter of defense in which it argued that the lawsuit should be dismissed for the following reasons: (1) The payment of the permit fee, which Bezeq demands to be returned, was lawfully imposed on Bezeq, since the Improvement Plan deviated from the limited rights granted to Bezeq in the settlement agreement; (2) With regard to Bezeq's claim to receive from the Authority the improvement levy that Bezeq paid to the Local Committee, the Authority's obligation in the settlement agreement to pay the improvement levy, on which Bezeq bases its claim, was in relation to the above limited rights, and today it is not possible to calculate the share of the improvement levy that applies to Bezeq for the deviation from the restricted rights in the Improvement Plan.

It should be noted that the amount of the permit fee that will be imposed on the Company at the end of the procedures can also affect the amount of the improvement levy that the Company will have to bear. In the Company's estimation, the amount of the permit fee and the improvement levy it will be required to pay is expected to be substantially lower than the total amount of the requirements. therefore, Bezeq recorded an equity gain of NIS 403 million. The equity gain recorded as aforesaid is on the basis of Bezeq's assessment regarding the amount of the permit fee and the improvements levy that it will be required to pay as aforesaid. To the extent that Bezeq's aforesaid estimates do not materialize, the final capital gain will range from approximately NIS 250 million to approximately NIS 450 million. For this matter see also Note 6.6 to the 2025 Statements.

On January 1, 2023, in an interim decision, the appeals committee dismissed Bezeq's claim that at the time the improvement plan was approved, it did not own rights for which it could be charged the improvement levy. An appeal filed by Bezeq with the District Court was dismissed on 17.10.2023.

On 28.3.2024, Bezeq received an advisory assessment according to which the total improvement levy as of the date of receipt of the demand from the committee (2.8.2018) would amount to approximately NIS 117 million. Subsequently, a payment demand was sent to Bezeq including arrears payments in the amount of approximately NIS 22.8 million, which were reduced following a request by Bezeq to a total of NIS 13.3 million. Bezeq paid the entire improvement levy and the arrears payments in accordance with the decision of the Appeals Committee and intends to amend the statement of claim against the Land Registry so that it reflects the amount of the improvement levy that Bezeq actually paid (by increasing the amount of the claim by approximately NIS 55 million and deleting the declaratory relief).

It is clarified that the final improvement levy amount as approved by the Appeals Committee is insufficient not lead to a change in the Company's estimates regarding the amount of equity gain recorded as mentioned, since Bezeq's estimates were also based on the legal situation in the lawsuit

against ILA, which as mentioned also includes an obligation on the part of ILA in the settlement agreement to bear the improvement levy for the asset.

The information contained in this section regarding Bezeq valuations and capital gains as a result of the sale of the asset is forward-looking information as defined in this term in the Securities Law, and is based, *inter alia*, on the above as well as on Bezeq's assessments of the Company's claims regarding the payment of the requirements. The information may not fully materialize as long as the said Bezeq assessments take place in a manner different than expected.

2.8. Intangible assets

2.8.1. Bezeq's licenses

Bezeq operates under an NIO license, which, among other things, forms the basis for its activity in the field of landline interior communications (for a description of the main points of the NIO license, see Section 2.16.3). Also, the Company has a general NIO license for the Judea and Samaria region (see Section 2.16.2.9).

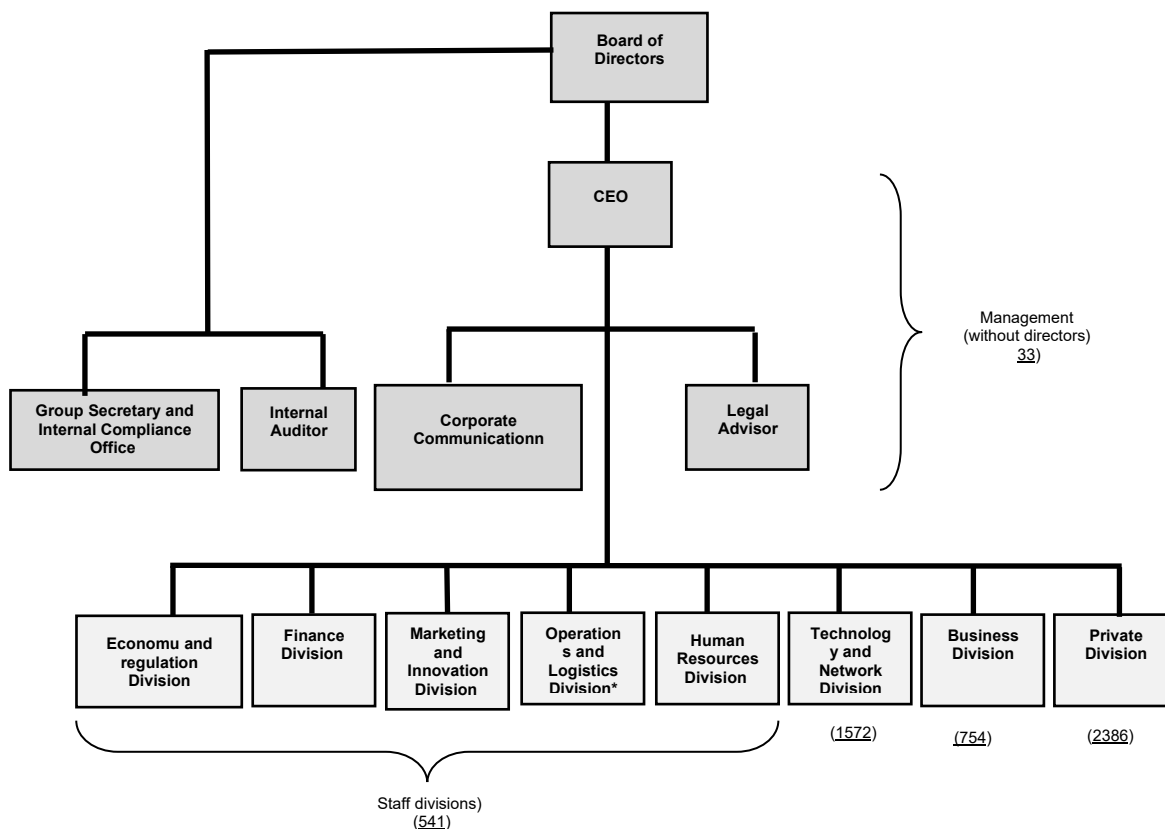
2.8.2. Trademarks

Bezeq uses trademarks that characterize its services and products. As of the date of publication of the periodic report, approximately 160 trademarks and five designs/patterns are either registered in Bezeq's name or are in the process of registration with the Registrar of Trademarks. The main trademarks are: "**Bezeq**" – the company's name, and "**B**" – the Bezeq logo.

2.9. Human capital

2.9.1. Organizational structure and employee base according to organizational structure

The following is a diagram of Bezeq's general organizational structure as of December 31, 2024:



* Starting April 1, 2026, the Operations and Logistics Division will be dissolved, and its units will be merged with the Human Resources Division and the Finance and Regulation Division.

2.9.2. Number of Bezeq employees and employment frameworks

The number of employees at Bezeq as of December 31, 2025 was 5,286 employees (compared to 5,425 employees at the end of 2024). The above employee count includes part-time employees. The total number of positions²² in the company as of December 31, 2024, was 5,495, and as of December 31, 2025, it was 5,464. About 93% of Bezeq employees are employed under collective agreements (of which approximately 59% are permanent employees and the rest are non-permanent employees). The rest of Bezeq's employees (approximately 7%) are employed under individual agreements not within the framework of the collective agreements.

For details regarding the special collective agreement from December 2006 and its amendments, see Section 2.9.4.

2.9.3. Early retirement plans for employees

During 2025, 89 permanent Bezeq employees retired in accordance with the retirement plan in Bezeq.

On November 30, 2025, as part of the implementation of a streamlining plan and under the collective agreement in Bezeq, Bezeq's Board of Directors approved the retirement of approximately 220 veteran permanent employees during 2026 through the early retirement track at a total cost of approximately NIS 264 million. In light of the aforesaid, in its statements for the fourth quarter of 2025, Bezeq recorded in its statements for the Q4/2025 an expense of NIS 244 million, and the provision for the remaining balance was recognized upon the signing of Amendment 8 to the collective agreement in January

2026.

For this matter see also Note 16.5 to the 2025 Statements.

2.9.4. The nature of the employment agreements with Bezeq

The employment relationship with Bezeq is regulated in collective agreements signed between Bezeq and the representatives of Bezeq employees and the Histadrut, and in individual agreements. Bezeq employees are also subject to extension orders for certain general collective agreements.

The following are the main points of the special collective agreement between Bezeq, the employees' organization and the Histadrut from December 2006 and the amendments to it that have been signed over the years (all together will be referred to in this section as "**the Collective Agreement**"), which regulates labor relations in the Company:

According to the Collective Agreement, all existing agreements, arrangements and practices at Bezeq on the eve of the signing of the Agreement, including the wage linkage mechanism for the public sector, will continue to apply only to Bezeq's veteran permanent employees, to whom the Agreement applies, subject to changes explicitly included in the Agreement. The employment of existing and new temporary employees will be carried out on the basis of monthly / hourly wage agreements based on a market wage model by occupation, with high managerial flexibility. The Agreement set limits on certain types of future organizational changes, as well as a mechanism for notification, dialogue and arbitration with the employees' organization in the event of organizational changes.

The Collective Agreement defined the status of "new permanent employee", whose terms of employment are different from Bezeq's veteran permanent employee (according to the collective agreement): his salary model is in accordance with Bezeq's salary policy in accordance with market wages. Upon termination of his employment with Bezeq, he will be entitled to an increased severance track only (in accordance with seniority).

In the absence of a controlling shareholder in Bezeq, as long as up to 11 directors serve on Bezeq's board, one representative from among the employees will serve on the board. If the number of directors exceeds 11, an additional employee representative will join the board (see also the reference below regarding Amendment 7, paragraph 5)²³. Employee directors are proposed by the employees' organization (subject to approval of their identity by the board chair and election at the general meeting). Employee directors are not entitled to remuneration for their service.

As part of the retirement arrangements (as in effect as of the date of publication of the report and as arranged as part of the amendment to the Collective Agreement detailed in this section below) Bezeq may, at its discretion, terminate the work of up to 160 veteran and new permanent employees in the Company (as defined in the Collective Agreement) on average every year during the amendment period to the Collective Agreement, and an additional 60 veteran permanent employees during 2032.

For a list of other material agreements in the field of labor relations, see section 2.17.3.

Further to the move to amend the Communications Order regarding the possession of means of control in Bezeq (see Section 2.1.2) and to the negotiations conducted between Bezeq and the employees' organization to amend the Bezeq collective bargaining agreement following that, on September 18, 2023, an amendment (No. 7) ("**Amendment 7**") to the agreement was signed, and this after its approval by Bezeq's authorized institutions, including the approval of the general assembly of Bezeq's shareholders on September 14, 2023.

The following are the main points of Amendment 7:

1. Maintaining Bezeq's financial resilience, including, maintaining the status of a public company, Bezeq's current credit/debt rating, and a percentage of holdings in

²³ If Bezeq has a controlling shareholder, as long as up to 15 directors serve on Bezeq's Board of Directors, one representative from among the employees will serve on the Board of Directors. If the number of directors exceeds 15, an additional employee representative will join the Board of Directors.

Telephone that will not be less than 50.01%.

2. Making a dividend distribution to Bezeq's shareholders subject to the law and while maintaining Bezeq's current credit/debt rating, while regarding a distribution that does not meet the profit test only - the consent of the employees' organization will also be required.
3. Payment of a special bonus to Bezeq employees in the amount of NIS 75 million, most of which is conditional on the dates and conditions set forth in the amendment depending on the change in the percentage of holdings of the then control permit holders in Bezeq (or the expiration/cancellation/transfer of the control permit) ("**the Conditions**"). Most of the grant was paid in 2025.
4. If the Conditions are met, Bezeq will pay a monthly supplement of NIS 2,400 linked to the Consumer Price Index, and the Company will pay management fees to the pension fund for veteran permanent retirees who have retired or will retire from the Company as of July 1, 2023. Given that the conditions have been met, the clause is now in force.
5. If the Conditions are met and in the absence of a controlling interest in Bezeq, the employees' organization has the right to appoint an additional (second) representative from among the employees, if the number of Board of Directors members exceeds eleven (11) (including external directors and a director from among the employees)Y
6. The validity of the amendment is from July 1, 2023 until December 31, 2025, when in relation to some of the arrangements a later validity is determined as detailed in the Amendment. The Amendment exhausts all the claims of the parties and the parties will maintain industrial peace in the matters regulated therein during its period of validity, and in any matter related to changes in the holdings of the present control permit holders even after the expiration of its period of validity.

Regarding the sale of the Company's holdings in Bezeq and the payment of the special grant, see Section 1.1.2.

Amendment No. 8 to the Collective Agreement

On 22.1.2026, Amendment No. 8 to the Collective Agreement ("**Amendment 8**") was signed, extending the provisions of the Collective Agreement unless explicitly changed or amended. The main points of Amendment 8 are as follows:

1. Amendment 8 includes, among other things, the removal of the linkage of veteran permanent employees to rights, employment conditions, and salaries in the state or public service, effective 1.1.2026. In return, it provides salary increases, benefits for employees, and favorable retirement arrangements.
2. Under the retirement arrangements, Bezeq may, at its discretion, terminate the employment of up to 160 veteran permanent and new permanent employees (as defined in the Collective Agreement) on average per year during the period of Amendment 8 (detailed in Section 5 below), plus an additional 60 veteran permanent employees in 2032.
3. It should be noted that, as of the report date, the full financial impact on Bezeq cannot be fully estimated due to various uncertainties in the implementation of Amendment 8. However, the cost of employee benefits is expected to total approximately NIS 200 million over the term of the agreement. Bezeq estimates that, if the retirement plan is fully implemented, it is expected to have a positive effect on Bezeq's results (excluding retirement expenses, which will increase accordingly).
4. Exhaustion of rights and industrial peace – during the validity of Amendment 8, the parties will maintain industrial peace and exhaust claims on matters regulated therein.
5. The validity of Amendment 8 extends until 31.12.2031, with the retirement arrangements remaining in effect until 31.12.2032.

2.9.5. Officers and employees of Bezeq's senior management

As of the date of publication of the periodic report, Bezeq has 9 directors, of which three

are external directors, one independent director (who is not an external director) and 5 directors who are not independent directors (including one director from among the employees). In addition, Bezeq has 11 senior management members (10 management members as of 1.4.2026), an internal auditor, a group secretary, and a compliance officer.

Senior management members are employed under personal agreements that include, but are not limited to, pension coverage, payment of target-based bonuses and early notice period upon retirement.

For details regarding compensation for officers according to Regulation 21 of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, see Section 7 of Chapter D of this periodic report and Note 29 of the 2025 Statements.

On December 10, 2020, Bezeq's Board of Directors approved an equity compensation plan ("**the Plan**") by virtue of which options may be assigned which, as of the date of the Board of Directors' approval, represented approximately 2.94% of Bezeq's fully diluted, issued and paid-up equity after exercise. On December 12, 2020 an outline based on the plan (as amended on January 14, 2021, May 9, 2022, December 27, 2023 and 18.12.2025) was published ("**the Outline**"). The Company makes assignments from time to time by virtue of the Outline to office holders and/or employees in the company and its subsidiaries.

On January 22, 2026, the general assembly of shareholders of Bezeq approved, among other things, an update to the Company's existing compensation policy and its adoption for a period of three years starting from the date of the assembly's approval. The amendments include, among other things: updating the monthly base salary cap for officers, updating the cap for performance-based bonuses and equity-based bonuses for VPs, updating the cap for the special bonus to six monthly salaries (gross) for the officer, and setting the total bonuses granted to an officer during the policy period at 15 monthly salaries (gross). The policy also added the possibility of eligibility for a one-time grant for the cancellation of structural unbundling for the chairman of the Board of Directors and the relevant CEOs (subject to conditions), and allows for granting equity-based bonuses to directors of the company. For further details on the updated compensation policy, see Bezeq's immediate report (amended) on the convening of the general assembly dated January 20, 2026, included in this report by reference.

For the equity-based compensation plan - see Note 26 to the 2025 financial statements.

2.9.6. Treatment for the cancellation of structural unbundling vis-à-vis the Employee Representative Council

As part of Bezeq's activity to cancel the obligation of structural separation between it and its subsidiaries (see Section 1.7.3) and in order to promote its activity on an issue that is of utmost importance to Bezeq Group, Bezeq has turned to its Employee Representative Council office ("**Employee Representative Council**") with a request for its commitment to assisting and promoting the successful completion of the move, at this stage in regards to the activity to cancel the structural separation between Bezeq and "Yes". Following this, on March 3, 2024, the Employee Representative Council, in coordination with the Yes Employee Representative Council, announced its agreement to Bezeq's request (agreement later withdrawn by the Employee Representative Council as detailed below) to agree to the move while reaching agreements between the parties that include sharing and updating the Employee Representative Council about Bezeq's activities on the subject, including:

- 2.9.6.1. Notification and consultation with the Employee Representative Council before any step that constitutes a structural change within the process.
- 2.9.6.2. Regulating the consequences of the steps in the process on Bezeq and Yes employees in a collective agreement (or another agreed upon way), while any step with such consequences will not be carried out unilaterally before it is settled in a reasonable and fair manner between the parties, while such negotiations will also include requirements for settling economic exchanges in favor of the employees.
- 2.9.6.3. Applying the arrangement with the required changes to any similar move that Bezeq will take in the future in relation to other subsidiaries.

Bezeq believes that the involvement of the Employee Representative Council of the Company and Yes will add to and contribute to its efforts to cancel the structural unbundling between the two companies.

On 9.10.2024, Bezeq received a message from the Chairman of the Employee Representative Council stating that he is not bound by the agreements and requests that Bezeq stop all activity on the subject. It should be noted that the Chairman of the Employee Representative Council's message came against the backdrop of prior economic demands from the Employee Representative Council on the subject. Bezeq intends to continue to be committed to its employees and Yes employees in accordance with the agreements reached between the parties, and it continues to act on the issue of structural unbundling with the relevant parties.

On 26.12.2024, Bezeq and Yes offices received notices of a labor dispute in accordance with the Labor Disputes Settlement Law 5717-1957 ("**the Notices**"), which were declared and approved by the New General Histadrut (with respect to Bezeq) and by the National Histadrut (with respect to Yes), effective 12.1.2025 (with respect to Bezeq) and 10.1.2025 (with respect to Yes). The matters in dispute, as stated in the notices, are a demand to regulate the implications for the employees of the planned merger of the Company's and Yes' activities (if performed), as part of a gradual process of cancelling the structural unbundling in Bezeq Group, as well as an impasse/lack of agreements in negotiations to regulate the aforementioned implications. Bezeq's position has no legal basis for declaring the labor disputes as stated, and therefore, in the Company's position, the reasons for the dispute are not justified, and it will continue to promote the removal of structural unbundling with the relevant parties.

Following this, on 26.2.2025, Bezeq received a notice from the chairman of the Bezeq employees' representation stating that the Bezeq employees' representation, together with the employees' representation of Yes, would fully cooperate on the matter. However, on October 16, 2025, Bezeq received a notice from the chairman of the Bezeq employees' representation stating that the employees' representation was retracting from the agreements. Bezeq remains committed to its employees in accordance with the agreements as mentioned and continues its efforts to advance the cancellation of the structural unbundling, which, as communicated to Bezeq, is expected to be decided by the Ministry of Communications by the end of 2025. At this stage, the labor dispute mentioned above has not yet been resolved.

2.10. Equipment and suppliers

2.10.1. Equipment

Most of the equipment used by Bezeq is: switchboards, communication cabinets (MSAG), copper cables, optical cables, transmission equipment, data communication systems and equipment, servers, routers and Internet modems. Bezeq purchases most of the equipment needed for its communications infrastructure from Israeli companies associated with manufacturers of communications equipment around the world. In addition, Bezeq purchases hardware and software from a number of suppliers.

2.10.2. Rate of purchase from major suppliers and the form of contact therewith

Bezeq sees as a "major supplier", for the purposes of Article 23 of the First Schedule to the Prospectus Details Regulations, a supplier whose scope of Bezeq's annual purchases exceeds 10% of the Bezeq's total annual purchases.

During 2025, Bezeq had no major supplier as defined above.

2.10.3. Dependence on suppliers

Most of the equipment purchased in the fields of data communications, switching, transmission and radio systems is unique equipment and the possibility of receiving support for it throughout all its years of operation other than from the manufacturer is limited. In view of the importance of the manufacturer's support in certain systems used by Bezeq, Bezeq believes that it may be dependent on the following suppliers:

Supplier name	Field
Nokia Solutions and Networks	Metro transmission and NGN network access systems

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Israel Ltd.	GPON equipment for the deployment of fiber by the Company.
Juniper Networks	Metro transmission
Cisco / BroadSoft	Subscriber switches
Dialogic Networks (Israel) Ltd.	Transition switchboards for linking operators to the Bezeq switching network
Adtran Holdings Ltd.	Network access systems - NGN
DELL	Hardware and solutions for backups, restorations and system and infrastructure survivability, storage equipment
VMware	Infrastructure for most of the server virtualization system
Hits Telecom Ltd.	Be Router
F5 Networks, Inc	ISP service (Carrier-grade NAT router)
Microsoft	Software solutions for Bezeq's computing infrastructure

Agreements with suppliers on which Bezeq may have a dependency as stated in this section usually include a warranty period for a period of time and under the conditions set forth in the agreements, followed by another period of maintenance or support. If necessary, Bezeq may enter into an agreement with the supplier for the provision of support and maintenance services for an additional period of time. As a rule, these agreements will include various remedies to Bezeq in the event of a breach of the agreement by the supplier. Usually, at the time of contracting with these providers, the contract is long term.

2.11. Working capital

For details regarding Bezeq's working equity, see Section 1.4 of the Board of Directors' Report.

2.12. Investments

For information on investments in investee companies, see Note 12 to the 2025 Statements, and also see Sections 3 and 4 of Chapter D of the periodic report.

2.13. Funding

2.7.1. The average and effective interest rate on Bezeq's loans

As of December 31, 2025, Bezeq is not financed by short-term credit (less than a year). The following is the distribution of long-term loans (including current liabilities):

Loan period	Source of funding	The principal amount (NIS millions)	Currency or linkage type	Type of interest rate and change mechanism	Average interest rate	Effective interest rate	Interest rate range in 2025
Long-term loans	Banks	867	NIS unlinked	Fixed	4.28%	4.33%	-3.20% 5.33%
	Banks	700	NIS unlinked	Variable on the basis of the short-term loan interest rate per year	6.21%	6.59%	-5.86% 6.53%
	Non-banking sources *	4,276	NIS unlinked	Fixed	4.26%	4.35%	3.65-2.79%
	Non-banking sources	2,399	CPI-linked NIS	Fixed	1.79%	1.85%	-0.58% 2.20%

* Prime interest rate – 5.50% (as of March 2026)

For more details about Bezeq loans, see Note 13 to the 2025 Statements.

2.13.1. Credit receipt limitations

2.13.1.1. Limitations included in Bezeq loans

See Note 14 to the 2025 Statements. As of the date of publication of the statements and as of the date publication of of this periodic report, Bezeq meets all the restrictions that apply to it.

2.13.1.2. Restrictions of the Bank of Israel related to a single borrower and a group of borrowers

The directives of the Supervisor of Banks in Israel include restrictions on the liability of a borrower and a group of borrowers towards the banks. The Supervisor of Banks' instructions may from time to time influence the ability of banking corporations to grant additional credit to Bezeq. Regarding the authorization to set restrictions on the provision of credit to a business group in the Centralization Law, see section 1.7.6.6.

2.13.2. Reportable credit

As of December 31, 2025, Bezeq's reportable credit, in accordance with legal position 104-15 of the Securities Authority (reportable credit incident) is Bezeq's debentures series 11, 12, 13, and 14, all as specified Note 13 to the 2025 Statements and in Section 4 of the Board of Directors' Report.

It should be noted that all of Bezeq's loan agreements (public debentures and private loan agreements) include a cross breach clause in which a right to immediate repayment is established in the case of a third party lender made Bezeq's debts to him due for immediate payment as a result of a breach event (default) in amounts that exceed the amounts stipulated in the various loan agreements. As of the date of the report, Bezeq loans do not include financial benchmarks, so the cross breach clause is not relevant to financial benchmarks.

2.13.3. Amounts of credit received during the reporting period and thereafter

On May 9, 2023, Bezeq published a new shelf prospectus (dated May 10, 2023) ("the Prospectus"). On May 9, 2023, Bezeq published a new shelf prospectus (dated May 10, 2023) ("the Prospectus"). In May 2025, the Israel Securities Authority approved an extension of the period for the securities offering under the Prospectus until May 9, 2026

Chapter A (Description of the Corporation's Business) to the 2025 Periodic Report

On December 4, 2025, Bezeq completed a public offering of debentures (Series 13 and 14) through an expansion of the series traded on the Stock Exchange, according to the shelf offering report dated December 2, 2025, which was published under the shelf prospectus dated May 9, 2023. In this offering, bonds with a nominal value of NIS 905,255,000 (Series 13) were issued to the public for approximately NIS 806 million, and debentures with a nominal value of NIS 192,781,000 (Series 14) were issued for approximately NIS 194 million. For further details, see Bezeq's shelf offering report dated December 2, 2025, and the immediate report dated December 4, 2025, regarding the offering results, included in this report by reference.

Regarding the matter stated in this section, see also Section 4 of the Board of Directors' Report and Note 13 to the 2025 Statements.

2.13.4. Bezeq's debentures

For details regarding the debentures issued by the Company and by Bezeq see Note 13 to the 2025 Statements and Section 4 of the Board of Directors' Report. Also, see Section 2.13.3.

2.13.5. Credit rating

Bezeq's debentures are rated by Standard & Poor's Maalot Ltd. ("**Maalot**") at iIAA (the same rating was also confirmed by Maalot for Bezeq (iIAA/Stable), Pelephone, and Yes). Additionally, Bezeq's debentures are rated by Midroog Ltd. ("**Midroog**") at Aa2.il with a stable rating outlook.

For details regarding the company's rating history over the past two years, see the company's immediate reports dated 9.1.2024; 2.5.2024; 4.12.2024; 5.5.2025; and 2.12.2025 (Maalot), as well as 9.1.2024; 19.5.2024; 4.12.2024; 7.5.2025; and 2.12.2025 (Midroog), included in this report by reference.

For this matter see also Section 4 of the Board of Directors' Report.

2.13.6. Bezeq's assessment in relation to debt raising in the coming year (2026) and the sources of borrowing

During 2026, Bezeq is expected to repay a total of NIS 1.22 billion for the principal and the interest on its loans, including debentures. Most of Bezeq's borrowing needs for 2026 have already been realized as detailed in Section 2.13.4.

Bezeq raises funds from time to time for the purpose of managing its cash flow. The financing options available to Bezeq are: Raising debt through loans from banking corporations and institutional bodies and by issuing securities (private or marketable).

2.13.7. Liens and collateral

For information regarding Bezeq's liens and collateral, see Note 19 to the 2025 Statements.

2.14. Taxation

For information on taxation, including losses carried forward for tax purposes in Yes, see Note 7 to the 2025 Statements.

On December 14, 2025, Bezeq received a letter from the Israel Tax Authority extending, at Bezeq's request, the validity of the tax ruling under the agreement, which includes the Tax Authority's advance approval for tax purposes for the merger of Yes into Bezeq in accordance with the provisions of Article 103B of the Income Tax Ordinance ("**the Tax Ruling**"), for one year, i.e., until December 31, 2026. It should be noted that the letter included a statement similar to that in prior-year extension letters, indicating that the Tax Authority may consider not extending the validity of the Tax Ruling beyond December 31, 2026, if no material developments occur in 2026 regarding the cancellation of structural unbundling. Bezeq's position is that it is entitled to an extension of the Tax Authority's approval under the conditions of the Tax Ruling. In any case, even if the validity of the Tax Ruling is not extended, Bezeq can request a new tax ruling in the future in place of the current Tax Ruling. Additionally, as part of the 2025 work plan of the Ministry of Communications, a key task was specified, among other things, to form a government task force to examine regulatory provisions regarding structural separation for telecom companies. In October 2025, the Ministry of Communications published a public appeal and an appeal to telecom companies regarding a renewed examination of the structural separation obligation applying to the Bezeq and HOT groups.

(For further details, see Section 1.7.3.1).

2.15. Environmental risks and their ways of management

2.15.1. General

Some Bezeq facilities, such as broadcasting facilities, wireless communication facilities, or high-voltage facilities²⁴ are sources of electromagnetic radiation which are included in the definition of "radiation source" in the Non-Ionizing Radiation Law.

2.15.2. Non-Ionizing Radiation Law

The law regulates the practice of radiation sources, their establishment and operation, as well as their supervision. Among other things, the law stipulates that the construction and operation of a radiation source is subject to a permit; Provides for punitive provisions, and strict liability for a company that has violated the provisions of the law, its employees and its officers; Imposes registration and reporting obligations on the permit holder and confers supervisory powers mainly to the Commissioner for Non-Ionizing Radiation in the Ministry of Environmental Protection (in this section - "**the Commissioner**"), including regarding conditions in the permit, revocation of the permit and disposal of radiation source.

Bezeq has operating permits from the Commissioner for the communication facilities and broadcasting sites operated by it. In addition, Bezeq performed the necessary actions for issuing radiation permits for high-voltage facilities located on its assets, and as of the date of the report, the Company has radiation permits for 13 high-voltage facilities, all of which have a construction and operating permit or a valid type approval.

It should be noted that the Commissioner requires building permits as a condition for the continued validity of operating permits for communication facilities (including broadcasting facilities) issued by him, as well as the existence of additional conditions, *inter alia*, in relation to "wireless access facilities" that have a "type certificate" issued by the Commissioner . See also section 2.16.11.

The law includes a penalty chapter which stipulates, *inter alia*, that the construction or operation of a radiation source in violation of the terms of the permit and the construction or operation of a radiation source without a permit after receiving written notice from the Commissioner, are a criminal offense.

2.15.3. Permits

For permits for broadcasting facilities required by the Planning and Construction Law, see Section 2.16.11.

2.15.4. Bezeq policy regarding radiation risk management

Bezeq implements a work procedure regarding the establishment, operation and measurement of non-ionizing radiation sources, and an appropriate enforcement procedure approved by Bezeq's Board of Directors. Bezeq has been appointed an enforcement procedure implementation officer. Periodic reports on the status of radiation sources are forwarded to Bezeq's CEO and the Board of Directors. On this matter, see also Section 2.20.9.

2.16. Restrictions and supervision of Bezeq operations

Bezeq is subject to various legal systems that regulate and limit its business activities. The main body that supervises Bezeq's activities as a communications company and may give instructions on various subjects is the Ministry of Communications.

2.16.1. Communications Order

²⁴ The construction and operation of these facilities requires an establishment permit as well as an operating permit in accordance with the Non-Ionizing Radiation Law. The construction of high-voltage facilities (transformers) at Bezeq sites is intended for the supply of energy for the use of Bezeq facilities.

The Company was declared a provider of essential telecommunications services under the Communications Order. By virtue of this declaration, the Company is obligated to provide certain types of services and is not permitted to discontinue or reduce them, including - basic telephone service, infrastructure service, transmission service, and data communication service including interconnection, as well as additional services listed in the Schedule to the Order.

Due to Bezeq's status as a provider of essential services, the law imposes strict restrictions, including limitations on exercising "significant influence" over the Company and a prohibition on "joint appointments". Under the Communications Law and the Communications Regulations, "significant influence" is defined as the ability to materially affect Bezeq's operations, even without formal control. The Communications Law establishes two main presumptions of significant influence: the right to appoint an officer and holding 25% or more of the means of control. Additionally, a joint appointment (the exercise of an appointment right by more than one person) requires prior approval from the ministers. A joint appointment without approval is invalid. The Communications Law and Communications Regulations provide for criminal, financial, and administrative sanctions for violations of these provisions, including substantial fines, a mandatory divestment of excess holdings, and the cancellation of voting, appointment, and dividend rights. Accordingly, any action that could give any party the ability to materially influence Bezeq – particularly agreements or arrangements regarding appointments – requires prior legal review and ministerial approval.

Key additional provisions in the Communications Order:

- 2.16.1.1. Restrictions on the transfer and acquisition of means of control in Bezeq, including a prohibition on holding means of control of a certain type at a rate of 5% or more (7.5% or more with respect to an Israeli institutional investor) without the prior written approval of the Prime Minister and the Minister of Communications ("**the Ministers**").
- 2.16.1.2. The transfer or acquisition of control in Bezeq requires the approval of the Ministers after consulting with the Minister of Defense ("**Control Permit**"). Regarding the amendment to the Communications Order on the subject of the Control Permit, see also Section 1.1.4.
- 2.16.1.3. Holdings for which no such approvals have been granted will be considered "excessive holdings". The Order stipulates that there will be no validity for exercising a right by virtue of excess holdings, and also stipulates provisions authorizing the Ministers and Bezeq to apply to the court for a forced sale of excess holdings.
- 2.16.1.4. Bezeq is required to report to Ministers, upon request, any information related to the provision of essential services.
- 2.16.1.5. At least 75% of the members of the Board of Directors at Bezeq will be Israeli citizens and residents with security clearance and security suitability, as determined by the General Security Service. The Chairman of the Board of Directors, the external directors, the CEO of Bezeq, and other Bezeq officers as specified in the Order will be Israeli citizens and residents and have security clearance according to the job classification.
- 2.16.1.6. An "Israeliness" requirement has been established regarding the controlling shareholder in Bezeq: for an individual - he is an Israeli entity (as defined in the Order), for a corporation - it is incorporated in Israel, its business center is in Israel, and an Israeli entity (as defined in the order) holds at least 19% of each of the means of control in it, or it holds at least 19% of the voting rights in the general meeting and the rights to appoint directors in the controlling shareholder, and it also has the right to appoint at least one-fifth of the number of directors in the Company and in the Company's subsidiaries, and no less than one director in each of them, who will be appointed by it, provided that the percentage of its holdings in Bezeq, whether directly or indirectly, will not be less than 3% of each type of means of control in the Company at any time.

The amendment to the Communications Order (see Section 1.1.4) added the possibility for a controlling shareholder to replace the Israeliness requirement if Bezeq was given an instruction by the Prime Minister under Article 13 of the Law, at the request of the General Security Service, and the General Security Service confirmed that it includes alternative requirements to the Israeliness requirement. In May 2024, Bezeq was given such instructions replacing the Israeli requirement.

- 2.16.1.7. The Ministers' approval is required for granting rights in certain Bezeq assets (switches, cable network, transmission network, and databases and information). In addition, granting rights in means of control in Bezeq subsidiaries, including the allocation of shares in excess of 25% by the subsidiary, requires the Ministers' approval.

Certain actions by Bezeq require the approval of the Minister of Communications, including voluntary liquidation, compromise or arrangement between Bezeq and its creditors, change or reorganization of Bezeq's structure, merger and split of Bezeq.

2.16.2. Supervision of Bezeq rates

Arrangements under Sections 5 and 15 to 17 of the Communications Act and under the NIO license apply to Bezeq's rates, as detailed later in this section.

Bezeq rates are subject to regulatory intervention (even if not provided for in regulations), and from time to time, Bezeq is exposed to significant changes in its rate structure and rate level. Rate control creates or may create difficulties for Bezeq in providing an appropriate timely competitive response to changes in the market and competitors' offers. In addition, the restrictions on the granting of discounts in rates limit Bezeq's participation in certain tenders.

The following are the main principles of the control arrangements on Bezeq rates:

- 2.16.2.1. A service for which a rate is set in regulations – In accordance with Article 15 of the Communications Law, the Minister of Communications may, with the consent of the Minister of Finance, determine payments (including maximum or minimum payments) for licensee services. Determination of payments can be made, *inter alia*, based on (1) cost according to a calculation method ordered by the Minister plus a reasonable profit; Or (2) by reference points derived from one of the following: payment for services provided by the licensee, payment for comparable services, payments in other countries for such services.

The telephony services provided by Bezeq (for subscribers with three lines or fewer) are set as maximum rates in the regulations. Also, Bezeq may market telephony service packages that include a telephone line and call minutes, at rates that will be determined by it in accordance with Article 17 of the Communications Law, provided that the payments in these packages are lower than the payments derived from the maximum rates that will be determined.

- 2.16.2.2. Interconnect rates - The Minister of Communications and Finance has the authority (according to Article 5 of the Communications Law) to determine payments for interconnection or for the use of a license holder in the Bezeq facilities of another license holder and to issue instructions on the matter (including in relation to ancillary arrangements), among other things, based on the parameters listed in Section 2.16.2.1. For this matter, see also Section 1.7.6.1.

- 2.16.2.3. Determining rates outside the scope of regulation - A service for which no payment has been set or for which a maximum or minimum payment has been set according to Articles 5 or 15 of the Communications Law, Bezeq may demand a reasonable payment for it. In accordance with the Bezeq license, it will offer rates as stated, to anyone who requires it throughout Israel, and for a fiber network in the service area specified in Appendix 11-1, without discrimination, and at a uniform rate according to the types of services.

The Minister of Communications may order Bezeq to report to him the payment that it intends to demand as stated and any change in payment prior to the provision of the service or the implementation of the change. If the Minister of Communications deems that Bezeq intends to demand a payment that is unreasonable, or a payment that raises concerns about harming competition, he will be entitled to order Bezeq (for a period not to exceed one year) on the amount of payment that it is entitled to demand for the service, or to order the separation of payment for service from the payment for the services cluster.

The Minister's examination of whether a payment is unreasonable can be done, among other things, in accordance with the parameters stated in Section 2.16.2.1(1), and the Minister may examine the payment based on what is stated in Section 2.16.2.1(2). According to the license, Bezeq must notify the Ministry of Communications of the rate it sets 14 days in advance.

2.16.2.4. Non-reduction of margins - On March 27, 2023, a decision was published on a hearing on behalf of the Ministry of Communications regarding the determination of a format for examining the reduction of margins by owners of landline communications infrastructure.²⁵ According to the decision, the margin reduction test will take place on a retail product based on Bezeq's fiber network in the deployment areas, and may be extended by the Ministry to additional companies. Licensed providers who will deploy advanced networks in the incentive areas will be subject to the margin reduction format established in the decision of the Minister of Communications on the subject of 'Determining an obligation and maximum payment for managed ultra-broadband access service over the fiber network of the winners of the incentive fund tenders'. The decision details the method of calculating the prices underlying the test and states that the retail margin component will be calculated as an addition of 25% to the wholesale costs and with the addition of a G component (representing the cost of international transmission), or alternatively - as a reduction of 20% from the effective retail price to the end customer plus a reduction of component G. The test will be used as part of a self-examination, and this goes beyond establishing a rigid framework that includes reports and pre-approvals of every marketing proposal. Failure to comply with the margin reduction test will lead, among other things, to the exercise of the authority of the Minister of Communications according to Article 17(c) of the Communications Law and to a reduction of the wholesale payment for the BSA service in a way that will bring it within the limits of the proposed test for a period of one year. During this year the Minister may consider a permanent update of the reduced rate in the regulations.

2.16.2.5. It should be noted that Bezeq also operated, prior to the decision in the hearing, a self-examination for not reducing margins in the BSA service. For wholesale rates and new pricing for all wholesale rates see Section 2.16.4.

2.16.3. Bezeq's NIO license

Bezeq operates, among other things, under the NIO license²⁶. The NIO license contains provisions that mainly concern:

2.16.3.1. The scope of the license, the services that Bezeq must provide and the universal service obligation

Bezeq must provide its services to everyone on equal terms for each type of service, regardless of location or unique cost. The license is not limited in time; The Minister may change, revoke, and suspend the license; The license

²⁵ According to what was said in the hearing, it replaces two previous hearings (from the years 2014 and 2017) in which no final decision was made due to implementation difficulties. "Margin Squeeze" takes place when an infrastructure owner who holds market power and provides wholesale services to his competitors, reduces the margin between his retail rate to the consumer and his wholesale rate to the competitors, in a way that harms the economic viability of the competitors to purchase wholesale inputs from him and market retail services to the consumer based on them.

²⁶ A copy of the NIO license is published on the Ministry of Communications' website at - www.moc.gov.il.

and any part thereof may not be transferred, encumbered or foreclosed. Regarding the deployment and universal service obligation in connection with fiber infrastructure, see Section 2.7.2 and Section 2.16.4. The license also includes the wholesale services that Bezeq must provide according to the relevant service portfolios. (See Sections 1.7.5 and 2.16.5).

2.16.3.2. Rules of structural separation

For a description of the structural separation rules applicable to Bezeq, see Section 1.7.3.

2.16.3.3. Rates

For a description of the main provisions regarding rates, see Section 2.16.2.

2.16.3.4. Marketing shared service baskets

For the provisions in the NIO license that allow Bezeq to apply to market baskets of shared services subject to restrictions, see Section 1.7.3.3.

2.16.3.5. Operation of Bezeq's networks and the level of its services

Bezeq must maintain and operate the network, and maintain its services at all times, including in times of emergency, in a proper and regular manner, in accordance with the technical requirements and the quality of service requirements, and act to improve its services. The license includes an appendix regarding the "level of service to the subscriber". Bezeq forwarded proposals to the Ministry to amend the appendix while adapting it to the customary reality and licenses of other operators, but as of the publication of the report, the amendment has not yet been made. For the provisions in the license regarding response at the call centers, see Section 1.7.7.3.

2.16.3.6. Interconnectivity and use

Provisions have been established regarding the duty to interconnect with another public network and to provide the possibility of using Bezeq's network by another licensee or a broadcasting licensee, including by way of providing a transmission service, for the purpose of performing Bezeq operations or for the purpose of providing Bezeq services, including wholesale service, under reasonable and equitable conditions, while avoiding preference for any affiliated company.

2.16.3.7. Arrangements in the field of security

Provisions have been made regarding the operation of Bezeq's network in time of emergency, including an obligation to operate in a manner that will prevent it from collapsing in an emergency, as well as detailed instructions regarding preparations for maintaining functional continuity in an emergency.

Bezeq must perform Bezeq services and construction and maintenance services for infrastructure and end equipment for defense forces in Israel and abroad, as stipulated in its agreements with the defense forces. Bezeq will also provide special services to the defense forces. Bezeq will work to ensure that all purchases and installation of hardware in its Bezeq facilities, with the exception of terminal equipment, will be made in full compliance with the instructions given to Bezeq under Article 13 of the Communications Law.

Bezeq must appoint a security officer and strictly comply with the security provisions in the appendix to the license. For the provisions of the license regarding preparation for cyber defense management, see Section 1.7.9.

2.16.3.8. Supervision and reporting

Bezeq has extensive reporting obligations to the Ministry of Communications. In addition, the Director General of the Ministry of Communications (as defined in Bezeq's license) was granted access rights to the facilities and offices used by Bezeq and the seizure of documents.

2.16.3.9. License Validity Period

The license is valid indefinitely. The Minister of Communications may revoke, restrict, or condition the license, as applicable, in any of the cases specified in Article 6 of the Communications Law, provided that Bezeq is given a reasonable opportunity to present its arguments.

2.16.3.10. Miscellaneous matters

- A. The NIO license includes restrictions on the acquisition, possession and transfer of means of control in accordance with the provisions of the Communications Order (see Section 2.16.1), as well as restrictions on "cross-ownership", the main principle of which is the prohibition on cross-holding by entities that have an affiliation with another material NIO²⁷ as stated in the license, and restrictions on cross-holding by entities with NIO licenses or general licenses in the same segment of activity.
- B. Bezeq provided the Director General of the Ministry of Communications with a bank guarantee in the total amount of NIS 15 million to ensure compliance with the terms of the license and to indemnify the State for any damage caused to it due to their violation by Bezeq.
- C. The Director General of the Ministry of Communications is authorized to impose a financial sanction for violating the terms of the license (for this matter, see also Section 1.7.6.5).
- D. Bezeq may invest during a calendar year up to 25% of its annual income in activities not intended for the provision of Bezeq services (when the income of subsidiaries is not considered Bezeq's income for this purpose).
- E. License to provide services in the Judea and Samaria region - On October 26, 2020, Bezeq received a general license for the provision of landline interior Bezeq services in the Judea and Samaria area (before that, the provision of the service was included in the provision of Bezeq's general license). In accordance with what is stated in the preamble to the license, this is a license in the form of a reference to Bezeq's general license granted to it by the competent bodies in the Ministry of Communications, while making the necessary adjustments in the area, and it is nothing but an existing snapshot in the field of infrastructure that is under the responsibility and ownership of Bezeq. The license is valid as long as the legislation, jurisdiction, and administration of the IDF forces apply in the West Bank, and subject to compliance with the provisions of the license.
- F. On May 16, 2022, Bezeq received a public appeal published by the Ministry of Communications regarding the provision of communication services to the business segment, within the framework of which the Ministry calls on companies in the communication market that provide communication services to the medium-large business segment, to detail their activities in the field and the barriers against expanding this activity. This is in order to promote regulation that will increase competition in the field. In accordance with what was said in the voice of the reader, the market of medium-large business customers is characterized by a significant advantage for size, and significant barriers to entry and expansion that limit even players who have been operating in it for many years. Also, Bezeq's market shares in the segment and the rate of change in them are an indication of a low level of competition in the segment, which affects the prices and the level of services received by businesses in Israel, and therefore, the Ministry is starting a process of examining the state of competition and the barriers in the segment, and is turning to receive the references of the players. On June 20,

2022, Bezeq submitted its response to the public appeal, according to which the field of communications for large and medium-sized businesses is a competitive market where there are no barriers to entry and expansion and no market failures, and in these circumstances no regulatory intervention is required.

For the wholesale market and wholesale service portfolios see Section 5.

Regarding the provisions of Bezeq's license in the matter of determination of fiber network deployment duties - see Section 2.16.4.

2.16.4. Advanced network – Fiber

2.16.4.1. The Communications Law regulates (in accordance with an amendment dated December 25, 2020) the deployment of an "advanced network" (the fiber network). In accordance with the amendment to the Law, Bezeq is entitled to select from the entire country the statistical areas in which it wishes to deploy a fiber network (a network that is not based on the metallic network) and provide Internet access service over it.

Bezeq must deploy its fiber network in all statistical areas it has selected ("**service areas**") by no later than 14.3.2027 (which is six years from the effective date set forth in the Bezeq license), and it is prohibited from deploying a fiber network in service areas it has not selected, as detailed below. (For the extent of fiber network deployment by Bezeq as of the date of this report, see Section 2.1.8).

A non-Bezeq landline telecommunications service provider (such as HOT) is not obligated to deploy a fiber network and provide telecommunications service over it in any area, but it is permitted to do so throughout the country and even in incentive areas (for winners of incentive tenders, see below).

The Law incentivizes licensed providers to deploy a network in statistical areas that Bezeq has not selected as service areas ("**incentive areas**"). The main incentives include a reduced fee for the use of Bezeq's passive infrastructure in the incentive areas, and receiving funding from an incentive fund managed by the Accountant General at the Ministry of Finance and financed by annual mandatory deposits from obligated entities,²⁸ including Bezeq, at a rate of 0.5% of their annual income. The Minister of Communications, with the consent of the Minister of Finance and with the approval of the Economic Committee, may change this rate. In 2023-2025, the deposit rate was 0% in accordance with orders published under this authority. Following the aforementioned orders, the Group's expenses decreased by approximately NIS 40 million in each of the years compared to 2022.

The allocation of incentive fund money is done through tenders. In the tender conditions, the tender committee is authorized to set threshold conditions for participation in the tender, including a condition according to which a tender bidder must hold a license. The only criterion for selecting winners in the tenders is the ratio between the number of households in the incentive areas in the bidders' bids and

²⁸ "Obligated entity" - an infrastructure affiliate or a marketing affiliate whose most recent annual income exceeds ten million new shekels; "Infrastructure affiliate" - an authorized supplier whose source of at least 50% of its most recent annual income is from one of the following or a combination of the two: (1) the provision of infrastructure-related services; (2) the sale of a bundle of services or services and goods that also includes an infrastructure-related service provided by the authorized supplier; "Marketing affiliate" - a person who, in the most recent fiscal year for which he was required to submit a financial report or provide information under this Law, in whole or in part, has met the following: (1) Was a corporation controlled by an infrastructure affiliate, a corporation that is a controlling shareholder of an infrastructure affiliate, or a corporation whose controlling shareholder is a controlling shareholder of an infrastructure affiliate; (2) Provided one or more of the services as detailed below, as part of a bundle of services that also included an infrastructure-related service provided by the infrastructure-related owner to which it is linked as stated in paragraph (1): (a) Bezeq service; (b) provision of visual and audio content to subscribers, including over the Internet; (c) sale or supply of end equipment;

the amounts from the incentive fund that will be allocated as part of the tenders.

The license of a tender winner or an administrative order establishes an obligation to deploy a fiber network in a service area that includes the incentive areas that he has won, including an obligation to provide Internet access service over the network to anyone who requests it in the area within the time periods specified in the license. With regard to the determination of such an obligation in the Judea and Samaria area, the provisions of the Law in this regard applicable in the Judea and Samaria area will apply.

Bezeq and a corporation affiliated with it are prohibited from participating in a tender for the allocation of incentive fund money, or to deploy a fiber network and provide services over it in the incentive areas, except after five years from the date of determining the deployment duty in the license of the winner of the tender.

The Minister may permit Bezeq, at its request, to deploy a fiber network and provide services over it in incentive areas for which the fund money have not yet been allocated, provided that the proportion of households in the areas included in their application does not exceed 10% of the households in the areas included in the statistical areas selected by Bezeq.

The above restrictions do not detract from the ability of Bezeq or an affiliated corporation to deploy a fiber network in an incentive area for the purpose of providing Bezeq service to a business subscriber, or to provide service to a business subscriber over a deployed fiber network.

The law further stipulates that ownership of the internal fiber network wiring shall belong solely to the subscriber whose premises the fiber serves. An authorized provider may demand a reasonable payment for its installation.

- 2.16.4.2. On 15.6.2021, the Bezeq license was amended and, among other things, an appendix was added that includes the list of statistical areas selected by Bezeq, which cover approximately 76% of the Country's population and, according to Bezeq's estimate, approximately 80% of households. The license also set milestones for completing the deployment of the fiber network as follows: Completion of deployment to buildings in which the cumulative household rate is 60% of the total households in the service area (all statistical areas selected by Bezeq) - no later than two years from the end of the effective date (14.3.2021)²⁹; 80% - no later than three years from the end of the effective date; 95% - no later than five years from the end of the effective date; Completion of deployment to all buildings in the service area no later than six years from the end of the effective date.

The Tenders Committee established under Article 14D of the Communications Law published two tenders for the incentive areas, on 3.10.202, 14.8.2023, 7.7..2024, 20.7.2025, and 30.12.2025. According to the Ministry of Communications, the winners of these tenders won an overwhelming majority of the incentive areas and, as of July 2023, the duty to deploy and provide Internet access service over a fiber network applies to approximately 99.63% of households.

Bezeq's applications to add service areas in which Bezeq will deploy a fiber network and provide services over it were approved by the Ministry of Communications on 3.10.2022, 14.8.2023, 7.7.2024 and 13.2.2025. The approved areas include "returned areas" in which the Interministerial Tenders Committee approved certain winners of incentive tenders to revoke their right to deploy a fiber network for

various reasons). The proportion of updated households in Bezeq's deployment areas will be approximately 88.42%.

2.16.4.3. In the provision of fiber Internet services provided by licensed providers, the Ministry of Communications has determined that the type of infrastructure (independent or wholesale) will not be used as a characteristic that allows providers to offer different terms and rates.

2.16.4.4. Fiber deployment in residential buildings

Regarding the deployment of fiber in new residential buildings, 8.6.2021, an amendment was published to the Planning and Building Regulations (Permit Application, Conditions, and Fees), 5730-1970, regarding the duty to lay optical fibers in new buildings.

In addition, the Communications Law sets conditions regarding the laying of a fiber network in a shared residential building even in the absence of the consent of the majority of apartment owners.

2.16.4.5. Imposition of a financial sanction regarding deployment of advanced infrastructure in incentive areas

On December 31, 2025, the Director General of the Ministry of Communications decided to impose a financial sanction of approximately NIS 8 million on Bezeq for a violation concerning the deployment of advanced infrastructure in incentive areas. This followed a supervision report by the Ministry of Communications, which found that Bezeq violated the provisions of Article 14E of the Communications Law by deploying advanced infrastructure in incentive areas where it was not permitted to do so, before five years had passed from the mandatory deployment date in the licenses awarded in those areas. In the prior preliminary hearing with Bezeq on this matter, the Ministry indicated its intention to impose a financial sanction of about NIS 10 million. Following Bezeq's arguments in the hearing – that, under the circumstances, including the fact that these were minor, isolated incidents without intent, there was no basis for a financial sanction – the Ministry reduced the sanction amount to approximately NIS 8 million, after accepting some of Bezeq's claims.

2.16.5. Wholesale market

Bezeq provides services under the "wholesale market" model, in which it has imposed obligations on the owners of the lanline interior access infrastructure in Israel (Bezeq and Hot) to sell wholesale services to other communications operators and on IBC in relation to wholesale Internet service and passive infrastructure³⁰, and dark fiber.

The regulatory determinations in relation to the wholesale market as well as its implementation and development during the reported period have an impact on a significant part of the Group's activity.

2.16.5.1. BSA service

This service enables infrastructure-less service providers to offer their customers a unified Internet service which includes their ISP service (Internet access), as well as Bezeq's infrastructure service³¹, without laying a fiber network other than their own, or in addition to providing service on their network, in places where they wish to provide service to end

³⁰ Regarding passive infrastructure – except where it concerns infrastructure essential to the Israel Electric Corporation.

³¹ It should be noted that in the first days of the service, the Ministry conducted a supervisory procedure at Bezeq that led to the imposition of sanctions in the amount of NIS 8.5 million paid by Bezeq. After Bezeq's Board of Directors rejected the applicant's motion to file a derivative claim in the matter against Bezeq's officers, and ruled that in the circumstances of the case, Bezeq does not have a good cause of action against officers and other officials who served during the relevant periods, and that conducting legal proceedings will not promote Bezeq's benefit. In February 2022, the applicant submitted a motion for approval of a derivative claim against Bezeq's officers (all but one are former executives) in the amount of the financial sanction plus interest and linkage differences. The case ended in a settlement as detailed in Section 2.18.1g.

customers. The service is provided both on the Company's traditional network (copper) and on the fiber network. Since the launch of the service, hundreds of thousands of customers have moved to receive service through such service providers, in this regard, see Sections 1.5.4.1 and- 2.1.3.

To the BSA service portfolio, to which the Bezeq license refers and is considered part of, (starting February 2022), a "Fiber BSA service" chapter was also added, which imposes on the owners of the infrastructure, including Bezeq, obligations of periodic publication in the automated interface (API) and on their website about the deployment of a fiber network (this obligation applies to the Company and IBC). In addition, the owners of the infrastructure, including in the incentive areas, must publish detailed statistical information in an internal interface between the operators, which refers to a wide range of parameters. On June 20, 2021, the Ministry added to the reporting obligations a detailed periodic information requirement regarding access to and connection to optical fibers, in accordance with uniform parameters and about the number of subscribers to the service over optical fibers divided into statistical areas. This obligation applies to providers who deploy fiber.

The service portfolio requires Bezeq and Hot to provide BSA service, and certain provisions thereof apply to IBC. It was also noted in the service portfolio that it constitutes a detailed regulation of wholesale provisions, that it will serve as a source of interpretation for wholesale arrangements that apply to IBC, and that the Ministry may apply to IBC additional sections of the service portfolio as it deems appropriate. With respect to the BSA service on fiber, an infrastructure owner obligated to provide the aforementioned service is also one who has received a license pursuant to which it establishes a landline Bezeq network, according to an obligation determined for it, whether in Bezeq's deployment areas, in an incentive area, or in accordance with another obligation determined by law.

BSA service rates over the copper network (before the to the amendments to the Usage Regulations of 26.2.2026).

The Usage Regulations set the maximum rates for the service and they were updated between 2017 and 2023 in accordance with the demand forecast index according to formulas established by the Minister in his notices to the Usage Regulations. For the years 2017 and 2018, the update according to the demand forecast index was applied retroactively and also included a graduated offset mechanism. On December 31, 2023, an amendment to the Usage Regulations was published within which the aforementioned update mechanism was canceled, and it was determined that the rates for 2024 will be updated in accordance with the change in the index published in November 2023 compared to the index published in November 2022. On 1.1.2025, and 31.12.2025, temporary provisions were published according to which the maximum payments for the service would not be updated on 1.1.2025, and on 1.1.2026, respectively

Rates for the BSA service on fiber infrastructure ("Fiber BSA") (before the to the amendments to the Usage Regulations of 26.2.2026).

In the Usage Regulations, the rates for the service were determined as maximum rates for an accessibility service and data transmission at an aggregate rate of up to 550 Mbps and above 550 Mbps and up to 1,100 Mbps. According to the regulations, the rates are updated once a year, on January 1, starting in 2021, in accordance with changes in the consumer price index. Following the IRU agreement with Partner on the BSA fiber service (wholesale market), Bezeq reduced the prices of the discrete lines on the BSA fiber service. As part of the IRU agreements that the Company signed with Partner and Gilat, these companies acquired an indefeasible right-of-use of the lines on the BSA service for a period of at least 15 years, with an advance payment based on instalments and packets at a price that takes this obligation into account (see Section 2.6.2.2). For the pricing procedure for the BSA fiber service, the provisional orders, and the

petition of several companies to the High Court of Justice, see Section 2.16.5.12.16.5.3. Bezeq is entitled to demand a reasonable payment for the service of initial installation of internal wiring³² to the subscriber's premises. In accordance with the Telecommunications Law, internal wiring installed for the provision of Bezeq service on a fiber network will be owned by the person whose premises the internal wiring is intended to serve only.

In the Usage Regulations, in an amendment dated February 15, 2022, it was established the duty of a deployer in the incentive area (whose license an or administrative order issued to an NIO established the obligation to deploy a fiber network according to Article 14d(f) of the Law) to provide BSA service via fiber in the incentive areas. The maximum payment deployed in the incentive zones may demand from another licensed provider for a managed broadband access service at a nationwide connection level is identical to that which Bezeq may demand, and does not include installation and fault repair in the subscriber's home, for which a deployer in the incentive area may charge a reasonable rate to be determined, and he will also be required to meet a margin reduction test. Updated regulations were published on 26.2.2026, in accordance with the decisions made in the wholesale market rates hearing, as described in Section 2.16.5.3.

In the decision of February 26, 2026, the Wholesale Service Portfolio (BSA+Telephony) was updated by an instruction from the Director to include a locally managed broadband access service on the advanced network (VULA).

2.16.5.2. Wholesale service - use of passive infrastructure

In accordance with the "Mutual Use of Passive Infrastructures" portfolio and after expansion by an executive order in the matter, Bezeq must allow the use of its passive infrastructures to licensed providers, in statistical areas and incentive areas, subject to their compliance with security instructions. The service is also provided by obligation to owners of IBC and HOT infrastructure³³. At the same time, licensed providers as mentioned are obliged to allow "mutual" use of their infrastructure. Also, according to the "Use of Physical Infrastructures" service portfolio, Bezeq is obliged to allow holders of a unique general interior operator license to use an available dark fiber from an available Bezeq optical cable or a virtual wavelength from existing wavelengths in the optical fiber. In the Ministry's decision of 26.2.2026, an amendment was included to the Physical Infrastructure Usage Service portfolio, adopting the reciprocity model in the leased fiber service also with respect to Bezeq, HOT, and IBC. Additionally, in the proposed amendment, the optical wavelength service was removed, as it was not included in the wholesale market hearing regarding the determination of maximum charges, since the service is not required due to lack of demand.

The expansion of the possibility of making such use of Bezeq's passive infrastructures has increased the scope of damage caused to Bezeq's infrastructures by operators and the difficulty of monitoring what is being done in them.

For the Competition Authority's determination regarding passive infrastructures and the ruling in Bezeq's appeal of the determination, see Section 2.16.9.5. For the application to certify a class action and two requirements for the exhaustion of rights prior to filing a derivative claim in this matter, see Section 2.18.1.

Service rates (before the to the amendments to the Usage Regulations of

³² Internal cable is part of a Bezeq network that is installed on a person's premises and on shared premises and is intended to be used by that person's premises only.

³³ With the exception of passive infrastructure of an NIO held by IEC and is required for its activities as an essential service provider licensee.

26.2.2026).

The rates for the use of Bezeq's passive infrastructure and dark fiber are also set in the Usage Regulations. In accordance with the provisions of Article 14 D(t) of the Communications Law, the Minister determined in regulations published on 21.7.2022 a reduced rate for the use of the Company's passive infrastructure (including dark fiber) in incentive areas, and in areas beyond an incentive area³⁴, which is about a quarter of the rate in the Company's service areas in the case of infrastructure access service, and more than a third for dark fiber service. For significant reduction in the prices of usage services in all areas and an additional reduction is proposed in the Communications Ministry hearing from July 2025, see Section 2.16.5.3.

2.16.5.3. Wholesale market services pricing procedure

On 28.3.2024, the Ministry of Communications published a hearing regarding "Determining Maximum Payments for the Use of Passive Infrastructure in the Bezeq Network" (the "Hearing"). The hearing does not deal with updating rates for the BSA service, in relation to which the Ministry announced that it intends to conduct an economic examination of the service and its impact on the landline communications market, including examining the scope of the obligation to supply this service, since, unlike the case of passive access infrastructures, their significant and immediate reduction also entails competitive disadvantages (on this matter, see further in this section).

Further to what was said in the hearing and further to the agreement given by Bezeq, an amendment to the Usage Regulations was published on 1.1.2025, in such a way that four rates that Bezeq is entitled to demand were reduced, applicable from 1.4.2024 to 30.6.2025, as follows (NIS per month excluding VAT).

	Existing Rate in the Regulations	Proposed Rate	Unit of Measurement
Monthly payment for access service to passive infrastructure not in incentive areas and not in infrastructure in an area beyond an incentive area	0.446	0.250	Meter
Monthly payment for access service to the passive infrastructure in the incentive areas or in the infrastructure in an area beyond an incentive area	0.113	0.107	Meter
Monthly payment for a non-incentive and non-infrastructure dark fiber service in an area beyond an incentive area	0.546	0.300	Meter
Monthly payment for Apple fiber service that is in a promotion area or is on infrastructure in an area beyond an incentive area	0.208	0.197	Meter

On 30.6.2025, and 31.12.2025, the Communications Regulations (Bezeq and Broadcasting) (Use of Bezeq's Public Network by NIOs) (Temporary Provision) (Amendment), 5785-2025, were amended, and the validity of the rates was extended until 31.12.2025, and until 28.2.2026, respectively, in order to complete the work of the staff and professional team on the new cost model. On 26.2.2026, the Ministry published a decision in a hearing and the usage regulations, in which the rates were anchored as detailed below in this section.

The rates were not linked to the index at the beginning of 2025 nor at the beginning of 2026.

On 23.2.2025, the Ministry of Communications published a public appeal for proposals in which the Ministry announced that it was interested in

³⁴ An area that is not an incentive area and is not one of the Company's deployment areas. The reduced payments for services in these areas will come into effect after a regulation is established regarding the identification of the use of these areas.

receiving opinions from the public to examine the method of prior regulatory supervision (*ex ante*) of BSA (wholesale Internet) rates, which is currently carried out by setting maximum rates for the BSA service ("**the Public Appeal**"). As indicated in the Public Appeal, following developments in the market, *inter alia*, in light of the existence of three wholesale networks with wide coverage, in light of the voluntary agreements signed in the market, and in light of the European Commission's recommendations regarding minimizing *ex ante* price controls on network operators in areas where there is infrastructure-based competition or joint investment agreements, the Ministry is examining the scope of its intervention in BSA rates and is seeking 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 March 23, 2025, Bezeq submitted an economic opinion and its response to the public call, stating that the Israeli internet market is currently at a competitive equilibrium point that generates correct investment signals and positive vectors across all quantitative and qualitative metrics. Accordingly, it argued that this balance should be preserved, that preemptive regulation should not be imposed, and that as long as no anti-competitive practices are detected, supervision can rely on ex-post oversight based on competition laws.

Ministry of Communications Hearing – Setting Maximum Wholesale Market Charges

On 29.7.2025, the Ministry of Communications published a hearing regarding the determination of maximum charges in the wholesale market, according to which the Ministry believed it was necessary to update the cost model underlying the wholesale tariffs and to set new rates for Bezeq.

The full text of the hearing (excluding appendices) was attached to Bezeq's immediate report of 29.7.2025, which is included in this report by reference.

On 15.10.2025, Bezeq submitted a response to the hearing, stating that, in its opinion, the reduced rates proposed in the hearing should be significantly increased.

On 26.2.2026, the Ministry of Communications published the Minister of Communications' decision regarding the hearing (together with the recommendation documents and a draft amendment to Bezeq's license), according to which new wholesale rates were set higher than those published in the hearing document for wholesale services provided by the company to all companies (including HOT), so that the price for connecting a customer to fiber in the Company's infrastructure would decrease from NIS 72 to NIS 58 (not indexed to the CPI) for download speeds of up to 1 Gbps. Starting 1.9.2028, wholesale price control over fiber prices for the large market companies (those with 300,000 subscribers or more) will be fully removed. The Ministry also announced that the cost of deploying independent infrastructure over Bezeq's infrastructure, which is higher than the cost published in the hearing document, will amount to NIS 180 per km of deployment, indexed to the CPI. Additionally, the decision set a quota regarding the number of BSA lines that the company must provide to each of the large companies (Cellcom, Partner, and HOT), which will be calculated according to a specified formula and will change depending on the number of households with access only to Bezeq's infrastructure (the number of lines included in the IRU agreements will be part of the quota)³⁵. The formula will be updated twice a year. Starting September 2026, exceeding the quota will require Ministry approval. Until 31.8.2028, the quota will be provided at the regulated price determined in the decision, and from that date onward, Bezeq will not be required to sell to the large

³⁵ According to the formula, the number of households with access only to Bezeq's infrastructure will be multiplied by the market share of the relevant company's retail internet lines (fiber and copper) relative to all the large companies, including Bezeq.

companies at the regulated price. For other companies (non-large), unlimited access to BSA provided by Bezeq at a regulated price will remain an option (until March 2031). For this, see also Bezeq's immediate report (which also included the Minister's decision text) referenced in this report. The Minister's decision, as stated, was codified in the Communications Regulations (Bezeq and Broadcasting) (Use of Bezeq's Public Network by NIOs), 5786-2026³⁶.

According to Bezeq's assessment, as indicated in the decision, the impact of the rates reduction is not expected to be material to the Group's results. In addition, the rates reduction is expected to have a positive effect on Yes, and accordingly, the Company recognized in its financial statements for the third quarter of 2025 (shortly after the hearing was published) a one-time accounting gain of NIS 70 million due to the increase in Yes's fair value in the Company's reports. See also Note 10.4 to the 2025 Statements.

The information in this section, including regarding the expected impact and consequences of the decision on Bezeq and its operations, is forward-looking information as defined in the Securities Law, based on Bezeq's assessments, among others, regarding the company's assumptions and expectations according to the data in its possession at that time. Accordingly, Bezeq's estimates may not materialize or may materialize only partially and/or significantly differently from the above, depending on the variables mentioned above, including factors beyond Bezeq's control.

It should be noted that on 19.9.2024, three telecommunications operators, including Gilat, filed a petition to the High Court of Justice requesting a conditional injunction against the Minister of Communications, the Ministry of Communications, Bezeq, and other formal respondents, requesting that the Ministry advance the publication date of the hearing and apply the tariffs set therein retroactively from September 2023. According to the respondents' (the Minister and the Ministry of Communications) preliminary response to the petition, the petition should be dismissed due to the absence of grounds for judicial intervention in the work being conducted at that time by the Ministry of Communications, in which the issue of maximum tariffs for providing BSA fiber service was being examined, and the need for further market regulation had not yet been determined. On 15.12.2024, Gilat informed the court that it wished to be removed from the proceedings, after signing an IRU agreement with Bezeq on 12.12.2024 (see Section 2.6.2.2), while the other petitioners requested to continue the petition review process. In September 2025, the respondents submitted a final update regarding the publication of the hearing (as noted above) to set maximum rates for using the service. Subsequently, on 15.10.2025, a ruling was issued in the petition, according to which the petition was dismissed without a costs order.

2.16.5.4. Wholesale telephony service

This service allows service providers who do not own infrastructure to offer their customers telephony service at wholesale rates over the Company's network.

The wholesale telephony service in all configurations over the years had no actual demand, and there were no customers, except for a few and for tests.

2.16.6. Powers in respect of real estate

Pursuant to the provisions of Article 4 (f) of the Communications Law, the Minister of Communications granted Bezeq real estate-related powers in accordance with the provisions of Chapter F of the Law.

³⁶ It should be noted that on February 26, 2026, an amendment to Bezeq's license was also published, which likewise codifies the requirement to obtain prior approval from the Ministry for any agreement between Bezeq and another major company. According to the license amendment, this requirement applies to new agreements and/or to any significant expansion or modification of the company's existing agreements.

The law distinguishes between state-owned land, the Development Authority, the Jewish National Fund, a local authority or a corporation established by law and held by one of them, as well as a road ("**public land**") and other land ("**private land**"). With regard to public land, Bezeq, and any person authorized thereby, may enter for the purpose of performing works for laying and maintaining a network and providing Bezeq services, provided that the laying of the network was done in accordance with the provisions of the Planning and Construction Law. The amendment to the Communications Law and the Planning and Construction Law abolished the obligation to obtain approval from the local planning and construction committee, so that certain actions are not subject to a building permit if they are carried out by a licensee who has been granted powers under Chapter F of the Communications Law if they are made according to an approved plan.

Laying of network on private land will be done in accordance with the provisions of the Planning and Construction Law, and requires the consent of the landowner, the tenant for generations or the protected tenant, as the case may be.

Pursuant to the provisions of the Communications Regulations (Bezeq and Broadcasting), 5745-1985, if Bezeq believes that the provision of a Bezeq service to the applicant requires the installation of a Bezeq facility, in the applicant's premises (or in common premises), Bezeq may require the applicant as a precondition for providing the requested Bezeq service to assign a suitable place to Bezeq in the premises for the installation of the facility, for Bezeq use only, and it may provide service through the facility to other applicants as well.

According to the Planning and Construction Regulations (Application for a Permit, its Terms and Fees), 5730-1970, an applicant for a permit for the construction of a residential building, it is mandatory to install infrastructure for telephone, radio, television and Internet services so that the customer can choose a provider of his choice. At the same time, Bezeq's license (as well as the Hot Telecom and Yes licenses) was amended so that as long as Bezeq uses the internal threading (the part of the access network, installed in a person's premises and common premises, and intended to serve that person's premises only), it is obligated to provide a maintenance service for the internal threading installed by said person, without giving it any property rights in the internal threading. Regarding the draft amendment of these regulations for the purpose of imposing an obligation on the laying of infrastructure in favor of fiber, see Section 2.16.4.4.

2.16.7. Immunities and limitations of liability

The Minister of Communications granted Bezeq certain immunities from liability for damages, listed in Chapter I of the Communications Law, in accordance with his authority to grant immunities to a general licensee.

In addition, Article 13 of the Communications Law stipulates restrictions on criminal and civil liability in fact made in the framework of the fulfillment of a provision for the provision of services to the security forces by virtue of the article.

2.16.8. Regulations under the Communications Law

As of the date of publication of the periodic report, Bezeq is subject to regulations in two other main areas: (1) cessation, delay or limitation of Bezeq operations and Bezeq services; (2) Installation, operation and maintenance.

2.16.9. Laws of Economic Competition

2.16.9.1. The Competition Commissioner (in this section - "**the Commissioner**") declared Bezeq as having a monopoly in these areas:

2.16.9.1.1. Basic telephone services, provision of communication infrastructure services, and transmission and transmission services of public broadcasts³⁷.

2.16.9.1.2. Providing fast-access services through subscriber access network³⁸.

³⁷ Announcement dated 30.7.1995.

³⁸ On November 10, 2004, the Commissioner split his announcement of December 11, 2000 in the field of Internet access infrastructure into two separate Announcements (Announcements B and C).

- 2.16.9.1.3. Providing fast access services to Internet providers through a central Bezeq public network.

The declaration by the Commissioner of Bezeq as having a monopoly constitutes *prima facie* evidence to all that is determined in it, in any legal proceeding, including in criminal proceedings.

- 2.16.9.2. Bezeq has adopted an internal enforcement procedure with rules, guidelines and an internal reporting and control system, the purpose of which is to ensure that Bezeq and its employees' activities are carried out in accordance with the provisions of the Economic Competition Law.

- 2.16.9.3. In accordance with the conditions set forth in the approval of the Competition Authority dated March 26, 2014 for the merger (as defined in the Economic Competition Law) between Bezeq and Yes, the following restrictions apply in relation to Bezeq and Yes:

- A. Bezeq and any person related to it (in this section - "Bezeq") will not impose any restriction on the consumption of landline Internet infrastructure services resulting from the customer's cumulative browsing volume, nor will they cause a restriction or block of the customer's ability to use any service or application the Internet.
- B. Bezeq will deduct from the payments of an Internet provider for its connection to the Bezeq network sums for the provision of multi-channel television services.
- C. Bezeq will sell and provide Internet infrastructure services and television services on equal terms to all Bezeq customers (sale of Internet infrastructure services as part of a basket of services will not in itself be considered for sale on unequal terms).
- D. Bezeq and Yes will cancel all exclusivity arrangements regarding non-original productions and will not be a party to such exclusivity arrangements (except in relation to a third party who has a license to broadcast at the time of the decision). In addition, for two years from the date of approval of the merger (which have since passed), Bezeq will not prevent any party (except those who have a broadcasting license at the time of the decision) from acquiring rights in original productions (does not apply to new productions).

On April 12, 2021, the Competition Authority published a decision of the Competition Commissioner regarding the amendment of the terms of the merger. According to the amendment, the Commissioner decided to allow Bezeq's subsidiaries: Pelephone, Bezeq International and Yes (and not Bezeq), to sell communication packages that include Internet infrastructure, Internet provider and TV services without the obligation to sell the TV services, at a separate price that will be uniform for package buyers and for those who are not package buyers. In addition, the Commissioner decided to allow greater flexibility with regard to the purchase of foreign content, so that the condition stipulating the cancellation of exclusivity arrangements between Bezeq and Yes regarding non-original TV content, and the prohibition on being parties to such exclusivity arrangements will not apply to foreign content purchase, excluding sports content, and thus allow for greater flexibility when it comes to purchasing foreign content.

- 2.16.9.4. As part of the approval of the merger of Bezeq and Pelephone dated August 26, 2004 (as amended below), restrictive conditions were imposed, the main of which is the prohibition of discrimination in favor of Pelephone in the supply of a product in which Bezeq is a monopoly, prohibition of the conditioning of the supply of certain products by one of the companies with the purchase of products or services from the other and restrictions on certain joint activities.

On September 4, 2019, Bezeq received the Competition Commissioner's determination ("**the Determination**") regarding the abuse of Bezeq's position in violation of the provisions of Article 29A of the Economic

Competition Law and the demand for payment under the provisions of Article 50h of the Law in the amount of NIS 30 million from Bezeq and NIS 0.5 million from the former Bezeq CEO. This Determination was made following a hearing scheduled for Bezeq after the Competition Commissioner announced in 2018 that she intended to determine that Bezeq had abused its position as stated, based on the evidence in the Authority's possession, which indicates that Bezeq used the market power it had as a result of its control over the passive infrastructure and placed barriers to new players who sought to use this infrastructure. An appeal filed by Bezeq against the claim was rejected on October 24, 2023 by the Competition Court. It should be noted that the full amount of the sanctions was paid by Bezeq in 2019. Regarding the request for approval of a class action and requirements for exhausting rights before submitting a derivative action further to this Determination, see Section 2.18.1f.

2.16.10. Telegraph Order

The Government is dealing with the existing shortage of radio frequencies to provide a variety of advanced communication services to the Israeli public (among other things, due to the allocation of many frequencies for security and other public uses), by allocating them in tenders and limiting the number of licenses that can be used, as well as by establishing conditions and criteria to ensure the efficient use of frequencies.

The Telegraph Order regulates the use of the electromagnetic spectrum, and applies, among other things, to Bezeq's use of radio frequencies, as part of its infrastructure. Establishment and operation of a system that uses radio frequencies is subject, under the Telegraph Order, to licensing, and the use of radio frequencies is subject to the allocation of an appropriate frequency in accordance with the Committee's policy. According to the Telegraph Order, license fees and fees are imposed for the Frequencies Committee and their allocation.

2.16.11. Establishment of communication facilities

The National Communications Outline Plans, National Outline Plan 36 (within the Green Line) and National Outline Plan 56 (in the Territories) are intended to regulate the deployment and manner of construction of communications facilities in such a way as to enable transmission and reception of radio, television and wireless communications, while preventing radiation and minimizing environmental and landscape damage, and with a view to simplifying and streamlining the construction processes of the facilities.

Bezeq has established and is setting up transmission facilities and wireless communication facilities for the transmission services of its customers, and also uses wireless communication facilities mainly for the purpose of providing services to areas that are not connected to the fixed communication infrastructure (remote areas or new localities).

2.16.11.1. National Outline Plan 36 - Communication facilities within the Green Line

NOP 36 was divided into two parts according to the classification of the transmission facilities, made in accordance with the technical variables and physical dimensions of the facilities, which ultimately affect the determination of safety ranges for protection against radiation effects and the degree of prominence of the facilities in the landscape. Part A of the NPA, which has been approved by the Government and is in force, deals with guidelines for the construction of small and micro broadcasting facilities, while Part B, which was not approved by the Government and is not in force, deals with guidelines for the construction of large broadcasting facilities. As a result, there are currently no special guidelines regarding Bezeq's large transmission facilities, most of which were established by the state before Bezeq was established.

Bezeq has issued building permits for most of the small transmission

facilities in accordance with National Outline Plan 36A. From time to time, there is a need to add transmission facilities that require the issuance of building permits in accordance with National Outline Plan 36A. Bezeq believes that it is not obliged to obtain building permits for miniature broadcasting facilities, due to the exemption granted in this matter in the Planning and Construction Law and in the Communications Law with respect to "wireless access facilities" (which include the miniature broadcasting facilities).

2.16.11.2. National Outline Plan 56 - Communication facilities in the Territories

National Outline Plan 56 regulates the manner of construction and licensing of communications facilities in the Territories. The plan includes transitional provisions to facilities established in the permit and to existing facilities.

The plan includes a requirement to obtain a communications license and to obtain the consent of the Commissioner of Government Property in the Civil Administration.

Bezeq has settled the licensing of vast majority of the facilities located in the Territories and which are owned by Bezeq (there are a few additional sites that have not been regulated). In addition, Bezeq also arranged with the Communications Officer in the Civil Administration the licensing of the facilities located in the premises of the customer in accordance with the requirement that the Communications Officer sent to Bezeq.

2.16.11.3. Radiation permits

Regarding radiation permits for communication and transmission facilities, see Section 2.15 2.15.

Addition of an antenna to a legally existing transmission facility is exempt from obtaining a permit subject to the existence of cumulative conditions and exceptions specified in the Planning and Construction Regulations (Works and Buildings Exempted from the Permit), 5774-2014.

2.16.12. Consumer legislation

Regarding consumer legislation applicable to Bezeq, see Section 1.7.7.4.

2.17. Material agreements

The following is a concise description of material agreements, not in the ordinary course of Bezeq's business, that were signed during the period of the periodic report and / or that were in force during the said period:

2.17.1. The trust deeds in respect of debentures (Series 11, 12, 13, 14) issued by Bezeq.

For this matter, see details in Note 13 to the 2025 Statements and in Section 4 of the Board of Directors' Report.

2.17.2. Real estate

2.17.2.1. Agreement on the transfer of assets between Bezeq and the state dated January 31, 1984.

An agreement between the state and Bezeq, according to which Bezeq was granted the State's rights in assets available to the Ministry of Communications for the provision of Bezeq services, and Bezeq replaced the state with respect to the rights in the said assets and regarding the obligations and duties relating to those rights on the eve of the agreement. In addition, according to the said agreement, Bezeq was transferred the rights, powers, obligations and duties of the State under the agreements, as well as the agreements and transactions that were valid in the field of Bezeq services on the eve of the beginning of the agreement.

2.17.2.2. Settlement agreement dated May 15, 2003 between Bezeq and the State and the Israel Land Administration regarding the rights relating to the land. See section 5.1.4.3.

2.17.2.3. Agreement between Bezeq and the Postal Authority (now the Israel Postal

Company) dated June 30, 2004

An agreement between Bezeq and the Postal Authority for the definition and regulation of Bezeq and the Postal Authority in their joint assets. The agreement specified the common assets and defined the share of each party in them. It is stipulated that each of the parties will have exclusive rights in part, except in the matter of rights in common property, building rights or rights in respect of which it is expressly stated otherwise. The agreement stipulates, among other things, a mechanism of the right of refusal if a party wishes to make a sale transaction and a right of way in the matter of a lease transaction. With respect to a number of additional assets it has been determined that the sole rights holder in them, in its entirety, will be one determined party.

2.17.3. Labor agreements

2.17.3.1. Special collective agreement from December 2006

For this agreement and amendments thereto, see Section 2.9.4.

2.17.3.2. Early retirement agreements.

On April 24, 2014, Bezeq entered into an agreement with Menora Mivtachim Insurance Ltd. ("**Menora**") to regulate pension payments for early retirement of Bezeq employees, as well as the differences in old-age and survivors' pension payments, to employees who retire from Bezeq under a special collective agreement for retirement which was signed between Bezeq, the Employee Representative Council and the Histadrut on February 12, 2014. The insurance policy was approved by the Supervisor of Insurance and it entered into force on March 31, 2016. Accordingly, as of May 1, 2016, Menora is issuing policies to retiring employees, and benefit payments and related payments are paid on the basis of these policies. The term of the agreement (after being extended five times) is until the end of 2026.

2.17.3.3. IRU agreement between Bezeq and the partner

For the agreement for the provision of the indefeasible right-of-use (IRU) service in the BSA fiber service (wholesale market) by Bezeq to Partner, see Section 2.6.3.

2.18. Legal Proceedings

Bezeq's reporting policy is based on qualitative considerations and quantitative considerations. Bezeq decided that the quantitative materiality threshold in relation to events affecting the net profit would be an effect of about 5% and more on Bezeq's average adjusted net profit (as defined in Section 1.6) according to Bezeq's consolidated annual statements from the past three years (2022-2024). Therefore, in the absence of relevant qualitative considerations, this section describes legal proceedings to the extent of NIS 80 million or more³⁹, before tax, as well as legal proceedings in which the amount claimed is not specified in the statement of claim, unless it is a claim that does not reach the aforementioned quantitative threshold (and all - unless Bezeq assesses additional aspects or consequences of the procedure beyond its financial scope)⁴⁰. With regard to class actions, attention is drawn to the fact that the filing of class actions in Israel does not involve the payment of a fee as a derivative of the amount of the claim. Thus, the claim amounts in such claims may be significantly higher than the actual exposure volume in respect of those claims.

2.18.1 Pending Procedures

Date	Sides	Court	Type of procedure	Details	Claim amount (NIS millions)
a. March 2015	Shareholder vs. Bezeq and former Bezeq executives	District (Tel Aviv - Economic Department)	Motion for approval of a claim as a derivative claim together with a derivative claim statement	<p>Motion against Bezeq, as well as against Mr. Shaul Elovitch, former controlling shareholder and chairman of the board of Bezeq against directors of Bezeq at the relevant times who voted in favor of Bezeq's engagement in the transaction that is the subject of the motion as detailed below ("the Respondents").</p> <p>The motion deals with, according to what is alleged in it, Bezeq's decision, through the respondents, to enter into a transaction for the purchase of full holdings and shareholder loans of Eurocom Yes (a company under the indirect control of then Bezeq's controlling shareholder) in Yes for NIS 680 million in cash and contingent consideration of up to an additional NIS 370 million.</p> <p>According to the applicant, the consideration was excessive, and the Respondents' decisions to enter into the transaction caused Bezeq a great deal of damage after they violated their duties of care and reliability to Bezeq, and were negligent in their role. It was also alleged by the applicant that Bezeq's controlling shareholder had breached its duty of fairness, and that Bezeq had breached the duty of disclosure and reporting regarding the trustee's commitment to Eurocom DBS's holdings in Yes to sell the holdings beginning at the end of March 2015.</p> <p>In light of the aforesaid, the petitioner requests that the Court approve the filing of a derivative claim on behalf of Bezeq against the Respondents for the claim for damage caused to us by Bezeq as a result of the Respondents' decisions regarding the transaction in the amount of NIS 502 million.</p> <p>on July 3, 2017, the Court approved the filing of an amended motion by the applicant, which includes additional allegations relating, <i>inter alia</i>, to the independence of the entities that advised Bezeq, alleged defects in the work of the Audit Committee, the Board of Directors and the general assembly, and alleged defects resulting from Eurocom being represented by Bezeq directors.</p> <p>In light of the Securities Authority's investigation and indictments subsequently filed in connection with it (see Section 2.18.3), <i>inter alia</i>, regarding the engagement that is the subject of this lawsuit and the position of the Securities Authority that it was improper to delay the proceedings, the Court decided to delay the proceedings in this case. On January 17, 2021, the Attorney General announced his appearance in the proceedings (regarding the delay of the proceedings and not the body of the proceedings). The proceedings were postponed until 8.5.2025. In May 2025, an update and request were submitted by the Attorney General's Office indicating that no further postponement of the proceedings was required. At the same time, the Court was asked to instruct that the</p>	502

³⁹ In order to examine the compliance of the claim amounts with the said threshold, the amounts were linked to the consumer price index. The amounts specified in this section are the original amounts (excluding linkage differences). With regard to the aforesaid threshold, in the case of similar proceedings against several companies in the Group, the amount of the claim may be examined cumulatively in respect of all the proceedings together. It is also clarified that if certain proceedings largely concern common legal or factual issues, or it is known that such issues are examined or considered together, then for the purpose of meeting the quantitative materiality threshold as stated in these sections, the amount involved in all those proceedings together.

⁴⁰ In view of the update of the materiality threshold, as of the date of approval of this periodic report, no legal proceedings are described in the periodic report for 2020 that do not reach the current materiality threshold as follows: Section 2.18.1 (12) (section number in the Periodic Report for 2020).

Chapter A (Description of the Corporation's Business) to the 2025 Periodic Report

Date	Sides	Court	Type of procedure	Details	Claim amount (NIS millions)
b. November 2015 And March 2018	Customer against Bezeq	Central District Court	Two claims together with motions for approval as class actions	<p>Attorney General's Office be updated before the investigation phase of the proceedings, so that it could consider its position at the appropriate time regarding whether a delay would be necessary during the investigation phase, given the progress of the criminal proceedings concerning related-party transactions. Subsequently, and in accordance with agreements between the parties in light of the criminal proceedings, the postponement of the proceedings has continued, currently until June 2026.</p> <p><u>The motion from November 2015</u> - It is alleged that Bezeq abused its monopolistic position, <i>inter alia</i>, by "preventing and blocking the existence of competition in general and the existence of effective competition in the communications market in Israel" and acted to delay and thwart the wholesale market reform, thereby harming the Israeli public and earning unreasonable profits as a result of the abuse of power as a monopoly. According to the plaintiffs, the damage caused by Bezeq to the communications market in Israel is reflected in Bezeq's excess and unreasonable profitability, and they seek to claim damage in the amount of NIS 800 million, which they claim is based on 10% of Bezeq's excess operating profit due to abuse of monopolistic power. The plaintiffs set the amount of the claim at NIS 556 million, after a reduction of the amount claimed in another proceeding (which in the meantime ended in departure).</p> <p>In December 2017, the Court approved the attachment as evidence in the case of an immediate report published by Bezeq on October 22, 2017, in which Bezeq reported on a final inspection report by the Ministry of Communications regarding the implementation of a wholesale telephony service and an announcement of an intention to impose a financial sanction. In December 2018, the Ministry of Communications imposed a financial sanction in the amount of NIS 11 million on Bezeq.</p> <p>On March 3, 2019, Bezeq informed the Court that in light of the expected change of case in the case as soon as the request for approval is received, it agrees to the Court's proposal to approve the motion to conduct the class action without a reasoned decision by the Court and preserving all its claims. Subsequently, on March 5, 2019, the Court approved the motion to conduct the class action lawsuit and clarified that all the parties' claims are reserved for them to discuss the lawsuit itself and that all evidence and investigations heard in the motion for approval will form part of the evidence in the class action lawsuit.</p> <p>In view of conducting a criminal proceeding ("Case 4000") related to this proceeding, on 1.11.2021, the Attorney General announced his appearance in this proceeding. Subsequently, in accordance with update notices submitted on 19.5.2024 on behalf of the Attorney General, in light of the progress in the criminal proceedings in Case 4000, is there any need at this stage to continue the stay of proceedings.</p> <p>The mediation held in the case concluded without any agreement between the parties.</p> <p><u>The motion from March 2018</u>- a motion similar to the November 2015 motion submitted by the same applicants in relation to the period from the date of filing the application from November 2015 to the end of 2017, in view of the plaintiffs' claim in addition to the abuse of power by Bezeq, there were also "acts of corruption and unlawful acts and foreign and improper purposes of the Director General of the Ministry of Communications". According to the plaintiffs, the damage caused by Bezeq to the communications market in Israel is reflected in Bezeq's excess and unreasonable profitability. On 31.5.2018, Bezeq submitted a request to delay the procedure in light of the Securities Authority's investigation (see Note 2.18.3). In light of the Securities Authority's investigation and indictments filed subsequently, the Court approved a motion on behalf of the Attorney General to continue the stay in the proceedings in the case until 15.2.2024. Subsequently, in accordance with the update notices submitted on 19.5.2024 by the Attorney General, in light of the progress in the criminal proceedings in Case 4000, there is no need at this stage to continue the stay of proceedings. Subsequently, the parties agreed to refer the November 2015 request to mediation and to suspend the proceedings in the March 2018 motion until the conclusion of that mediation..</p> <p>It should be noted that, in September 2019, the applicants submitted a request for the filing of a new motion for approval of a class action (a request filed against Bezeq in September 2019 following the determination dated September 4, 2019 of the Competition Commissioner regarding the abuse of Bezeq's status - see description</p>	556 in the motion from November 2015 and 258 in the motion from March 2018

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Date	Sides	Court	Type of procedure	Details	Claim amount (NIS millions)
				below Paragraph G(1) to the court in which this proceeding is being conducted and to strike out that application on the grounds that it is a similar late application.	
c. June 2017	Bezeq shareholders Against Bezeq, Chairman of the Board of Bezeq and former members of the Board of Bezeq, as well as members of the Eurocom Group (the first application also against the former CEO of Yes)	In the District Court (Economic Department) in Tel Aviv	Two motions for approval of class actions	<p>The requests deal with the 2015 transaction in which Bezeq acquired from Eurocom DBS (a company controlled by Bezeq's controlling shareholders at the time) the balance of Yes shares held by it (in this section: "the Transaction):</p> <p>The first motion was submitted on behalf of everyone who purchased the Bezeq shares from February 11, 2015 until June 19, 2017 (except for the respondents and / or those on their behalf and / or related to them). The motion alleges misleading and / or missing reporting in connection with the Transaction, and that following an open investigation by the Securities Authority regarding the Transaction, the public became aware of details regarding the transaction and its implementation, which led to a decline in Bezeq's share price. According to the applicant, the respondents acted in violation of the provisions of the Securities Law and in violation of other legal provisions, causing Bezeq's securities holders heavy financial damages, amounting to hundreds of millions of NIS, if not more than that.</p> <p>The second motion was submitted on behalf of three sub-classes - anyone who purchased on the Tel Aviv Stock Exchange from May 21, 2015 to June 19, 2017 (1) the Bezeq shares, (2) the Company's shares and (3) the Internet Gold shares. According to the applicant, a serious misrepresentation of the investors who invested in the shares of the aforementioned companies was made, which was revealed following the opening of an open investigation into the Securities Authority on June 20, 2017, by increasing the increase in Yes's cash flow reported in Bezeq. According to the claim, artificially misleading the reasonable investor who relied on Yes's cash flow data to estimate its value, which led to overpricing of the above companies. The applicant also claims additional damages caused to groups of Company and Internet Gold shareholders.</p> <p>Pursuant to a hearing arrangement approved earlier by the Court, the petitioners have agreed in the above petitions on their joint management and they are to file a consolidated petition on their behalf.</p> <p>Following the request of the Attorney General (who announced in 2017 his appearance in the proceedings regarding the delay of the proceedings and not the body of the proceedings), the proceedings were postponed until 8.5.2025, due to the investigation by the Israel Securities Authority and indictments subsequently filed (see section 1.1.72.18.3). In May 2025, an update and request was submitted by the Attorney General stating that no further postponement of the proceedings was required. At the same time, the court was asked to order that the Attorney General be updated before the investigative stage of the proceedings, so that she could consider her position, at the appropriate time, on whether a postponement of the proceedings would be necessary during the investigation stage, given the progress of the criminal case concerning related-party transactions. Following this and in accordance with agreements between the parties in light of the criminal proceedings, the postponement of the proceedings has continued, at this stage, until June 2026.</p> <p>On May 23, 2023, the applicants in the consolidated procedure, together with the Company and Shaul and Or Elovitch ("Elovitch") submitted a motion for the approval of a compromise settlement in the consolidated procedure, where the Company agreed to pay a sum equal to USD 4.35 million (USD 5.5 million dollars including attorney's fee, compensation, and other expenses) as compensation for exhausting the claims against itself and against Elovitch (in their capacity as officers/controllers shareholders of the Company). In the motion, it was emphasized that the waiver made does not detract from the claims regarding Elovitch regarding Bezeq. Subsequently to the submission of an amended motion for an amended partial settlement agreement in accordance with the Court's decision (to which a draft consolidated motion for approval was also attached), on 28.8.2024, a partial judgment was issued which approved the amended partial settlement agreement.</p>	About 1,240 in the first application and 568 in the second application
d. June - August 2017, June 2018, and	Shareholders of Bezeq against the former	Tel Aviv District Court	Motion for approval of a derivative	It is alleged, <i>inter alia</i> , that the approval process for a 2017 related party transaction between Yes and Space for the lease of orbital slots for Yes' satellite broadcasts (" Yes-Space Transaction ") was flawed, that the conditions of the full fairness test should be applied to the transaction	Over NIS 2.5 million (the approval motion)

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February 2025	controlling shareholder, former officers, Eurocom Holdings (1979) Ltd., Eurocom Communications Ltd., and the Company (the " Respondents "), as well as against Bezeq and Yes as formal respondents		claim	<p>and its approval, which are not met, and that the transaction was not lawfully approved, while it is alleged that the consideration paid by Yes to Space as part of the Yes-Space Transaction is USD 67 million higher than the market price at the time. Accordingly, the Court is requested in the motion for approval to require the Respondents, jointly and severally, to compensate Bezeq for the damages it suffered as a result of their breach of their obligations to it, which were estimated at no less than USD 67 million.</p> <p>According to the motion for approval, the motion was filed in connection with a motion for disclosure of documents prior to filing a derivative claim regarding the yes-space transaction ("the Disclosure Motion") (which is being delayed in light of a criminal proceeding being conducted regarding, among other things, the Yes-Space transaction), after the motion to suspend the statute of limitations filed by the applicants in the Disclosure Motion was denied by the Court, which determined that a claim was required to be filed for the purpose of discussing the statute of limitations.</p> <p>It should be noted that the Disclosure Motion was filed in 2018, and in which the Court was requested to order Bezeq (and Yes, as the case may be) to provide the applicants with certain documents in connection with the Yes-Space transaction⁴¹. In 2021, the Attorney General announced his appearance in the proceedings (regarding the stay of proceedings and not the substance of the proceedings), and further to his motion, the proceedings were stayed until 8.5.2025 in light of the Securities Authority investigation and indictments filed subsequently (see Section 1.1.5). In May 2025, an update and request was submitted by the Attorney General stating that no further postponement of the proceedings was required. At the same time, the court was asked to ensure that the Attorney General be updated prior to the investigative stage of the proceedings, so that she could, at the appropriate time, consider whether a postponement of the proceedings would be necessary during the investigation stage, in light of the progress of the criminal case regarding related-party transactions. Following this, and in accordance with agreements between the parties in view of the criminal proceedings, the postponement of the proceedings has continued, at this stage, until June 2026.</p>	states that the damage is estimated at no less than USD 67 million).
e. February 2018	Bezeq shareholders against Bezeq as a formal respondent, as well as against Bezeq directors at times relevant to the motion and against Bezeq's controlling shareholders at the times relevant to the motion, Mr. Shaul Elovitch and Mr. Yosef Elovitch (the " Respondents ").	Tel Aviv District Court - Economic Department	Motion for approval of a derivative claim	<p>The matter of the motion, according to what is claimed in it, is Bezeq's conclusion in an assessment agreement with the Tax Authority which was signed on September 15, 2016 ("the Assessment Agreement") and according to which Bezeq paid tax to the Tax Authority on financing income from loans to Yes in the amount of NIS 462 million, while on the other hand, it was agreed, among other things, that DBS' losses in respect of financing expenses in respect of Bezeq's owner loans to Yes will be fully recognized to Bezeq after the merger between Bezeq and Yes.</p> <p>According to the applicants, as a result of the signing of the assessment agreement, Bezeq paid a total of NIS 660 million. Of this total, NIS 462 million was paid to the Tax Authority and approximately NIS 198 million was paid to Bezeq's controlling shareholders as a conditional consideration stipulated in the agreement for the acquisition of full holdings and shareholder loans of Eurocom DBS, a company under the indirect control of the controlling owner of Bezeq, in Yes ("Yes Transaction").</p> <p>According to the petitioners, Bezeq's engagement in the assessment agreement constituted an exceptional transaction of a public company in which Bezeq's controlling shareholders have a personal interest, and was carried out illegally because it was contrary to the Company's benefit and because the required legal approvals were not obtained.</p> <p>According to the plaintiffs, the damage caused to Bezeq following the conclusion of the Assessment Agreement ranges from a minimum threshold of NIS 65 million (as long as all Yes losses in respect of financing expenses are allowed to be offset by Bezeq).</p> <p>According to the plaintiffs, the respondents who are directors violated, <i>inter alia</i>, the duties of care and trust (and with regard to the respondents controlling Bezeq, also the duty of fairness), and accordingly the plaintiffs motion that the Court approve the filing of a derivative claim on behalf of</p>	65 Minimum threshold 219 Maximum threshold

⁴¹ It should be noted that in July 2017, a motion was filed with the Tel Aviv District Court (Economic Department) to approve a class action lawsuit in the amount of approximately NIS 37 million against Space, its controlling shareholders and officers, as well as against Bezeq's CEO and Bezeq's Secretary at the dates relevant to the lawsuit in connection with the Yes-Space transaction. Bezeq is not a party to this proceeding and has no information regarding its further conduct.

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				<p>Bezeq and Yes, because it will oblige them to compensate Bezeq for the said damages caused to it, according to them, as a result of the breach of their obligations to Bezeq.</p> <p>On 17.1.2021, the Attorney General announced his appearance in the proceedings (regarding the delay of the proceedings and not the body of the proceedings). Following the Attorney General's motion, the procedure was postponed at this stage until 8.5.2025, in light of the Securities Authority's investigation and indictments filed later there (see Section 2.18.3). In May 2025, an update and motion were submitted by the Attorney General stating that no further postponement of the proceedings was requested. At the same time, the court was asked to notify the Attorney General prior to the investigation phase, so that she could consider her position, in due course, regarding whether a postponement of the proceedings at the investigation stage would be necessary in light of the progress of the criminal proceedings concerning related-party transactions. Following this and agreements between the parties due to the criminal proceedings, the postponement of the proceedings continued, at this stage, until June.</p>	
f. June 2018 and April 2024	Shareholder against Bezeq, Mr. Shaul Elovitch, and Mr. Or Elovitch	Tel Aviv District Court (Economic Department)	Motion for approval of a derivative claim	<p>This proceeding was initiated in June 2018 with a motion for discovery and perusal of documents pursuant to Article 198A of the Companies Law, in which it was requested that the Court order Bezeq, Yes, as well as the former controlling shareholder of Bezeq, Mr. Shaul Elovitch, and his son, Mr. Or Elovitch (hereinafter collectively "Elovitch"), to submit to the perusal of the applicant, as a shareholder of Bezeq, various documents for the purpose of examining the filing of a motion for approval of a derivative claim on behalf of Bezeq. According to the applicant, B Communications and Elovitch violated their duties of loyalty, fairness, and trust towards Bezeq in that the sale of 115 million Bezeq shares on 2.2.2016 by the Company was carried out while the Company and Elovitch used inside information about Bezeq, and at a value significantly higher than the true value of the shares. According to the applicant, this sale resulted in undue profits for the Company in the amount of approximately NIS 313 million. The inside information that the motion alleges was used as aforesaid is, <i>inter alia</i>, that the statements of Yes and Bezeq do not reflect the <i>de facto</i> financial situation of Bezeq, but rather "free cash flow" that was inflated in order to increase the consideration in the transaction in which Bezeq acquired Eurocom Communications' shares in Yes ("the Yes Transaction").</p> <p>On 19.9.2023, a ruling was issued striking out the motion on the grounds that it was filed more than five years ago and that no hearing was held due to the stay in the proceedings in the case. The ruling further stated that the striking out does not cause the grounds underlying it to become statute-barred and that no argument in this matter will be heard regarding the period from the date of the ruling until it is filed as a new claim, if filed.</p> <p>In April 2024, the applicant in the aforementioned proceeding filed a motion to approve a derivative claim in the name of Bezeq and/or a "double derivative" claim in the name of Yes against Mr. Shaul Elovitch and the Company. The claims included in the motion to approve a derivative claim are similar to the claims included in the aforementioned motion for discovery of documents. In November 2025, the Company, together with Mr. Shaul Elovitch, submitted a motion to the Court seeking approval of a mediation agreement they had reached with the petitioner in order to conclude the proceedings for approval of a derivative claim. According to the mediation agreement, without admitting any of the claims in the derivative claim application, and for purposes of compromise and to bring about full resolution, waiver, dismissal, and conclusion of the derivative claim proceedings, it was agreed between the parties that, subject to the Court approving the mediation agreement in a final judgment, the Company would pay a total, final, and absolute amount of NIS 11 million. Of this amount, NIS 8.75 million is expected to be paid to Bezeq. Bezeq informed the Court that it agrees with the mediation agreement.</p>	
g. (1) September 2019	Customers against Bezeq	Tel Aviv District Court	Motion for approval of a class action	<p>Motion submitted following the determination dated September 4, 2019 of the Competition Commissioner regarding the abuse of Bezeq's status ("the Determination") (for this matter, see Section 2.16.9.5) in which it was alleged that Bezeq's acts and omissions as described in the Determination (blocking the transition of Bezeq competitors from Bezeq's infrastructure to the building access section, as well as refusing to thread cables in the continuous method and conditioning the deployment in an inferior, expensive and problematic threading method) caused substantial damage to consumers. The definition of the group in whose name the class action will be conducted is anyone who purchased landline</p>	400

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				<p>communication services in Israel, in the period between July 2015 and March 2018, whether or not he purchased these communication services from Bezeq. Damage is claimed due to the loss from the decrease in the rate for communications packages, which was prevented from the group members due to Bezeq's alleged acts or omissions. Regarding a motion submitted to transfer this motion for approval to another Court and to strike it out due to it being similar late motion to the motion for approval of a class action – see Section 2.18.1b. On 25.6.2020, the Court ruled that the parties will petition for the provision of appropriate instructions in the proceedings upon termination of the stay of proceedings in the same motion for approval of a class action from March 2018. The parties will petition for appropriate instructions.</p> <p>Two motions (unified) for the disclosure of documents under Article 198A of the Companies Law for the purpose of examining the submission of a motion for approval of a derivative claim regarding the exercise of Bezeq's rights against officers in connection with the Determination. It is alleged that the findings and violations included in the Determination give Bezeq cause of action against Bezeq's officers and that Bezeq is entitled to compensation from the officers for the damages that were caused and that will be caused to it. On June 23, 2020, Bezeq submitted a request to delay the proceedings in the motions for disclosure, until the work of the Claims Committee established for the purpose and the submission of its recommendations to Bezeq's Board of Directors. On July 19, 2020, Bezeq submitted its response to the motions. The Attorney General submitted a notice of his appearance in the proceedings, and at the same time submitted his position, according to which a decision to appeal the determination that the petitioners claim constitutes the damage caused to Bezeq, may be a derivative proceeding as long as the above decision is not final.</p> <p>On 4.4.2021, the plaintiffs accepted the Court's proposal to delay the proceedings until after the completion of the work of the Claims Committee established by Bezeq and a decision on Bezeq's request to delay the proceedings. Subsequently, on October 13, 2021, Bezeq's Board of Directors decided to adopt the Claims Committee's recommendation of October 7, 2021, according to which in the circumstances Bezeq does not have a good cause of action against officers and other officials who served during the relevant periods, and that conducting legal proceedings will not promote Bezeq benefit. The Committee came to this conclusion after examining the implications, benefits, damages, costs and gains involved in conducting such legal proceedings, and came to the conclusion that their conduct would harm Bezeq. Bezeq submitted a notice to the Court.</p> <p>On 4.6.2023, the judgment of the Haifa District Court was issued, in which it partially granted the motions, and ordered the disclosure and review of the Claims Committee's report appendices only, and not the transcripts of the Committee's hearing minutes. Following the mediation in this case (together with an additional request for approval of a derivative claim regarding fines imposed on Bezeq by the Ministry of Communications concerning the implementation of the wholesale market reform – see Footnote 40), on 17.12.2025, a court ruling was issued approving a settlement in these cases. According to the ruling, Bezeq will receive approximately NIS 3.4 million from the insurance of Bezeq's officers, from which Bezeq will cover fees, compensation, and the deductible. The settlement fully resolves all claims by Bezeq related to fines imposed by the Ministry of Communications and the Antitrust Authority, and the compensation payment will be considered a complete and final settlement of the claims and any damages, if any, incurred by Bezeq due to the events that led to the fines imposed by the Ministry and the Authority.</p>	
(2) March 2020	Shareholders against Bezeq	Haifa District Court	Consolidated request for disclosure of documents prior to request for approval of a derivative claim		
h. November 2020	Shareholder against Bezeq, the Company, Bezeq's CEO, and members of Bezeq's Board of Directors at the times relevant to the motion	At the Tel Aviv District Court (Economic Department)	Class action lawsuit	<p>Damages were claimed due to alleged reporting and disclosure failures by Bezeq in connection with a public report on the phenomenon of duplicate subscriptions in the ISP internet services segment - on 3.6.2024, the Court decided to partially approve the claim as a class action. In accordance with the Court's decision, the class of plaintiffs was defined as including all those who purchased Bezeq shares from 5.10.2020 (instead of from 17.8.2020 as defined in the approval request) until 30.10.2020 and held the aforementioned shares or part of them on 30.10.2020, with the exception of the respondents and/or anyone on their behalf and/or entities related to them. In addition, the Court decided not to approve the class action lawsuit against the Company, and the lawsuit against it was dismissed. On 12.9.2024, a notice of appeal was filed by the plaintiff regarding only partial approval of the lawsuit as a class action and</p>	24

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Date	Sides	Court	Type of procedure	Details	Claim amount (NIS millions)
i. January 2021	Bezeq shareholders v Bezeq et al.	Tel Aviv District Court - Economic Department	Motion for approval of a class action	<p>regarding the non-approval of the lawsuit as a class action against the Company, and on 16.9.2024, Bezeq and the officers in the proceeding filed a motion for a rehearing of the decision to partially approve the motion for approval of a class action, in which the Court was asked to annul the decision regarding the approval of the action as a class action, and to order the dismissal of the motion for approval, in all its parts. In October 2024, a motion was filed with the High Court of Justice for a consolidated hearing in the High Court of Justice on the notice of appeal and the motion for a rehearing. In addition, on 29.10.2024, the plaintiff filed an amended statement of claim in which the amount of the class action was reduced to NIS 23.6 million. The case is in mediation proceedings.</p> <p>In November 2025, the parties submitted a motion to the Court for approval of a settlement in the case. According to the settlement, for purposes of compromise only and without constituting any admission by the defendants, and in exchange for full resolution of all claims relating to the matters in the motion for approval, a final, full, and absolute amount of NIS 8.55 million (the "Settlement Amount") will be paid – subject to the court's approval of the settlement and the settlement approval ruling becoming final. The Settlement Amount will be paid in full by Bezeq's office holders' insurance, except for a minor portion of the deductible (amounting to a few hundred thousand NIS) which Bezeq will bear.</p> <p>A consolidated motion (filed <i>in lieu</i> of two similar motions in the same matter that was deleted) against Bezeq, the Company, and 90 other respondents, including past and present officers at Bezeq, the Company and Bezeq International, as well as the auditor firm (the "Respondents"). The motion deals, as alleged in it, with damages caused to the applicants and members of the represented groups (as detailed below) as a result of acts and omissions of the respondents who violated the provisions of the law, including that Bezeq and the Company included misleading details in their reports. In accordance with the provisions of the law, in connection with Bezeq's and the Company's report dated November 9, 2020, according to which Bezeq International's books contain discrepancies in the amounts of hundreds of millions of NIS.⁴² The definition of the groups according to the application is: (a) Everyone who purchased Bezeq shares as of March 9, 2003 (date of publication of the annual report for the year 2002) until November 9, 2020, and held them on November 9, 2020, except for the respondents or those on their behalf and (b) anyone who purchased the Company's shares on the Tel Aviv Stock Exchange from October 25, 2009 until November 9, 2020, and held them on November 9, 2020, except for the respondents or those on their behalf. In accordance with the economic opinion attached to the motion, it was alleged that following the publication of the immediate report dated November 9, 2020 published by Bezeq and BCOM, the Company's share price decreased by 5.26%-5.40% (it should be noted that the motion also claims, in accordance with another opinion attached to it, that compared to Bezeq's benchmark indices, the damage to Bezeq's shareholders is higher than the decrease in the value of the shares, and is about 7%), and the Company's share price decreased in the range of 9.07%-9.36%. Accordingly, it was argued that the damage caused to the applicants is in the amount obtained from doubling the amount of shares held by the members of the groups as aforesaid at the rate of the aforesaid decrease in the shares of Bezeq and the Company. The case is in mediation proceedings.</p> <p>In November 2025, the parties submitted a motion to the Court for approval of a settlement in the case. According to the settlement, for purposes of compromise only and without constituting any admission by the respondents, and in exchange for full resolution of all claims related to the matters in the motion for approval (all terms as defined in the settlement), a final, full, and absolute amount of NIS 75 million will be paid. This amount includes monetary compensation to the members of the plaintiff groups, as well as all costs of any kind related to the settlement agreement, including fees and attorney's fees for the applicants and their counsel, expenses, taxes, and levies (the "Settlement Amount")—subject to the Court's approval of the settlement and the settlement approval ruling becoming final. Of the Settlement Amount, NIS 60 million will be paid directly by Bezeq's officers' insurance, and NIS 11.6 million will be paid by Bezeq.</p>	"Over NIS 2.5 million (for the purposes of substantive authority)"

⁴² As part of the preparation of the Company and Bezeq International Ltd. for the publication of their statements for the period ending on September 30, 2020, it was found by Bezeq International that there are unexplained net asset balances in its books (receivables vs. payables). Subsequently, the statements were restated.

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I	April 2021 Customer VS Bezeq	Central District Court	Motion for approval of a class action	<p>It was alleged that Bezeq caused pecuniary and non-pecuniary damages to the class members who paid an increased amount for a higher level of browsing speed than they could actually use, for upgrading the modem so that they could browse at this rate, as well as for harassment, inconvenience, mental distress and impaired autonomy. According to the motion, the class of plaintiffs must include anyone who used Bezeq's Internet infrastructure in the seven years prior to the date of submission of the motion for approval until the date of its approval of the class action, and paid for a certain speed level, while the infrastructure in his home is capable of providing speed that matches a lower speed level.</p> <p>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 claim would proceed was narrowed to existing Bezeq customers who had moved during the term of an internet package for which they paid for a certain speed tier, while the infrastructure at their residence could only deliver a lower speed tier. This applies from 27.4.2014, until the date the motion for approval was granted. The relief sought against the respondent includes: reimbursement; compensation for non-monetary damages; and an order requiring the respondent to cease selling services that cannot be provided and to adjust its conduct going forward. Given the partial approval of the motion, the claim ceased to be material to Bezeq's operations. On 20.5.2025, the plaintiff filed an appeal regarding the narrowing of the class definition.</p>	<p>*</p> <p>The amount of the class action cannot be estimated. It was stated that these are damages amounting to NIS million, which fall within the jurisdiction of the Court.</p>
J	June 2023 Customers VS the Company	Tel Aviv District Court	Motion for approval of a class action	<p>It is claimed that Bezeq does not act in accordance with the law when giving notice of the end of fixed-term transactions, in that it does not send a separate notice of the expected end of the benefit period within the fixed-term transaction, and only notifies the customer through the monthly invoice and a text message. These are two motions where the Court approved the motion of the applicants to consolidate them into one motion that will be heard in the Tel Aviv District Court. Similar requests were also submitted against Pelephone (see update to Section 3.16.1) and Yes (see update to Section 5.16.1).</p>	<p>The amount of the class action is over NIS 2.5 million, but it cannot be accurately estimated.</p>
K	September 2023 Customers VS the Company	Lod (Central) District Court	Motion for approval of a class action	<p>It is claimed that (1) Bezeq made a misleading representation regarding the price of the Internet package, since it did not present, in addition to the cost of the Internet package, the monthly charge of NIS 19.90 for the router. The claim refers to those who were subscribers to a package that included the Company's infrastructure and another Internet provider and then purchased a new package, where the Company provides the provider and infrastructure services (starting in April 2022) and continued to be charged for the router they rented from Bezeq, without the Company making it clear to them that the price displayed does not include the router; (2) Bezeq provides customers with an antivirus service for a monthly fee of NIS 14.90 by default and without receiving express consent, in violation of commitments approved in a settlement agreement as part of a previous class action against the Company.</p>	<p>The amount of the class action cannot be accurately estimated and is estimated at over NIS 2.5 million</p>
L	January 2025 Customers VS Bezeq	Lod (Central) District Court	Motion for approval of a class action	<p>It is alleged that Bezeq requires Internet service customers who have disconnected from the service and who have rented a router or other equipment from it to return the equipment to it in a manner that imposes expenses, hassle, and loss of time on them, in a manner that is illegal, unreasonably disadvantageous and discriminatory, and contrary to the position of the regulator. It is also alleged against the amount charged to customers who did not return the equipment and against the manner in which it was charged, as well as against the payment of a refund of only nominal value to those customers who were charged the aforementioned payment and subsequently returned the equipment.</p>	<p>The motion stated that the amount of the class action lawsuit is over 2.5 million NIS and is based on an estimate.</p>

2.18.2. Legal proceedings completed during the period of the report or until the date of publication of the report

Date	Sides	Court	Type of procedure	Details	Claim amount (NIS millions)
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a. November 2020	Shareholder against Bezeq, the Company, Bezeq's CEO, and members of Bezeq's Board of Directors at the times relevant to the motion	At the Tel Aviv District Court (Economic Department)	Class action lawsuit	Damages were claimed due to alleged reporting and disclosure failures by Bezeq in connection with a public report on the phenomenon of duplicate subscriptions in the ISP internet services segment - on 3.6.2024, the Court decided to partially approve the claim as a class action. The Court also decided not to approve the class action lawsuit against the Company and the lawsuit against it was dismissed. In November 2025, the parties submitted a motion to the Court for approval of a settlement in the case. According to the settlement, for purposes of compromise only and without constituting any admission by the defendants, and in exchange for full resolution of all claims relating to the matters in the motion for approval, a final, full, and absolute amount of NIS 8.55 million (the "Settlement Amount") will be paid – subject to the Court's approval of the settlement and the settlement approval ruling becoming final. The Settlement Amount will be paid in full by Bezeq's office holders' insurance, except for a minor portion of the deductible (amounting to a few hundred thousand NIS) which Bezeq will bear. On 6.3.2026, the court issued a ruling approving the settlement agreement.
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2.18.3. Charges Related to Transactions Involving the Former Controlling Shareholder and Former Office Holders at Bezeq, and "Case 4000"

Following investigations by the Israel Securities Authority (ISA) starting in June 2017, and by the ISA together with the Israel Police starting in February 2018, concerning suspected violations of the Securities Law and the Penal Law, 5737–1977 ("**Penal Law**"), related to transactions involving the former controlling shareholder of Bezeq and former Chairman of Bezeq's Board, Mr. Shaul Elovitch ("**Elovitch**"), regarding the purchase of yes shares⁴³ and the provision of satellite communication services to yes ("**Yes Case**"), as well as the conduct of the Ministry of Communications with Bezeq and suspicions of abuse of powers by Prime Minister Benjamin Netanyahu to promote matters related to Elovitch's business and economic interests of him and the Bezeq Group ("**Case 4000**"):

2.18.3.1. On 28.1.2020, an indictment was filed in the Jerusalem District Court in Case 4000, among others, against Elovitch, for various offenses, including bribery and misleading disclosure in immediate reports, in connection with suspicions of abuse of powers by Prime Minister Benjamin Netanyahu to promote matters related to Elovitch's business and the economic interests of Elovitch and Bezeq Group. This trial is still ongoing.

2.18.3.2. Following Bezeq's invitation to a hearing in Case 4000 concerning suspicions of bribery (an offense under Article 291 of the Penal Law together with Article 23 of the Penal Law) and the offense of misleading disclosure to deceive a reasonable investor (an offense under Article 53(a)(4) of the Securities Law together with Article 23 of the Penal Law), on 1.2.2024, an agreement for conditional discontinuation of proceedings (the "**Agreement**") was signed between the State of Israel and Bezeq, according to which the State of Israel will not file an indictment against Bezeq regarding any of the investigated suspicions, provided that Bezeq pays NIS 800,000 (paid by Bezeq) and refrains from making any statement knowingly inconsistent with or contradicting the Agreement and the facts to which Bezeq admitted under it. Under the Agreement, the State of Israel also informed Bezeq that it had decided to close the investigation concerning Walla.

It should be noted that the suspicions against Bezeq arise from the actions and/or omissions of Elovitch and Handler, who were involved in the acts described in the settlement and who no longer hold positions at Bezeq.

Regarding the deployment of an optical fiber network by them, see also Bezeq's immediate report dated 1.2.2024, included in this report by reference.

2.18.3.3. On 23.12.2020, to the best of Bezeq's knowledge, the Prosecutor's Office published a notice stating that, among other things, the Tax and Economic

⁴³ Since 24.6.2015, Bezeq has held all shares of Yes, after completing on that date the acquisition of all holdings of Eurocom DBS in Yes (the "**Acquisition Transaction**"). Since the final amount of the second conditional consideration in the Acquisition Transaction was lower than the advance payments paid by Bezeq to Eurocom DBS for that consideration, Eurocom DBS was required to refund Bezeq the difference. Bezeq's attempts to recover the difference were unsuccessful due to the liquidation of Eurocom DBS and Eurocom Communications, and the rejection of the debt claim filed by Bezeq with the liquidator of Eurocom Communications. The liquidation proceedings of Eurocom DBS are still ongoing.

Crimes Department filed on that day in the Tel Aviv District Court an indictment against Elovitch, as well as against former senior officers of the Bezeq Group and Yes – Or Elovitch, Amikam Shorer, Linor Yochelman, and Ron Ayalon – in the Yes Case. According to the publication, the indictment attributes to the defendants offenses of obtaining property by fraud under aggravated circumstances, corporate fraud and breach of fiduciary duty, and reporting offenses under the Securities Law, relating to two matters: fraud in connection with the payment of the consideration for the acquisition of yes shares by Bezeq, and fraud regarding the conduct of the independent committees established at Bezeq to examine transactions in which Elovitch had a personal interest. In May 2025, a conditional settlement for discontinuation of proceedings was published, under Chapter B, Section 9.1 of the Securities Law, between the State and Ron Ayalon, under which Ron Ayalon admitted to facts related to the increase of Yes's free cash flow in 2016.

2.18.3.4. Bezeq does not have complete information regarding past investigations or ongoing cases against former officers of Bezeq (particularly regarding the Yes Case), including documents, evidence, or materials held by law enforcement authorities. Accordingly, Bezeq cannot fully assess the impact of these investigations, their findings, or their outcomes on Bezeq and its financial statements. For further details, see Section 2.7.2, Note 1.3 to the 2025 Statements.

2.18.3.5. It should be noted that following the opening of the aforementioned investigations, several civil proceedings were initiated against Bezeq and Yes, officers of the Company during the relevant period, as well as companies in the former controlling shareholder's group, including requests for approval of class/derivative actions and requests for document disclosure prior to filing derivative claims. For further information regarding these proceedings, see Section 2.18.1.

2.19. Discussion of risk factors

There are risk factors that arise from the macroeconomic environment, from the unique characteristics of the industry in which Bezeq operates, and risk factors that are unique to Bezeq, which may have significant consequences for Bezeq and affect, among other things, Bezeq's status, its results, its credit rating and its ability to repay its debt, all as specified below:

2.19.1. Competition

Competition in the field of landline interior communications increasing in recent years, both in the field of deploying independent networks (see Section 2.6), and in the field of providing services using the wholesale market, through which telecommunication groups and other telecommunications operators (those with a special or unified license and even licensed providers) compete with Bezeq in the sale of unified Internet service packages based on Bezeq infrastructure, at prices set by the regulator (see Section 1.7.4 1.7.5 and Section 2.16.5). A large number of customers receive wholesale Internet services, which are provided on the Bezeq network, when Bezeq does not have contact with those customers. Increased competition in the field of interior communications causes the abandonment of some of Bezeq's customers and leads to lower prices of some of Bezeq's services and an increase in the costs of recruiting new customers and retaining existing customers. The entities that compete with Bezeq at present, or may compete with it in the future, enjoy greater business flexibility than Bezeq, including the ability to cooperate with subsidiaries and affiliates and market shared service packages with them (see Section 1.7. and Section 1.7.5). The ability of competitors to market service packages with rate flexibility, in the face of Bezeq's limitations to do so as of this date, impairs Bezeq's competitive ability.

2.19.2. Governmental supervision and regulation

Bezeq is subject to governmental supervision and regulation relating, *inter alia*, to licensing activities, determining permitted areas of activity, determining rates, operations, competition, payment of royalties and depositing funds to the incentive fund, universal service obligation, the possibility of holding its shares, the relationship between Bezeq and its subsidiaries and prohibiting cessation or restriction of its services (which

may oblige Bezeq to provide services even in non-economic circumstances) - for details, see Section 2.16. The aforesaid supervision and regulation sometimes causes government intervention, which in Bezeq's opinion burdens its business activities. In this context, Bezeq is exposed to various sanctions, *inter alia* by the Ministry of Communications, including financial sanctions (for this matter, see Section 1.7.6.5).

In addition, the Minister of Communications may revoke Bezeq's license, restrict it or suspend it as appropriate, in accordance with the conditions set forth in the Communications Law, and is authorized to change the terms of Bezeq's license, interfere with existing rates and marketing proposals and issue instructions. Substantial changes in the rules of regulation that apply in the field of communications in general, and to Bezeq in particular, may oblige Bezeq to make changes to its strategic plans and impair its ability to carry out long-term planning of its business activities. For possible changes following the wholesale market reform, see Section 2.16.5. For possible restrictions under the Centralization Law on the renewal of licenses and the allocation of new licenses, see Section 1.7.6.6.

In addition, Bezeq's operations are subject to a wide range of laws and regulations. As a public company, it is subject to securities laws and competition laws, and as a company providing services to the public, it is also subject, among other things, to consumer protection laws and privacy and data security laws (see Section 1.7.6.4).

2.19.3. Rates supervision

Bezeq rates for a key part of its services are subject to government supervision and intervention. The Minister of Communications has the authority to intervene in existing rates and marketing proposals and to give it instructions (see Section 2.16.2). On average, supervised Bezeq rates are eroding in real terms. Substantial changes in Bezeq's regulated rates, if implemented, could have a material adverse effect on its business and its results. Regarding the supervision of the supervised Bezeq rates and their updating, see sections 2.16.2 and 2.16.5. In addition, the restrictions that apply to Bezeq in marketing alternative payment baskets may make it difficult to provide an appropriate competitive response to changes in the market, and they are significantly reflected in Bezeq's competitors, who also provide triple packages that include TV services. As part of the application of a wholesale market, the Ministry of Communications updates the rates and terms for wholesale services according to which Bezeq will sell its services to licensees. The update of the rates leads to lower prices in a way that could adversely affect Bezeq's level of income and its profitability (for the wholesale market, see section 2.16.5).

2.19.4. Streamlining procedures and labor relations

Implementation of personnel and organization programs (including retirement plans and organizational changes) involves coordination with employees and significant costs, including early retirement compensation costs. Processes of implementing such plans may cause unrest in the employment relationship and harm Bezeq's day-to-day operations - see also Sections 2.9.3 and 2.17.3.

Also, as described in Section 1.8, according to the report, Bezeq, like the other companies in the Group, implements streamlining procedures, which include, among other things, organizational changes and reducing the workforce, while managing significant infrastructure and other projects. Streamlining procedures, by nature, carry with them the risks of loss of knowledge, turnover of employees, shift of managerial focus, and so on.

2.19.5. Restrictions regarding the relationship between Bezeq and companies in the Bezeq Group

Structural separation - Bezeq's NIO license prohibits preferring the main companies in the Group over their competitors. A separation is required between the managements of Bezeq and the said companies, as well as a separation in the business systems, finances and marketing, assets and employees, which causes duplication, high overheads and also makes it difficult to manage strategy at the Group level. Also, at this stage, Bezeq's ability to offer shared service packages of Bezeq and the said companies is limited (see Section 1.7.3).

Regarding the possibility that in the future the Group will be granted a permit for the provision of non-detachable service packages and the elimination of structural separation and for further possible changes following the wholesale market, see Sections 1.7.3 and

2.16.5.

2.19.6. Legal Proceedings

Bezeq is a party to legal proceedings, including class actions, which may result in charges in substantial amounts, most of which cannot be estimated, and therefore no provision was made for most of them in Bezeq's financial statements. In addition, Bezeq's insurance policies are limited to defined coverage limits and for certain reasons, and may not cover claims for certain types of damages. In recent years, there has been a multiplicity of class action lawsuits against large commercial companies. By their very nature, class actions can reach large sums. In addition, since Bezeq provides communications infrastructure as well as billing and collection services to other licensees, other class action lawsuits against the said licensees may also involve Bezeq as a party in these proceedings. For a description of the legal proceedings, see Section 2.18.

2.19.7. Exposure to exchange rate fluctuations, inflation and interest rates

Bezeq measures exposure to changes in currency and inflation according to surplus or lack of assets versus liabilities, as well as according to cash flow forecasts, according to the type of linkage. Bezeq's exposure to changes in inflation is high and Bezeq's exposure to changes in the exchange rate against the shekel is low. Bezeq is hedging some of its exposure to inflation and foreign exchange. In addition, Bezeq has exposure to changes in interest rates in relation to the credit it receives. For this matter, see also Note 30 to the 2025 Statements and Section 1.5 of the Board of Directors' Report.

2.19.8. Bezeq's debt and debt repayment capability

Bezeq is required to maintain a sufficient cash flow in order to meet its obligations and its long-term business plans. The lack of sufficient cash flow may have a negative impact on Bezeq's business, including the inability to meet its obligations, damage to its ability to repay debt, make investments and deal with competitive threats. For more details on the financing of Bezeq's activity, see Section 2.13.

2.19.9. Electromagnetic radiation and licensing of transmission facilities

The issue of electromagnetic radiation emitted from transmission facilities is regulated mainly in the Non-Ionizing Radiation Law (see Sections 2.15 and 2.16.11). Bezeq works for the existence of construction and operation permits for its various transmission facilities, but the difficulties encountered by Bezeq in this activity, including difficulties arising from changing the policy of the relevant parties and changes in legislation and regulations, may adversely affect the infrastructure of the said facilities, the regularity of the provision of the services through them, and consequently also the Bezeq income from these services. Bezeq's third party insurance policy does not currently cover warranty for electromagnetic radiation.

2.19.10. Frequent technological changes

The field of communications is characterized by frequent technological changes and the shortening of the economic life of new technologies - see section 2.1.4. These trends require investing a lot of resources in upgrading Bezeq's existing technologies, lowering the barriers to entry for new competitors, increasing depreciation rates and in some cases there may be a redundancy of Bezeq-owned technologies and networks. The introduction of innovative technology that is not used by Bezeq or that Bezeq has refrained from using may harm Bezeq's competitive position.

2.19.11. Dependence on macro factors and on levels of business activity in the economy

The stability of the financial markets and the resilience of the economies of the countries of the world have been in recent years subject to high volatility. Bezeq estimates that as the local economy slides into a period of recession and deterioration in business activity due to external or internal events, including shocks in the global economy, political-security uncertainty, etc., then its business results may be harmed, among other things, as a result of Bezeq income (including investee income) or as a result of increased Group financing costs.

2.19.12. Failure in Bezeq's systems and cyber risks

Bezeq provides its services through various systems, including, among others, exchanges, data transmission and access transmission networks, cables, computer systems, physical

infrastructure, server farms, and more ("the Systems"). The Systems are of critical importance in the operation of Bezeq's business and they play a vital role in its ability to successfully carry out its activities. Hacking, disruption, damage or collapse of the Systems, including as a result of power outages, can adversely affect Bezeq's business. Some Bezeq systems have backup, but at the same time, in the event of damage to some or all of the above systems, either due to various technical faults (including in the event of termination of contact with a supplier who is dependent on system support), or due to natural disasters (earthquakes, fire), whether due to damage to physical infrastructure by communications providers using them or due to malicious damage (including through cyber attacks as detailed below), there may be significant difficulties, and more than significant, in providing Bezeq services, including in the event that Bezeq is unable to return the Systems to capacity quickly.

Bezeq carries a risk of activity occurring that is intended to harm the use of a computer or computer material stored on it ("cyber attack"). Such attacks can disrupt business, theft of information / money, violation of subscribers' privacy, damage to reputation, and damage to systems, information retrieval (including not as a result of a cyber incident), and from there, also to material damage to Bezeq's activity. As a leading communications company that provides diverse communications services in various fields, it is a target for cyber attacks and experiences cyber attacks, which are handled by it.

Bezeq is a body guided by the State Authority for Information Security and is committed to meeting strict information security standards. The Company is subject to rules in this matter even by virtue of its licenses. In this context, Bezeq implements a defense policy that includes the most advanced security systems in the world operated in a configuration that combines effective security with Bezeq's operational needs and security circuits to protect Bezeq's infrastructure and systems designed to prevent and reduce the possibility of Bezeq data being exploited by an external or an internal party maliciously or inadvertently, as well as the possibility of an outsider taking over and managing network components or abusing information about Bezeq's infrastructure and networks in any way. In this framework, adequate resources are invested, including, among other things, technological resources for the purchase of information security solutions and products and resources for information security standards, and various actions are performed, including checking alerts and logs in the systems, periodic risk survey, practice according to an annual plan, as well as ongoing work in accordance with appropriate procedures. Bezeq is certified for three ISO standards (ISO 27001, ISO 27017, ISO 27018) related to information security (standards that define and test the principles of establishing, managing and maintaining information security in the organization), and as part of implementing the requirements of Bezeq standards ensures the availability, integrity, reliability and confidentiality of the databases for which it is responsible.

The cyber risk management policy is approved by the Company's information security steering committee with the participation of the Bezeq's VP of Technologies and Network. The person responsible for implementing the policy in Bezeq is the director of the Information and Cyber Security Department.

Bezeq monitors the implementation of its defense policy, which includes an examination of Bezeq's level of effectiveness and readiness. In this context, Bezeq conducts tests and assault drills with different frequency for different scenarios (including through external companies that specialize in the field). Also, Bezeq's Board of Directors is involved in and supervises the management of cyber risk in Bezeq within the framework of handling Bezeq's overall risk management policy and receiving ongoing updates. In Bezeq's estimation, the risk management policy in dealing with and reducing the cyber risk is effective.

Despite Bezeq's investments in measures to reduce such risks, Bezeq is unable to guarantee that these measures will succeed in preventing damage and / or disruption which may also be significant to systems and related information.

2.19.13. Impairment of subsidiaries

In accordance with the accounting standards, Bezeq performs valuations for subsidiaries for the purpose of examining the periodic impairment of goodwill and of assets in respect of which signs of impairment have been identified. Considering the business situation of the subsidiaries and the difference between the book value of Bezeq and their

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recoverable amount as a cash-generating unit, a decrease in the value of the subsidiaries' activity may lead to impairment loss (write-off) in Bezeq books. Also, a significant change in circumstances that leads to a change in estimates can occur as a result of a high-intensity discrete event and / or as a result of a sequence of small changes occurring over time that have a significant cumulative effect in the long run and / or a change in estimates (even at low rates). Valuations are based on assumptions as of the date of the statements that may not materialize or materialize partially and different aspects have different intensities affecting the value of the unit measured when long-term assumptions may have a relatively large weight compared to short-term assumptions. These estimates are sensitive, among other things, to the values in the representative year, the discount rate, and the permanent growth rate. For this matter, see also Note 10 to the 2025 Statements and Section 3.1 of the Board of Directors' Report.

2.19.14. Pandemic

Disease outbreaks and epidemic events in general (such as the outbreak of COVID-19 in 2020) may have consequences for the Company's business activities, depending on the extent of the spread and its severity and on the national and global measures that will be taken as a result. These consequences may be manifested, among other things, in damage to the Company's activities and its customer service system, as well as damage to the supply chain. Events of this type are changing events that are out of the Company's control, and their consequences are subject, among other things, to the decisions of countries and authorities in Israel and around the world that may affect the Company accordingly.

2.19.15. Damage caused by nature, war, disaster, and supply chain

Damage to the Company's infrastructure and services as a result of natural disasters, including earthquakes, as well as as a result of war or disaster, as well as damage to the supply chain, may adversely affect the Company's business and results.

2.19.16. Damage to electricity supply

Damage to the supply of electricity to the Company's facilities for various reasons (some of which are described in Section 2.20.15) may adversely affect the Company's business and damage the Company's ability to provide services. Some of the Company's systems have power backup, but at the same time, in the event of a prolonged damage to some or all of the systems, significant and even more difficulties may be caused in the provision of the Company's services, including in the event that the Company will not be able to return the systems to service quickly.

It should be noted that a significant part of Bezeq's operations (in a consolidated manner) is carried out in its subsidiaries. The risk factors of these companies and the assessments of their managements in relation to the risk factors are described in Sections 3.19, 4.14 and 5.18, and they are also relevant to the Group's activities and results.

The following is a rating of the impact of the risk factors described above on Bezeq's operations, in Bezeq's Management's assessment. It should be noted that Bezeq's assessments below regarding the degree of influence of the risk factor reflect the degree of influence of the risk factor in assuming the materialization of the risk factor, and the aforesaid does not express an assessment or give weight to the chances of such materialization. The order in which the risk factors appear above and below is not necessarily according to the degree of risk:

Risk Factors Summary Table – Landline Interior Communications⁴⁴

	The extent of the impact of the risk factor on Bezeq's operations		
	High effect	Medium effect	Low effect
Macro risks			
Exposure to exchange rate fluctuations, inflation and interest			X

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It is hereby clarified that in the assessments of the Group companies regarding the effect of the risk factors in the summary tables (in this section and in Sections 3.17, 4.14, and 5.19), the probability of the risk factor materialization was not estimated fully, but the effect of the risk factor on the relevant company if it materialized. It should be noted that some of the Group companies make estimates regarding the probability of the occurrence of some of the risk factors mentioned in these sections for their specific internal needs. Also, in general, the degree of influence of a risk factor on the Company's operations depends in some cases also on the extent and duration of the materialization of the risk, so that it may differ from what is indicated.

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	The extent of the impact of the risk factor on Bezeq's operations		
	High effect	Medium effect	Low effect
rates			
Debt and debt repayment capability	X		
Dependence on macro factors and levels of business activity in the economy		X	
Pandemic			X ⁴⁵
Damage caused by nature, war, disaster, and supply chain	X		
Damage to electricity supply	X		
Industry risks			
Growing competition	X		
Governmental supervision and regulation	X		
Rate supervision	X		
Electromagnetic radiation / licensing of transmission facilities			X
Frequent technological changes		X	
Special risks for Bezeq			
Exposure to legal proceedings		X	
Streamlining processes and labor relations		X	
Restrictions regarding the relationship between Bezeq and companies in the Bezeq Group	X		
Failure of Company systems and cyber risks	X		
Impairment of subsidiaries		X	

The information contained in this section 2.20 and Bezeq's assessments regarding the impact of risk factors on Bezeq's activities and business are forward-looking information as defined in the Securities Law. The information and assessments are based on data published by the Ministry of Communications, Bezeq assessments of the market situation and the structure of competition in it and regarding possible developments in this market and in the Israeli economy. The actual results may differ materially from the estimates given above if there is a change in one of the factors taken into account in these estimates.

⁴⁵ The extent of the impact of this risk factor on Bezeq's activity was classified as low, assuming that the event would be limited in scope and time. Otherwise, the degree of impact may be greater.

3. Pelephone - Mobile radio telephone (cellular telephony)

3.1. General information about the field of activity

3.1.1. Pelephone's field of activity

Pelephone provides cellular communication services and the sale and repair of end equipment. Pelephone services are detailed in the section 3.2. Pelephone is a company wholly owned by Bezeq.

3.1.2. Legislative and regulatory restrictions unique to the field of activity

3.1.2.1. Communications Law and mobile radio telephone license

Pelephone's activities are subject to regulation and supervision by virtue of the Communications Law and its regulations, by virtue of the Telegraph Order, and by virtue of mobile radio telephone license owned by it. The mobile radio telephone license sets conditions and rules that apply to Pelephone's operations (for details, see Section 3.14.2).

3.1.2.2. Rate supervision

Interconnectivity fees (rates for completing a call and completing short message messages (SMS) charged by Pelephone from other communication operators are fixed in interconnectivity regulations. The rest of the rates are under a certain supervisory regime as regulated under the mobile radio telephone license and the Communications Law (see Sections 1.7.6.1, 3.14.1, and 3.14.2).

3.1.2.3. Environmental law and planning and construction law

Establishment and operation of wireless communication infrastructure, including cellular communications, is subject to the provisions of the Non-Ionizing Radiation Law and the permits required thereunder by the Ministry of Environmental Protection, as well as the provisions of planning and construction law (see Section 3.13.1).

3.1.3. Changes in the scope of activity in the field

For financial data on the scope of Pelephone's activity, see Sections 1.5.4.2 and 3.3.

Income from services

The cellular industry is characterized by fierce competition. Competition in the industry led to a high transfer of subscriptions between the cellular operators while continuously eroding the prices of the base packages along with a further increase in the browsing volumes included in the packages, which have caused erosion of the average income per subscriber (see Section 3.6). The growth in the number of postpaid subscribers (subscribers who receive service for a monthly payment) in the past few years has partially compensated for the erosion of prices, and starting at the end of 2020, companies in the market are offering 5G packages that are priced higher than 4G packages, which contribute to an increase in average revenue per subscriber. Starting in 2025, companies in the market began offering 5G packages with prioritized traffic during congestion, which are priced higher than standard 5G packages. The market continues to be characterized by a high level of competition and low prices for non-5G packages, and in 2025, the volume of migrations between companies in the market increased for the second year in a row, after 6 years in which the market experienced a decline. Starting from the fourth quarter of 2023, roaming service revenues were negatively impacted due to the Iron Swords war. During 2024 and 2025, roaming service revenues recovered due to the ceasefire and positive developments in certain conflict zones, which led to the return of some foreign airlines to Israel. This recovery trend was disrupted in June 2025 by Operation "Rising Lion", which caused flight cancellations and a reduction in the operations of foreign airlines. In the fourth quarter of 2025, the positive recovery trend resumed; however, the current situation remains highly uncertain due to the possibility of additional security events in the future.

Income from the sale of end equipment and electronics

The end equipment market is also characterized by fierce competition among cellular

operators and vis-à-vis many stores that sell end equipment, including by parallel imports. In 2025, fierce competition continued in this field. In order to reduce the damage to income, Pelephone continues to increase the range of equipment sold by it and also sells electronic equipment and appliances other than cellular devices.

A significant part of all end equipment is sold by Pelephone in installments.

3.1.4. Market developments and changes in customer characteristics

The cellular market is characterized by low growth rates due to saturation in the penetration rate⁴⁶. The estimated penetration rate as of September 30, 2025 is approximately 117%.

3.1.5. Technological changes that have a material impact on the field of activity

The cellular communications market is dynamic, and is characterized by frequent technological developments in all areas of activity in it (communications network technology, end equipment and value-added services).

Technological developments, as well as the desire to expand the range of services offered to the customer and their quality, require cellular operators to upgrade the technology of cellular networks from time to time. The cellular networks in Israel currently operate mainly in LTE technology, as well as non-standalone 3G architecture (5G). Also, Pelephone is in the process of upgrading the 5G network core to the standalone architecture. The process is being carried out in a phased manner, with some of the central network components having been upgraded to the new core and are operational.

As of the date of the report, Pelephone's LTE network is deployed in all parts of Israel, and Pelephone continues to expand its network to improve coverage through the use of 700 MHz frequencies and to improve performance through 2600 MHz frequencies, in addition to continuing to deploy 5G technology using 3500 MHz frequencies, which is carried out according to a regular deployment plan.

In addition, Pelephone operates additional network features that include CARRIER AGGREGATION and MASSIVE MIMO in 5G.

Pelephone offers a service based on Voice over WiFi technology as an enhanced solution for indoor coverage without the need to use the cellular spectrum. The service enables seamless call continuity when switching between the cellular network and WiFi infrastructure, and back again, providing a transparent, two-way handover without disconnecting the call.

Pelephone is constantly following and examining the new technologies in the market and the need to upgrade the technology of its existing networks, in accordance with the state of competition in the market and the economic viability of investing in such technologies.

Expanding the capacities and speeds of technologies from the LTE (4G) and NEW RADIO (5G) as well as the development of future cellular generations are conditional on frequency allocation. For details, see Section 3.8.2.

Using Embedded SIM (eSIM) technology - this is a technology that allows a mobile device to be connected to the network using a non-removable built-in SIM card, unlike traditional SIM cards that can be removed and exchanged between devices. The eSIM technology allows greater flexibility and ease of use in the activation and management of several lines on the device, a simpler and faster transition between operators without the need for a new physical card, and higher accessibility to roaming packages of different operators ("main line" solutions). In addition, the technology also allows coupling of additional devices to the cellular line (secondary solution) such as watches and smart bracelets. On 11.2.2024, Pelephone launched the option for postpaid subscribers to connect to its services using an eSIM as a main line (later in 2024, the option also opened to prepaid subscribers). Shortly after, other cellular operators launched eSIM in their networks as well. Regarding Pelephone's acquisition of the company "Roamability", which specializes in providing solutions in the global roaming services market, see Section 3.2.1.2.

⁴⁶ Penetration rate - the ratio between the number of subscribers in the market and the total population in Israel (excluding foreign and Palestinian employees, although they are included in the number of subscribers).

- 3.1.6. Critical success factors
- 3.1.6.1. Nationwide deployment of a high-quality and advanced cellular network, ongoing maintenance of the network at a high level and significant investments on an ongoing basis in the cellular infrastructure, both for quality coverage throughout Israel and to provide customers with advanced services through advanced technological infrastructure (see also Section 3.7.1).
 - 3.1.6.2. Growth in the subscriber base.
 - 3.1.6.3. Growth in the number of subscribers to 5G routes, with a larger browsing volume, and growth in the number of subscribers with 5G MAX plans (plans with prioritized 5G data during congestion) at a higher price than standard 5G plans.
 - 3.1.6.4. Ability to offer a competitive price level.
 - 3.1.6.5. Wide and varied distribution channels.
 - 3.1.6.6. A variety of service channels, including digital channels, that provide efficient and quality support and service to a large variety of customers.
 - 3.1.6.7. Adjusting the cost structure and implementing operational streamlining that make it possible to cope with increased competition.
 - 3.1.6.8. A brand that represents a quality, reliable and advanced network.
 - 3.1.6.9. High quality and skilled personnel.
- 3.1.7. The main barriers to entry and exit⁴⁷
- 3.1.7.1. The main barriers to entry into the field of activity are:
 - A. Saturation in the penetration rate in the field (see Section 3.1.4).
 - B. The need for a mobile radio telephone license for operators with frequencies (MVNO operators may operate on the basis of a permit only), the allocation of frequencies involved in high costs resulting, among other things, from the fact that these resources are in short supply (see Section 3.8.2.1) and the subordination of the activity to regulatory supervision (see Section 3.14.2).
 - C. The need for significant financial means for making heavy and continuous investments in infrastructure, which are affected by frequent technological changes (see also Section 3.7.1.2 3.7.1.2).
 - D. The difficulty in setting up radio sites due to regulatory restrictions and public opposition.
 - 3.1.7.2. The main barriers to exit from the field are:
 - a. Large investments that require a long return on investment.
 - 3.1.7.2.1. The commitment to provide service to customers derives from the terms of the radio telephone license license and the agreements in accordance with the terms set forth in the license.
- 3.1.8. The structure of competition in the field and changes that apply in it
- 3.1.8.1. General

The cellular communications market in Israel is characterized by fierce competition, which is reflected in high subscriber turnover among operators in the past few years, rates erosion and profitability erosion.

As of the date of this report, five operators with a radio telephone license license are operating in the cellular communications market in Israel. Cellcom, Partner, Hot Mobile and Xfone), and approximately 18 MVNO

⁴⁷ Some of the above entry and exit barriers apply in a partial and limited manner to virtual operators.

operators with an radio telephone license/permit in another network (virtual operators).

3.1.8.2. Infrastructure sharing

Infrastructure sharing enables the consolidation of cellular operator sites in a way that significantly reduces the cost of operating and maintaining radio sites for each operator. To the best of Pelephone's knowledge, as of the date of the report, infrastructure is shared in the market as described below:

3.1.8.2.1. Partner and Hot Mobile operate as part of an infrastructure sharing in the radio segment within a shared corporation.

3.1.8.2.2. Cellcom (who holds Golan Telecom) and Xfone operate as part of infrastructure sharing in the radio segment of the 4G network as part of a joint corporation and the acquisition of other interior roaming services.

3.1.8.3. Virtual operators MVNO

A number of MVNO licenses have been issued so far for virtual operators. Only a few MVNO license holders are active in the market.

For more details on the structure of competition in the field, see section 0.

3.1.8.4. Hearing and regulations on private networks

On July 16, 2023, following a hearing on the subject, the Ministry published a policy document outlining the rules for the allocation of a frequency band in the 26 GHz range (as well as a narrow band in the 2100 MHz range) for use by parties other than cellular operators or interior operators, for the purpose of operating private networks on a local basis (area polygon) for each project. The implementation of the policy will require regulatory adjustments in the relevant legislation and is not expected to significantly affect Bezeq or Pelephone business. Accordingly, on 4.1.2026, the regulations were amended to detail the regulatory rules applicable to private networks, including requirements for obtaining a license (for a private network intended to provide services to a third party), rules for the establishment and operation of a private network, as well as the fees for submitting a license application and for frequency allocation in the designated bands (26 GHz, 3,500 MHz, 2,600 MHz, and a narrow band in the 2,100 MHz range).

3.2. Services and products

2.7.1. Services

Below is a description of the services that Pelephone provides to the subscriber:

3.2.1.1. Package services that include:

- a. Basic telephone services (VOICE) - basic call services, call completion services as well as ancillary services such as - waiting call, "follow me", voicemail, voice conference call, caller ID, and more.
- b. Browsing and data communication services - Internet browsing services using end equipment that is compatible with the use of 3G, 4G and 5G technologies. For information regarding the shutdown of 3G, see Section 3.7.1.1c.
- c. SMS delivery and receipt service and multimedia messages MMS -SMS receiving and sending service (text messaging - SMS) and multimedia messaging (video / voice / text).

3.2.1.2. Value Added Services - Pelephone offers its customers value-added services and related services, such as antivirus services, cyber protection services, and more.

3.2.1.3. Roaming services - Pelephone Provides its customers with roaming coverage in about 190 countries around the world. In addition, Pelephone also provides inbound roaming services to the customers of foreign operators

who stay in Israel, including through eSIM technologies. Regarding roaming services, as well as regarding the development of the use of eSIM technology in these services - as part of Pelephone's activity and its preparation for global trends in the roaming services market, which include, among other things, a more extensive use of eSIM technology in these services, on October 18, 2023, Pelephone's Board of Directors approved the acquisition of full ownership in the company "Roamability", which specializes in the supply of solutions in the global roaming services market, including wholesale, and including providing a platform for the management and sale of these services. Accordingly, Pelephone acquired 100% of the control and ownership rights in the company (an American company and an Israeli company) in exchange for an amount that is immaterial at the group level.

3.2.1.4. Private cellular networks with LTE (Long Term Evolution) or 5G technology - Pelephone offers business customers the installation and maintenance of a private cellular network in the business customer's complex. A private network provides the business customer with various benefits, including: business continuity, bandwidth management between the customer's end users, low latency, connection to IoT devices, contribution to securing the customer's networks and systems, and more.

3.2.1.5. Maintenance and repair services for end equipment - Pelephone offers repair service and extended warranty, for a monthly fee that entitles the customer to repair service and extended warranty for the cellular device, or for a one-time payment at the time of repair.

Pelephone provides some of these services also in the framework of hosting agreements, to holders of a mobile radio telephone license in another network that use the Pelephone network in order to provide service to their customers.

3.2.1.6. Additional services

a. IoT (Internet of Things) services - Pelephone offers its customers advanced IoT solutions such as smart building networks with command and control systems, and more.

b. PTT (Push to Talk) services - Pelephone offers its business customers some of the most advanced PTT services in the world, which enable fast and secure corporate communication at the push of a button.

3.2.2. Products

Peripheral devices - Pelephone offers various types of mobile phones, PTT devices, tablets, laptops, modems, smart watches, supporting accessories such as speakers and headphones, and additional electrical appliances.

3.3. Segmentation of income from products and services

The following is data regarding Pelephone's income from products and services (in NIS millions):

Products and services	2025	2024	2023
Income from services	1,475	1,403	1,385
Rate of total income	68%	62.2%	59.0%
Income from interconnect (*)	75	233	371
Rate of Pelephone's total income	3.5%	10.4%	15.8%
Income from products (end equipment)	617	618	592
Rate of Pelephone's total income	28.5%	27.4%	25.2%
Total income	2,167	2,254	2,348

(*) For the cancellation of interconnect payments for telephone calls terminating on the networks of MVNO operators, see Section 1.7.6.1.

3.4. Customers

The following is data on the distribution of income from customers (in NIS millions):

Products and services	2025	2024	2023
Income from private customers net of interconnect	1,283	1,210	1,180
Income from private customers	1,323	1,333	1,375
Income from business customers (*)net of interconnect	809	811	797
Income from business customers (*)	844	921	973
Total income net of interconnect	2,092	2,021	1,977
Total income	2,167	2,254	2,348

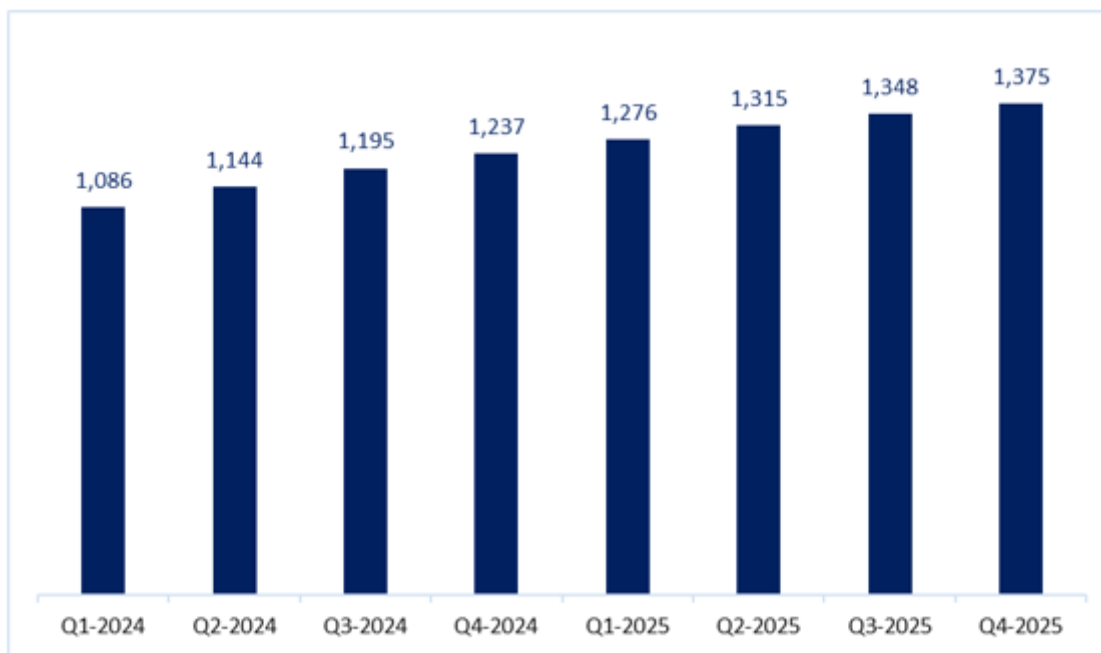
(*) Income from customers in business tracks includes income from hosting agreements (agreements that allow the provision of mobile telephony service through the Bezeq network of another authorized provider), which were received mainly from Rami Levy.

At the end of 2025, the number of Pelephone subscribers was approximately 2.677 million, including approximately 2.315 million postpaid subscribers (subscribers who receive service for a monthly payment), and approximately 0.362 million prepaid subscribers (advance payment for consumption of services).

Pelephone markets packages with an increased volume of use that are also adapted to the needs of 5G, and as of the date of publication of the report, Pelephone has about 1.407 million postpaid subscribers in such packages.

The following is a breakdown of Pelephone's subscribers with 5G packages:

5G Package Subscriber Base (thousands)



3.5. Marketing, distribution and service

Pelephone's distribution system includes about 187 points of sale where you can join Pelephone services. The set of points of sale is diverse and includes stores and stalls operated by Pelephone, retail chains that market Pelephone products and about 42 Service and sales centers located throughout Israel that handle service, sales, device repair and customer retention. In addition, Pelephone operates an internal and external network of telephone marketers. As a rule, the compensation to the marketers is paid as commissions from the sales.

Pelephone's service system for subscribers includes diverse digital channels including the Pelephone website home, self-service app and call centers.

3.6. Competition

3.6.1. General

In recent years, the Ministry of Communications has taken regulatory moves designed to increase competition in the cellular communications market. The large number of cellular operators in the market led to a high level of competition in recent years, which is reflected in the transition of subscribers between operators and in a reduction in cellular package prices, which led to erosion in rates and profitability in both private and business customers.

In order to compensate for the erosion of package prices, Pelephone employs a strategy for growth in the number of subscribers alongside streamlining and costs structure adjustment (see Section 3.17).

The following are data, to the best of Pelephone's assessment, about the number of subscribers of Pelephone and its competitors over the years 2024 and 2025 (thousands of subscribers, approximately):

		Pelephone	Cellcom (including Golan Telecom) (3)	Partner (3)	Hot Mobile (2)	MVNO And other operators (1)	Total subscribers in the market
As of 31.12.2024	Number of subscribers	2,633	3,614	2,631	1,544	948	11,370
	Market Share	23.2%	31.8%	23.1%	13.6%	8.3%	
As of 30.09.2025	Number of subscribers	2,661	3,645	2,667	1,519	1,025	11,517
	Market Share	23.1%	31.6%	23.2%	13.2%	8.9%	

- (1) Most of the MVNOs and the other operators (which include, among others, Xfone) are private companies that do not publish data regarding the number of their subscribers, and the said data is based on an estimate of data on mobility between companies.
- (2) Hot Mobile's Q3/2025 subscriber data are according to data published in the reports of Altice, the controlling shareholder of Hot, and refer only to private subscribers and do not include business subscribers, to the best of Pelephone's knowledge.
- (3) The number of subscribers is correct as of September 30, 2025, based on Cellcom and Partner reports to the public.

3.6.2. Infrastructure sharing and granting network use right agreements

For details regarding the existing infrastructure sharing agreements in the market as of the date of the report, see Section 3.1.8.2. As mentioned, infrastructure sharing enables the consolidation of cellular operator sites in a way that significantly reduces the cost of operating and maintaining radio sites for each operator.

Pelephone is not a party to the radio network sharing agreement, in accordance with the implementation of the Ministry of Communications policy on network sharing dated April 17, 2014, so it does not enjoy the savings resulting from the shared use of the radio network, but on the other hand it exclusively controls its cellular network, the maintenance of its technological route and the volume of investments in it.

3.6.3. Positive and negative factors that affect Pelephone's competitive position

3.6.3.1. Positive factors:

- A. A cellular network with a broad and high-quality deployment.
- B. Its position as a fast and advanced cellular network, especially against the background of the progress of the deployment of the 5G network.
- C. A diverse and wide distribution system that operates through call centers and through a large number of frontal points of sale and is operated by Pelephone, external marketers and through leading retail chains.

- D. A wide range of services and a variety of customer service interfaces, including digital channels, which enable the provision of a high level of service to customers.
 - E. A solid capital structure and a positive cash flow.
- 3.6.3.2. Adverse factors:
- A. As a subsidiary of Bezeq, Pelephone is subject to regulatory restrictions on entering additional areas of activity and expanding the basket of services to customers who do not apply to its competitors.
 - B. There are restrictions on joint activities with Bezeq, including the marketing of joint service packages (see Section 1.7.3).
 - C. The costs of setting up, operating and maintaining cellular networks in Pelephone are expected to be higher compared to competitors operating through the sharing of radio segment infrastructure.
- Regarding negative factors, see also Section 1.7.2.

3.7. PP&E, real estate, and facilities

Pelephone's property, plant and equipment include infrastructure equipment of the network core, radio sites, electronic equipment, computers, vehicles, end equipment, office furniture and equipment, and leased improvements.

3.7.1. Infrastructure

- 3.7.1.1. Pelephone currently operates communication networks in three main technologies, as follows:
- a. 5G - the NEW RADIO technology that uses a very broadband spectrum (100 MHz at Pelephone) and enables higher capacity and higher browsing rates for the user. All end devices that support this technology also support 3G and 4G technologies, and there is a seamless transition between the technologies. In the future, the technology will enable IoT applications at significantly higher volumes than today and at a very high level of performance.
 - b. 4G - LTE technology from the GSM standards family. The advantages of the technology are high capacity for data communication and faster download and upload rates than those that exist in 3G. All end devices that support this technology also support 3G technology and there is a smooth transition between the technologies.
 - c. 3G - technology in the UMTS method based on GSM standard. This technology is very common in the world and enables subscriber identification and service through a subscriber identification card (SIM) that can be transferred from one end device to another. As part of a hearing held by the Ministry regarding the future closure of mobile radio-telephone networks operating with old technologies, (2G and 3G networks) an outline was established for the closure of these networks, which is expected to lead to their closure on December 31, 2025 (or at an earlier date at the request of each operator in relation to his network and provided that it meets the established conditions). The outline includes, among other things, milestones of stopping the import of devices that do not support modern technologies, informing the public, and stopping the connection of these devices to the network. It should be noted that Pelephone's 2G network was closed by it in the past. Pelephone is prepared in accordance with the above decision to close

its 3G network, according to the timetables established in the decision.⁴⁸

On 30.12.2025, the Ministry of Communications published an amending decision regarding the shutdown of 3G networks, with the following main points: 3G networks will not be shut down uniformly across all networks on 31.1.2026, as originally planned, but rather according to each operator's independent decision regarding its own network, based on the following framework: The 850 MHz frequency may be fully operated until 1.2.2026. After this date, each operator may operate this frequency only at specific sites approved by the Ministry of Communications, until 31.3.2026, when use of this frequency will cease and any remaining 3G network will operate solely on the 2100 MHz frequency. In addition, emergency calls on devices that do not support 4G emergency calling will continue to be handled via 2G networks. For this purpose, the relevant operators (excluding Pelephone) are required to maintain a narrow frequency band in their 2G networks.

As of the date of the report, Pelephone's network infrastructure is mainly based on two switching farms connected to more than 2,500 sites. During 2026, the core components of the network will be transferred from one of the farms to a renovated facility.

3.7.1.2. Network investments

In recent years, Pelephone has invested in the deployment of a 4G and 5G network, including the implementation of innovative technologies such as Beam Forming, MASSIVE MIMO, QAM 256 and Carrier Aggregation in the access network, and in IMS in the network core (see Section 3.1.5).

Within this framework, starting in 2020, Pelephone is expanding the use of spectrum in the access network in the 700 MHz band throughout the network, in the 2600 MHz band in over 1,600 sites, and in the 3500 MHz 5G band in approximately 1,000 sites, by installing and operating antennas and reception transmission equipment in the areas. These frequencies on the various sites. It should be noted that among these, in the 700 MHz range, the target for deployment is nationwide.

Pelephone's activity outline for the deployment and implementation of advanced data communication services in the 5G, is high in investment and currently integrates with existing infrastructures and systems, when the operation of these advanced services will be based on the 5G technology which Pelephone will continue to deploy as mentioned, and later will be based on a new network core dedicated to 5G (See Section 3.8.2.4).

In addition, as part of its ongoing investments, throughout the period of the license, Pelephone will be required to invest in the establishment of new broadcasting sites, among other things, in order to comply with the conditions of the mobile radio-telephone license.

Pelephone's estimates as aforesaid regarding the required investments are forward-looking information within its meaning of the Securities Law, based on Pelephone's forecasts and estimates, *inter alia*, regarding the rate of network expansion and upgrade of the network. Accordingly, the information may not fully or partially materialize or may materialize in a different format than that which was assessed, insofar as the said forecasts and assessments are not fulfilled or will be fulfilled in a different way than expected.

3.7.2. Areas used by Pelephone

⁴⁸ On 6.6.2023, an updated decision was made by the Minister stating that a license holder will be allowed to continue providing service over the 2G network for the purpose of M2M (machine to machine communication) only until December 31, 2028, subject to receiving the Manager's approval. Also, the licensee will be entitled to contact the Manager with another request to extend the service period with 2G technology for M2M purposes only, until December 31, 2030.

Pelephone does not own real estate and it leases from others, including Bezeq, the areas it uses for its activities. The following is a description of most of the areas used by Pelephone:

3.7.2.1. The areas used by Pelephone to place communication sites and network centers as stated in the section 3.7.11 are spread throughout Israel and leased for different periods (in many cases for 5 years plus the option to extend the agreement for another 5 years). For site licensing, see section 3.14.3.

During 2023, an agreement was signed according to which Bezeq will carry out a significant renovation in a facility called "Bezeq Ayalon" to which Pelephone's core facility in Ramla will be transferred. With the completion of the expected renovation at the start of 2026, Pelephone will begin a phased process of vacating the core facility in Ramla. The agreement also regulates the lease relationship between Bezeq and Pelephone.

3.7.2.2. Pelephone's headquarters are in Petah Tikva.

3.7.2.3. For service and sales activities, Pelephone rents about 42 service centers and sales points spread throughout Israel.

3.7.2.4. Pelephone has additional lease agreements for warehouses (including a central logistics center with a central laboratory for repairing customer devices), offices, call centers and 2 switching farms used by it for its operations.

3.8. Intangible assets

3.8.1. Licenses

For details regarding Pelephone's mobile radio telephone license and operating license in Judea and Samaria, see section 3.14.2.

3.8.2. Right to use frequencies

3.8.2.1. Shortage IN Radio frequencies

In Israel, there is a shortage of radio frequencies for public use (among other things, due to the allocation of many frequencies for security uses). As a result, the government limits the number of licenses that can be used in frequencies.

3.8.2.2. Pelephone's frequency inventory

Pelephone has the right to use frequencies by virtue of the mobile radio telephone license and the Telegraph Order in the ranges of 850 MHz⁴⁹ (until 31.12.2026) and 2100 MHz for operating the network in UMTS / HSPA technology, and in the 1800 MHz, 700 MHz and 2600 MHz range for network operation in the LTE technology (see also section 3.1.5) and in the range of 3500 MHz for the purpose of operating a network with 5G technology. During 2017, Pelephone returned to the National Frequency Database 2 frequency bands with a width of 1 Mega each in the range of 850 MHz, and on January 31, 2026, the two remaining frequency bands in this range will be returned. Towards the end of April 2017, it received a temporary allocation of a band in the range of 1800 MHz with a width of 5 Mega. This allocation is limited in use and is for a fixed period.

The Ministry of Communications has temporarily reassigned this band to Pelephone until 31.12.2025, under conditions and limitations, in order to allow Pelephone to prepare for the expected change in changing frequencies in the first Ghz range (see Section 3.8.2.3).

The deployment of the 800 MHz frequencies, which was planned for last year, has not yet been carried out, and the operation of these frequencies is expected to take place partially during 2026.

3.8.2.3. Switching frequencies in the first Giga range

⁴⁹ Pelephone has the option of requesting a 5-mega allocation in the 800 MHz range following the 850 MHz frequency evacuation project.

In July 2018, the Ministry of Communications informed Pelephone that it intends to adjust cellular frequencies in Israel to European standards and the area in which the State of Israel is located, so that Pelephone and another cellular operator will be required to replace the 850 MHz frequencies with other frequencies in the first GHz. In 2020, the Ministry of Communications announced to Pelephone that it intended to implement an outline for the replacement of 850 MHz frequencies in the use of Pelephone, against the background of electromagnetic interference caused to neighboring countries due to non-compliance of cellular frequencies in Israel with European standards and the standards of the region. According to the outline, Pelephone will receive frequencies in the range of 800 MHz instead of 850 MHz, when in the first stage and for the purpose of treating such interruptions, the amount of 850 MHz frequencies used by Pelephone will be reduced to 5 MHz (instead of 10 MHz today) and this as of May 31, 2020. Pelephone forwarded to the Ministry of Communications, following his request, its reference to a number of issues, and on March 17, 2020, the Ministry announced its final decision regarding the implementation of the outline in accordance with its announcement of February 5, 2020. At the start of 2026, the allocation of the 850 MHz band will end, while there is still no certainty regarding the date of the 800 MHz frequency allocation.

3.8.2.4. Tender for advanced broadband services ("**the Tender**")

On August 12, 2020 Pelephone won the allocation of frequencies as a result of its participation in the tender for mobile radio telephone services in advanced 5G bandwidths. The following are the main points of the tender:

The Tender includes provisions regarding the coverage and quality requirements of the network that will be anchored as part of the amendment of the mobile radio telephone licenses of the existing operators (see amendment to Pelephone's license below).

The Tender including the possibility of receiving the following incentives:

- a. Discounts in the frequency fees for the first four years, subject to the approval of the Ministry of Communications and the Ministry of Finance.
- b. Receipt of a conditional grant for the deployment of 5G sites according to the conditions specified in the Tender (such as meeting the scope of deployment, schedules, deployment period and timing of deployment in relation to others and additional conditions set in the Tender). This grant was received in 2022.
- c. Pelephone met the above conditions in full and accordingly the discounts and grants were received.

For details, see also Section 3.19.2.13.19.2.1. For details regarding exposure to interference in the frequency ranges of Pelephone, see Section 3.19.3.9 3.19.3.9.

In this regard, see also Note 10 to the 2025 Statements.

On July 17, 2023, Pelephone received a winning notice in the ongoing tender for 5G mobile radio telephone services in the 26 GHz frequency range for the purpose of improving and consolidating the 5G capabilities and solutions existing in the cellular networks ("**the Tender**"). As part of the Tender, 25 competition bands of 100 MHz each (a total of 2,500 MHz), for competition between the existing cellular operators (existing cellular networks), where each network was entitled to win up to 1,200 MHz (out of the 2,500).

Pelephone won a cluster of frequencies in this area as follows:

- A. Winning 800 MHz in the 26 GHz section (for a period of 10 years), when the license period as a cellular operator does not change as a result of

the Tender and can be renewed in accordance with the license instructions.

- B. The payment of license fees in the amount of NIS 4.16 million was carried out by Pelephone. In June 2024, the Pelephone license was amended accordingly. It should be noted that, as of now, the frequencies have not yet been allocated to Pelephone.

The aforementioned frequency allocation will allow Pelephone, among other things, to expand the range of advanced uses of the cellular network with 5G technology, with an emphasis on private networks and advanced services that require a particularly high browsing speed, such as hospital complexes. The cost of integrating this frequency range into 5G technology will be ongoing, and is not expected to be substantial.

3.8.3. Trademarks

Pelephone has a number of registered trademarks. The main one is the "Pelephone" brand.

3.8.4. Computer software, systems and databases

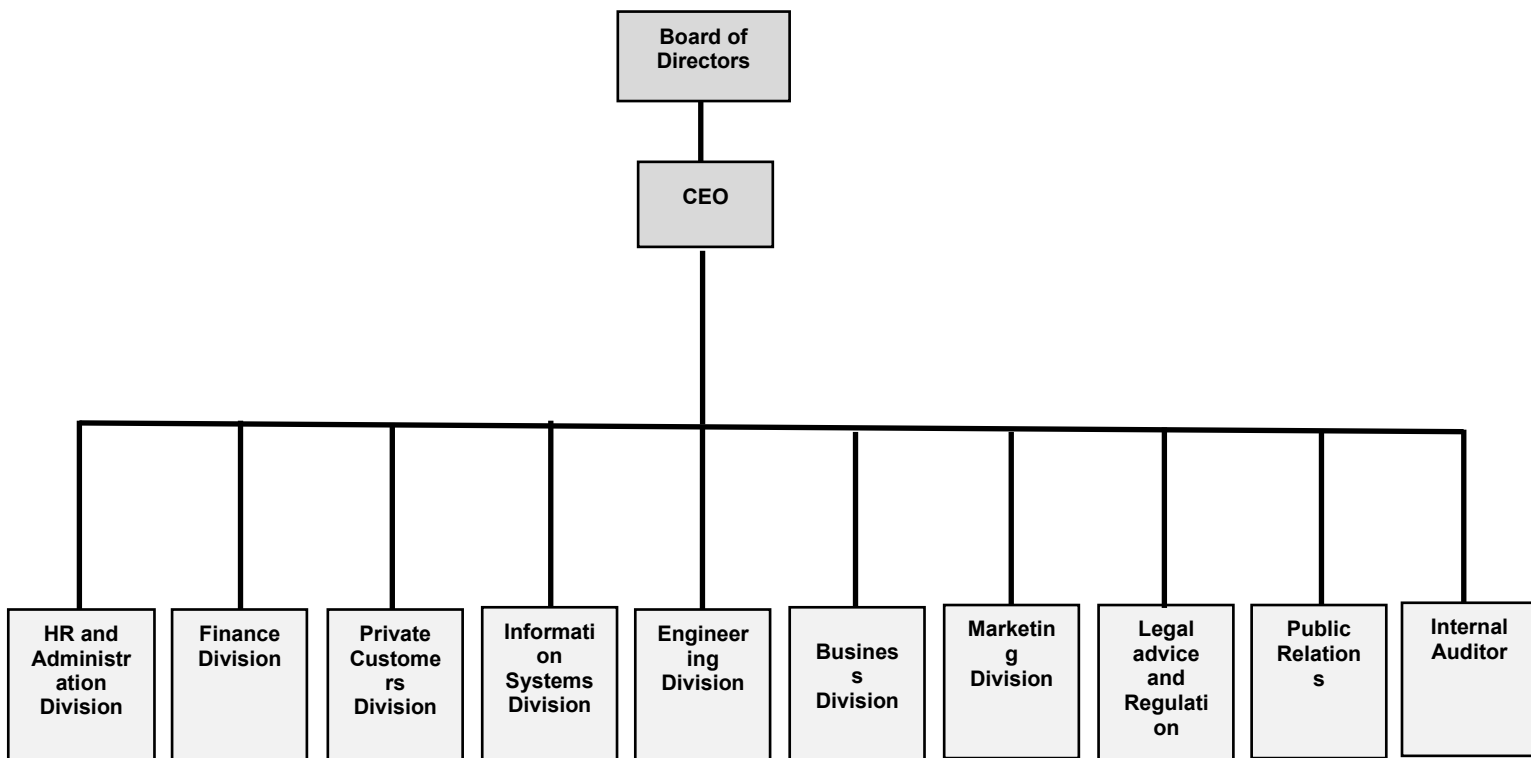
Pelephone uses software and computer systems, some based on licenses it has acquired and some developed by Pelephone's information systems division. Many of these licenses are limited in time and are renewed from time to time. The main systems used by Pelephone are an ERP system by Oracle Applications and a customer billing and management system by Amdocs.

Pelephone is also working to upgrade the CRM (customer management) to an advanced Salesforce cloud platform together with Bezeq International and Yes. Pelephone is dependent on the Salesforce system and services, due to their importance for the purpose of managing relationships with its customers. System failures or the cessation of services by this provider are likely to cause operational difficulty until the fault is rectified or the system / provider is replaced, which may take a long time

3.9. Human capital

3.9.1. Organizational structure

The following is a diagram of Pelephone's organizational structure, as of the date of the report:



As part of the implementation of the synergy processes with the Group's subsidiaries, Pelephone's CEO, Mr. Ilan Siegel, also serves as CEO of Yes. In addition, some of the VPs who serve on Pelephone also serve as VPs at Yes.

3.9.2. Employee base and number of jobs

The following is a breakdown of the number of employees in Pelephone according to its organizational structure:

Division	Number of employees	
	31.12.2025	31.12.2024
Management and administration divisions	196	196
Private and business customer divisions	1,042	1,106
Engineering and Information Systems Divisions	364	370
Total	1,602	1,672

The number of employees included in the table above includes employees employed part-time. The total number of jobs⁵⁰ at Pelephone as of December 31, 2024 amounted to 1,474, and as of 31.12.2023, it amounted to at 1,486.

3.9.3. Terms of employment

Most Pelephone employees are employed under a monthly agreement or an hourly agreement, according to the professions and positions in which they are engaged. Most of the service and sales staff are part-time shift workers and are employed on an hourly basis. The other Pelephone employees are employed on a global basis. The main difference between the monthly and hourly agreements and the global agreements lies in the salary structure.

Pelephone customarily grants its officers, managers, and some of its employees annual

⁵⁰The calculation of the number of "jobs" in Pelephone is: the total monthly working hours divided by the monthly working hours quota.

bonuses based on the achievement of targets and performance evaluations. For the equity-based compensation components from the Company with respect to some of Pelephone's managers, see Section 2.9.5.

3.9.4. Collective agreement

The labor relations at Pelephone are regulated in a collective agreement signed between Pelephone and the New General Histadrut - the Cellular, Internet and High-Tech Workers' Union ("**the Histadrut**") and the Pelephone Employees' Committee. The agreement applies to all Pelephone employees, with the exception of senior executives and certain employees in pre-defined positions who are employed by personal agreements.

On December 6, 2022, a renewal of the existing collective agreement was signed between the parties, which includes salary increases and bonuses, improved ancillary conditions, voluntary retirement, and the resolution of the labor disputes announced by the General Histadrut and the Employee Representative Council will be settled while maintaining industrial peace during the validity period of the agreement in the matters regulated therein, for the period from 6.12.2022 to 31.12.2025 (hereinafter: "**the Agreement**" and "**the Agreement Period**", respectively).

On 25.2.2026, Pelephone's Board of Directors approved understandings between Pelephone's management and the employees' representatives at Pelephone, which include, among other things, the arrangement for the retirement of up to 150 permanent employees and the provision of economic benefits. The renewal of the collective agreement is for an additional three-year period, commencing in January 2026, subject to the parties signing a detailed collective agreement once it is drafted based on the approved understandings. Bezeq and Pelephone estimate that the implementation of the collective agreement is not expected to have a material impact on the Group's results.

It is clarified that the above constitutes forward-looking information as defined in the Securities Law, based, among other things, on assumptions and estimates regarding an agreement yet to be finalized. These estimates may not materialize or may materialize differently than expected.

The provisions of the collective agreement dated 6.12.2022, continue to apply to the parties, subject to applicable law.

For this matter see also Note 16 to the 2025 Statements.

3.9.5. Labor disputes

As part of the agreement dated 6.12.2022, all open labor disputes at Pelephone were resolved, except for the employees' representatives' request to appoint a representative to Pelephone's Board of Directors. This request was not fully addressed, and the parties agreed that it would be discussed at a later stage. In the ongoing negotiations between the parties as of the date of this report, this request is also currently under discussion.

3.10. Suppliers

3.10.1. End equipment suppliers

Pelephone purchases some of the end equipment and accessories from different providers in Israel, and imports some independently. In addition, Pelephone purchases end equipment and accessories by way of purchase consignment with the right to return to the end equipment suppliers. Contracts with some suppliers are based on framework agreements that regulate, *inter alia*, the supplier's technical support for the end equipment provided thereby, the availability of spare parts and repairs and the supplier's warranty for the products. In most cases, these agreements do not include an obligation on Pelephone's part to make purchases, and they are executed on an ongoing basis through a purchase order according to Pelephone's needs.

In the event of a termination of contract with a particular end equipment supplier, Pelephone may increase the quantity purchased from other end equipment suppliers, or purchase end equipment from a new end equipment supplier.

Pelephone's material suppliers are Apple, with whom there is an agreement that requires defined procurement targets and is valid until March 2026, and Samsung, with which

Pelephone does not have an agreement that requires the purchase of a minimum annual quantity and the purchases are made on the basis of orders made by Pelephone from time to time.

Pelephone purchases rate from each of the suppliers Apple and Samsung in 2025 amounted to approximately 16.3% and approximately 11.9% (respectively) of Pelephone's total purchases from all of Pelephone's suppliers⁵¹. The distribution of peripheral equipment purchases among suppliers is such that it does not create a material dependence on the supplier or model of equipment.

3.10.2. Infrastructure providers

The infrastructure equipment for the cellular networks (5G, LTE, UMTS, as well as the equipment for the microwave transmission field) is provided by the company LM Ericsson Israel Ltd. ("**Ericsson**"). Pelephone has multiyear agreements for supply, maintenance, support, and software upgrades for the entire network, and also for the 5G network core with Ericsson, and in its opinion it may depend on it in connection with network support and expansion. In addition, the cellular network uses transmission, and Bezeq is a material supplier to Pelephone in this field.

Pelephone has a multi-year transmission agreement with Bezeq that includes use and maintenance.

3.11. Working capital

Credit policy

Credit in device sales transactions - Pelephone gives most of its customers who purchase end equipment the option to spread the payments up to 36 equal payments. In order to reduce exposure that may arise as a result of providing credit to its customers, Pelephone operates in accordance with a credit policy that is reviewed from time to time. Pelephone also checks the financial strength of its customers (in accordance with the parameters set by it).

Monthly billing credit for cellular services - Pelephone customers are charged once a month with billing cycles, performed on different dates throughout the month, for the consumption of last month's cellular services.

Pelephone receives credit from most of its providers for a period ranging from 30 days to end of month + 92 days.

The following are data regarding average suppliers' and customers' credit in 2025:

	Credit volume in NIS millions	Average credit days
Customers for the sale of end equipment (*)	475	238
Customers for services (*)	147	29
Suppliers	248	58

(*) Net of loan-loss

3.12. Taxation

See Note 7 to the 2025 Statements.

3.13. Environmental risks and ways of managing them

3.13.1. The provisions of the law concerning the environment and apply to the activities of Pelephone

The broadcast sites used by Pelephone are "radiation sources" in accordance with the Non-Ionizing Radiation Law. The establishment and operation of these sites, with the exception of sites listed in the appendix to the law, requires the receipt of a radiation permit.

The law establishes a two-stage licensing mechanism for obtaining a permit to operate a radiation source, according to which the applicant for a permit must first obtain a permit to establish the radiation source ("**Establishment Permit**"), valid for a period not

⁵¹ All suppliers - All of Pelephone's suppliers, including suppliers who are not suppliers of end equipment and electronic devices.

exceeding three months, which can be extended by the Commissioner by up to 9 months, followed by a permit to operate a source of radiation ("**Operating Permit**"), which is valid for a period of five years or as otherwise determined by the Minister of Environmental Protection.

With regard to the Establishment Permit, the law stipulates the granting of the permit by performing an assessment of the maximum levels of exposure of people and the environment to the radiation expected from the radiation source when it is activated, including in the event of a malfunction; And taking the necessary measures to limit the levels of exposure of humans and the environment to the radiation expected from the radiation source when it is activated, including the use of technological means in use ("**Limitation Means**").

With regard to the Operating Permit, the law stipulates the granting of the permit by the taking of measures to limit and make measurements of the levels of exposure of humans and the environment to the radiation generated during the activation of the radiation source. The law also conditions the granting of an Operating Permit by presenting a license in accordance with the Communications Law, and in some cases, also by presenting a permit under the Planning and Construction Law.

The law includes a penalty chapter which stipulates, *inter alia*, that the construction or operation of a radiation source in violation of the terms of the permit and the construction or operation of a radiation source without a permit after receiving written notice from the Commissioner, are a criminal offense.

In January 2009, the Commissioner for Radiation at the Ministry of Environmental Protection issued guidelines regarding safety ranges and maximum permitted levels of exposure regarding radiation from radio frequencies, including cellular antennas.

It should also be noted that the Ministry of Environmental Protection operates a system of continuous supervision and monitoring of the broadcasting centers to check their compliance with the requirements of the law.

Cellular services are provided through a mobile phone that emits non-ionizing radiation (also known as electromagnetic radiation). The Consumer Protection Regulations (Information on Non-Ionizing Radiation from a Mobile Phone) 5762-2002 stipulate the maximum permissible level of radiation of a cellphone measured by units SAR (Specific Absorption Rate) and informing Pelephone's customers in this context. To the best of Pelephone's knowledge, all the cellular devices it markets meet the required SAR standards. See also section 3.19.2.5.

3.13.2. Pelephone policy in environmental risk management

Pelephone conducts periodic radiation tests to ensure compliance with permitted operating standards and international standards. These tests are outsourced to companies licensed by the Ministry of Environmental Protection. Pelephone has an internal enforcement procedure for supervising the implementation of the provisions of the Non-Ionizing Radiation Law, according to which a senior administrative body has been appointed as responsible for its implementation. The purpose of the procedure is to implement the provisions of the law and to reduce the possibility of violating it.

3.13.3. Transparency to consumers

Pelephone is subject to relevant laws that stipulate advertising obligations and information about the sources of radiation that it operates and about the radiation emanating from the devices it provides. Pelephone publishes information on its website regarding the level of SAR emitted from cell phones and the Ministry of Health's recommendations for precautionary measures in the use of cell phones.

3.14. Restrictions and supervision of Pelephone's operations

3.14.1. Legislative restrictions

3.14.1.1. Communications Law

The provision of cellular services by Pelephone is subject to the provisions of the Communications Law and its regulations. For details regarding the

mobile radio telephone license granted to Pelephone under the Communications Law, see section 3.14.2 3.14.2.

The law authorizes the Director General of the Ministry of Communications to impose financial sanctions due to various violations of the provisions of the law and of orders and provisions issued under it, as well as due to violation of conditions in the license.

3.14.1.2. Wireless Telegraph Order

The Telegraph Order regulates the use of the electromagnetic spectrum, and applies, among other things, to the use of radio frequencies made by cell phones, as part of its infrastructure. Establishment of a system that uses and operates radio frequencies is subject, under the Telegraph Order, to licensing, and the use of radio frequencies is subject to the designation and allocation of an appropriate frequency. According to the Telegraph Order, license fees and fees are imposed for the designation of frequencies and their allocation. The Order authorizes the Ministry of Communications to impose financial sanctions due to various violations of its provisions.

For radio frequencies assigned to cell phones, see section 3.8.2.

3.14.1.3. The Non-Ionizing Radiation Law

With respect to facilities that emit electromagnetic radiation see section 3.13.

3.14.1.4. Consumer legislation and privacy protection and information security laws

As part of its activities, Pelephone is subject to the Consumer Protection Law, which regulates a dealer's obligations to consumers, as well as the laws of privacy protection and information security (see Section 1.7.7.4).

3.14.1.5. Change in interconnectivity fee rates (Call Completion Fee)

Interconnectivity rates are set by the regulator. For details see Section 1.7.6.1.

3.14.2. Pelephone's mobile radio telephone license

3.14.2.1. General

Pelephone's mobile radio telephone license as well as the general license to provide cellular services in the Judea and Samaria area are valid until September 9, 2022⁵².

The following are the main instructions from Pelephone's mobile radio telephone license:

- A. In certain circumstances, the Minister may change the terms of the license, restrict it or suspend it and, and in some cases even cancel it.
- B. The license is not transferable and includes restrictions on the purchase or transfer (including by way of lien) directly or indirectly of control or of 10% or more of any means of control in Pelephone, including the lien of such means of control, unless the Minister's prior consent is given.
- C. Pelephone is obligated to provide an interconnectivity service on equal terms to any other operator and must avoid any discrimination in interconnectivity.
- D. Pelephone must refrain from preference of providing infrastructure services to a licensee who is an affiliated company (as defined in the license) over another licensee.
- E. The license specifies the mobile radio telephone services that Pelephone may provide and states that it is not allowed to provide

⁵² The wording of Pelephone's mobile radio telephone license is published on the website of the Ministry of Communications at www.moc.gov.il. The provisions of the mobile radio telephone license applies on the license in the Judea and Samaria area (with certain changes).

additional mobile radio telephone services that are not specified in the license.

- F. Pelephone may not sell, rent, or mortgage property from the properties used to carry out the license without the consent of the Minister of Communications, except for certain exceptions set forth in the license.
- G. In times of emergency, the person authorized by law has the authority to give Pelephone various instructions regarding the manner of its operation and / or the manner of providing the services (see section 3.19.2.9).
- H. The license specifies the types of payments that Pelephone may charge its subscribers for cellular services, and the reports it must give to the Ministry of Communications. The license also stipulates the authority of the Minister to intervene in rates, in some cases.
- I. The license requires Pelephone to a minimum standard of service.
- J. In order to secure Pelephone's obligations and in order to compensate and compensate the State of Israel in the event that Pelephone's action causes it damage, Pelephone provided a bank guarantees to the Ministry of Communications and Civil Administration, in the amount of NIS 57.9 million.

3.14.2.2. Ministry of Communications guidelines regarding license changes

The Ministry periodically updates Pelephone's license on various issues, as part of hearings held by it.

3.14.3. Site construction licensing

Pelephone's cellular services are provided, among other things, through cellular sites that are deployed throughout Israel in accordance with engineering needs. The constant need to upgrade and improve the quality of cellular services requires the establishment of cellular sites, configuration changes, and changes to existing antenna arrays.

Pelephone uses transmission sites of two main types and in two tracks: macro sites that, in some cases, require a building permit from the Planning and Construction Committees, and in other cases, exemptions apply if the conditions required for self-licensing are met (see reference to National Outline Plan 36A below), and facilities that were exempt from a building permit under the Communications Law and the planning and Construction Law ("**Exemption Provision**"): Wireless access facilities ("**Access Facilities**") for which regulations were published in 2018 regulating the self-licensing route based on compliance with the provisions of National Outline Plan 36 and allowing self-licensing for the establishment of certain transmission facilities. On January 1, 2022, a series of legislative amendments entered into force within the Arrangements Law, which Define the cellular infrastructure as a national infrastructure and create a self-licensing route for certain cellular antennas and for making adjustments to the various transmission facilities, instead of establishing new access facilities, as detailed below.

Additionally, for a few sites that were established years ago within security facilities, due to the unique circumstances of these facilities, it is necessary to complete the required procedures to obtain building permits, which are currently in the licensing process. As a result, several transmission sites operated by Pelephone have not yet been granted building permits.

Pelephone's ability to maintain and preserve the quality of its cellular services, as well as its coverage, is based in part on its ability to establish cellular sites and install infrastructure equipment, including broadcasting sites. The difficulties encountered by Pelephone in obtaining the necessary permits and approvals can adversely affect the existing infrastructure, the network's performance as well as the establishment of additional cellular sites required by the network. Difficulties in deployment also exist in the Judea and Samaria area, for which a special legal system applies.

The inability to resolve these issues in a timely manner may even prevent the achievement of service quality targets set forth in the mobile radio telephone license.

In this regard, it should be noted that a tender published by the Ministry of Finance -

the Public Housing Administration in January 2025, intended to allow in the future the establishment of sites on government housing buildings for the payment of fixed and reduced rents, may bring some relief in locating suitable locations for the establishment of new sites.

Pelephone, like the other cellular operators in Israel, established some of the cellular sites throughout Israel on properties managed by the Israel Land Authority. This is, among other things, in accordance with an umbrella contract for five years, for the period from January 1, 2020 to December 31, 2024. It should be noted that Pelephone, as well as the other cellular operators, and the Israel Land Authority are negotiating a contract extension.

- a. Building permits for the construction of a transmission facility for cellular communications by virtue of National Outline Plan 36A:

Licensing of the construction of cellular transmission sites subject to building permits, regulated by National Outline Plan 36A, which came into force in 2002.

The licensing procedure according to NPA 36A requires, *inter alia*, the receipt of approvals as follows: A. Approval of establishment and operation by the Ministry of Environmental Protection, as specified in section 3.13.1; B. Approval of the Civil Aviation Administration, in some cases; C. IDF approval.

In addition, according to the law, a condition for granting a permit for the establishment of a transmission facility for cellular communications is the submission of a letter of indemnity to the local committee in respect of claims for compensation for impairment. As of the date of this report, Pelephone has deposited approximately 660 indemnity letters with various local committees.

Despite NPA 36A in its existing format, Pelephone (and to the best of its knowledge, also from its competitors) encounters difficulties in obtaining some of the necessary approvals, especially the approvals of the planning and construction authorities.

- b. Facilities exempt from building permits:

The second route in which Pelephone has deployed broadcast sites so far is the Access Facilities route. The Access Facilities were subject to the receipt of individual radiation permits but are exempt from obtaining a building permit provided that they are established under the conditions set forth in the exemption directive (Article 266C (a) of the Planning and Construction Law (installation of a wireless access facility for cellular method), 5778-2018 and the regulations. However, in view of the amendment to the Planning and Construction Law set forth in the Arrangements Law and the new self-licensing route according to it (see below), the route of the Access Facilities became redundant.

As of the date of the report, Pelephone operates about 314 wireless access facilities. Pelephone is converting dozens of these sites to self-licensed sites according to the legislative amendments from 2022.

It should be noted that in spot enforcement proceedings, which are taken from time to time, additional allegations arise regarding the manner in which the exemption is used, including compliance with regulations. To the extent that there are Pelephone facilities that do not meet the conditions set forth in the regulations, there is exposure in respect thereof if the dismantling or adjusting of those facilities becomes necessary.

As part of the Arrangements Law, which entered into force on January 1, 2022, an amendment was received to the Planning and Construction Law, which includes the removal of regulatory barriers regarding the establishment of sites. The main amendment is the granting of an exemption from licensing procedures for placing and using facilities up to 6m on the roof of a building, an exemption for replacing a transmission facility, an exemption for adding an antenna to a transmission facility established under the Planning and Building Law and an exemption for replacing masts up to 18m high. The amendment to the Planning and Construction Law also includes a new classification of "transmission facilities for communications using the Thai method", as defined in Article 202B of the Planning and Construction Law, as "national infrastructure", and a new classification of NAP 36A as "a detailed national

master plan for national infrastructure". The amendment to the Planning and Building Law facilitates the replacement of antennas, the addition of an antenna to existing sites, and the strengthening of masts. All, under the technical and practical conditions set out in the amendment. These facilities will continue to meet all the conditions of NAP 36 and spatial guidelines of the local committees, with the actual meaning of the amendment being the possibility of a "self-licensing" route - that is, performing a self-licensing and control procedure in the above cases, and submitting documents to the Planning and Construction Committee retrospectively (after the completion of the construction of the sites). Simultaneously with this amendment, an amendment was also established to the definition of "wireless access facility" in Article 27A of the Communications Law. As part of the aforesaid amendment, a "transmission facility for communication in the cellular method as defined in Article 266C2 of the Planning and Building Law" was removed from the definition of a "wireless access facility". This means that the wireless access facilities that were set up with an exemption from a permit continue to exist, but it is no longer possible to set up new mobile sites in the "access facilities" route, which is listed above).

As part of the report of the inter-ministerial committee that served as the infrastructure for amendments to the Arrangements Law, it was also recommended to update NPA 36A, which came into force about twenty years ago.

As a result of the amendments, Pelephone significantly expanded its activity of establishing new sites and, as stated, is also converting access facilities to self-licensed sites according to the aforementioned amendment to the Arrangements Law of 2022. On November 14, 2021, Pelephone signed a framework agreement to expand the local collaboration in the establishment of passive infrastructure on joint mobile sites together with Cellcom and PHI Networks (2015) Limited Partnership. In August 2022, the Ministry of Communications approved the agreement. This agreement helps Pelephone by enabling the establishment of new shared sites at a lower rental cost than before.

c. Establishment of sites by parties other than cellular operators

On July 17, 2023, the Ministry of Communications published a decision (and an amendment to the cellular operator's license), regarding allowing entities that do not have a cellular license to establish and lease cellular radio centers (communication sites) and lease them to cellular operators. The sites will be operated and maintained by the cellular operators (operation and maintenance will be allowed by said parties as subcontractors of the cellular operators). The implementation of the decision requires legislative changes and the establishment of regulatory rules regarding the manner of implementation and its limitations.

On 24.9.2024, the Ministry of Communications published a supplementary hearing to the above decision, in which it updated that it is considering expanding the scope of the decision - emphasizing that (1) the ownership and maintenance of the equipment to be installed at the sites could be the responsibility of the developers; (2) the sites could be used to meet the coverage requirements imposed on the cellular operators; (3) the sharing could, under certain conditions, include active sharing and frequency sharing between the cellular operators hosted at the sites; and (4) the possibility for developers to use the sites to provide local/project cellular service (not as a public network) based on frequencies that they will be allowed to purchase in the future. On 10.9.2025, the Ministry of Communications issued another decision on this matter (including an amendment to the licenses of cellular operators), following a supplementary hearing published on 24.9.2024, establishing the following: (1) Ownership and maintenance of equipment installed at the sites may be held by the developers. (2) The sites may be used to meet the coverage obligations imposed on cellular operators (up to the permissible threshold, derived from overall network traffic). (3) Sharing will generally not include frequency sharing (except in specific localized areas). (4) Developers will be required to register in the supplier registry under the Communications Law (and the Ministry's license provisions will apply), or alternatively obtain the Ministry's approval if they contract with a cellular operator for more than 100 sites or for a period exceeding 5 years. (5) Government companies, mixed-ownership companies, local authorities, economic companies of local authorities, etc., wishing to act as developers will require

approval from the Ministry of Communications, which will be assessed based on rules published in the decision. Any engagement between a developer and a cellular operator, such as Pelephone, will be made based on the operator's business decision and feasibility considerations. At this stage, the expected impact of the decision cannot be assessed, due, among other things, to the rules set forth, the developers' ability to reach commercial agreements with cellular operators, and the potential commercial feasibility for both developers and operators.

d. Other sites:

For a few sites that were established years ago in security facilities, for reasons unique to these facilities, it is required to complete the necessary procedures to obtain a construction permit. Therefore, Pelephone operates a number of broadcasting sites that have not yet been issued building permits.

The establishment of a broadcasting site without obtaining a building permit is a violation of the law and in some cases this has led to the issuance of demolition orders or the filing of indictments or the filing of civil proceedings against Pelephone and some of its officers.

As of the date of the report, Pelephone has in most cases been able to avoid demolition or delay the execution of demolition orders within the framework of arrangements reached with the planning and construction authorities, in order to try to settle the missing license. These arrangements did not require a confession of guilt and / or a conviction on the part of Pelephone officials. However, there is no certainty that this situation will continue in the future, or that there will be no further cases in which demolition orders will be issued and indictments will be filed for building permits, including against officers.

Pelephone, like the other cellular operators in Israel, may be required to dismantle transmission sites for which the necessary approvals and permits have not yet been obtained in accordance with the deadlines set by law. Pelephone uses the license-exempt facilities to provide coverage and capacity in crowded areas. If a legal constraint is created for the simultaneous dismantling of the sites in a given geographical area, there may be a deterioration in the service in that area, until the establishment of alternative broadcasting sites.

3.14.4. Economic Competition Law

In the terms of the merger of Pelephone and the Company, various restrictions are anchored regarding cooperation between the companies (see Section 02.16.9).

3.15. Material agreements

3.15.1. For agreements with Ericsson, see section 3.10.2.

3.15.2. In July 2016, an agreement was signed between Pelephone and the Accountant General of the Ministry of Finance, according to which Pelephone will provide cellular services to state employees that was estimated at 100,000 subscribers over three years. Under the agreement, Pelephone provides devices to some Accountant General subscribers.

The State chose to exercise the extension options granted to it in the agreement, and the agreement was extended, as of the date of the report, until 30.6.2026. On 21.2.2024, the Accountant General published a new tender for the supply of cellular communication services and end equipment. On 5.6.2025, Pelephone was announced as the first-ranked candidate to win the tender as the primary supplier (for the provision of 60% of the services and equipment, instead of being the exclusive supplier in the previous tender that had concluded). The tender was conducted by the Accountant General in the Ministry of Finance for the supply of cellular communication services and communication equipment to government ministries, auxiliary units, and affiliated bodies, according to a defined scope set out in the tender (Basket 1) (the "**Tender**"). On 3.9.2025, an agreement was signed between Pelephone and the Accountant General.

Pelephone, which has been providing cellular services to the State and its employees for several years following its wins in previous tenders, also participated in this Tender and was determined, as noted and as further detailed below, to be the first-ranked candidate to win the supply of 60% of the services and equipment. Accordingly, Pelephone will

continue to serve as the primary supplier of the cellular services and communication equipment included in the Tender for employees of government ministries, auxiliary units, and affiliated bodies. According to the terms of the Tender, Pelephone will provide cellular services as stated to an estimated quantity of at least 60,000 subscribers, in addition to several tens of thousands of data subscribers (data communication), over a period of 42 months (with an option for the State to extend the period up to a total of 72 months, beyond the initial 42-month base period). As part of the Tender, Pelephone will supply end-user devices under a leasing mechanism to tens of thousands of subscribers who choose to receive such equipment. Pelephone's renewed win in the Tender is expected to maintain significant revenue amounting to hundreds of millions of NIS throughout the term of the agreement.

The forecasts of Pelephone and the Company detailed above constitute forward-looking information, as defined in the Securities Law. These 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 services and end-user equipment that will be supplied in accordance with the Tender's terms. These assumptions may not materialize and/or may materialize in a manner different from that described above.

3.15.3. Regarding a collective agreement between Pelephone and the Histadrut and Pelephone's Employees' Committee, see section 3.9.4.

3.16. Legal Proceedings⁵³

During the day-to-day business, lawsuits were filed against Pelephone, including motions for approval of class actions.

3.16.1. Pending legal proceedings

The following is a list of the claims in which the amount claimed is material and claims that may have material consequences for Pelephone's operations:

Date	Parties	Instance	Proceeding type	Details	Amount of the claim (NIS millions)
a. October 2017	Customer vs. Pelephone, and another cellular company	Central District Court	Monetary claim and a motion to be recognized as a class action	It is alleged that the defendants are illegally using the location data of their clients and thus violating the contract agreements with them, the operating licenses and various laws, including the Privacy Protection Law. It should be noted that in December 2023, another claim was filed that includes the same grounds as this claim and by the same representatives, according to them for precautionary reasons. On 30.10.2024, a decision was issued approving the motion against Pelephone after the Court determined that there was a reasonable possibility that the questions underlying the claim would be decided in favor of the class of plaintiffs. At this stage, the amount of the claim cannot be estimated, <i>inter alia</i> , since the amount of damages was not determined.	About 850
b. June 2023	Customer vs. Pelephone	Central District	Consolidated motion to approve a class action	Two similar motions for the approval of a class action in which it is claimed that Pelephone does not act in accordance with the law with regard to providing notices of the termination of transactions for a fixed period. On September 11, 2023, a consolidated motion was subsequently submitted for approval by the Court. In the consolidated motion, it was stated that similar motions for approval of class actions were also submitted against Bezeq (see Section 2.18.1) and Yes (see update to Section 5.16.1).	Over NIS 2.5 million. Impossible to accurately estimate.
c. December 2023		Haifa District Court	Monetary claim and a motion to be	In the motion, it is claimed that within the framework of the numbers blocked for dialing by the subscribers of the Kosher Floor (as part of the characteristics of the Kosher	Over NIS 3 million. Impossible to

⁵³ For reporting policy and materiality thresholds, see Section 2.18.

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Date	Parties	Instance	Proceeding type	Details	Amount of the claim (NIS millions)
			recognized as a class action	route), Pelephone and the other respondents illegally blocked numbers	accurately estimate until all data is received
d. November 2024	Pelephone and other telecommunications companies	Haifa District	Claim and motion for approval as a class action	<p>Two motions to approve class actions in the same matter:</p> <p>One motion alleged that Pelephone and other telecommunications companies charge their customers fees for paying their cellular bills via direct debit at rates that are not reasonable and fair. In January 2025, following a court decision that the motion should be split and refiled separately against each respondent, the motion was resubmitted individually against Pelephone.</p> <p>The second motion filed by the Israeli Consumer Council against Pelephone alleged that Pelephone charges its customers fees for paying their cellular bills via direct debit, without providing the required disclosure.</p>	The amount of the class action lawsuit is over NIS 2.5 million, but it cannot be accurately estimated.

3.1.1. Legal proceedings concluded during the reporting period

Date	Parties	Instance	Proceeding type	Details	Amount of the claim (NIS millions)
a. May 2012	Customer vs. Pelephone	Tel Aviv District Court	Monetary class action	<p>It was alleged that Pelephone does not inform customers who wish to join its services with a device that was not purchased from Pelephone that, if the device does not support the 850 MHz frequency, they will enjoy only partial reception of one frequency rather than two. In March 2014, the Court approved the claim as a class action, following Pelephone's notice that it agreed (for reasons of efficiency) to the management of the claim as a class action, while reserving its arguments. The proceeding was split into two stages (the stage of determining liability and the stage of quantifying damages, if there would be a need for a second stage). On 20.1.2019, a decision was issued in the case recognizing Pelephone's liability for the allegations in the claim, on the grounds of misleading conduct under the Consumer Protection Law and lack of good faith in conducting negotiations, with respect to the period up to the date of the decision on the motion to certify the claim as a class action (March 2014). On 15.1.2025, a judgment was issued approving a settlement arrangement between the parties, which includes the provision of compensation in products to Pelephone customers who arrive at selected service centers, as well as the donation of products to non-profit organizations, with a total value of NIS 12.5 million including VAT (customer value), payment of a reward and attorneys' fees in a total amount of approximately NIS 1.75 million plus VAT, and payment to the Fund for Financing Class Actions in the amount of NIS 1,137,500 plus VAT.</p>	About 124
b. July 2014	Customer vs. Pelephone	District (Tel Aviv)	Monetary class action	<p>It was alleged that Pelephone, together with three other cellular companies, registered subscribers to content services without obtaining their consent and in violation of the law, and that by doing so they created a "platform" that led the Accutech Group to charge tens of thousands of people for content services unlawfully. On 11.16.2025, a judgment was issued approving the settlement agreement, the main elements of which include compensation in the amount of NIS 292,000, donation of products to soldiers, and a payment of approximately NIS 170,000 for attorneys' fees and a reward.</p>	Approximately 100 with respect to the cellular companies, and approximately 300 against all of the defendants.

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Date	Parties	Instance	Proceeding type	Details	Amount of the claim (NIS millions)
c. April 2019	Customer vs. Pelephone, Bezeq International and 6 other companies	Central District	Monetary claim and a motion to be recognized as a class action	<p>It was alleged that the respondents do not properly inform their customers of the possible risks involved in using the Internet and of the option to subscribe to a free content-filtering service, in violation of the provisions of the Communications Law. In addition, the respondents provide a website and harmful-content filtering service which, according to the claimants, is not sufficiently effective. According to the applicants, the above constitutes, <i>inter alia</i>, a violation of the provisions of the Consumer Protection Law, a breach of duties under the Torts Ordinance, breach of contract, and unjust enrichment.</p> <p>On 19.5.2025, a judgment was issued approving a settlement agreement in the case, the main element of which (with respect to Pelephone) is the granting of a browsing benefit to subscribers of the service (existing and new) for a limited period, and a payment of approximately NIS 350,000 for attorneys' fees and a reward.</p>	The amount of the claim is not specified, however in the motion it is estimated at tens of millions of NIS.

3.17. Discussion of risk factors

The following are risk factors arising from the macroeconomic environment, the unique characteristics of the industry in which Pelephone operates, and risk factors unique to Pelephone.

3.17.1. Macroeconomic risk factors

- 3.17.1.1. Exposure to changes in exchange rates and inflation - Pelephone is exposed to risks due to changes in exchange rates as most purchases of end equipment, accessories, spare parts and infrastructure are made in US dollars, while Pelephone's income is in shekels. Erosion of the shekel against the dollar could hurt Pelephone's profitability if it is not possible to adjust selling prices (mainly of end equipment) in the short term. Also, changes in price indices may affect the costs of site and office rental and on frequency fees.
- 3.17.1.2. Epidemic and supply chain - outbreaks of diseases and epidemic events in general (such as the outbreak of COVID-19 in 2020) may have consequences for Pelephone's business activities depending on the extent of the spread and its severity, as well as the national and global measures that will be taken as a result. These consequences may be reflected, among other things, in damage to Pelephone's operations and its customer service system, as well as in damage to the supply chain. Events of this type are changing events that are not under Pelephone's control, and their consequences are subject, among other things, to the decisions of states and authorities in Israel and around the world that may affect the Company accordingly.
- 3.17.1.3. Damage caused by nature, war, disaster - damage to the switching farms and / or servers where Pelephone concentrates the core of its operations (including damage to a large number of sites, for example from an earthquake), may adversely affect Pelephone's business and its results.
- 3.17.1.4. Damage to electricity supply - Damage to the electricity supply to Pelephone facilities for various reasons (some of which are described in Section **Error! The source of the reference was not found.**) may have a negative effect on Pelephone's business and damage Pelephone's ability to provide services. Some of Pelephone's systems have power backup, but at the same time, in the event of prolonged damage to some or all of the systems, there may be significant difficulties and beyond that in the provision of Pelephone services, including in the event that Pelephone cannot return the systems to service quickly.

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- 3.17.1.5. Economic recession/slowdown/security situation – An economic slowdown in the economy, an increase in unemployment rates, and a decline in disposable income may lead to a decrease in the number of Pelephone subscribers, a decline in Pelephone's revenues, and adversely affect its business results. In addition, a prolonged unstable security situation in wide areas of Israel, which disrupts the daily lives of residents, may lead to a deterioration in Pelephone's business results.
- 3.17.2. Industry risk factors
- 3.17.2.1. Infrastructure investments and technological changes - the cellular market in Israel and around the world is characterized by significant capital investments in technologies and in the deployment of infrastructure. Frequent technological changes in the field of infrastructure and end equipment, as well as the difficult struggle over various market segments, impose high costs on the companies operating in the market.
- 3.17.2.2. Competition - the cellular market in Israel is characterized by saturation in the penetration rate, fierce competition and a high number of operators, and is also exposed to effects as a result of technological and regulatory developments. The costs of setting up, maintaining and operating the cellular network in relation to the number of subscribers are expected to be higher in Pelephone in light of the fact that it does not operate in the network sharing model. The end equipment market is also characterized by fierce competition between cellular operators and in front of stores that sell end equipment, including by parallel imports.
- 3.17.2.3. Customer credit – a significant portion of the sales of end equipment is done by granting credit. The vast majority of this credit that is not covered by collateral is at risk. It should be noted, however, that the credit is spread among a large number of customers and Pelephone has extensive experience in operating efficient collection mechanisms.
- 3.17.2.4. Regulatory developments - in the field of Pelephone's activities, there is a trend of legislation and standards in connection with issues such as increasing competition, setting rates, operating cellular sites, the environment, product warranty and ways of repair thereof, regulating interconnectivity rates and more. The regulatory intervention in the field of activity may materially affect the structure of competition and the operating costs of Pelephone.
- 3.17.2.5. Electromagnetic radiation - Pelephone operates thousands of transmission facilities and sells end equipment that emits electromagnetic radiation (see section 3.13). Pelephone works to ensure that the levels of radiation emitted from the transmission facilities and end equipment sold by it do not exceed the permissible radiation levels according to the guidelines of the Ministry of Environmental Protection (determined in accordance with international standards). Pelephone operates in accordance with the guidelines of the Ministry of Environmental Protection, but nonetheless, if it turns out that there are health risks or if there are deviations from the radiation facilities at the transmission sites or end equipment, which has a health risk, this may have an adverse effect on the area of activity due to reduced use of Pelephone services, difficulty in renting sites, claims for compensation for bodily and property damages to a considerable extent and attempts to implement indemnity deeds deposited by planning institutions in connection with Article 197 of the Planning and Construction Law. Pelephone's third party insurance policies do not currently cover insurance for electromagnetic radiation.
- 3.17.2.6. Website licensing - construction and operation of cellular antennas, requires building permits from the various planning and construction committees, a procedure that requires, among other things, obtaining approvals from government bodies and series bodies. For a list of the difficulties encountered by Pelephone in setting up and licensing websites, see Section 3.14.3. These difficulties can impair the quality of the existing network and

even more so the deployment of a new network.

- 3.17.2.7. Serious faults in the information systems and engineering systems - Pelephone provides its services through various infrastructure systems, including, among others, switches, data transmission and access transmission networks, cables, computer systems, physical infrastructure and more ("the systems"). Pelephone businesses have a high dependence on these systems. Some Pelephone systems have backup, but at the same time, in the event of damage to some or all of the above systems, either due to a large-scale technical malfunction, due to a natural disaster (such as an earthquake, fire, etc.), or due to damage to physical infrastructure and due to malicious damage (such as the introduction of viruses and cyber attacks as detailed below), there may be significant difficulties in providing services, including in the event that Pelephone is unable to return the systems to service quickly.
- 3.17.2.8. Information security, customer data protection and cyber risks - as a leading cellular company that provides service to millions of customers, Pelephone is a target for cyber attacks, which aim to harm the use of information systems or the information itself ("**Cyber Attacks**"). This type of assault activity or intrusion event may cause business disruption, information / money theft, damage to databases and subscribers' privacy, damage to reputation, damage to systems and information leakage which may also be caused by an internal party, maliciously or inadvertently

Pelephone is a body guided by the State Information Security Authority of the Prime Minister's Office as well as by the Ministry of Communications, and it is committed to complying with strict information security standards. In this framework, Pelephone implements a protection policy that includes the most advanced security systems in the world, which are installed using the method of layers of protection and are operated in a configuration that combines effective security with Pelephone's operational needs and security circuits to protect Pelephone's infrastructure and systems, which are designed to prevent and reduce the possibility of exploiting Pelephone's data by an external party or maliciously or inadvertently by an internal entity, as well as the possibility of an external party taking over and managing network components or abusing information about Pelephone's infrastructure and networks in some way. In this framework, various actions are performed, including checking alerts and logs in the systems, implementing various information security products according to the threat outline, periodic risk surveys and practice according to an annual plan.

Pelephone complies with the standard of the Prime Minister's Office which defines a level of protection against an attack by a hostile country related to information security (standards that define a level of protection of the Company's systems against information security threats) and within the framework of implementing the requirements of the standards, Pelephone ensures the availability, integrity, reliability and confidentiality of the databases under its responsibility.

Pelephone supervises the implementation of its protection policy, which includes testing its level of effectiveness and the Company's readiness. In this framework, Pelephone carries out tests and attack exercises with different frequency for different scenarios (including through external companies specializing in the field). Also, Pelephone's Board of Directors is involved in and supervises the management of cyber risk at Pelephone, and this is within the framework of dealing with Pelephone's overall risk management policy. In Pelephone's estimation, its risk management policy in dealing with and reducing the cyber risk is effective.

The cyber risk management policy and its implementation is the responsibility of the Information Systems Division, Infrastructure Division.

Despite Pelephone's investments in measures to reduce the aforementioned risks, it cannot guarantee that these measures will succeed

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- in preventing damage and/or interference that may also be significant in the systems and information related to them.
- 3.17.2.9. Economic emergency - in times of emergency, certain provisions of the legislation and provisions of the mobile radio telephone license allow persons authorized under the law to take steps required to ensure state security and / or public safety, including: charging Pelephone (as a mobile radio telephone license holder) to give service to the security forces, commandeering of engineering equipment and facilities of Pelephone, and even taking control of Pelephone's system.
- 3.17.2.10. Lack of frequencies - for details on the lack of frequencies, see section 3.8.2.1. In many cases, frequency allocation is carried out through tender procedures, in a manner that may increase the costs of purchasing the frequencies and place the cellular companies that do not receive the allocation as part of the tender at risk of competitive inferiority.
- 3.17.3. Risk factors unique to Pelephone
- 3.17.3.1. Property risks and liabilities - Pelephone is exposed to various property risks and liabilities. Pelephone is assisted by an external insurance consultant who is an expert in the field. Pelephone has insurance policies that cover the risks that are acceptable to them, Pelephone is subject to the limitations of the terms of the policies, such as: various property insurance, various liability insurance, loss of profits, third-party liability insurance and officers' insurance. However, Pelephone's insurance policies do not cover certain types of risks, including certain malfunctions caused by negligence or human error, radiation risks, terrorism and more.
- 3.17.3.2. Serious faults in the cellular network - Pelephone's cellular network is spread throughout Israel through the network's core sites, antenna sites and other systems. Pelephone's systems are completely dependent on these systems, which are sometimes, temporarily, in a state of partial survival. Malicious damage or malfunction on a large scale can adversely affect Pelephone's business and its results.
- 3.17.3.3. Epidemic malfunctions in devices - various exposures resulting from Pelephone's liability as an importer due to manufacturer malfunctions in devices that will not be supported by the manufacturers.
- 3.17.3.4. Legal proceedings - Pelephone is a party to legal proceedings, including class actions, which may result in a charge of substantial amounts, which cannot be estimated, and no provision has been made for some of them in Pelephone's financial statements. These class actions can reach large sums, as a substantial portion of the state's residents are consumers of Pelephone, and a claim relating to a small damage to a single consumer may become a material claim to Pelephone if it is recognized as a class action applicable to all or a significant portion of consumers.
- 3.17.3.5. Significant suppliers and customers - for agreements with significant suppliers and customers, see sections 3.10 and 3.15. Some of Pelephone's agreements, including with its key customers, are timed. There is no certainty that these agreements will be renewed at the end of their term or that options granted to customers to extend them will be exercised.
- 3.17.3.6. Labor relations - Pelephone has a collective agreement with the Histadrut and the Employees' committee, which effects most of its workers. The collective agreement may reduce administrative flexibility and impose additional costs on Pelephone (see section 3.9.4). In addition, the implementation of personnel-related plans may cause unrest in labor relations and harm to Pelephone's ongoing operations. Regarding labor disputes at Pelephone, see Section 3.9.5.
- 3.17.3.7. Loss of knowledge and information - the changes that are taking place in the labor market in Israel and around the world, along with organizational changes, entail a risk of losing key employees, loss of knowledge as a result of employee turnover, difficulty in recruiting employees, etc.

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- 3.17.3.8. Frequency ranges – Pelephone operates frequencies in the 700, 850, 1800, 2100, 2600 and 3500 MHz ranges. The frequencies are exposed to interruptions that may affect the quality of service of the networks operated by Pelephone. In particular, Pelephone's network suffers from significant radio interference in the 2600 MHz range. The sources of the interference are outside the Country's borders. Orderly inquiries on the subject have been made to the Ministry of Communications, whose job it is to deal with this issue, but to no avail. There is currently no prospect of a solution to the problem. In addition, the Jordanian networks also use the same frequency range of 2100 MHz that Pelephone uses and in light of the limited cooperation between the operators in Jordan and Pelephone, this may have a negative effect on Pelephone. In addition, Pelephone must avoid interfering with satellite broadcasts made at several points in Israel at 3500MHz frequencies, which limits the operation of 5G services around these points.
- 3.17.3.9. Maintaining a sufficient cash flow - Pelephone must maintain a sufficient cash flow in order to meet its long-term business plan. The lack of sufficient cash flow may adversely affect Pelephone's business and its ability to make large-scale online investments, and may make it difficult for it to cope with competitive threats in the field.

Below is a ranking of the impact of the risk factors described above on Pelephone's activities as estimated by Pelephone's Management. It should be noted that Pelephone's assessments below regarding the degree of influence of the risk factor reflect the degree of influence of the risk factor in assuming the materialization of the risk factor, and the aforesaid does not express an assessment or give weight to such chances of materialization. The order in which the risk factors appear above and below is not necessarily according to the degree of risk:⁵⁴

Risk factors summary table - cellular telephony

	The extent of the impact of the risk factor on Pelephone's operations as a whole		
	High effect	Medium effect	Small effect
Macro risks			
Exposure to changes in exchange rates		X	
Epidemic and supply chain		X	
Damage due to <i>force majeure</i> , war, disaster	X		
Damage to electricity supply	X		
Economic recession / slowdown / security situation			X
Industry risks			
Infrastructure investments and technological changes	X		
Competition	X		
Customer credit		X	
Regulatory developments	X		
Electromagnetic radiation			X
Website licensing		X	
Serious malfunctions in information systems and engineering systems	X		
Information security, customer data protection and cyber risks	X		
Economic emergency	X		
Lack of frequencies		X	
Risk factors of Pelephone			
Property risks and liabilities			X
Serious malfunctions in the cellular network	X		
Epidemic malfunctions in devices			X
Legal proceedings		X	
Substantial suppliers and customers		X	
Labor relations		X	
Loss of knowledge and information			X
Frequency ranges	X		

⁵⁴ See Footnote 47.

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Maintaining sufficient cash flow			X
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The information contained in section 3.19 and Pelephone's assessments regarding the effect of the risk factors on Pelephone's activities and business, are forward-looking information as defined in the Securities Law. The information and assessments are based on data published by the Ministry of Communications, Pelephone's assessments of the market situation and the structure of competition in it and regarding possible developments in the Israeli market and economy. The actual results may differ materially from the estimates given above if there is a change in one of the factors taken into account in these estimates.

4. Bezeq International - Internet, international communications and ICT solutions

4.1. General

4.1.1. The structure of the field of activity and changes that apply to it

Bezeq International operates in several key areas: Internet access services, international data communication, international telephony; Communication and computing services for businesses that include hosting in server farms, cloud services, cyber protection; and supply of equipment, licensing and service contracts for businesses.

Regarding regulatory changes in the Internet services market for private customers, which materially affect Bezeq International's activity in this market, see Section 4.11.5.

4.1.2. Special legislative and regulatory restrictions in the field of activity

Bezeq International's activity in the field of the Internet and international communications are regulated mainly by the Communications Law and regulations thereunder, and the terms of the unified general license granted to Bezeq International (see Section 4.11).

Regarding major developments in the regulation applicable to Bezeq International, see section 4.11.5.

4.1.3. Changes in the scope of activity in the field and its profitability

For data on changes in the scope of Bezeq International's operations and its profitability, see Sections 1.5.4.3 and 4.3.

4.1.4. Developments in the market and in customer characteristics

Bezeq International operates primarily in the business Internet services sector, which is characterized by intense competition, with many providers in the market offering similar services without significant differentiation (see Section 4.11.5.3).

In the international data communication market, there is a persistent increase in the demand for data communication services in Israel and around the world. The increased use of information technologies, which is expected to increase in the coming years due to the development of artificial intelligence technology, requires an increase in capacity. The positioning of the State of Israel as a communication and technology hub leads to demand from global companies for data communication services to Israel. Following the establishment of diplomatic relations with other countries in the Middle East, a gradual increase in demand for communication services between the Middle East and Europe is expected, some of which will go through Israel. During the "Iron Swords" War, projects regarding investments and activities of international companies in Israel and the Middle East in general were frozen, however, following the ceasefire, there has been a noticeable revival in projects and investments.

In the international calling market in Israel, the downward trend in the volume of call minutes (incoming and outgoing) continues, partly due to the growing use of applications that allow calls to be made over the Internet for free or at a low cost.

In the field of cloud, hosting, and computing services for businesses, in 2025, the increase in demand for hosting services in server farms and public cloud services continued, as a result of several factors, including the continued trend of organizations to transfer their computing rooms and infrastructure to server farms where there are 24/7 maintenance monitoring services and the high power supplies required for the computing equipment; the continued trend toward managed services (as a Service); as well as the increasing use of artificial intelligence applications, which require ever-growing computing capabilities.

as well as as a result of the transition to managed services (as a Service). There are various factors that affect demand for cloud services, such as the digital transformation, the entry of cloud companies such as Microsoft, Google, Oracle, AWS into the Israeli market, and a transition of government services to the cloud as part of the "Nimbus" project.

The field of integration solutions is affected by the economic situation in Israel and the world, as well as technological changes. IT expenditures of business organizations are volatile and influenced in the short term by political and economic events, but there is a general trend of growth. In the market, there is a trend of moving from the purchase of equipment to software products and cloud-based services (such as SaaS, IaaS, PaaS, as well as reliance on public cloud resources such as AWS, Azure, GCP), but it is expected that customers will adopt a model that combines the purchase of equipment and cloud services ("Hybrid" model).

4.1.5. Main entry and exit barriers

4.1.5.1. The main entry barriers to the field of Internet and international communication services are making investments, among other things, in infrastructure, in establishing service and support systems, etc. (also, some of the activities require a license according to the Communications Law. The server farm sector requires investments in facilities and electromechanical systems.

4.1.5.2. The main exit barriers from these markets arise from long-term and binding agreements with infrastructure providers and investments that require a long time to return. In addition, some require providing service to customers during the contract period, which is not short.

4.1.6. Substitutes for Bezeq International products and the changes that apply thereto

In the international call market - The main alternative product is the use of OTT technology, which enables the transfer of international calls over the Internet network between users through the use of software products (such as Teams, WhatsApp or Zoom) and in the services of telecommunications providers abroad. These services have attractive rates of use (including the absence of usage fees) and together with their availability, lead to a continuous increase in the number of users, and as a result - to harm to Bezeq International's income. At the same time, there are currently more than ten international operators in Israel licensed by the Ministry of Communications to provide international Bezeq services.

In the server farm market, alternative products are public cloud services (such as those offered by AWS (Amazon), Azure (Microsoft), or GCP (Google)), targeting customers who wish to move computing environments from on-premises to external environments.

4.1.7. The structure of competition in the Internet market and the changes that apply to it

In the field of Internet access services (ISP), diverse licenses have been provided so far to provide access services to many companies, and in addition, there are many licensed providers who provide Internet access services by virtue of a general permit. Following regulatory changes, the market is moving to the provision of services in a unified format (packages that include access and infrastructure services from one provider). This resulted in a significant reduction in the number of Internet customers of Bezeq International, so that Bezeq International does not currently market Internet services to customers in a private service..

For more details regarding competition in the field of activity, see Section 4.6.1.

4.1.8. Critical success factors

4.1.8.1. Recruitment and employment of skilled personnel;

4.1.8.2. Streamlining and savings in expenses and personnel;

4.1.8.3. Ability to maintain a high level of service and customer satisfaction;

4.1.8.4. Technological innovation, identifying needs and trends in the market and launching solutions to meet these needs;

4.1.8.5. Investments in the infrastructures required for the provision of services;

- 4.1.8.6. Maintaining normal working relationships with leading manufacturers and suppliers.

4.2. Products and services

The following is a list of Bezeq International's main products and services:

4.2.1. Internet and data communication services

Internet services

In the field of Internet services, Bezeq International provides: **Internet access services** (ISP) for private and business customers, including the provision of required end equipment and support based on DSL, transmissions or cables infrastructure, the Internet access services provided by Bezeq International to businesses include high-speed symmetrical Internet lines. The Internet access services provided to private customers mainly include access service only or a combined package that includes access service alongside infrastructure service (as part of the "wholesale market" reform or "bundle" packages). It should be noted that Bezeq International does not work to add new private customers to its services, but rather provides service to its existing private customers only.

It should be noted that due to Bezeq International ceasing to market Internet access services to private customers as mentioned, its income from Internet services have been affected in recent years and are expected to continue to decrease substantially.

4.2.2 International data communication services

Providing international data communication solutions for business customers, including global deployment, according to customer needs.

The services are provided through Bezeq International's underwater cable and underwater cables of other companies, in which Bezeq International has long-term use rights, as well as through business partnerships with telecommunications providers which provide its customers with global network services.

In addition to the abovementioned services, Bezeq International offers holders of licenses to provide international Bezeq services and Internet access licenses, international capacity (in the form of rent, or purchase of indefeasible use rights), based on Bezeq International's underwater cable and rights-of-use in continental Europe and other international networks.

4.2.3. International telephony services

In the field of international telephony services, Bezeq International provides international direct dialing services (IDD) for business and private customers, free dialing service abroad for business customers, and routing and hubbing services - transfer of international calls between foreign communication providers (world-world). In addition, Bezeq International has partnerships with the companies Microsoft and Cisco, within which Bezeq International provides NIO and international operator services to the customers of the aforementioned companies.

4.2.4. Cloud, hosting, and computing services for businesses

4.2.4.1. Hosting services

Bezeq International operates several server farm facilities, where server and equipment hosting services (colocation) are offered, as well as ancillary services such as backup and disaster recovery services, virtual servers, protection services against DDoS attacks, and more.

4.2.4.2. Public cloud services

Bezeq International serves as a (non-exclusive) distributor of Microsoft, and by virtue of this, it distributes the cloud products of this company, such as Office 365 products and Azure public cloud services. This activity includes both direct sales to end customers (direct) and sales to sub-distributors (indirect). Part of the activity is carried out through the subsidiary CloudEdge Ltd., which offers implementation solutions and professional services in this field. In addition, Bezeq International operates through its subsidiary

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ClouDojo Ltd. as a partner of Amazon (AWS), and sells licensing for this Company's cloud products, as well as related professional services.

4.2.5. Cyber protection services

Bezeq International provides the business sector with various services for protection against cyber threats and information security. The services offered by Bezeq International include, among others: a SIEM-SOC service that monitors events and indications of cyber attacks on the customer's systems; protection services against distributed denial of service (DDoS) attacks; and protection of end positions. The services are provided through cloud-based cyber protection solutions from various manufacturers such as Trend Micro and Cisco.

4.2.6. Integration solutions

Bezeq International serves as a non-exclusive marketer of global manufacturers, and by virtue of this it provides integration services that include the sale, installation, implementation and maintenance of hardware and software in the field of communication and telephony (such as physical telephone switchboards or cloud exchanges, wireless Internet networks, communication networks for server rooms and user environments, and systems networking), computing infrastructures (such as servers, licensing of various types of software, and more, among others in the areas of system, storage, and more), and information security (such as firewalls, endpoint protection solutions, application protection (WAF), file laundering, identification and monitoring online events and more). In general, Bezeq International provides project management services in the field of integration.

4.3. Products and services revenue segmentation

The following are data regarding Bezeq International's income (in NIS million):

	2025	2024	2023
Internet services	370	435	538
Rate of total Bezeq International income	35%	39%	44%
International telephony services	150	153	185
Rate of total Bezeq International income	14%	14%	15%
Cloud, hosting, and computing services for businesses	284	254	224
Rate of total Bezeq International income	26%	23%	19%
Integration solutions	276	263	265
Rate of total Bezeq International income	25%	24%	22%
Total income	1,080	1,105	1,212

4.4. Customers

Bezeq International has no dependence on a single customer, and has no customer whose income constitute 10% or more of its total income.

Below are data about the distribution of income from private and business customers (NIS millions)⁵⁵:

	2025	2024	2023
Income from private customers	122	167	253
Income from business customers	958	938	959
Total income	1,080	1,105	1,212

Regarding Bezeq International customers and their characteristics, the diverse consumption characteristics for purchasing Internet packages among the public have led to a certain percentage of customers purchasing a redundant ISP service from more than one ISP when in practice they use

55
2023.

The data are after changing the classification of small customers (SOHO) from business customers to private customers carried out in

the services of only one ISP.

4.5. Marketing, distribution and service

Bezeq International operates sales channels for the business market that include a sales center and business customer managers. Service centers and technical support are available to customers. Bezeq International operates service and technical support centers for the private market. Bezeq International maintains an array of field technicians for the purpose of responding to malfunctions at customer sites that cannot be solved remotely.

4.6. Competition

4.6.1. ISP Services

4.6.1.1. Bezeq International competes in providing ISP services to customers from the business segment, and does not conduct competitive or marketing activities in connection with the provision of ISP services to the private customers segment.

4.6.1.2. The market is saturated with competitors, the main ones being Cellcom, Partner, and Hot Net. There are also dozens of licensed providers operating under a general permit, some of which focus on the business sector, such as Telecom and ITC. In the absence of public data on the market shares of the competitors in the business Internet market, it is impossible to assess Bezeq International in this area.

4.6.1.3. The competition in 2025 is mainly characterized as competition on prices. The ISP service for the business segment is seen as an off-the-shelf product in which the identity of the provider is not important, and many customers attach decisive weight to the price. This naturally leads to price erosion

4.6.2. International telephony services

4.6.2.1. As of the end of 2025, about ten companies are operating in the market (among them Bezeq International, Cellcom, Partner, Golan Telecom and Hot Mobile).

4.6.2.2. In 2025, the number of call minutes made through international telephony continued to decline, among other things, as a result of an increase in the use of various applications for making calls, as well as due to the service packages offered by cellular companies, which include international call minutes. In many organizations, the increase in the use of services that allow calls and meetings to be carried out online continues, reducing the use of international telephony services.

4.6.3. International data communication services

In the field of international data communication services, the various communication providers compete, such as Partner, Cellcom, Hot, as well as underwater cable owners such as Exelera (formerly Tamares Telecom) and Telecom Italia. Bezeq International, which owns the underwater cable, has a competitive advantage over telecommunications providers that do not own an international infrastructure. In the absence of public data on the market shares of the competitors in this market, it is not possible to estimate the market share of Bezeq International in this area.

4.6.4. Cloud, hosting, and computing services for businesses

4.6.4.1. Hosting services

The field of hosting services is characterized by many competitors, including Bynet, Edgeconnex, Med-1, and more. In recent years, real estate groups such as Azrieli, Melisron, and others have joined the competition in this sector, starting to engage in the establishment of server farms. In 2025, there is demand for hosting services in server farms, among other things as a result of the trend in the business market to move to managed services (as a service) and services in cloud environments, as well as the purchase of solutions that will ensure recovery from a disaster. In the absence of public data on the market shares of competitors in this market, Bezeq International's market share in this area cannot be estimated.

4.6.4.2. Public cloud services

In the field of cloud services, many companies compete in the marketing and embedding of services from the leading cloud companies. In recent years, demand has been increasing for public cloud services offered by companies that provide cloud services such as Amazon, Microsoft, Google, and Oracle. These companies operate through numerous distributors and resellers competing in the local market. The fact that many players offer similar cloud services makes it difficult to create differentiation and a competitive advantage. Bezeq International is a partner of Microsoft (both itself and through its subsidiary CloudEdge Ltd.) and Amazon (through its subsidiary CloudDojo Ltd.) and, by virtue of these partnerships, provides its customers with licensing for these companies' cloud services, as well as embedding, support, and related professional services. Some of the activity is carried out through resellers who purchase the services from Bezeq International for their customers. In the absence of public data on the market shares of competitors in this market, it is impossible to estimate Bezeq International's market share in this field.

4.6.4.3. Cyber protection services

The field of cyber protection is characterized by many competitors and different and varied solutions. The demand for cyber protection services is on the rise due to the increased risk of cyber threats, a risk that is expected to continue and intensify in the coming years, especially in Israel, which suffers from a particularly high rate of cyberattacks. In the absence of public data on the market shares of the competitors in this market, it is impossible to estimate the market share of Bezeq International in this field.

4.6.5. Integration solutions

The field of providing hardware and software solutions for businesses is characterized by multiple competitors and fierce competition. Bezeq International faces many competitors such as Bynet, One-Taldor Group, Malam Group, Cellcom, Partner, Matrix, and more. Most manufacturers are not marketed by Bezeq International exclusively. The fierce competition in the field leads to price erosion. In the absence of public data on the market shares of competitors in this market, Bezeq International's market share in this area cannot be estimated.

4.6.6. Unique characteristics

4.6.6.1. Positive factors affecting Bezeq International's competitive position:

- B. A well-known and strong brand.
- C. Technological innovation.
- D. Professional, experienced and skilled personnel.
- D. Presence in many businesses.
- E. Ownership of an underwater cable that enables Bezeq International to provide high-quality international Internet and data communication services.
- F. Engaging in various fields that enable the provision of a service envelope to business customers, such as communication services, hosting and cloud services, and the supply of equipment and licensing in the field of computing and communication.

4.6.6.2. Negative factors affecting Bezeq International's competitive position

The fact that Bezeq International does not own interior access infrastructures is a competitive disadvantage in the market of internet services and data communication for businesses compared to competitors that control such infrastructures.

4.7. PP&E, real estate and facilities

Bezeq International's PP&E include Internet and domestic and international calls switching

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equipment, submarine cable, office equipment, computers, software licensing, leasehold improvements, and inventory of equipment intended for sale.

The switches used to route Internet traffic and domestic and international calls are deployed at several sites in Israel and abroad for survivability purposes.

The submarine cable is laid between Israel and Italy, and includes communication equipment installed at the submarine cable landing stations.

The CRM (customer management) system is based on Peoplesoft software. The software is not supported by the manufacturer, but is maintained by Bezeq International. Bezeq International is in the process of migrating to Oracle's cloud-based CRM and ERP systems to replace the old systems. The new ERP system went live in January 2025. The CRM system is expected to go live in 2026.

Bezeq International has a lease agreement for the building where its offices are located. The lease term is until March 2029, with an option to extend the lease term until 2034.

Bezeq International has a lease agreement for a building that houses a server farm. The lease term is until August 2026, followed by two additional extension options until 2036.

Bezeq International has additional lease agreements for warehouses (including a logistics center).

4.8. Human capital

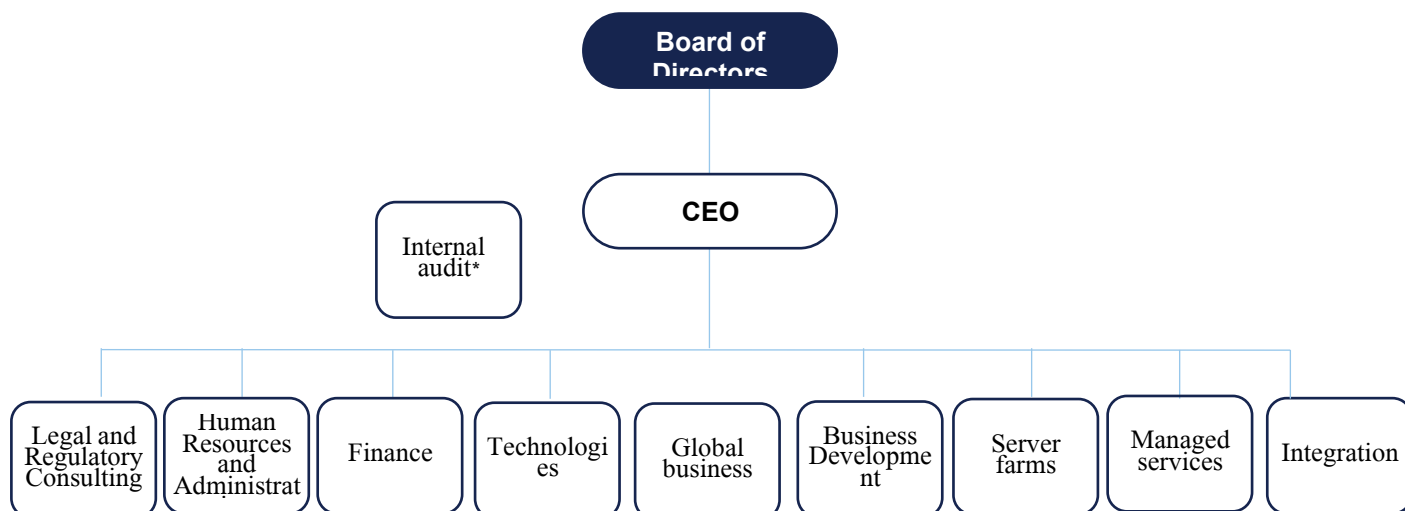
The following are details about the number of Bezeq employees International in years 2024 and 2025⁵⁶:

	31.12.2025	31.12.2024
Administrative employees	501	543
Service and sales representatives	34	54
Total	535	597

The number of employees included in the table includes employees employed part-time. Total jobs⁵⁷ Bezeq International as of December 31, 2025 amounted to 542 compared to 599 as of December 31, 2024.

Organizational structure

The following is a diagram of Bezeq International's organizational structure as of the date of the report:



(*) The internal auditor is an employee of Pelephone.

On December 26, 2024, Bezeq International signed a collective agreement between itself and the General Histadrut and its Employee Representative Council for the period from 31.12.2025 to 31.12.2027 ("**the Agreement**" and the "**Agreement Period**", respectively). The Agreement stipulated, among other things, a retirement plan for up to 140 Bezeq International employees during the years 2025-2027, and voluntary retirement of up to 10 Bezeq International employees in 2027. The total estimated cost of employee retirement is approximately NIS 71 million, plus approximately NIS 5 million for one-off grants, including a grant conditional on a certain change in the holdings of the current controlling shareholders in Bezeq.

In this regard, see also Note 16 to the 2025 Statements.

It is clarified that the estimates regarding the cost of the retirement plan are forward-looking information as defined in the Securities Law, based, among other things, on assumptions and estimates regarding the implementation of the retirement plan. These estimates may not materialize or may materialize differently than anticipated, depending, among other things, on the manner and extent of the actual implementation of the agreements and the retirement plan, taking into account the needs of the Bezeq International and its ability to realize its plans and subject to the fulfillment of additional conditions stipulated in the agreements.

There is an open labor dispute at Bezeq International regarding the Employee Representative Council's demand for the appointment of a representative director on behalf of the employees. In addition, a labor dispute declared in November 2025 regarding changes to the work-from-home arrangement was canceled in the same month after Bezeq International reached an agreement with the employee representatives

⁵⁶ In addition, approximately 124 employees are employed at Bezeq International subsidiaries.

⁵⁷ Total monthly working hours divided by the monthly working hours quota.

concerning the modification of the work-from-home arrangement.

Bezeq International customarily grants its officeholders, managers, and some of its employees annual bonuses based on achievement of targets and performance evaluations. For the equity-based compensation components of the company in relation to some of Bezeq International's managers, see Section 2.9.5.

4.9. Suppliers

2.7.1. Foreign operators

Bezeq International has collaborations with about 100 foreign operators, as part of which Bezeq International forwards and receives international telephone calls from these operators (including calls leaving Israel, entering Israel, and calls between various destinations outside Israel) to about 260 destinations worldwide.

4.9.1. Capacity providers

Most of the interior capacity used by it for the purpose of providing its services is purchased by Bezeq International from Bezeq.

Most of the international capacity that Bezeq International uses is transmitted through the underwater cable it owns. As a backup, Bezeq International uses the capacity purchased from Telecom Italia (formerly Med Nautilus) and Cypriot communications company Cyprus Telecommunications Authority (CYTA).

As part of its engagement with Telecom Italia, Bezeq International acquired the indefeasible right of use, in an indefinite and non-specific attribution, in the communication capacity transmitted through the underwater cable system operated by Telecom Italia between Israel and Europe, and continued capacity over the Company's ground infrastructure to a number of communication nodes in Europe. Some of the use periods were extended until July 2030, and some until May 2032. For the said use rights, Bezeq International paid one-time payments, close to the date of commencement of the use of the capacity.

As part of its engagement with CYTA, Bezeq International has acquired indefeasible right-of-use, in an undefined part and with a non-specific attribution, in the communication capacity transmitted through the underwater cable system operated by CYTA between Cyprus and Europe. The period of use was extended until May 2030.

Bezeq International is dependent on Telecom Italia and CYTA for submarine cable backup.

In addition, Bezeq International acquired indefeasible right-of-use in an unspecified and unattributable part in the communication capacity transmitted through terrestrial infrastructure in Europe from EXA Infrastructure, for the purpose of bridging Bezeq International's submarine cable to communications nodes in Europe. The period of use of these infrastructures is at least until 2026, with the possibility of extending the period.

4.9.2. Hosting service providers

Bezeq International acquires hosting services in long-term agreements with a number of server farm facility operators, mainly for the purpose of providing hosting services to business customers:

As part of an agreement signed in 2011, Bezeq International purchases Bezeq's hosting services at Bezeq's server farm facility. These services are mostly used to provide hosting services to business clients. The agreement is valid until 2030.

As part of an agreement signed in 2019 with Edgar Investments and Development Ltd., Bezeq International acquires hosting services at this Bezeq server farm facility. The agreement is valid until 2041, with an option to terminate early in 2034. These services are used to provide hosting services to business customers.

As part of an agreement signed in 2021 with ServerFarm Israel Infrastructure Fund Bnei Zion Limited Partnership, Bezeq International purchases hosting services at a server farm owned by this partnership starting from 2023. The agreement is valid until 2039, with options for extension until 2047. These services are used to provide hosting services. For business customers.

Bezeq International is dependent on each of the hosting service providers listed above with regard to the hosting services provided in the server farms of each provider.

4.9.3. Microsoft

Bezeq International has an agreement with Microsoft by virtue of which it is entitled to sell Microsoft's cloud products both to end customers and to indirect resellers. The agreement is automatically extended, and each party may terminate it. Bezeq International's activity in the field of the public cloud relies exclusively on Microsoft products, and therefore there is a dependency on Microsoft. The termination of the agreement with Microsoft may significantly harm this activity and even lead to its termination.

4.9.4. Main supplier

Bezeq is a main supplier of Bezeq International and provides it with communication infrastructure and hosting services as detailed in this section above. The rate of purchases of Bezeq International from Bezeq in 2025 was about 18%. Bezeq International is dependent on Bezeq with regard to these services.

4.10. Taxation

See Note 7 to the 2025 Statements.

4.11. Restrictions and supervision of Bezeq International's activities

4.11.1. Restrictions by virtue of laws

According to the Communications Law, performing Bezeq operations and providing Bezeq services, including international Bezeq services and Internet access services, require a license from the Minister of Communications, or registration in the authorized suppliers' database. The Minister is authorized to change license terms, add to them or derogate from them, while considering, among other things, government policy in the field of Bezeq, considerations in the public interest, adjusting the licensee to provide services, the license contribution to competition in the field of Bezeq and its level of service.

The law authorizes the Director General of the Ministry of Communications to impose financial sanctions due to various violations of the provisions of the law and of orders and provisions issued under it, as well as due to violation of conditions in the license.

4.11.2. Licenses

Bezeq International has a unified general license for the provision of Bezeq services (the "**Unified License**"), which is valid until February 4, 2036.

The following are the main instructions from the unified license:

- A. In certain circumstances, the Minister may change the terms of the license, add to them or detract from them, and in some cases even revoke it.
- B. The license is not transferable and includes restrictions on the purchase or transfer (including by way of lien) directly or indirectly of control of 10% or more of any means of control in Bezeq International, including the lien of such means of control, unless prior consent of the Minister.
- C. Bezeq International must provide an interconnectivity service on equal terms to any other operator and must avoid any discrimination in performing interconnectivity.
- D. Bezeq International must refrain from preferring the provision of infrastructure services to a licensee who is an affiliated company (as defined in the license) over another licensee.
- E. Bezeq International may not sell, rent, or mortgage property from the properties used to carry out the license without the consent of the Minister of Communications, except for certain exceptions set forth in the license.
- F. In times of emergency, a person authorized to do so by law has the authority to give Bezeq International various instructions regarding the manner in which it operates and / or the manner in which the services are provided.

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G. The license specifies the types of payments that Bezeq International may charge its subscribers for Bezeq services, and the reports it must provide to the Ministry of Communications. The license also stipulates the authority of the Minister to intervene in rates, in some cases.

H. The license requires Bezeq International to have a minimum level of service.

In accordance with the requirement of the Ministry of Communications, Bezeq International provided a bank guarantee, in the amount of NIS 2 million, to fulfill the conditions of the unified license.

4.11.3. Real estate authority - On July 9, 2014, the Minister of Communications granted Bezeq International the powers related to real estate, which are listed in Chapter F of the Communications Law, including entering the land for the purpose of laying a network and maintaining it (see Section 2.16.5).

4.11.4. Payments for interconnectivity

In the matter of interconnectivity fees paid to the NIO and the cellular operator, see Section 1.7.7.1.

4.11.5. Major regulatory developments

4.11.5.1. Regarding the decision of the Ministry of Communications at the hearing dated June 20, 2021 on the cancellation of the separation between the broadband infrastructure service and the Internet access service (ISP), see Section 1.7.3.3. The changes in the telecommunications market, caused as a result of this decision, resulted in a substantial damage to its subscriber base, and to the income of Bezeq International in the Internet segment. The damage is expected to continue and deepen in 2026.

4.12. Legal proceedings⁵⁸

During the day-to-day business, lawsuits were filed against Bezeq International, including motions for approval of class actions.

2.7.1. Pending and current legal proceedings

Date	Sides	Court	Type of procedure	Details	Claim amount (NIS millions)
a. October 2020	Client against Bezeq International	District (Central)	Monetary claim together with a motion to recognize it as a class action	It is alleged, among other things, that Bezeq International charges its customers payments for services that it does not provide to them, ostensibly knowing that the customer has replaced the Internet provider and disconnected from Bezeq International. On November 5, 2020, Bezeq International received another motion for approval of a class action in the same matter. On 23.6.2025, a judgment was issued dismissing the request and striking the claim regarding the ancillary Internet services. It should be noted that the additional request mentioned in this section is still ongoing. The matter of the additional request concerns the allegation that Bezeq International charges payments for services while allegedly knowing that the customer has not activated the services and is not using them.	Unspecified

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2.7.2. Legal proceedings completed during the reporting period

	Date	Sides	Court	Type of procedure	Details	Claim amount (NIS millions)
a.	March 2016	Client against Bezeq International and other communications companies	District (Central)	Monetary claim together with a motion to recognize it as a class action	<p>It is alleged, among other things, that Bezeq International sells its customers Internet browsing speeds, even though the infrastructure at their place of residence does not allow them to reach this speed. In January 2021, the Court upheld the claim as a class action.</p> <p>On 2.12.2025, a judgment was issued approving a settlement agreement that includes compensation in the amount of NIS 1,950,000, which will be paid to the Fund for Financing Class Actions.</p>	Unspecified
b.	April 2019	Client against Bezeq International and other communications companies	District (Central)	Monetary claim together with a motion to recognize it as a class action	<p>It is alleged that Bezeq International does not inform its customers as required about the possible dangers of using the Internet and about the possibility of joining a free content filtering service, in violation of the provisions of the Communications Law. In addition, Bezeq International provides a website filtering service and offensive content that the applicants claim is not sufficiently effective.</p> <p>On 29.5.2025, a judgment was issued approving an uncompensated withdrawal, under which the motion for class action certification was dismissed and the claim against Bezeq International was rejected.</p>	Unspecified
e.	November 2020	Client against Bezeq International	District (Central)	Monetary claim together with a motion to recognize it as a class action	<p>It is alleged, among other things, that Bezeq International charges fees for the provision of 'antivirus service' and 'backup service' without actually being provided, when according to the claim it does not disclose to customers when concluding the contract that they must initiate special operations including installation of special software at the time of the conclusion of the contract and not at the time of the actual provision of the service.</p> <p>On 12.1.2026, a judgment was issued approving a settlement agreement that includes compensation of NIS 6,250,000 to the class members, and NIS 1,500,000 plus VAT as a reward to the representative applicants and attorneys' fees.</p>	Unspecified

4.13. Discussion of risk factors

The following is a description of the risk factors arising from the macroeconomic environment, the unique characteristics of the industry in which Bezeq International operates, and risk factors unique to Bezeq International:

4.13.1. Competition

For the effect of competition on Bezeq International's business, see Section 4.6 and Section 4.13.

4.13.2. Frequent technological changes and investments in infrastructure

The ICT and business communications market is characterized by rapid and constant technological developments. Bezeq International's long-term success depends largely on its ability to adapt the arsenal of solutions it offers to the changing and evolving needs of its customers. There is no assurance that Bezeq International will be able to adapt, improve, and launch solutions that keep pace with technological changes. If Bezeq International fails to anticipate and prepare in advance for the directions of market development, to know how to adapt its services to these developments and to maintain technological up-to-dateness, its income may be harmed.

4.13.3. Exposure to changes in exchange rates

Bezeq International is exposed to risks due to changes in exchange rates, especially in the field of equipment sales and integration, as well as in international data services, since most purchases of equipment and services in these areas are made in US dollars, while Bezeq International's income is shekels. Erosion of the shekel against the dollar could harm Bezeq International's profitability if it is not possible to adjust selling prices in the short term..

4.13.4. Governmental supervision and regulation

In Bezeq International's field of activity, there is legislation and regulations regarding various issues such as competition, consumer protection, privacy protection, etc. In addition, communications services are subject to special regulation in this field. Changes or additions in regulation applied to Bezeq International may have an adverse effect on its results and operations.

4.13.5. Epidemic

Disease outbreaks and epidemic events in general (such as the outbreak of COVID-19 in 2020) may have consequences for Bezeq International's business activities depending on the scope and severity of the spread as well as the national and global measures that will be taken as a result. These consequences may be manifested, among other things, in damage to Bezeq International's operations and its customer service system, as well as in damage to the supply chain. Events of this type are changing events that are not under the control of Bezeq International, and their consequences are subject, among other things, to the decisions of countries and authorities in Israel and around the world that may affect Bezeq International accordingly.

4.13.6. Serious malfunctions in information systems and engineering systems

Bezeq International provides its services through various infrastructure systems, including, among others, switches, data transmission and access transmission networks, cables, computer systems, physical infrastructure and more ("**the Systems**"). Bezeq International's business has a high dependence on these Systems. Some Bezeq International Systems have backup, but at the same time, in the event of damage to some or all of the above Systems, either due to a large-scale technical malfunction, due to a natural disaster (such as an earthquake, fire, etc.), or due to physical damage to infrastructure and due to malicious damage (such as the introduction of viruses and cyber attacks as detailed below), significant difficulties may be caused in the provision of services, including in the event that Bezeq International is unable to quickly return the Systems to normal. Regarding information systems, it should be noted that the information systems currently used by Bezeq International are outdated and not supported by the manufacturer (see Section 4.7), which poses a risk of faults in these systems. The transition to cloud-based information systems (as stated in Section 4.7) carries a risk of Bezeq International's information, including personal information about its customers, being held by a third party.

4.13.7. Information security, protection of customer data and cyber risks

Bezeq International is the target of cyber-attacks, the purpose of which is to harm the use of the information systems or the information itself. This type of assault activity or intrusion incident can cause business disruption, information / money theft, damage to reputation, damage to systems and information leakage. Another risk is posed by the leakage of information from within the organization by Bezeq International employees, inadvertently or maliciously.

Bezeq International's cyber protection management strategy is built on three pillars: information confidentiality, information integrity and information availability. Bezeq International employs many measures, both technological and organizational, to deal with the aforementioned risks.

Bezeq International allocates many resources to deal with cyber risks. Bezeq International has an information security department that deals with information security and cyber risk management. Bezeq International devotes significant budgets to the purchase of systems and technological means to protect information. Detailed procedures have been established that refer both to the routine handling of information and to the methods of operation and the management of information security incidents. Bezeq International employees undergo periodic information security training. Every month Bezeq

International employees are sent messages, instructions and updates aimed at raising awareness of cyber risks and proper handling of information.

Bezeq International supervises the implementation of its defense policy, which includes testing its level of effectiveness and readiness. In this framework, it performs risk surveys, penetration tests and periodic controls, both by the internal audit and by external auditors hired by Bezeq International for this purpose. In addition, Bezeq International periodically performs tests and attack exercises for various scenarios (including through external companies specializing in the field). In Bezeq International's estimation, the information security protection policy is effective.

Bezeq International is a body guided by the Information Security Authority. Also, Bezeq International is obliged to implement information security requirements stipulated in the unified general license granted to it by the Ministry of Communications. In addition, Bezeq International is certified under various information security standards such as ISO27001, SOC2.

The information security protection policy, protective measures, security incidents and lessons learned are discussed by Bezeq International's Management on a monthly basis, and brought once a year to the Bezeq International Board of Directors for review and approval. The person responsible for the implementation of the policy at Bezeq International is the director of the Information Security Department in the Technology Division.

Despite Bezeq International's investments in measures to reduce such risks, it cannot guarantee that these measures will succeed in preventing damage and / or disruption to the systems and information related to them.

4.13.8. Damage caused by nature, war, disaster

Damage to Bezeq International's assets, including the server farms where Bezeq International concentrates the core of its operations and which are used to provide hosting services to its customers, or damage to the submarine cable used for providing international communication services, may adversely affect Bezeq International's business and results.

4.13.9. Damage to electricity supply

Damage to the electricity supply to Bezeq International facilities for various reasons (some of which are described in Section **Error! The source of the reference was not found.**) may have a negative effect on Bezeq International's business and damage Pelephone's ability to provide services. Some of Bezeq International's systems have power backup, but at the same time, in the event of prolonged damage to some or all of the systems, there may be significant difficulties and beyond that in the provision of Bezeq International services, including in the event that Bezeq International cannot return the systems to service quickly. A prolonged disruption to the electricity supply may have a particularly negative impact on Bezeq International's activities in the field of hosting services.

4.13.10. Legal Proceedings

Bezeq International is a party to legal proceedings, including class actions, which may result in charges in substantial amounts, which cannot be estimated, and no provision was made for some of them in Bezeq International's financial statements. These class actions can reach large sums. In addition, in certain contracts, mainly in the government and public sector contracts, Bezeq International sometimes enters into contracts for the provision of services subject to a partial liability limit, or no liability limit at all. Given the sensitivity of the services provided by Bezeq International to these customers, in the event that the customer is harmed in such a contract, this may lead to legal proceedings in large amounts. For legal proceedings to which Bezeq International is a party, see Section 4.12.

4.13.11. Labor relations and streamlining procedures

Bezeq International has a collective agreement with the Histadrut and the Employee Representative Council in respect of most of its employees. The implementation of the collective agreement may affect Bezeq International's day-to-day operations. In addition, the implementation of manpower plans may cause unrest in labor relations and harm the

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day-to-day operations of Bezeq International. As described in Section 1.7.10, Bezeq International implements streamlining plans that involve, among other things, the sharing of management resources, organizational changes and the reduction of the workforce, in parallel with the management of significant infrastructure and other projects. Streamlining procedures, by their nature, involve the risks of loss of knowledge, turnover of employees, shifting of managerial focus, etc. Regarding labor disputes at Bezeq International, see Section 4.8.

4.13.12. Loss of knowledge and information

The changes that are taking place in the labor market in Israel and around the world, along with organizational changes, entail a risk of losing key employees, loss of knowledge as a result of employee turnover, difficulty in recruiting employees, etc.

4.13.13. Impairment of Bezeq International's assets

Bezeq International conducts a periodic impairment test of assets in respect of which identification signs of impairment have been identified in accordance with the accounting standards. For details regarding the risk factor relating to the recording of impairment losses, see Section 2.20.12. Changes in regulations in the Internet services market (see Section 4.11.5) have led and may continue to lead to damage to Bezeq International's results and / or a decrease in the value of its assets. Regarding the effect of the treatment of Bezeq International customers who do not use ISP services on the value of Bezeq International's assets, see Section 4.4.

4.13.14. Impairment of Bezeq International's assets

Bezeq International conducts, in accordance with the accounting standards, a periodic examination of the impairment of assets in respect of which indicators of impairment have been identified. For details regarding the risk factor regarding the recognition of impairment losses, see Section 2.20.12. Changes in the regulation of the Internet services market (see section 1.7.2.4) may lead to damage to Bezeq International's results and / or a decrease in the value of its assets. Regarding the effect of the treatment of Bezeq International customers who do not use ISP services on the value of Bezeq International's assets, see Section 4.4.

4.13.15. Cash flow

Bezeq International must maintain sufficient cash flow for it to meet its long-term business plan. Cash flow may be affected in cases of planning gaps, change in the business model and difficulties in collecting payments from customers or telecommunications operators. The lack of sufficient cash flow may adversely affect Bezeq International's business, and may make it difficult for it to deal with competitive threats in the field.

The following is a rating of the impact of the risk factors described above on Bezeq International's operations, in accordance with the assessment of Bezeq International's Management. It should be noted that Bezeq International's assessments below regarding the degree of influence of the risk factor reflect the degree of influence of the risk factor in assuming the materialization of the risk factor, and the aforesaid does not express an assessment or give weight to such chances of materialization. The order in which the risk factors appear above and below is not necessarily according to the degree of risk⁵⁹.

Risk factors summary table - international communications, Internet services, and ICT solutions

	The extent of the impact of the risk factor on Bezeq International's operations		
	High effect	Medium effect	Low effect
Macro risks			
Exposure to changes in exchange rates		X	
Epidemic		X ⁶⁰	

⁵⁹ See Footnote 55.

⁶⁰ The extent of the impact of this risk factor on Bezeq International's activities was classified as medium, assuming that the incident would be limited in scope and time. Otherwise, the degree of impact may be large.

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Damage caused by nature, war, disaster	X		
Damage to electricity supply	X		
Industry risks			
Growing competition	X		
Investments in infrastructure and technological changes		X	
Governmental supervision and regulation	X		
Serious malfunctions in information systems and engineering systems	X		
Information security, customer data protection and cyber risks	X		
Special risks for Bezeq International			
Legal proceedings		X	
Labor relations and streamlining procedures		X	
Loss of knowledge and information	X		
Impairment of Bezeq International's assets		X	
Cash flow		X	

The information contained in this Section 4.14 and Bezeq International's assessments regarding the impact of risk factors on Bezeq International's activities and business, are forward-looking information as defined in the Securities Law. The information and assessments are based on data published by the Ministry of Communications, Bezeq International's assessments of the market situation and the structure of competition in it and regarding possible developments in the Israeli market and economy. The actual results may differ materially from the estimates given above if there is a change in one of the factors taken into account in these estimates.

5. Yes – TV and communication services

Yes is a subsidiary wholly owned by Bezeq, which provides a service of multi-channel television broadcasts over the Internet (OTT) and via satellite, as well as Internet access services.

5.1. General information about the field of activity

5.1.1. The structure of the field of activity and the changes that occurred in it

5.1.1.1. In the field of subscriber television broadcasts, there are a number of factors in a number of main categories:

A. Internet content providers (in format OTT) - in Israel, there are a number of local and international providers of audio-visual content via the Internet, which can be viewed using various types of end devices (including mobile devices). The main local providers who operate in a format that includes linear channels and on-demand content are Yes (through Yes+ and STING services, for details, see Sections 5.2.2.1a, 5.2.2.2 and 5.2.2.1b), Cellcom, Partner, Hot, and freeTV (regarding the commencement of operations of freeTV, see Section 5.5.1). In addition, various channel operators, including the commercial broadcast channels operating under the Second Authority Law and the broadcasting corporation, allow viewing of their content through dedicated applications. The main international providers operating in Israel are Disney, Netflix, Apple, Amazon, and HBO, which provide options for watching VOD content without linear channels. To the best of Yes's knowledge, most subscribers of international providers in Israel also subscribe to the services of some of the local providers. Generally, the content providers via the Internet market services at a lower scope and price level than those used in the field of satellite and cable broadcasting (see Subsection B).

B. Broadcasting license holders under the Communications Law who provide multichannel television services (both linear channel broadcasting and on-demand viewing services⁶¹) via satellite and cable - Yes and HOT⁶² ("the satellite and cable broadcasting sector"). This, alongside the provision of multichannel television services via the Internet (see Subparagraph A). For details regarding the regulation applicable to such broadcasting license holders, see Section 5.14.

There are collaborations between some of the local license holders and providers and some of the international providers. Yes has a number of collaborations as mentioned, among others, with Disney, Netflix, and HBO which include, among others, the distribution of their services for a fee.

C. The DTT array

A digital distribution system for digital television (DTT), known as "Idan+", through which certain channels are distributed to the public, free of charge⁶³. The system is operated as of the date of the report by the Second Authority.

⁶¹ For the question of regulation in the field of Yes's VOD services, see Section 5.14.2.

⁶² Which provides cable television services, which has a declared monopoly under the Economic Competition Law in the field of multichannel television broadcasting.

⁶³ As of the date of this report, to the best of Yes's knowledge, the television channels of the Broadcasting Corporation (Kan 11, Kan Educational and Channel 33), holders of television broadcasting licenses under the Second Authority Law, the Knesset channel (Channel 99) and a number of radio stations. The DTT operator must also distribute thematic channels (most of whose broadcasting hours are devoted to the subject determined in the Broadcast Distribution Law. The Minister of Communications and the Minister of Finance may appoint a private operator for its operation, for whom the Council may also grant a general license for broadcasts financed by subscription fees or commercials. According to the Broadcast Distribution Law, a broadcaster whose broadcasts are part of the "open broadcasts" (i.e., television channels distributed via the DTT network referred to in subsection (c) above) must grant any "registered content provider" consent to stream its linear broadcasts on the Internet free of charge, in accordance with and subject to the provisions of the law. As of the date of this report, yes has agreements with the said broadcasters, which also include catch-up viewing services. A "registered content provider" is defined in the Broadcast Distribution Law as a content provider registered in the registry; a "content provider" is defined in the Broadcast Distribution Law as one whose

The distribution of the channels is done in exchange for the payment of a distribution fee, where the Minister of Communications and the Minister of Finance may determine that the State will subsidize the distribution fee that will apply to thematic channel broadcasters and a dedicated channel.⁶⁴

As of the date of this report, the DTT constitutes a replacement product, in part, for multi-channel TV broadcasts.

Parties that offer content without the permission of the rights holders (piracy)⁶⁵

- 5.1.1.2. The multi-channel TV providers, including Yes, offer their services alongside other communication services provided by them, including as part of baskets that are "non-detachable" (such as a "bundle" package that includes Internet and television services). For additional communication services provided by communication groups, see Section 1.7.2. For the offer of baskets of communication services by Yes and the restrictions thereon, see Section 1.7.3.3.

In the year of the report, the fierce competition continued to prevail, mainly due to the activity of local and international content providers via the Internet, as mentioned, operating at a relatively low price level. The activity via the Internet is carried out without the need to establish a dedicated infrastructure system as of the date of this report, even without regulatory supervision. For more details about the competition in the field and changes that took place in it in the year of the report, including the manner in which Yes operates - see Section 5.5. For the possibility of regulation of over the Internet (OTT) broadcasts, see Section 5.14.2.

For changes in the number of Yes subscribers, see Section 5.5.1.

- 5.1.2. Restrictions, legislation and special constraints in the field of activity

As of the date of this report, the provision of television services not via satellite or cable, as defined in the Communications Law, is not subject to specific regulation.

Activities of broadcasting license holders are subject to extensive legislation in the field of communications, and in particular to the Communications Law, the licensing regime, as well as supervision and policy decisions on behalf of the Ministry of Communications. The said activity is also under the constant supervision of the council, which sets policy, establishes rules and supervises many areas of activity, including broadcast content, local production obligations, broadcast ethics, consumer protection and the approval of broadcast channels.

In November 2025, the Communications (Broadcasting) Bill, 5786-2025 was approved in its first reading in the Knesset, including the text of the proposed law (the "Bill").⁶⁶ According to what is stated in the Bill and the explanatory notes to the Bill, the Bill was based on the recommendations of various committees over the years (the most recent of which was the Folkman Committee) and to update the set of duties and rights applicable to all players operating in the visual and audio content market, regardless of the content delivery technology, in a number of ways:

- A. A new authority will be established in place of the Cable and Satellite Broadcasting Council and the Council of the Second Authority for Television and Radio, whose role will be to regulate the field of viewing and audio content provision in a way that will be indifferent to the manner and technology in which the content is distributed, the authority will be responsible for the competition in the field of visual and audio content provision, and it will be authorized to issue provisions that prevent harm to

primary activity is broadcasting a variety of content to the public in Israel, provided that the content is broadcast on its initiative, through an interface under its control, whether the content is available for real-time simultaneous viewing by the public or for viewing at a time and place of the viewer's choosing. Yes is a registered content provider.

⁶⁴ In accordance with a temporary order in the Broadcast Distribution Law, from 7.10.2023 until 15.6.2025, holders of a television broadcasting license (using SD technology) and holders of a radio broadcasting franchise were exempt from paying distribution fees.

⁶⁵ Yes is one of the shareholders of Zira Ltd., which works to prevent copyright infringement in video content on the Internet.

⁶⁶ The Bill notes that it has not received approval from the Attorney General, as required under Attorney General Directive 2.3005: Handling of Government Bills.

competition.

- B. A limited and focused set of duties will be applied to the significant players operating in this market, including registration duties (for this purpose it was proposed to establish a register of news providers and a register of content providers⁶⁷), investment in local productions (see paragraph 6 below), distribution of content from the Israeli Broadcasting Corporation and the Knesset Channel, obligations in the fields of sports, consumer protection and ethics. In addition, provisions were established regarding a commercially significant provider (a registered content provider whose revenue exceeds an amount set by the Council), including the obligation to provide its content to another registered content provider on non-discriminatory terms, and the unbundling obligation that applies to a registered content provider who is also a commercially significant provider or has a connection to such a provider.
- C. As part of the trend of removal of the existing restrictions on the economic models in the content market for visual and audio content (while allowing some of the provisions regarding cross-costs), as far as the holders of broadcasting licenses (including Yes) are concerned, the prohibitions applicable to them regarding the broadcasting of advertisements and the production of news content will be lifted. In addition, taking into account the start dates and applicability set forth in the Bill, the transfer arrangements established under the Communications Law and the Broadcast Distribution Law are expected to continue for additional periods after the law comes into effect.
- D. Individual arrangements will be established regarding the provision of news content to the public, including the obligation of free transfer by a registered content provider of up to ten registered news providers, under the conditions specified in the bill. In addition, arrangements will be established regarding linear broadcasts of channels of such registered news providers, as well as registered news providers who require payment for their broadcasts.
- E. Arrangements will be established regarding the provision of sports content to the public, including arrangements aimed at preserving competition among content providers and preventing cross-subsidization in subscriber pricing. Among other things, it is proposed that a sports content provider⁶⁸ be obliged to provide its content to another registered content provider on a non-discriminatory basis, and that it be subject to unbundling obligations if it supplies sports content to subscribers.
- F. Obligations will be established for investment in local productions of premium content only, which will apply, with the necessary adjustments, to all significant players in the market for audiovisual content supply in Israel. The investment obligation will be 6.5% of the content provider's revenues and will be implemented gradually. The 6.5% investment obligation will also apply to international content providers with a significant level of activity in Israel.

As of the date of this report, the Bill is under discussion in the special committee for preparing it for the second and third readings.

At this stage, it is uncertain which provisions of the Bill, if any, will be enacted as binding legislation, and what the content and arrangements of such legislation will be. Accordingly, it is difficult at this stage to assess the potential impact on Yes's business of any legislation and regulation that may result from the bill (if enacted).

5.1.3. Changes in the scope of activity in the field and its profitability

For data on changes in the scope of Yes's activity and profitability, see Section 1.5.4.4.

5.1.4. The critical success factors in the field of activity and the changes that apply to them

- 5.1.4.1. Quality, differentiation and originality in the content of the broadcasts, in their variety, branding and packaging.

⁶⁷ According to the definition in the bill, Yes will be considered a registered content provider.

⁶⁸ A "sports content provider" in the bill is defined to include both registered content providers and international content providers.

- 5.1.4.2. Providing relevant value propositions to various target audiences.
- 5.1.4.3. Providing advanced on-demand services using advanced technologies (in relation to broadcast technologies, in relation to end devices and in relation to the user interface).
- 5.1.4.4. Providing TV services via the Internet.
- 5.1.4.5. Offering a "basket" of communication services that includes television services and other services, such as Internet browsing services (see Section 5.14.2).
- 5.1.4.6. Collaborations with international content providers and providing access to applications operated thereby.
- 5.1.4.7. High level of customer service tailored to the type of service.
- 5.1.4.8. The strength of the brand and its identification with quality, innovation and leadership, content and services for subscribers.
- 5.1.4.9. Attractiveness of the price.
- 5.1.5. The main barriers to entry and exit in relation to the field of activity
 - 5.1.5.1. The main barriers to entry into the field of activity are (a) for cable and satellite broadcasts - the need to obtain licenses for cable and satellite broadcasts and to comply with the relevant regulatory requirements as well as the establishment of dedicated infrastructure; (B) investments required from operators in the field, including the purchase and production of content; (C) The limited scope of the Israeli market and its characteristics. The scope and level of barriers to entry into Internet TV services are low, especially for the international providers for which Israel is another market for existing activity, and this is reflected in an increase in the quantity and variety of services offered in this format.
 - 5.1.5.2. The main exit barriers are: (a) For broadcast license holders there is a regulatory barrier - termination of activity under the broadcast license entails the Minister of Communications' decision to cancel the license before the end of the license period, including conditions (including the licensee) to ensure broadcast continuity and services and to reduce the harm to subscribers; (B) Long-term engagements with material customers and suppliers.
- 5.1.6. Substitutes for products in the field of activity and changes that apply to them

Yes sees the possibility of receiving many foreign channels using relatively cheap end equipment as a substitute for its services in relation to certain segments.
- 5.1.7. The structure of competition in the field of activity and changes that apply to it

Competition in the field of television is characterized by a relatively large number of players, most of whom operate at relatively low price levels (see section 5.1), in a way that has led to the intensification of competition in the field. An increase in the number of subscribers in the current competitive situation can be achieved mainly through the recruitment of subscribers from competitors, which requires the investment of considerable resources in retaining existing subscribers and recruiting new subscribers.

Yes does not have data on the number of subscribers of the international content providers operating in the field and on the number of viewers of the DTT system. Yes estimates that most of them are also subscribers of the local television providers operating in the field. Yes estimates that the change in the overall market share is immaterial.

For more details on the competition in the field see Section 5.5.

5.2. Products and services

Yes offers television services through OTT services and via satellite, with a variety of value propositions that differ from each other in terms of the scope of content, the scope of services included in them, the interface through which they are offered, and price. The offer of OTT services is part of a gradual trend of migration of Yes's services from satellite TV services to OTT services. For

the migration process see Section 5.17.3.

In recent years, there has been a trend of increasing demand for 'discount' services, which are characterized by a range of services and a lower price level than those customary in the field of satellite and cable broadcasting. Accordingly, an increase in the proportion of customers subscribing to STING TV services out of all DBS customers results in a decrease in the average income per customer.

5.2.1. Yes's television services

5.2.1.1. OTT Services

Yes offers several OTT services:

A. Yes+ services

A service that includes linear TV channels, as well as delayed viewing services, including VOD content, in several packages offered. The service is provided via suitable streamer devices, TV screens and additional end devices, including mobile devices. The service can be used on its own or in parallel with the satellite service.

B. STING+ service

Includes linear TV channels, as well as delayed viewing services, including VOD content. The service is offered in several viewing packages that do not include all the content offered as part of the yes+ service, and are characterized by relatively low price levels. The service is provided via suitable streamer devices, TV screens, and additional end devices, including mobile devices.

5.2.1.2. Satellite broadcasts

Yes broadcasts via satellite include linear television channels, as well as, depending on the end equipment, on-demand viewing services, including VOD content.

For the purpose of receiving Yes services via satellite, reception plates are installed in the buildings, and decoders of different types with different features are installed in the subscribers' houses, which allow a variety of services to be received depending on the converter's features.

In accordance with Yes's broadcasting license and the council's decisions, the broadcasting of the Yes via satellite includes a basic package of linear channels that each subscriber is required to purchase (along with other basic packages that Yes may offer), as well as other channels that the subscriber can choose to purchase, either as packages or as discrete channels.

DBS provides satellite subscriber services to its subscribers ("**satellite subscribers**") VOD via the Internet (in the OTT format).

For the question of the regulation of the field of VOD services to Yes's customers, see Section 5.14.2.

The following is the Yes's subscriber balance distributed by satellite subscribers and IP subscribers⁶⁹

⁶⁹ The number of IP subscribers also includes subscribers who also use the satellite services in parallel (see also Section 1.5.4.4).

Subscriber Base (thousands)



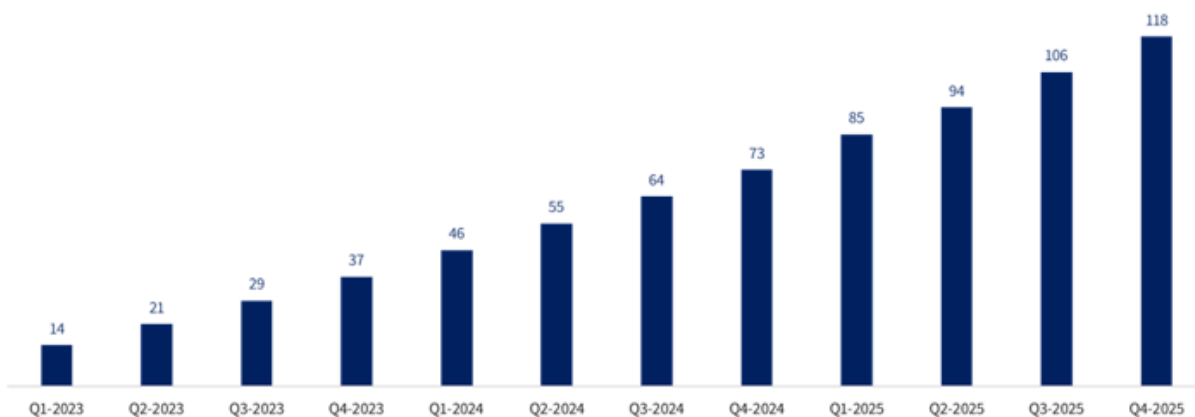
5.2.2. Internet access services

Yes provides Internet access services, focusing on selling combined Internet and television packages to customers.⁷⁰ These services are provided through services received by Yes from Gilat.

Regarding the hearing decision published by the Ministry of Communications on 29.7.2025, concerning the determination of maximum payments in the wholesale market, see Section 2.16.5.

The following is a breakdown of Yes’s fiber subscriber base:

Fiber Subscriber Base (thousands)



5.3. Customers

The vast majority of Yes’s subscribers are private customers. Yes enters into agreement with its subscribers, which regulate the subscribers' set of rights and obligations in their relationship with Yes. With respect to the subscription agreement with the satellite subscribers, the approval of the council is required, which was received.⁷¹

⁷⁰ The services are provided according to a general permit in accordance with the provisions of a general permit, and in Judea and Samaria - according to a permit granted by virtue of the rules regarding a general permit for the provision of telecommunications services (Judea and Samaria), 5774 - 2024.

⁷¹ According to the broadcasting license, the approval of the Uniform Contracts Court is also required for the subscription agreement (approval previously granted and expired). Yes has applied to the Council for amendments to the subscription agreement and for the amendment of the license, as part of which Yes requested, *inter alia*, to revoke the license provision requiring the approval of the Uniform Contracts Tribunal, in view of an amendment to legislation made in this regard. As of the date of this report, the Council's position regarding DBS's requests has not yet been received.

5.4. Marketing and distribution

5.4.1. The marketing of Yes's services is done through advertising in the various media. Yes's sales activity to existing and new customers is carried out mainly through call centers, digital channels, and field sales personnel (some of which are operated by Yes employees and some by external marketers).

5.5. Competition

5.5.1. Competitors in the field

The field is characterized as of the date of the report by a number of competing groups (see Section 5.1).

Yes' main competitors are Hot, Cellcom, Partner, freeTV⁷², and Netflix.

The following is data on subscription numbers and market shares⁷³ of Yes, to the best of its knowledge, as of December 31, 2024 and 2025⁷⁴:

2025		2024	
Subscriptions (thousands)	Market Share	Subscriptions (thousands)	Market Share
565	33%	562	32%

5.5.2. Current competition characteristics

Competition in the field focuses on the variety and content of broadcasts, the price of services, the quality of service, the quality of broadcast applications, and advanced user interfaces.

The competition is also characterized by the offer of additional communication services alongside the offer of TV content (for the offer of "service baskets" of the Hot, Cellcom and Partner groups, see also Section 1.7.1, and for the offer of service baskets by Yes, see also Section 1.7.3.3), in access and connection to international content providers and by the increase in the number of competitors and their establishment (see Section 5.1).

5.5.3. Positive and negative factors affecting the competitive status of yes

5.5.3.1. In the opinion of Yes's Management, the main competitive advantages of the Yes are:

- A. The quality and variety of content that Yes broadcasts to its subscribers.
- B. Level, quality and availability of Yes's customer service system
- C. Use of advanced technologies to provide advanced services and a good user experience.
- D. Cultivating and promoting the "Yes" brand as a preferred, well-liked brand with a high level of loyalty.
- E. Marketing several call formats, characterized by different price levels, different content offerings, different broadcast methods, different technological interfaces and different types of customer service format.
- F. Collaborations with international content providers.

⁷² freeTV is a multi-channel broadcasting platform via the Internet, owned by Keshet Broadcasting Ltd., which operates, among other things, a commercial television channel transmitted as part of Yes Broadcasting ("Keshet"). To the best of Yes's knowledge, during the reporting year, RGE Group Ltd. ("RGE") sold its holdings in freeTV to Keshet..

⁷³ The market shares were calculated from all Yes, Hot, Partner, Cellcom, and freeTV subscribers as detailed below (and not from all viewers and subscribers in the field in the absence of actual data about them). The assessment of Yes's market shares in 2024 and 2025 is based on the number of Yes, Cellcom, and Partner subscribers (according to their reports on the number of subscribers as of the end of the third quarter of 2025), as well as of Hot and freeTV, which do not publish the number of their subscribers, so the data in relation to them is according to Yes's estimate. However, there is no certainty that the data presented in relation to Hot and freeTV are accurate, and therefore it is possible, respectively, that the actual market shares are different from those estimated.

⁷⁴ The number of subscribers is approximate, and the market share is in a circle. 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, kibbutz or gym), the number of subscribers is adjusted. The number of non-small business customers is calculated as the total payment received from all non-small business customers divided by the average income per small business customer, which is determined once per period.

G. Selling integrated packages of TV and Internet services

5.5.3.2. Yes's competitive activity in the field of broadcasting suffers from disadvantages or factors that adversely affect it, in a number of areas, the main one of which is regulatory inequality between Israeli players themselves and between Israeli players and international players.

5.5.4. Main methods of dealing with competition

The following are the main methods of Yes to deal with the competition:

5.5.4.1. Content - Yes works to purchase, produce and broadcast quality, innovative and diverse content, while creating differentiation, emphasizing branding and achieving originality in relation to the content broadcast by it.

5.5.4.2. Pricing policy - offering a variety of services at different price levels.

5.5.4.3. Offering OTT services and migration (see Sections **שגיאה! מקור ההפניה לא נמצא.** 5.2.1.1 and 5.17.1).

5.5.4.4. Service - Yes places emphasis on the customer service system.

5.5.4.5. Technology - Yes is investing in expanding its technological capabilities, with an emphasis on providing innovative and advanced services.

5.5.4.6. Branding - Yes cultivates, promotes and differentiates the brand "Yes".

5.5.4.7. Collaborations with international content providers and accessibility of content applications. (See Section 5.1.1.1b).

5.5.4.8. Sale of bundled television and Internet service packages.

5.6. Production capacity

With respect to satellite broadcasts, the number of channels that Yes can transmit to its subscribers depends on the number of orbital slots available to it, the content compression capabilities, and the bandwidth required to transmit each type of channel. As of the date of this report, Yes utilizes the full capacity of the orbital slots available to it. The orbital slots are provided to Yes by Spacecom Ltd. (see Section 5.15). For a discussion on satellite broadcasts in a reduced format, see Section 5.17.1.

5.7. PP&E, real estate, and facilities

The following are the main components of Yes's PP&E:

5.7.1. Real estate

Yes leases a number of real estate properties for its operations. Yes's headquarters, as well as its main broadcasting center, are located in leased real estate in Kfar Saba, whose lease period ends in 2029 (with an option available to Yes for the extension of the lease, subject to the terms of the agreement, until 2034). The balance of the lease period of the other properties that Yes leases (including additional offices in Kfar Saba) ranges between about three months to about three years (these periods are based on the exercise of options to extend lease periods granted to Yes).

5.7.2. Satellite end equipment

In order to receive satellite broadcasts, the installation of satellite dishes and other end-user infrastructure in subscribers' homes is required, including decoders that enable reception of the broadcasts and smart cards used for their decryption. The decoders are rented to subscribers for fixed rental fees, paid during the period of service reception, or are loaned to subscribers.

5.7.3. End equipment for OTT services

Yes+ and Sting TV services can be viewed via a variety of end devices, including streamers and smart TVs of various models, and mobile devices. The streamers are rented to subscribers for fixed rental fees, paid during the period of service reception, or are loaned to subscribers.

5.7.4. Broadcasting equipment and computer and communication systems

Yes has a main broadcasting center located in Kfar Saba, as well as a secondary

broadcasting center located in the Ella Valley, through which its broadcasts are transmitted via OTT systems and satellite. The broadcast centers have reception and transmission equipment, as well as computer and communication systems. The secondary broadcasting center is partly operated on third-party premises, which provides DBS with the services of operating the secondary broadcasting center and maintaining it in accordance with the framework agreement valid until 2029.

5.7.5. Operating and encryption systems

Yes purchases from Synamedia Group ("**Synamedia**") development, embedding, encryption, maintenance and warranty services related to the operating systems of its OTT and satellite systems, in accordance with the framework agreements between Yes and Synamedia from January 2020. These services are provided in relation to various Yes systems, end equipment, and viewing cards and other hardware components required to receive these services, and Yes has also been granted relevant licenses for the use of systems and end equipment.

The engagement period with Synamedia in relation to the satellite system is until February 2028, with an extension right for Yes until December 2028, subject to the terms of the agreement, while Yes is entitled to an early termination in the event of the cessation of satellite broadcasts.

The engagement period regarding the OTT system is until December 2029 (with the right to extend for an additional 24 months).

For the services and products provided under these agreement, Yes pays monthly payments, where the agreement stipulates a minimum monthly consideration for the provision of services to the extent specified, and an additional consideration is possible, the amount of which depends on the types of services provided to Yes, the extent of their use, including development services that Yes may order under the agreements.

Yes depends on the continuous supply of these services, both in relation to the OTT system and in relation to the satellite array.

5.7.6. Computerized customer management system

Yes uses software and computer systems to manage the contracts with its subscribers, including its billing and collection system. In this context, DBS contracts for licenses, development services and technical support with NetCracker Technology Solutions Ltd and NetCracker Technology EMEA Limited (jointly: "**NetCracker**"), and Yes also uses Salesforce software together with Pelephone and Bezeq International, according to Pelephone's contract with Salesforce (for details, see Section 3.8.4).

Yes is dependent on the NetCracker system and services and-Salesforce, due to their importance for Yes's management and monitoring of purchase of services and content by its subscribers, as well as for the purpose of charging and collecting from its subscribers. System failures or discontinuation of services to Yes (Including depending on Pelephone's engagement with Salesforce) are expected to cause operational difficulty until the matter is repaired or the system / supplier replaced, which may take a long time. As of the date of this report, some of the components of the engagementWith NetCracker is renewed annually, ome are valid until the end of 2027, and some are valid until the September 2029. The contracting with Salesforce is until the end of 2027.

5.8. Intangible assets

2.7.1. Licenses

Yes has the following main licenses:

5.8.1.1. Broadcasting license valid until February 2027 - this license is material to Yes's satellite activity and constitutes the main regulatory permit for this activity (for the terms of this license, see Section 5.14⁷⁵).

5.8.1.2. License for satellite television broadcasts in the Judea and Samaria area

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This license grants Yes the right to notify the Ministry of an extension of the license for one additional period, under the conditions set forth in the license, following the exercise of the first extension right, which was exercised in February 2026.

valid until February 2027⁷⁶, the provisions of which are similar to Yes's broadcasting license specified in Section 5.8.1.1.⁷⁷

5.8.1.3. License to perform uplink operations (transfer of broadcast-focused broadcasts to the broadcast satellite and to carry out ancillary set-up and operation operations), which are valid until January 2022.⁷⁸ This license is essential for Yes's activity and constitutes the regulatory permit for the transmission of transmission messages from the transmission center to the transmission satellites and from them to the satellite subscribers' homes.

5.8.2. Trademarks

Yes has registered trademarks, the main ones of which are intended to protect its trade name (Yes) and the key brands it uses (Yes, Yes+, STING+).

5.9. Broadcasting rights

2.7.1. Yes has broadcasting rights in content of two types:

Content whose rights to broadcast are acquired from third parties, including discrete content and channels. Yes works to adapt as much as possible broadcasting rights acquired by it in a way that will allow broadcasting in the various media and formats in which it operates.

Content that Yes invests in its production (in full or in part), and in addition to the right to broadcast the content as part of its broadcasts, Yes usually has rights in the same content, at the rates specified in the agreements with the producers. In most cases, Yes is also entitled to grant rights to the use of rights and to participate in income arising from additional uses of the content beyond their broadcasting by Yes.

Broadcasting and distribution of content by Yes, in the various media, involves the payment of royalties to copyright holders and performers in musical works, sound records, scripts and content directing, as well as in respect of sub-broadcasting, including under the Copyright Law, 5768-2007 ("**Copyright Law**") and the Performers and Broadcasters' Rights Law, 5744-1984. Such royalties are paid to a number of organizations, which collect the royalties to which they are entitled through comprehensive licenses (blanket licenses) for the intellectual property rights holders.

In view of the large number of content providers from whom Yes acquires broadcasting rights, Yes does not have a primary content provider and is not dependent on a single content provider. However, in the field of Israeli sports broadcasting, as of the date of this report, there is a dependence on the acquisition of the broadcasting rights of local sports channels from Sports Channel Ltd. and Charlton Ltd., with whom there is a contract for several years. This dependence stems from the fact that they are the exclusive providers of Israeli sports broadcasts and in light of the existence of a high demand for such services, from among a significant group of Yes customers. Compensation under these agreements is based on a fixed monthly payment in accordance with the number of subscribers to Yes broadcasts (except for exceptions set forth in these agreements). Also, in view of the high demand for the contents of the commercial channels (see Footnote 71) among Yes customers, it is important to broadcast them as part of its broadcasts.

5.10. Human capital

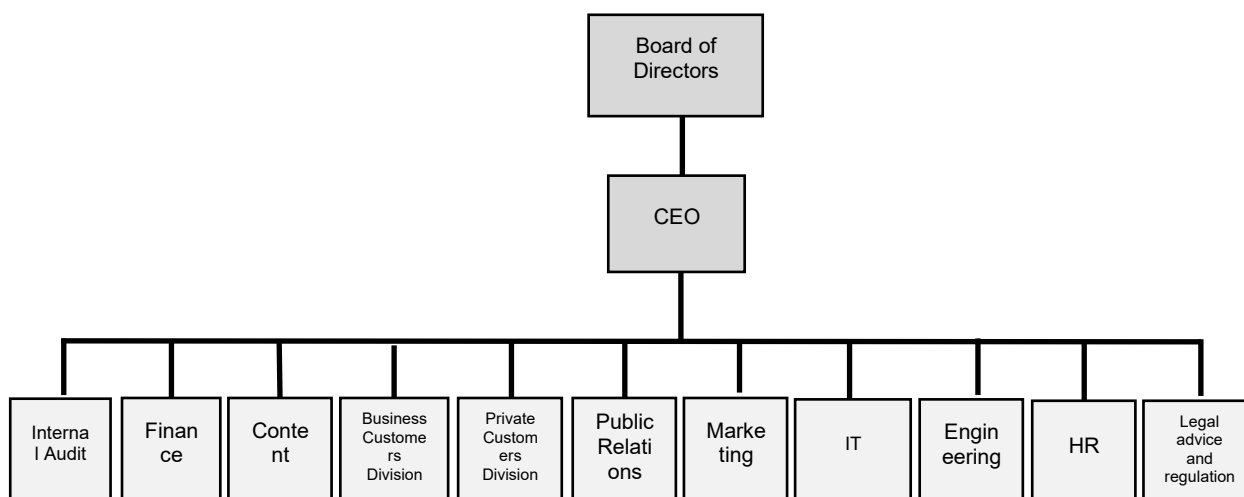
5.10.1. Organizational structure

Yes's Management consists of divisions, with each division headed by a VP, who serves as a member of Yes's Management.

⁷⁶ Yes was informed by the Civil Administration that the license for satellite TV broadcasts in the Judea and Samaria area will be extended through February 2027. However, as of the report date, Yes has not yet received the official extension document.

⁷⁷ Extending the license for satellite TV broadcasts in the Judea and Samaria region, in the case of a broadcast license extension, requires submission of an application to the Civil Administration. It is worth noting that historically, the validity of this license has been periodically aligned with the broadcast license term.

⁷⁸ After an extension made in January 2022.



The CEO of Yes also serves as the CEO of Pelephone. In addition, most of the VPs who serve at Yes also serve as VPs at Pelephone, so does the Internal Auditor (who also serves in Bezeq International).

5.10.2. Yes employee balance:

	Number of employees	
	31.12.2025	31.12.2024
Administration	345	374
Customer Division	606	669
Total	951	1,043

The number of employees included in the table above includes employees employed part-time. The total number of jobs⁷⁹ in Yes as of 31.12.2025 amounted to 909 (compared to 994 as of 31.12.2024).

5.10.3. Benefits and nature of employment agreements

The terms of employment in the Yes are regulated, among other things, in collective agreements and in a collective arrangement, as detailed below, and apply to the majority of the employee population (does not apply to some of the management levels and also employees in special positions of trust). The representative organization of Yes's employees is the National Histadrut. The collective agreements applicable to Yes employees regulate, among other things, the periods after which a Yes employee is considered a permanent employee, mechanisms that involve the Employees' Committee in decisions regarding staffing and termination of permanent employees, as well as annual salary increases and additional financial benefits provided by Yes to employees during the term of the agreement.

In addition, Yes employees are employed in accordance with personal employment agreements on a monthly or hourly wage basis, with some employees also being entitled to performance-based compensation. The employment agreements are usually for an indefinite period and each party may terminate the contract with prior notice in accordance with the personal agreement and the law, subject to the provisions of the collective agreement, as applicable.

In April 2025, a collective agreement was signed between Yes and the National Histadrut and the Yes Employees' Committee, which extended, with minor amendments, the term of the previous collective agreement (from 2021) until 31.12.2025. In addition, the agreement formalized additional understandings between the parties, which had previously been set out in a principles document from February 2025.

⁷⁹ Calculated as the total monthly working hours divided by the standard monthly working hours.

Among other things, it was agreed that regarding the Company's activity to eliminate structural unbundling, the Yes Employees' Committee would act in full cooperation and consent to Yes's request to engage in the process, reaching agreements between the parties that include sharing and updating the Yes Employees' Committee on the company's activities in the matter, including: Notifying and consulting with the Yes Employees' Committee before any step that constitutes a structural change within the process; Regulating the implications of steps in the process on Yes employees through the collective agreement (or by another agreed-upon mechanism), whereby no step with such implications will be implemented unilaterally before being arranged fairly and reasonably between the parties, and such negotiations will also include requests to provide economic compensation for the benefit of the employees.

Regarding shareholdings of controlling shareholders and the possibility of a future change of control in the Company, it was agreed that Yes employees will receive a grant under the terms and timing agreed upon, depending on any change in the holdings of the current controlling shareholders (or the expiration/cancellation/transfer of the controlling interest). For details regarding changes in control at Bezeq, see Section 1.1.2.

The collective agreement signed in April 2025 also stipulates that its term will be automatically extended for 12 months at a time, unless either party notifies at least 90 days before the end of the term of its intention to make changes. In September 2025, Yes notified the employee representatives of its intention to make changes to the agreement. A new collective agreement has not yet been signed.

Regarding the labor dispute declared at Yes and Bezeq in December 2024, related to Bezeq's activity to eliminate the structural unbundling obligation between it and its subsidiaries, see Section 2.9.6.

5.11. Suppliers

2.7.1. Rate of purchases from main suppliers and the form of engagement with them

Yes considers as a "main supplier", for the purposes of Section 23 of the First Schedule to the Prospectus Details Regulations, a supplier from whom Yes's annual volume of purchases exceeded 10% of the total annual volume of purchases of the Group. During the year 2025, Yes did not have a main supplier as defined above.

5.11.1. Dependence on suppliers

Yes believes that it may be dependent on the following suppliers:

Space, for details on the contract, see Section 5.15.

Cinmedia, for details on the contract, see Section 5.7.5.

NetCracker and Salesforce, for details on the connection see Section 5.7.6.

To purchase broadcasting rights from local sports channels, see Section 5.9.2.

5.12. Financing

Most of the financing of Yes is carried out from its own sources, but it may need investments or credit from the Company according to Yes's needs.

Yes's estimate as mentioned above is forward-looking information, as defined in the Securities Law. There is no certainty that in the future Yes will require financing from Bezeq or that Bezeq will provide financing for Yes's activities in excess of the above, and on what dates, and this depends, among other things, on the situation of Yes, on developments in its areas of activity and on the state of competition in these areas and on Yes's future financing needs.

In March 2026, Bezeq approved a credit facility or investment in Yes's equity in a total amount of up to NIS 50 million, until 31.12.2026. This approval is instead of a similar approval (in a total amount of NIS 100 million) given in November 2025 (and not in addition to it).

5.13. Taxation

For more details, see Note 7 to the 2025 Statements.

5.14. Restrictions and supervision of Yes

5.14.1. Regulation of OTT services

OTT services (such as those offered by Yes, as well as other local and international providers operating in Israel) are not subject to the regulation currently applicable to multi-channel television broadcasts via satellite or any other regulation under the Communications Law. Yes believes that the VOD services it provides via the Internet to its satellite subscribers (see Section 5.2.1) are also not subject to such regulation. However, based on various decisions of the Council (see also Section 5.2.1), it appears that the Council considers itself authorized to regulate VOD services for Yes's satellite subscribers.

For the bill regarding the regulation of OTT services, see Section 5.1.2.

If regulation of content delivery via the Internet as described is implemented, it is expected to impose limitations on Yes's provision of the said services. Nevertheless, such regulation may reduce the existing gap in regulatory frameworks between licensed broadcasters and other entities active in the OTT sector.

The assessments regarding the potential outcomes of OTT service regulation in this section constitute forward-looking information as defined in the Securities Law, based, among other things, on the text of legislative initiatives. There is no certainty that this matter will be regulated in legislation or regulation at all, or in the manner proposed. These assessments may not materialize, or may materialize in a materially different manner than expected, in part depending on the results of the legislative process.

5.14.2. Regulation of satellite broadcasts

Yes's activity as a holder of a regulated satellite broadcasting license in an extensive legal system has applied to the field of satellite and cable broadcasting, which includes primary legislation (and in particular the Communications Law and regulations enacted thereunder), secondary legislation (including communications rules), as well as, *inter alia*, Council directives.

In addition, DBS's satellite activity is subject to the provisions of its licenses, primarily the broadcasting license.

The law authorizes the Director General of the Ministry of Communications as well as the Chairman of the Council to impose financial sanctions for various violations of the provisions of the law and of orders and provisions issued under it, as well as for violation of conditions in the broadcasting license.

5.14.2.1. Terms of service for a satellite broadcasting license holder, restrictions on cross-ownerships

Satellite broadcasting license regulations set various restrictions on the licensee, including, among other things, eligibility conditions in relation to the holdings of the licensee and stakeholders, directly and indirectly, in holders of cable broadcasting licenses, in holders of franchises under the Second Authority Law⁸⁰ and in newspapers with daily circulation, as well as "Israeliness" requirements regarding officers in the Yes and "Israeli" holding at a minimum rate of 26%, in accordance with the provisions set forth in the regulations.

5.14.2.2. Rates supervision

The broadcasting license sets forth provisions regarding the types of payments that the licensee may charge its subscribers for services provided by virtue of the license, and these are determined in Yes's Council-approved price list. The vast majority of satellite subscribers subscribe to promotions, offering Yes services, including various composition of content packages, ancillary services as well as receiving and installing end equipment, at prices lower than the list price.

Yes has a duty to notify the Chairman of the Council of any change in the price list immediately upon its publication and the chairman may in certain cases prohibit the change of the price list. The Chairman of the Council may also interfere with promotions or discounts offered by Yes, if he finds that

they have the effect of misleading the public or discriminating between subscribers.

By virtue of the Communications Law, the license can set maximum prices at which a subscription can be charged. As of the date of this report, no such prices have been set.

5.14.2.3. Obligation to invest in local productions

In accordance with the requirements of the broadcasting license and the decisions of the Council, in each of the years 2025 and 2026, Yes must invest an amount of not less than 8% of its income from the subscription fees of satellite subscribers⁸¹ in local productions, when according to the rules of the media and the decisions of the council, Yes must invest different rates out of these investment amounts in different categories of local productions.

In December 2025, the Council decided to postpone for 2027 the entry into force of its previous decision, according to which the rate of investment obligation in local productions will exceed and stand at 9%.

Regarding the obligation to invest in local productions - see also Section 5.1.2.

5.14.2.4. Duty to transfer channels

Yes is obligated to transmit the "mandatory channels" in satellite broadcasts and everything as determined by the Minister and in the broadcasting license.⁸²

In addition, Yes is required to allow channel producers provided by law to use its infrastructure to distribute broadcasts to its subscribers, for a fee ("**transfer fee**") to be determined in the agreement, and in the absence of consent - for a fee to be determined by the Minister, after consulting the Council. In addition, the Minister may require the transmission of small-license broadcasts under the Second Authority Law (which did not have dedicated licenses prior to the amendment to the law), taking into account the satellite capacity of Yes. According to the Second Authority Law, holders of small and small designated licenses, who had a dedicated license under the Communications Law, are exempt from paying transfer fees to Hot to Yes, for a transition period, after being extended as part of amendments to the Second Authority Law ended in February 2023.

5.14.2.5. Contents of the broadcasts and obligations in relation to the subscriber

The broadcasting license sets forth provisions relating to the content of DBS broadcasts, including supervision by the Council in relation to channels broadcast by Yes. The Communications Law prohibits broadcast licensees from broadcasting commercials, subject to a number of exceptions.

In addition, the broadcasting license includes conditions regarding the terms of service for subscribers, including the prohibition of discrimination between them.

According to an amendment Yes's broadcasting license, Yes is entitled, as of February 28, 2025, not to connect new subscribers to the satellite services according to the license, and accordingly to refuse requests to enter into the subscription agreement, without discriminating between those seeking to become subscribers.

⁸¹ Based on its income in the past year from satellite subscribers, including Yes's income from end equipment and its installation. According to the position of the Council, according to which the actual investments are made, even though Yes disagrees with it, these income also include income from VOD service to satellite subscribers.

⁸² According to the provisions of the Communications Law, Yes is exempt from payment to the commercial channels included in the mandatory channels due to the transmission of their broadcasts over its satellite broadcasts. For the transmission of the commercial channels as part of the OTT services, see Section 5.1.1.1.

5.14.2.6. Ownership of broadcast channels

According to the rules of communication, Yes, including entities affiliated with it (as defined in the rules of communication), may own up to 30% of the local channels broadcast as part of Yes broadcasts (compared to a limit of 20% applicable to HOT). Yes is also restricted according to the Communications Law, in owning a news broadcast producer.

5.14.2.7. General provisions regarding the broadcasting license

The Minister and the Council have parallel authority to amend the Broadcasting License. The Minister is authorized to revoke or suspend the Broadcasting License on the grounds set forth in the Communications Law and the Broadcasting License. The Communications and Broadcasting License Law sets limits on the transfer, foreclosure and encumbrance of the Broadcasting License and of assets from the license assets. The Broadcasting License requires the approval of the Minister in relation to certain changes in the maintenance of means of control in the Yes and imposes reporting obligations regarding the holders of the means of control; Infringement of competition is prohibited by way of an agreement, arrangement or understanding with a third party regarding the provision of broadcasts and services unless approved in advance and in writing by the Council; The obligation to submit reports to the Ministry of Communications, as well as conditions related to the supervision of the licensee's activities, were established; The obligation to provide bank guarantees to the Ministry of Communications to secure Yes's liabilities under the license has been determined, in the amount (principal) of NIS 30 million (a total as of the date of the report of approximately NIS 48 million).

5.14.3. Offer of baskets of services

Yes markets integrated packages of TV and Internet services provided by it. Regarding combined packages of satellite television and internet services, according to the broadcasting license, Yes may offer a shared basket of services, including Bezeq service and Yes service, subject to obtaining approval from the Ministry of Communications (in the absence of objection within the period specified in the license will be considered as possible) and subject to conditions, the main ones are the "detachability" obligation and the existence of a parallel basket marketed by a licensee who is not affiliated with Bezeq (see Section 1.7.2.3). A shared basket of services marketed by Yes, which includes Bezeq's Internet infrastructure service only, does not require the approval of the Ministry of Communications and does not have detachability obligation.

Regarding conditions published by the Commissioner in connection with the merger of Bezeq and Yes and the amendment under consideration, see Section 2.16.9.3.

5.15. Material agreements

The following is a concise description of the main points of the agreements that may be considered material agreements that are not in the ordinary course of business of Yes, which were signed or are valid during the reporting period:

5.15.1. Agreements for the lease of orbital slots⁸³

According to an agreement with Space, since 2013, as amended (including amendment from January 2023), Yes has leased orbital slots on the "Amos 3" satellite ("**the Space Agreement**").

Until February 2025, Yes leased orbital slots on the "Amos 7" satellite.⁸⁴

⁸³ The estimates in this section regarding the activity and end of the useful lives of the satellites, the amount of segments leased and those intended to be made available to Yes for various event controls (such as backup cases), and all implications are forward-looking information, as defined in the Securities Law, which is based, among other things, on the information provided by Space to Yes, and which in part is not even controlled by Space and depends on its engagements with third parties. Therefore, these assessments may not materialize, or materialize in a materially different manner than expected, *inter alia*, depending on the conditions associated with the start of satellite operation, the conditions required for their proper operation and availability, the end of the existing satellite's useful life, and external factors (including third parties and the rights in Amos Satellite 7) that affect their activity and the activity of Space as well as the business position of Space.

⁸⁴ See Bezeq's immediate report dated February 27, 2023, included in this report by way of reference.

Period of the Space Agreement - until the end of the life of the "Amos 3" satellite⁸⁵, which occurred at the beginning of 2026. As of the date of the report, an agreement was reached with Spacecom on the continued use of part of the orbital slots on the "Amos 3" satellite until the end of March 2026.

Orbital slots used by Yes - Under the Spacecom agreement, Yes leased 12 orbital slots, according to the allocation among the relevant Amos satellites set forth in the Space Agreement for the different periods. Starting in February 2025, Yes used ten orbital slots on Amos 3. As of the date of the report, Yes uses three orbital slots on the new satellite (as defined below) as part of the transition to a reduced and focused satellite configuration (see below), while by the end of March 2026, two additional orbital slots on Amos 3 are also available to it, as noted above.

The new satellite agreement – In June 2025, Yes decided to continue satellite broadcasts until the end of 2028, gradually transitioning to a reduced and focused satellite broadcasting model for relevant customers, including institutional clients. This is based, among other things, on the use of a new satellite ("**the New Satellite**"), operated by Space on behalf of the rights holder. The use of the New Satellite's orbital slots is governed by an agreement⁸⁶ between Yes and Space, which will remain in effect until the end of 2028 or the end of the New Satellite's operational life⁸⁷, whichever occurs first ("**the New Satellite Agreement**"), based, among other things, on the following key principles:

- Yes will lease three (3) orbital slots from Space on the New Satellite, for consideration that is not material to Bezeq.
- Space has the right to terminate the New Satellite Agreement (even absent a breach) at the request of the New Satellite rights holder, generally without compensation.
- Yes may terminate the New Satellite Agreement before its expiration, and may also use a smaller number of orbital slots, subject to a minimum cumulative payment to Space and agreed compensation⁸⁸.

Cost - the average annual cost until the end of the lease in Amos 7 was approximately USD 25 million, and starting in February 2025, approximately USD 18 million, and starting from March 2026, it is expected to be in an amount that is not material to Bezeq.

Yes has a substantial dependence on Space as and sole supplier of the orbital slots used by Yes, which is also responsible for the operation of the orbital slots.

Regarding exposure to risks in the event of a failure in satellite used by Yes, unavailability of the orbital slots used by Yes, and the lack of redundancy for the satellite, see Section 5.18.3.5.

5.15.2. Agreement with Partner Communications Ltd.

In July 2024, Yes entered into an agreement with Partner Communications Ltd. ("**Partner**"), which has been amended from time to time⁸⁹ (in this section: the "**Agreement**"). Under the Agreement, Yes granted Partner a license to use a dedicated audiovisual content application, based on the Sting service, with joint content procurement carried out through Yes, which granted Partner a license to broadcast the content as set out in the Agreement (with Partner allowed to broadcast all or part of the

⁸⁵ End of life is defined as the date on which the last correction of the satellite's position on the north-south axis is made. After this date, the satellite can continue to be used for a limited period, until the date when the satellite's deviation from its position no longer allows its use.

⁸⁶ See also Bezeq's immediate report dated 8.3.2026, included in this report by reference.

⁸⁷ Non-compliance with certain parameters, as defined in the New Satellite Agreement.

⁸⁸ The assessment regarding the continuation of satellite broadcasts in the reduced and focused format described above during the period after March 2026 (via the New Satellite) constitutes forward-looking information, as defined in the Securities Law. This assessment is based, among other things, on the actual implementation of the New Satellite Agreement, the proper operation of the New Satellite, the regulatory and licensing framework applicable to Yes, and the exercise of the rights of the New Satellite rights holder. However, it is possible that the assessments regarding the continuation of satellite broadcasts in general, and in the aforementioned format in particular, may not materialize, or may materialize in a materially different manner, due to the possibility that the New Satellite Agreement may not be implemented in practice as intended by Halal, by the New Satellite rights holder, or as a result of factors described in Note 91 above.

⁸⁹ This agreement came into effect in April 2025; some of the amendments were made following inquiries and concerns raised by the Antitrust Commissioner and discussions held with the Antitrust Authority—see Bezeq's immediate reports dated April 23, 2025, and May 11, 2025, which are included in this report by reference.

content and to add channels at its discretion). In addition, various services related to the application are provided. Under the Agreement, Yes is entitled to a monthly payment based on the number of Partner subscribers to the service, which will not be less than approximately NIS 5 million (plus legally applicable VAT), as well as to a fixed payment for services related to the application, all subject to indexation adjustments under the terms set forth in the Agreement.

The term of the Agreement is up to five years from the date of commercial launch (which occurred in September 2025), with Partner having two options to extend the Agreement, each for an additional year. Partner may also terminate the Agreement early, for any reason, with six months' prior notice, provided such notice is not given before 36 months from the commercial launch. At the end of the Agreement term (including if one or both extension options are exercised), Partner may continue to provide the service under the terms of the Agreement for a transition period not exceeding 18 months.

According to Bezeq and Yes, the contribution of the Agreement to the business activities of the Bezeq Group is not expected to be material. It should also be noted that a one-time, significant positive impact was recorded in the Company's statements for Q2/2025; see also Note 10.4 to the 2025 Statements.

The information above regarding the expectations about the contribution of the Agreement to the Bezeq Group's business activities constitutes forward-looking information, as defined in the Securities Law, and may not materialize or may materialize in a materially different manner than expected, among other things, depending on the variables noted above, including factors beyond Yes's control, such as the manner in which the Agreement is implemented by the parties.

5.15.3. Agreement with RGE and Taboola

In September 2025, Yes entered into an agreement with RGE and Taboola.com Ltd. ("Taboola") (the "Agreement"), under which, among other things, RGE and Taboola will contract with advertisers and operate the anticipated advertising activities on Yes's multi-channel television services via the Internet, in accordance with rules set by Yes, on advertising inventory exclusively allocated by Yes to RGE and Taboola (except for exceptions specified in the Agreement).

According to the Agreement, the commercial launch date will occur after the implementation of a suitable technological system, and in any case, not before January 2026. The term of the Agreement is three years from the commercial launch date, with Yes having the right to extend the Agreement for two additional periods of one year each. If Yes exercises an extension (one or more), RGE and Taboola may terminate the Agreement early with six months' prior notice (so that, in such a case, the Agreement term will not be less than 3.5 years from the commercial launch date). In addition, subject to Yes providing the advertising inventory at the levels specified in the Agreement, Yes is entitled to payments based on the rates set in the Agreement, which shall not be less than a minimum consideration specified therein. If Yes provides less advertising inventory than specified, the minimum consideration will be reduced accordingly.

The information regarding the commercial launch date and the expectations for payments to Yes constitutes forward-looking information, as defined in the Securities Law, and may not materialize or may materialize in a materially different manner than expected, among other things, depending on the amount of advertising inventory Yes provides, agreements with advertisers, factors beyond Yes's control, and the manner in which the Agreement is implemented by the parties.

5.16. Legal Proceedings⁹⁰

2.7.1. Pending and contingent legal proceedings

Date	Sides	Court	Type of procedure	Details	Amount of claim / remedies
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	Date	Sides	Court	Type of procedure	Details	Amount of claim / remedies
a.	December 2020		Tel Aviv District Court		For details regarding an indictment filed in December 2020 by the Attorney General's Office (following an open investigation opened in June 2017), <i>inter alia</i> , against the former CEO of Yes (Ron Ayalon) see Section 2.18.3.	
b.	June 2017	Bezeq shareholders vs. Bezeq, Chairman of the Board of Bezeq, members of the Board of Bezeq, as well as members of the Eurocom Group and vs. the (former) CEO of Bezeq and CEO (former) and CFO of Yes	Tel Aviv District Court (Economic Department)	Motion for approval of class actions	For details regarding a motion for approval of a class action lawsuit filed against, among other things, the former CEO of Yes and its former CFO, in connection with a 2015 transaction in which Bezeq acquired the remaining shares of the Yes shares held thereby from Eurocom DBS, see Section 2.18.1c.	
c.	July - August 2017	Bezeq shareholders against Bezeq shareholders, former controlling shareholder of Bezeq, former officers of Bezeq, Eurocom Holdings (1979) Ltd., Eurocom Communications Ltd., and the Company, as well as against Bezeq and Yes as formal respondents	Tel Aviv District Court	Motion for approval of a derivative claim	For details regarding motion to approve a derivative action filed in connection with the motions for disclosure of documents before submitting a motion for approval of a derivative claim in accordance with Article 198A of the Companies Law against Bezeq and Yes, for disclosures of certain documents in connection with a 2013 Yes and Space stakeholder transaction as amended in 2017 (Space Agreement) See Section 2.18.1 Paragraph D.	
d.	June 2023	Customers vs. Yes	Central District Court-Lod	Motion for approval of a class action	<p>The point of the claim is that Yes does not act in accordance with the law with regard to giving notice of the end of fixed-period transactions in that it does not send a separate and independent notice of the end date of the benefit period, beyond informing the customer through the monthly invoice and by sending a text message.</p> <p>It should be noted that similar motions on the same subject (failure to provide notice as required on the termination of a fixed-period transaction) were filed against the Company (see Section 2.18.1) and Pelephone (see Section 3.16.1).</p>	Over NIS 2.5 million

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	Date	Sides	Court	Type of procedure	Details	Amount of claim / remedies
e.	June 2018	Organizations of creators, performers, producers, screenwriters, and editors vs. the Council, the Chairman of the council, Yes and Hot	Tel Aviv District Court (Economic Department)	Motion for approval of a derivative claim	Regarding motion to approve a derivative claim in the name of Bezeq and/or a "double derivative" claim in the name of Yes against Mr. Shaul Elovitch and the Company filed in April 2024, in continuation of a motion for discovery and perusal of documents pursuant to Article 198 of the Companies Law (which struck out) regarding the sale of Bezeq shares in 2016 by the Company – see Section 2.18.1f.	
f.	November 2025		Central District Court - Lod		According to the allegations in the motion, Yes is violating the law regarding termination of service, by making it difficult for customers to cancel their subscriptions, including requiring customers requesting to disconnect from its services to make a phone call for that purpose; Failing to disclose the cancellation procedures as required by law; and Requiring customers requesting disconnection to wait for a period longer than three business days from the date of the disconnection request, contrary to the law, the service agreement, and the license.	Over NIS 2.5 million

2.7.2. Legal proceedings that ended during the reporting period

	Date of filing claim	Sides	Court	Type of procedure	Details	Original claim amount (NIS millions)
a.	August 2023	Customers against Yes	Central District Court-Lod	Motion for approval of a class action	<p>Regarding motion to approve a class action lawsuit filed against Yes, the main issue of which is the claim that Yes violates the provisions of the law and the provisions of its license regarding the waiting time required to receive a response from a representative from the beginning of the call – in June 2024, a ruling was issued striking out the motion, while reserving rights. In June 2024, the Court received the parties' notice that, subject to the applicants' undertaking not to file a new motion to approve the lawsuit as a class action, Yes will waive its claim to charge the applicants for legal costs and will pay the applicants an immaterial amount.</p> <p>In April 2025, a court ruling was issued approving the petitioner's withdrawal from the motion for approval of a class action, thereby dismissing the petition and ordering payment of a fee and attorney's fees to the petitioner and their legal counsel. The petition concerned allegations of Yes breaching its obligations toward Yes Unlimited subscribers, including charges for channels and set-top boxes contrary to what was promised. According to Yes's assessment, the amounts of the fee and attorney's fees are not material to Bezeq.</p>	

5.17. Discussion of risk factors

The following are the threats, weaknesses and other risk factors of Yes ("the Risks") arising from its general environment, from the industry and from the unique characteristics of its activities.

2.7.1. Macro risks

5.17.1.1. Financial risks - Yes is exposed to various market risks such as; Exchange rate, index and interest rate risks. The main market risk is the shekel-US dollar exchange rate, in light of the fact that some significant portion of DBS's expenses and investments are made in US dollars (mainly content, satellite segments, purchase of end equipment and other logistics equipment). Therefore, sharp exchange rate changes have an effect on DBS's business results.

5.17.1.2. Recession / economic slowdown / security situation - an economic slowdown in the economy, an increase in unemployment rates and a decrease in disposable income may lead to a decrease in the number of Yes subscribers, a decrease in Yes's income and damage to its business results.

Also, an ongoing deteriorating security situation in large areas of Israel, which disrupts the daily lives of the residents, could lead to a deterioration in the business results of Yes.

5.17.1.3. Epidemic and supply chain - Disease outbreaks and epidemic events in general (such as the outbreak of COVID-19 in 2020) may have consequences for Yes's business activities depending on the extent of the spread and its severity as well as the national and global measures that will be taken as a result. These consequences may be manifested, among other things, in damage to Yes's activities and its customer service system as well as in damage to the supply chain. Events of this type are changing events that are not under the control of Yes, and their consequences are subject, among other things, to the decisions of countries and authorities in Israel and around the world that may affect Yes accordingly. For this matter see also Section 5.18.1.2 and the Company's reference in Sections 2.20.10 and 2.20.13.

5.17.1.4. Damage caused by nature, war, disaster - damage to Yes infrastructure and services as a result of natural disasters, including earthquakes, as well as as a result of war or disaster, may adversely affect its business and results.

5.17.1.5. Damage to electricity supply - Damage to the electricity supply to Yes's facilities for various reasons (some of which are described in Section **Error! The source of the reference was not found.**) may have a negative effect on Yes's business and damage Yes's ability to provide services. Some of Yes's systems have power backup, but at the same time, in the event of prolonged damage to some or all of the systems, there may be significant difficulties and beyond that in the provision of Yes services, including in the event that Yes cannot return the systems to service quickly.

5.17.2. Industry risks

5.17.2.1. Dependence on licenses – Yes's satellite TV broadcasts are provided in accordance with the broadcasting license and through additional licenses, and therefore depend on the existence of these licenses and their extension from time to time. Violation of the provisions of the licenses, as well as the provisions of the law by virtue of which the licenses were granted, may result, subject to the conditions set forth in the licenses, to revoke, change, suspend or not extend the licenses and consequently materially impair Yes's ability to continue operating in the field.

5.17.2.2. Regulation - the provision of satellite television broadcasts is subject to the obligations and limitations set forth in the legislation as well as to the licensing regime, supervision and approvals by various regulatory bodies, and may therefore be affected and limited in light of policy considerations dictated by these bodies and their decisions (see Section 5.14). Regulatory changes may affect Yes's activity and may materially impair its financial

results. The OTT services including those of Yes are not monitored, as of the date of the report (for the possibility of arranging these services, see Section 5.1.2). Continued activity of content providers (and the entry of additional providers) via the Internet as stated in the Section 5.1.1 without the application of regulatory rules to their activities and / or without appropriate amendment of the regulatory rules applicable to broadcast license holders, may materially impair the financial results of Yes. In addition, Yes's activity, as a company that provides services to the public, is subject, among other things, to legislation in the field of consumer protection as well as to the laws of protection of privacy and information security (see Section 1.7.6.4 1.7.7.4).

- 5.17.2.3. Fierce competition - the field is characterized by fierce competition with a variety of different competitors (see Section 5.1.7), which are also expected to increase in the future in the face of the entry of additional local and international factors, as well as a change in consumer preferences, that requires Yes to constantly and continuously invest in recruiting and retaining customers and dealing with high transfer rates of subscribers between companies, and may even require a change in Yes's business model. For the characteristics of competition, see Section 5.5.

Yes's estimate, as stated in this paragraph above in relation to the possibility of the entry of local and additional international factors, is forward-looking information. This assessment is based on DBS's assessments of the state of the industry and possible changes in it. This assessment may not materialize or partially or otherwise materialize in view of the materialization or non-materialization of plans by various factors to enter into the industry, the manner in which they are actually implemented and the conditions of competition that will prevail.

- 5.17.2.4. Technological developments and improvements - technological improvements and the development of new technologies that will make existing technology inferior, may require Yes to make large financial investments in order to maintain its competitive position (see Section 5.1.1).
- 5.17.2.5. Alternative infrastructure for multichannel broadcasts - the activity of the DTT system, and in particular its expansion or transfer to the Internet infrastructure, as well as the deepening of the intrusion of OTT operators, may harm the financial results of Yes (see Section 5.1.1).
- 5.17.2.6. Unauthorized viewing - the field of broadcasts is exposed to the "pirated" connection of viewers to the reception of the broadcasts, without paying a subscription fee, and is also exposed to the public's access to content in which the broadcaster has rights.
- 5.17.2.7. Exposure to legal proceedings - Yes is a party to legal proceedings, including requests for approval of class actions, which may result in a charge of material amounts which cannot be assessed, and for which no provision has been made in its statements. These class actions can amount to large sums, as a substantial portion of Israel's residents are Yes subscribers, and a claim relating to a small damage to a single subscriber may become a material claim to Yes, if recognized as a class action applicable to all subscribers or to a substantial portion thereof.

5.17.3. Risks exclusive do Yes

- 5.17.3.1. Limitations as a result of the eligibility conditions - "cross" holdings of holders, directly or indirectly, in Yes, as well as a decrease in the holding rate of Israeli citizens or residents in Yes, may lead to non-compliance with the eligibility conditions of its broadcasting license (including in light of the Israeliness requirement (see Section 5.14.2.1).
- 5.17.3.2. Maintaining a sufficient cash flow - Yes must maintain a sufficient cash flow for the purpose of meeting its business plan. The lack of sufficient cash flow, including through investment or financing from Bezeq, may adversely affect DBS's business, as well as make it more difficult for it to deal with

competitive threats in view of technological developments and changes in consumption habits in the field.

According to Yes's assessment, although it is expected to achieve operational and cash-flow profitability starting in 2026, it may still incur operational and cash-flow losses during certain periods in subsequent years. In light of this, Yes estimates that the funding sources currently available and expected to be available to it—including, among others, cash balances, working capital, and the credit facility from Bezeq, as described in section 5.12, which is currently unused, will be sufficient to meet Yes's operational needs for the coming year.

- 5.17.3.3. Failure, Damage, Unavailability, or Termination of Satellite Services – Yes satellite transmissions are made using orbital slots of a single satellite. Failure in the operation of the satellite, damage to it, or unavailability of orbital slots therein, including termination of slot leasing on the satellite may significantly disrupt and reduce the volume of Yes broadcasts via satellite, and in the event of unavailability of any slots of the satellite - completely cease Yes broadcasts via satellite, unless an alternative is found to the segments of space that are not available as aforesaid and also in view of the lapse of time until the implementation of such an alternative. Yes does not have insurance for loss of income caused by satellite failure.

Termination of the receipt of the satellite services, for any reason (including due to the end of the agreement period), while a substantial part of Yes subscribers are still satellite subscribers may result in substantial damage to Yes income.

The progress of the process of switching to or accelerating transmission via the Internet may reduce the vulnerabilities mentioned above involving the failure, damage, unavailability or termination of satellite services.

Yes's estimates as stated in this paragraph above is forward-looking information. This assessment is based on the provision of orbital slots and the implementation of space backup mechanisms and space assessments in relation to the useful life of the satellite, the beginning of the activity of new satellites, the end of the activity of the satellite and the exercise of engagement in relation to it, and possible termination of lease of orbital slots. This estimate may not materialize or be partially or otherwise materialized in case of a change in the useful life of the satellite and the exercise of its lease option, or if space does not provide Yes with alternative segments in the event of unavailability or failure of the orbital slots.

- 5.17.3.4. Dependence on the owner of the rights in the orbital slots - Yes has a substantial dependence on Space, as the sole supplier of the orbital slots used by Yes, which is also responsible for the operation of the orbital slots. (See Section 5.15.1).

- 5.17.3.5. Dependence on software suppliers, equipment, content, infrastructure and services - Yes has dependence on software vendors and equipment, as well as on certain content vendors (see Sections 5.7.2, 5.9.2, and 5.15.1) and receipt of certain services, including broadcast encryption services (see Section 5.7.5). Failure to receive the products and services provided by them may impair the functioning of Yes and its results. In addition, inability to purchase streamers or receiving support services from current provider, is expected to involve a period of preparation that will be required to make the alternative engagement and change their supply and support system.

- 5.17.3.6. Impairment of the activity of the broadcasting centers and the logistics center - Impairment of the activity of the broadcasting center may cause a significant limitation in the continuation of the broadcasts, but decentralization of broadcasts to two broadcasting centers (in Kfar Saba and the Ella Valley) partially reduces the risk of damaging one of them. In the event of damage to one of the broadcasting centers, Yes will be able to continue broadcasting some of its linear channels as well as the VOD service from the other broadcasting center, with the exception of VOD services for

OTT subscribers, as long as the damage is to the main broadcasting center. Each broadcasting center has the same satellite encryption system, and therefore there is full backup for the encryption system in case of damage to one of the broadcasting centers. Damage to the Yes logistics center may also disrupt its operations, and in particular the installation and maintenance of end equipment.

The assessment of Yes as stated in this paragraph is forward-looking information. This assessment is based on the provision of the provider services that operate the secondary broadcasting site in the event of an injury to the broadcasting center in Kfar Saba. This assessment may not materialize or partially or otherwise materialize if Yes is not allowed to receive the services of the said provider in full and properly.

- 5.17.3.7. Failure of DBS's computer systems - significant failure of DBS's major computer systems could significantly impair Yes's operational capacity. However, Yes has a remote backup site designed primarily for storing information and providing an internal computing service limited to failures in such a way that in the event of a failure of the Yes site's computer systems in Kfar Saba, it will be possible to reactivate the central systems through the backup site.

Yes's assessment in relation to the backup capability as stated in this paragraph is forward-looking information. This estimate is based on the functionality of the remote backup site. This assessment may not materialize or partially or otherwise materialize if such functionality is not possible.

- 5.17.3.8. Cyber risks - Yes is exposed to the risk of the occurrence of an activity intended to harm the use of a computer or computer material stored on it ("**cyber attack**"). Such attacks can disrupt business, cause theft of information / money, damage databases and subscriber privacy, damage to reputation, damage to systems and information leakage, which may also be caused by an intentional or inadvertent internal factor. As a leading company in the field of subscriber television broadcasting, Yes is a target for cyber attacks and experiences cyber attacks, which are handled by its information security and cyber protection teams.

DBS has defined a policy for cyber risk management that establishes guiding principles for cyber protection, which refer, among other things, to the confidentiality of information, the reliability of information and the availability of information in connection with the implementation of cyber protection in the following aspects: organizational framework, cloud computing, human resources and security, physical and logical cyber protection in processes, in systems and infrastructures. The person responsible for implementing the policy in Yes is the information security manager.

Yes also implements standards for managing cyber risks and information security, as well as a protection policy that includes layers of protection, starting with managers and policies, and ending with physical layers of defense systems against cyber attacks, which are operated in a configuration that combines effective security with the operational needs of Yes, with the aim of protecting its infrastructure and systems and reducing the possibility of illegal exploitation of its resources. In addition, there are tools for attacking and detecting information security weaknesses that operate automatically and help discover information security loopholes and weaknesses. Yes has an annual work plan in connection with reducing the exposure resulting from the cyber risk while carrying out control and monitoring of actual implementation.

Yes also periodically performs information security surveys, risk surveys, penetration tests, attack drills, as well as other actions for the purpose of examining the effectiveness of the risk management policy in dealing with and reducing cyber risk, as well as control over examining the way cyber

risks are managed through internal audits. In addition, Yes allocated resources to manage cyber risks through the establishment of an information security system consisting of professional employees in the field.

Yes's Board of Directors is involved in and supervises the management of cyber risk at Yes within the framework of handling the overall risk management policy of Yes.

Despite Yes's actions investments in measures to reduce such risks, Yes is unable to guarantee that these measures will in practice succeed in preventing a cyber attack and/or damage and / or disruption to the systems and information related to them.

- 5.17.3.9. Defects in the encryption system or its bypass – Yes's broadcasts via satellite and via the Internet, are based on the encryption of the broadcasts transmitted by it, including the encoding of its satellite broadcasts using the "smart cards" installed in the decoders in the satellite subscribers' houses. Defects in its encryption system or hacking or bypassing it may allow free viewing of Yes broadcasts, thereby leading to a decrease in income, as well as a breach of agreements between DBS and its content providers.
- 5.17.3.10. Lack of exclusivity in the field of frequencies - the field of frequencies used by DBS to transfer satellite transmission from the transmission satellites to the reception dishes installed in the subscribers' homes, and which has been allocated under a license by the Ministry of Communications, is defined as a frequency range that an Israeli entity that may make authorized use of in the field of frequencies. If the holder of the main allotment uses the above-mentioned frequencies, disruptions in the quality of the Yes broadcasts and / or the availability of satellite broadcasts to the subscriber may result in damage to the financial results of Yes. As of the date of this report, to the best of Yes's knowledge, no holder of the main allotment used the said frequencies in a manner that caused actual and / or persistent interruptions in Yes's broadcasts.
- 5.17.3.11. Interference for transmissions - since Yes transmissions via satellite are transmitted wirelessly from the transmission centers to the transmission satellites and from there to the reception dishes in the subscribers' houses, transmission of wireless signals, in the same frequency range, whether originating in Israel and abroad, and extreme weather conditions of heavy rain, hail or snow may cause disruptions in the quality and / or availability of the broadcasts via the satellite provided by Yes to the subscriber and material damage to its financial results. In relation to broadcasts via the Internet, there may be disruptions in the quality and / or availability of the broadcasts as a result of disruptions or unavailability of the Internet infrastructure.
- 5.17.3.12. Labor relations - Yes is a party to a collective agreement with the Histadrut and the Employee Representative Council, which may reduce its administrative flexibility (see Section 5.10.3). In addition, In addition, disruptions in labor relations at Yes, and possibly also at other Bezeq subsidiaries, could cause damage to Yes's day-to-day operations.
- 5.17.3.13. Loss of knowledge and information - The changes that are taking place in the labor market in Israel and around the world, along with organizational changes, entail risks for the loss of key employees, loss of knowledge as a result of employee turnover and difficulty in recruiting employees, etc.

Below is a presentation of the risk factors according to their influence in the opinion of the Yes's Management. It should be noted that the following DBS assessments regarding the extent of the risk factor's impact on Yes reflect the extent of the risk factors' impact in assuming the materialization of the risk factor, and the aforesaid does not express any assessment or give any weight to such prospects. In addition, the order in which the risk factors

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appear above and below is not necessarily according to the risk inherent in each risk factor or the probability of its occurrence⁹¹:

Risk Factors Summary Table - Multi-Channel TV

	The degree of influence		
	High	Medium	Small
Macro risk			
Financial risks		X	
Recession / economic slowdown / security situation			X
Pandemic and supply chain		X ⁹²	
Damage caused by nature, war, disaster	X		
Damage to electricity supply		X	
Industry risk			
Dependence on licenses	X		
Changes in regulation	X		
Fierce competition	X		
Technological developments and changes		X	
Alternative infrastructures		X	
Unauthorized viewing			X
Exposure to legal proceedings			X
Unique risk			
Restrictions due to eligibility conditions	X		
The need to maintain a sufficient cash flow		X	
Satellite failure and damage	X		
Dependence on the supplier of orbital slots	X		
Dependence on software, content, equipment and infrastructure vendors	X		
Impairment of the activity of the broadcast centers	X		
Failure of computer systems	X		
Cyber failures	X		
Encryption system failure	X		
Lack of exclusivity in frequencies		X	
Interference with transmissions		X	
Work relations		X	
Loss of knowledge and information			X

The information contained in this section 5.18 and Yes's assessments regarding the impact of risk factors on Yes's activities and business, in particular – but not exclusively – with respect to competition and the use of satellites, are forward-looking information as defined in the Securities Law. The information and assessments are based on data published by the regulatory bodies, on Yes's assessments of the market situation and its competitive structure, on possible developments in the Israeli market and economy, and on the factors specified in this section above. The actual results may differ materially from the estimates given above if there is a change in one of the factors taken into account in these estimates.

91 See Footnote 50.

92 See Footnote 47.

6. The Company

6.1. Financing

6.1.1. The Company's debentures

On May 31, 2025 and August 31, 2025, the company carried out full early redemptions of the debentures (Series E) and the debentures (Series F), respectively.

6.1.2. Credit rating

On November 19, 2025, Midroog Ltd. announced the termination of the Company's debenture ratings, following the full and final repayment of the debentures. Prior to the termination, the rating stood at A2.il with a stable outlook. For further details, see the report published by Midroog on November 19, 2025 (Reference No.: 2025-15-088953), included in this report by reference.

6.2. Legal proceedings

6.2.1. In June 2017, two motions for approval of a class action lawsuit, in the total amount of NIS 1.8 billion, were filed against the Company, Bezeq, officers in the Group and companies from the then controlling group in Bezeq regarding the purchase of Yes shares by Bezeq from Eurocom. On May 23, 2023, the Company signed a settlement agreement ("**the Settlement Agreement**") in connection with the 2 motions mentioned above, and according to it, without admitting any of the claimed fraud, including the existence of misleading details in the reports or statements of Bezeq and/or the Company, the responsibility of any of the respondents to the alleged misleading details, the alleged damages or the entitlement of the members of the classes to the claimed remedies, the Company agreed to pay as follows: (a) to the members of Class A defined in the settlement agreement as "everyone who purchased Bezeq shares in the period between February 11, 2015 and June 19, 2017, with the exception of the respondents or anyone on their behalf" - a total amount in shekels equal to 1,500,000 US dollars; (b) to members of Class B defined in the settlement agreement as "everyone who purchased shares of the Company on the Tel Aviv Stock Exchange Ltd. starting on May 21, 2015 at 13:00 until June 19, 2017 (inclusive)" - a total amount in shekels equal to 2,850,000 US dollars.

In addition, as part of the Settlement Agreement, the parties recommended that the Company pay compensation to the applicants, their attorney fees, and additional costs in connection with the execution of the Settlement Agreement. The total amount that the Company is expected to pay under the Settlement Agreement, including the compensation amounts for the classes as detailed above, amounts to a total in NIS equal to USD 5,500,000. The aforementioned settlement amount does not include the offset of the insurance company's participation by virtue of officers' insurance.

On August 28, 2024, and after receiving the Attorney General's comment and making several changes to the Settlement Agreement, without changing the settlement amount, the Court approved the Settlement Agreement. Approval of the aforementioned Settlement Agreement ends the involvement of the Company and Shaul Elovitch (in his capacity as controlling shareholder and former Chairman of the Company's Board of Directors only) and Or Elovitch (in his capacity as former director in the Company only) in the motions for approval. On October 15, 2024, the Company paid the settlement amount according to the Settlement Agreement.

On April 7, 2025, the Court approved the distribution of compensation among the classes. Additionally, on May 8, 2025, the Government Legal Advisor submitted an update stating that, at this stage of the case – and at least until the hearing stage in the parallel criminal proceeding – there was no need to further delay the current proceedings. On May 15, 2025, the court instructed the other parties in the proceeding to submit a joint update regarding a procedural agreement for managing the continuation of the proceedings. On October 27, 2025, upon completing his duties, the Court informed the trustee of the conclusion of his role.

6.2.2. In November 2020, a claim was filed with the Tel Aviv District Court (Economic Department) accompanied by a motion for approval as a class action by a private person who claims to be a shareholder of Bezeq ("**the Applicant**") against the Company, Bezeq and members of Bezeq's Board of Directors ("**the Respondents**"). The matter of the

motion is the approval of a class action for compensation of the Applicant and the members of the represented group for damages caused to them, according to the motion, "due to Bezeq's failure to report and disclose to the Tel Aviv Stock Exchange (hereinafter: "TASE") and the concealment of material information from investors, in connection with a public report on "the Ministry of Communications' moves to eradicate the phenomenon of dual subscribers in the field of ISP Internet services, on the extensive and substantial scope of the phenomenon of dual subscribers in the Bezeq International subsidiary (hereinafter: "**Bezeq International**") and their material negative impact on the business of the subsidiary and Bezeq". The definition of the group according to the motion is anyone who purchased the Bezeq shares from August 17, 2020 until October 30, 2020 and held the above shares or some of them on October 30, 2020, except for the respondents and / or those on their behalf and / or entities related to them. In the application, the damage caused to the group members as a result of the incidents that are the subject of the lawsuit amounts to approximately NIS 55 million to NIS 65 million, based on an expert opinion attached to the motion.

On June 3, 2024, the Tel Aviv District Court (Economic Department) issued a decision, according to which the claim against the Company was dismissed in full and accepted in part with respect to Bezeq and the other respondents. It should be noted that on September 12, 2024, the plaintiff in the procedure filed a notice of appeal against the aforementioned Court's resolution, while the same time, Bezeq filed a motion for a rehearing in connection with the resolution approving the class action against it. At the hearing held on 7.10.2024, the parties agreed to resort to mediation and, if no agreement is reached between the parties, the appeal will be heard jointly with the motion for a rehearing. On November 24, 2025, the parties submitted a motion to the Court seeking approval of a settlement agreement in the case.

According to the settlement agreement, for settlement purposes only and without this constituting any admission by the defendants, and in full satisfaction of all claims related to the matters of the approval request, and subject to the Court's approval of the settlement, a total amount of NIS 8.55 million (the "**Settlement Amount**") will be paid, with the company bearing none of the settlement amount. On March 6, 2026, the Court approved the settlement and accorded it the force of a court judgment.

- 6.2.3. In November 2020, a lawsuit was filed in the Tel Aviv District Court (Economic Department) with motion for approval as a class action by a private individual ("**the Applicant**") who claims is a shareholder of the Company who claims to hold the Company's shares and Bezeq shares, against the Company, Bezeq and 72 other respondents, which include past and present officers in the two companies ("**the Respondents**"). The matter of the application is the approval of a class action for compensation of the Applicant and the members of the represented groups for damages caused to them, as alleged in the motion, as a result of the Respondents' actions and omissions when they refrained from disclosing to the investing public seemingly material information that they had to disclose in accordance with the provisions of the law, in connection with the two companies' report dated November 9, 2020 according to which Bezeq International books have unexplained net asset balances (deductible) of tens of millions of NIS, when a significant portion of them originate, apparently, in past periods of more than 15 years. The definition of the groups according to the motion is: (a) Anyone who purchased Bezeq shares from November 8, 2005 to November 9, 2020, except the Respondents or those on their behalf and (b) Everyone who purchased the Company's shares on the Tel Aviv Stock Exchange from November 8, 2007 to November 9, 2020, except the Respondents or those on their behalf. The amount of the class action specified in the statement of claim is "over NIS 2.5 million (for matters of substantive authority)" when in accordance with the economic opinion that was attached to the motion, "the estimate for the drop in the price of the security" in respect of the information included in the immediate report dated November 9, 2020 is 5.26%-5.40% in relation to Bezeq and 9.07% - 9.36% in relation to the Company.

In July 2022, the Applicant, Bezeq, and the Company submitted a notice regarding their recourse to a mediation process and a motion for approval of a procedural arrangement, in which they reported that, following discussions among them, they had agreed to conduct a mediation process (the "**Procedural Arrangement**"). The Court approved this Procedural Arrangement, and accordingly, the parties began the mediation proceedings. On November 24, 2025, the parties submitted a motion to the Court for approval of a

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settlement agreement, according to which, for settlement purposes only and without constituting any admission by the respondents, and in full satisfaction of all claims related to the matters of the motion for approval, and subject to the Court's approval and ratification of the settlement, a total and final amount of NIS 75 million (the "**Settlement Amount**") will be paid. Of the settlement amount, the Company will bear only NIS 1.4 million.

On 8.3.2026, the Court issued a decision, determining that due to the state of emergency declared as a result of Operation Roaring Lion, the hearing scheduled for 9.3.2026, was canceled. The Court ruled that since no objections to the settlement agreement had been submitted, and no position had been submitted by the Attorney General, the parties must indicate whether they insist on holding a hearing or whether the decision will be made based on the material in the file, which includes the request for approval of the settlement agreement and the mediator's letter. On 10.3.2026, the parties informed the Court that they do not insist on holding a hearing in the proceedings, and the decision may be made based on the material in the file.

6.3. Business Goals, Strategy, and Outlook for the Coming Year

As of the date of this report, the Company is in a voluntary liquidation process and has no business activity, strategic goals, or expected developments for the coming year.

16.03.2026

Date

B Communications Ltd.

Names and roles of the signatories:

Darren Glatt, Chairman of the Board of Directors

Tomer Raved, CEO

7. Appendix A - Glossary

A. Abbreviated names for pieces of legislation that appear in the report

Privacy Protection Law	-	Privacy Protection Law, 5741-1981
Consumer Protection Law	-	Consumer Protection Law, 5741-1981
Economic Competition Law	-	Economic Competition Law, 5748-1988
Companies Law	-	Companies Act, 5769-1999
Non-Ionizing Radiation Law	-	The Non-Ionizing Radiation Law, 5776-2006
Centralization Law	-	Law for the Promotion of Competition and the Reduction of Centralization, 5774-2013
Second Authority Law	-	Second Television and Radio Authority Law, 5755-1990
Planning and Construction Law	-	Planning and Construction Law, 5725-1965
Communications Law	-	The Communications (Bezeq and Broadcasting) Law, 5742-1982
Securities Law	-	Securities Law, 5728-1968
Rules of communication		Rules of Communication (Holder of a Broadcasting License), 5747-1987
Telegraph Order		Wireless Telegraph Order [New Version], 5732-1972
General Permit Regulations		Communications Regulations (Bezeq and Broadcasting) (General Permit for the Provision of Bezeq Services), 5782-2022
Usage Regulations		Communications (Bezeq and Broadcasting) Regulations (Use of an NIO's Public Network), 5775-2014
The Communications Order		Communications Order (Bezeq and Broadcasting) (determination of an essential service provided by Bezeq, The Israel Telecommunications Company Ltd.), 5777-1997
Prospectus Details Regulations	-	Securities Regulations (Prospectus and Draft Prospectus Details, Structure, and Form), 5729-1969
Interconnectivity regulations	-	Communications Regulations (Bezeq and Broadcasting) (Interconnectivity), 5764-2000
Satellite Broadcasting License Regulations	-	Communications Regulations (Bezeq and Broadcasting) (Procedures and Conditions for Licensing Satellite Broadcasting), 5758-1998

B. Technological terms and other key terms appearing in the report⁹³

Statistical area	-	A continuous area unit created from a geographic-statistical division, as ordered by the Minister of Communications according to Aarticle 14f of the Communications Law; The division into statistical areas is based on the CBS.
Internet Gold	-	Internet Gold Gold Lines
Bezeq Online	-	Bezeq online Ltd.
Bezeq International	-	Bezeq International Ltd

⁹³ It should be noted that the definitions of the terms are provided for the convenience of the reader, and are not necessarily identical to the definitions in the Communications Law or its regulations.

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Beze-Gen		BezeqGenLtd
Golan telecom	-	Golan Telecom Ltd.
Gilat		Gilat Telecom Ltd.
2025 Statements	-	The Company's consolidated financial statements for the year ended December 31, 2025
Interconnectivity fee	-	The interconnectivity fee (also called the call completion fee) is a payment that one operator pays to another operator for a reciprocal link (see definition below)
Hot	-	Hot Communications Systems Ltd., and corporations under its control that operate in the field of broadcasting (multi-channel television)
Hot Telecom	-	Hot Telecom Limited Partnership
Hot Mobile	-	Hot Mobile Ltd. (formerly MIRS Communications Ltd.) and corporations under its control
The Histadrut	-	The New General Workers' Union
The Subsidiaries		The Company's wholly-owned subsidiaries – Pelephone, Bezeq International, and Yes
Council	-	Cable and Satellite Broadcasting Council
The Second Authority	-	The Second Television and Radio Authority
Walla	-	Walla! Communications Ltd. and corporations under its control
Space	-	Space Communications Ltd.
Eurocom DBS	-	Eurocom DBS Ltd.
Eurocom Communications	-	Eurocom Communications Ltd.
Switching	-	In the context of a communications network - a telephony system that supports the connection of devices for transferring calls between different end units
Mbps	-	Megabits per second; Measurement unit for data transfer speed
NIO	-	National interior operator; A body that provides landline interior telephony services under a general or unique NIO license
Roaming	-	Roaming services allow a customer of one communication network to receive services from another communication network other than his "home network" (the network with the license he subscribes to), based on roaming agreements between the home network and the host network
Network endpoint	-	Network endpoint - an interface to which one is connected, on the one hand a public Bezeq network and on the other hand end equipment or a private network. Network endpoint services include the supply and maintenance of equipment and services in the customer's premises
Authorized provider		Bezeq license holder or registered in the registry maintained according to Article 4A1 of the Communications Law
Cellcom	-	Cellcom Israel Ltd. and corporations under its control
Pelephone	-	Pelephone Communications Ltd.
Partner	-	Partner Communications Ltd. and corporations under its control
Interconnectivity	-	Interconnectivity enables the transmission of instant messages between subscribers of different licensees, or the provision of services by one licensee to the subscribers of another licensee; Interconnectivity is possible

Chapter A (Description of the Corporation's Business) to the 2025 Periodic Report

		through a connection between a public Bezeq network of one licensee (for example - Bezeq) and a public network of another licensee (for example - a cellular operator); See also " Interconnectivity Fee" Definition
Mobile radio telephone	-	Mobile radio telephone phone; Cellular telephony
NIO license	-	Unique general or general license for the provision of landline interior Bezeq services
Mobile Radio license		General license for the provision of mobile radio telephone services - in the cellular method
Broadcasting license	-	License for satellite television broadcasts
ILA	-	Israel Lands Authority
Rami Levy	-	Rami Levy Cellular Communications Ltd.
Fiber network	-	A network based on optical fibers that reach a network endpoint in an end user's apartment, or an equivalent network in terms of the level of service that can be provided over it according to standards ordered by the Minister and published on the website of the Ministry of Communications; For this purpose, "apartment" - a room or cabin, or a set of rooms or cabins intended to be used as a complete and separate unit for living, business, or any other need, including a detached apartment
Traditional network		Non-fiber Bezeq network
Bezeq services	-	A service that is one of the following, provided to the general public or a part of it through the Bezeq network: (1) Telephony service; (2) Internet access service; (3) Data transfer service; (4) Another service listed in the First Schedule
Internet access service		A service that can be provided to subscribers for consideration, in money or money equivalents, that allows them to link to the endpoints of the Internet network that are accessible to the general public
Data transfer services	-	Network services for data transfer from point to point, data transfer between computers and various communication networks and remote business access services
Telephone service		A service that allows the transfer or reception of a Bezeq message based on a number according to the numbering plan
On-demand viewing services		Services that allow viewing content when it is not broadcast, including VOD, Catch Up (viewing content that has been broadcast, until a certain period of time has passed since the time of its original broadcast), Start Over (the possibility to go back and watch content from the beginning), recording and saving content in the cloud
Reporting period	-	Twelve months ended December 31, 2025
Usage Regulations		Communications Regulations (Bezeq and Broadcasting) (Use of a Public Network of an NIO), 5775-2014
Passive infrastructure		The passive components of the public Bezeq network at all levels, including rods, sub-rods, hubs, overhead niches, boxes, and masts.
Bitstream Access (BSA)	-	Managed broadband access that allows provider services to connect to the infrastructure owner network and offer broadband services to subscribers
xDSL	-	Digital Subscriber Line - technology that uses the copper wires of telephone lines to transmit data at high rates by using frequencies higher than the audible frequency and therefore allows simultaneous use of call and data

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		transmission
DTT	-	Digital Terrestrial Television- Wireless digital broadcasting of TV channels via terrestrial relay stations
GSM	-	Global System for Mobile Communications - International Standard for Cellular Communication Networks ("2G")
HD	-	High Definition TV - High definition (broadcast) TV broadcasts
HSPA	-	High Speed Packet Access - Cellular technology that is a continuation of the UMTS standard that enables data transfer at high speeds ("3.5G")
IBC	-	ABC Israel Broadband Company (2013) Ltd.
ICT		Business integration service (Information and communications technology)
IP	-	Internet Protocol. The use of this protocol enables convergence between voice (data) and contractual (video) services over the same network
IPVPN	-	A virtual private network (Virtual Private Network) based on an Internet Protocol (IP) which is established on the public network, and through which it is possible to: (a) allow end users to connect to the corporate network and perform remote access; And - (b) make a connection between the branches of the organization (intranet)
ISP	-	Internet Service Provider - has a special license to provide Internet access services (Internet Service Provider). The Internet access provider is the body that allows the end user to connect to the IP / TCP protocol that connects it to the global Internet network
LTE		Long Term Evolution - Fast WIFI mobile standard devices such as cell phones
MVNO	-	Mobile Virtual Network Operator - a virtual cellular operator, which uses the existing communication infrastructure of the cellular operators without the need for its own infrastructure
NGN	-	Next Generation Network - Bezeq's communications network based on IP architecture
UMTS	-	Universal Mobile Telecommunications System - an international standard for cellular communications that is a development of the GSM standard ("3G")
VoB	-	Voice Over Broadband - Telephony services and related services in IP technology using landline broadband access services
VOD	-	Video on Demand - TV services on demand by the subscriber
VoIP	-	Voice over Internet Protocol - technology that enables the transmission of voice messages (telephony service delivery) via IP protocol
Wi-Fi	-	Wireless Fidelity - Wireless access to the Internet in the local area
Yes		Yes TV and Communications Services Ltd.

8. **Appendix B - Financial Indices and Operational Performance Indices⁹⁴ (Key Performance Indicators)**

General

The indices below, which are specified in the chapters of Bezeq's periodic report, are financial indices that are not defined or detailed in generally accepted accounting principles included in the financial statements. The definition of the indices and / or how they are calculated may change from time to time, they do not constitute a substitute for indices based on accepted accounting rules and they may not even be calculated in the same way as parallel indices in other companies.

Details will be provided below in relation to the aforesaid indices, including in accordance with the update of the decision of the Securities Authority 99-6 regarding the use of financial indices that are not based on generally accepted accounting rules.

Financial indices

EBITDA

(Earnings Before Interest, Taxes, Depreciation and Amortization) EBITDA is defined as profit before financing expenses (income), taxes, depreciation and amortization. The EBITDA index is an accepted index in the field of the Company's activity which neutralizes aspects due to differences in the capital structure, various aspects of taxation and the manner and period of the reduction of property, plant and equipment and intangible assets. The Company's EBITDA is calculated as operating profit before depreciation, amortization and impairment (ongoing losses from impairment of property, plant and equipment and intangible assets). As of January 1, 2019, and for the purpose of adequately presenting economic activity, the Company presents ongoing losses / loss reversals from impairment of property, plant and equipment and intangible assets in the DB and Walla under depreciation and amortization, as well as ongoing losses from impairment of broadcasting rights under operating expenses and general expenses (in the statement of income).

Free flow (Free Cash Flow - FCF)

The Company's free cash flow is defined as cash arising from current activities less cash for the purchase / sale of property, plant and equipment and intangible assets (net) and as of 2018, with the application of a IFRS16 standard, payments for leases are also deducted. The free cash flow index is an accepted index in the field of the company's activity in general and it represents the cash that the Company is able to produce after the investment needed to maintain or expand its asset base.

Operational performance indices (Key Performance Indicators)

ARPU (Average Income Per User)

The ARPU reflects the average monthly income per line / subscriber / parent house and is calculated as the monthly average distribution of the total relevant income for the period in the average number of active lines / subscribers / households in that period, as applicable. It will be clarified that the Group has four main areas of activity that correspond to the corporate division between the Group companies and the definition of a different active subscription between the areas of activity.

Churn rate

The churn rate reflects the Company's ability to retain its customer base and is calculated as the distribution of the number of lines / subscribers / households that disconnected from the Company's services during the period in the average number of active lines / subscribers / households in that period, as applicable. It will be clarified that the Group has four main areas of activity that correspond to the corporate division between the Group companies and the definition of a different active subscription between the areas of activity.

⁹⁴ Regarding this issue, refer also to the section 'Financial Metrics Not Prepared in Accordance with Generally Accepted Accounting Principles' in the Board of Directors' Report.



Chapter B
Board of Directors' Report
On the State of Affairs of the Corporation
For the Year Ended December 31, 2025

Report of the Board of Directors on the State of Affairs of the Corporation for the Year ended December 31, 2025

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

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

1. **Landline interior communication**
2. **Cellular communication**
3. **Internet and international communications services and ICT solutions (hereinafter: "Bezeq International Services")**
4. **TV and communication services**

Regarding the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating Bezeq's results in the Company's financial statements as of December 31, 2025, attached to this annual report ("the Statements").

The following are the Group's consolidated results:

	2025	2024	Increase/decrease	
	NIS millions	NIS millions	NIS millions	%
Net profit	2,948	888	2,060	232.0
Adjusted net profit*	1,707	1,108	599	54.1
Comparative net profit*	1,137	953	184	19.3
EBITDA*	5,229	3,485	1,744	50.0
Adjusted EBITDA*	3,988	3,705	283	7.6
Comparative EBITDA*	3,723	3,672	51	1.4
Free cash flow**	1,113	1,234	(121)	(9.8)

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

The increase in net profit and EBITDA was mainly attributable to profit from the sale of subsidiary shares and the reversal of an impairment loss on assets of yes, see Note 10.1 to the Statements.

For more information, see Chapter 1.2 below.

Report of the Board of Directors on the State of Affairs of the Corporation for the Year ended December 31, 2025

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

As of the Report Date, the Group's Management is assisted by financial performance indices that are not based on the generally accepted accounting rules for examining and presenting the Group's financial performance. These indices do not constitute a substitute for the information contained in Bezeq's statements.

The following is a breakdown of the indices:

Index	Details of the method of calculation and the purposes of the index
Adjusted net profit	Defined as net profit excluding other operating expenses/income, net of tax, one-off gains/losses from impairment/increase in value of asset value after tax, and expenses related to equity-based compensation plans. This measure enables performance comparisons across different periods by neutralizing the effects of unusual, non-recurring items.
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	Defined as profit before financing income (expenses), financing, 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 Notes 3.7 and 10.1 to the Statements).
Comparative EBITDA and comparative profit	Adjusted EBITDA and adjusted net profit, excluding the overall effect of gains/losses from changes in asset value.
Adjusted net profit	Defined as net profit neutralizing other operating expenses/income, net after tax and one-off losses/gains from depreciation/appreciation after tax, and expenses for the equity compensation plan. The index allows performance comparisons between different periods while neutralizing the effects of unusual expenses/income of a one-off nature.
Free cash flow	Defined as cash from operating activities minus cash for the purchase/sale of PP&E and intangible assets, net, and starting in 2018, upon the implementation of IFRS 16, lease payments are also deducted. Free cash flow is used as a measure for evaluating business results and cash flows since, in the opinion of the Group, free cash flow is an important liquidity measure that reflects the cash generated by the Group from its current activities after investing cash in infrastructure and other PP&E and intangible assets.

Report of the Board of Directors on the State of Affairs of the Corporation for the Year ended December 31, 2025

The following is a breakdown of the calculation of the indices:

	2025	2024
	NIS millions	
Net profit	2,948	888
Other operating expenses, net after tax	291	199
Expenses on equity compensation plan	22	21
Profit from the sale of subsidiary shares	(1,554)	-
Adjusted net profit	1,707	1,108
Excluding the overall effect of impairment/reversal of impairment losses in yes	(543)	(132)
Excluding the overall effect of impairment losses in Bezeq International	(27)	(23)
Comparative net profit	1,137	953

	2025	2024
	NIS millions	
Operating profit	3,542	1,641
Depreciation, amortization, and impairment	1,687	1,844
EBITDA	5,229	3,485
Other operating expenses, net	291	199
Equity compensation plan expenses	22	21
Profit from the sale of subsidiary shares	(1,554)	-
Adjusted EBITDA	3,988	3,705
Excluding the overall effect of impairment/reversal of impairment losses on operating assets (mainly broadcasting rights in yes)	(265)	(33)
Comparative EBITDA	3,723	3,672

	2025	2024
	NIS millions	
Net cash derived from operating activities	3,242	3,409
Minus cash for the purchase/sale of PP&E and intangible assets, net	1,638	1,726
Minus lease payments	491	449
Free cash flow	1,113	1,234

Report of the Board of Directors on the state of affairs of the corporation for the Year ended December 31, 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 - Assets

	December		Increase (decrease)		Explanation
	31, 2025	31, 2024			
	NIS millions	%	NIS millions	%	
Cash and current investments	2,844	2,891	(47)	(1.6)	See Chapter 1.4 below. The decrease was due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports. See Note 1.3 to the Statements.
Current and non-current trade receivables	1	1,979	(1,978)	(99.9)	
Inventory	-	162	(162)	-	The decrease was due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports. See Note 1.3 to the Statements.
Assets of disposal group held for sale	-	83	(83)	-	The decrease was due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports. See Note 1.3 to the Statements.
Right-of-use assets	-	1,762	(1,762)	-	The decrease was due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports. See Note 1.3 to the Statements.
Property, plant and equipment	-	7,160	(7,160)	-	The decrease was due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports. See Note 1.3 to the Statements.
Intangible assets	-	3,287	(3,287)	-	The decrease was due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports. See Note 1.3 to the Statements.
Deferred expenses and non-current investments	-	368	(368)	-	The decrease was due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports. See Note 1.3 to the Statements.
Total assets	2,845	17,692	(14,847)	(83.9)	

Report of the Board of Directors on the state of affairs of the corporation for the Year ended December 31, 2025

1.1. Financial position – Liabilities and equity

	December 31, December		Increase (decrease)	
	2025	31, 2024	NIS millions	%
Debt to financial institutions and bondholders	-	9,694	(9,694)	-
Liabilities in respect of leases	-	1,968	(1,968)	-
Trade payables	2	1,955	(1,953)	(99.9)
Employee benefits	-	700	(700)	-
Provisions	12	114	(102)	(89.5)
Liabilities of disposal group held for sale	-	34	(34)	-
Deferred tax liabilities	-	304	(304)	-
Other liabilities	-	214	(214)	-
Total liabilities	14	14,983	(14,969)	(99.9)
Non-controlling interests	-	2,476	(2,476)	-
Total equity deficit attributed to the Company's shareholders	2,831	233	2,598	(1,117.0)
Total equity	2,831	2,709	122	4.5
Total liabilities and equity	2,845	17,692	(14,847)	(83.9)

Explanation
The decrease was due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports and from the early redemption of the Company's debentures. See Note 1.3 to the Statements. See Notes 13, 1.3 to the Statements.
The decrease was due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports. See Note 1.3 to the Statements.
The decrease was due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports. See Note 1.3 to the Statements.
The decrease was due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports. See Note 1.3 to the Statements.
The decrease was mainly due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports. See Note 1.3 to the Statements.
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The decrease was due to the sale of the Company's remaining holdings in Bezeq and the cessation of consolidating its statements in the Company's reports. See Note 1.3 to the Statements.
The increase in equity attributable to the owners of the Company was mainly due to profit from the sale of subsidiary shares and from the early redemption of the Company's debt.
Equity accounted for approximately 99.51% of total assets, compared with approximately 15.3% of total assets as of 31.12.2024.

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1.2. Enterprise results

1.2.1. Key results

	2025	2024	Increase (decrease)		Explanation
	NIS millions		NIS millions	%	
Revenues	8,702	8,884	(182)	(2.0)	The decrease was mainly due to the reduction of interconnection rates starting June 2024 and the subsequent cancellation of most of them from June 2025, as well as the sale of the subsidiary Bezeq Online and its deconsolidation starting from the second quarter of 2025. See Note 12.2 to the Statements. The decrease was partially offset by an increase in revenues from the landline interior communications segment and the television and communications services segment. For additional information, see Section 1.2.2 below.
Operating and general expenses	2,873	3,264	(391)	(12.0)	The decrease was mainly due to the reversal of an impairment loss on broadcasting rights assets in yes and a decrease in interconnection payments to telecommunications operators following the cancellation of most of the rates as described above, mainly in the cellular communications segment. For additional information, see Notes 10.1 and 20 to the Statements and Section 1.2.2 below.
Salary	1,863	1,936	(73)	(3.8)	The decrease was due to the sale of Bezeq Online and its exit from consolidation starting from the second quarter of 2025.
Depreciation, amortization and impairment	1,687	1,844	(157)	(8.5)	The decrease was mainly due to the reversal of an impairment loss on assets of yes. See Note 10.1 to the Statements.
Profit from the sale of subsidiary shares	(1,554)	-	(1,554)	-	The increase was due to the sale of the Company's remaining shares in its subsidiary Bezeq by the Company. See Note 1.3 to the Statements.
Other operating expenses, net	291	199	92	46.2	The increase was mainly due to higher expenses related to the termination of employee-employer relations in early retirement programs in the landline interior communications segment, offset by expenses recognized for voluntary retirement in the corresponding year in the Bezeq International segment. See Note 16.5 to the Statements. For additional information, see Note 22 to the Statements.
Operating Profit	3,542	1,641	1,901	115.8	
Financing expenses, net	298	424	(126)	(29.7)	The decrease was mainly due to a decline in the value of forward contracts resulting from the decrease in the US dollar exchange rate in 2025, in the landline interior communications segment and the television and communications services segment, as well as from the early redemption of the Company's debentures. For additional information, see Note 23 to the Statements.
Share in loss of equity-held investee, net	19	8	11	137.5	Starting from the Q2/2024, Bezeq-Gen Ltd. has recorded its share of the net operating results of Bezeq-Gen in its statements.
Income taxes	277	321	(44)	(13.7)	For additional information, see Note 7 to the Statements.
Profit for the year	2,948	888	2,060	232.0	

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1.2.2. Operating segments

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

	2025		2024	
	NIS millions	% of revenues	NIS millions	% of revenues
Revenues by operating segments				
Interior landline communication	4,428	50.9	4,342	48.9
Cellular communication	2,167	24.9	2,254	25.4
Bezeq International services	1,080	12.4	1,105	12.4
TV and communication services	1,300	14.9	1,265	14.2
Others and adjustments	(273)	(3.1)	(82)	(0.9)
Total revenues	8,702	100.0	8,884	100.0

	2025		2024	
	NIS millions	% of revenues	NIS millions	% of revenues
Profit (loss) by operating segments				
Interior landline communication	1,242	28.0	1,438	33.1
Cellular communication	186	8.6	189	8.4
Bezeq International services	43	4.0	(16)	(1.4)
TV and communication services (proforma) *	(33)	(2.5)	(92)	(7.3)
Others and adjustments **	2,104	-	122	-
Consolidated operating profit / percentage of Group revenues	3,542	40.7	1,641	18.5

* The results of the TV and communication services segment are presented net of the overall impact of impairments and their reversals recognized starting from 2018, 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 29.4 to the Consolidated Financial Statements for a summary of selected data from the Yes' statements.

** Mainly an adjustment for the profit from the sale of subsidiary shares and the adjustment of the difference between the operating loss of the TV and communication services segment (proforma) and the accounting operating profit of yes, mainly due to reversal of impairment losses. See Note 10.1 and Section 1.2.2(e) below.

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1.2.2. Activity segments (Cont.)

a. Landline interior communications segment

	2025	2024	Increase (decrease)		Explanation
	NIS millions			%	
Internet - infrastructure	2,032	1,999	33	1.7	The increase was due to a rise in the average revenue per retail internet subscriber, mainly resulting from an increase in the number of subscribers connected to the fiber network, offset by a decline in wholesale market revenues, which was partly attributable to the reduction in passive infrastructure access rates effective 1.4.2024.
Landline telephony	488	544	(56)	(10.3)	The decrease was due to a reduction in the average revenue per telephone line, mainly as a result of the reduction of interconnection rates starting June 2024 and the cancellation of most of them from June 2025, as well as a decrease in traffic volume. In addition, there was a decrease in the number of active lines.
Transmission, data communication, and others	1,543	1,451	92	6.3	The increase was mainly due to growth in transmission and data communications services, sales of end equipment to businesses, and revenues from paid works, offset by a decline in transmission revenues from internet service providers (ISPs) due to subscriber migration to Bezeq following the unified internet reform.
Cloud and digital services	365	348	17	4.9	The increase was due to cloud services and virtual PBX services, offset by a decline in revenues from the business directory service (B144) of Bezeq.
Total revenues	4,428	4,342	86	2.0	
Operating and general expenses	750	738	12	1.6	The increase was mainly due to higher subcontractor, marketing, and general expenses, offset by a decrease in interconnection payments to telecommunications operators following the rates reductions described above.
Salary	1,089	1,037	52	5.0	The increase was mainly due to salary adjustments and an increase in bonus provisions, offset by employee departures under retirement programs.
Depreciation and amortization	1,060	1,023	37	3.6	
Other operating expenses, net	287	106	181	170.8	The increase was mainly due to higher expenses related to the termination of employee-employer relations under early retirement programs. See Note 16.5.1 to the Statements. The increase also resulted from higher provisions for legal claims.
Operating profit	1,242	1,438	(196)	(13.6)	
Financing expenses, net	279	250	29	11.6	The increase was mainly due to a decline in the value of forward contracts resulting from the decrease in the US dollar exchange rate in 2025. The increase was partially offset mainly by a decrease in indexation expenses on debentures due to a lower rate of consumer price index increase in 2025 compared to 2024.
Share in loss of equity-held investee	19	8	11	137.5	Starting from the second quarter of 2024, Bezeq-Gen Ltd. has recorded its share in the net operating results of Bezeq-Gen in its statements.
Income taxes	224	274	(50)	(18.2)	
Segment profit	720	906	(186)	(20.5)	

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1.2.2. Activity segments (Cont.)

b. Cellular communications segment

	2025	2024	Increase (decrease)		Explanation
	NIS millions			%	
Revenues from services net of interconnect *	1,475	1,403	72	5.1	The increase was mainly driven by growth in postpaid revenues due to an increase in the subscriber base (including subscribers to 5G plans), higher content revenues, and increased roaming service revenues as a result of the recovery from the effects of the war.
Interconnect revenues*	75	233	(158)	(67.8)	The decrease in interconnect revenues was mainly due to a reduction in interconnect rates, most of which were eliminated in June 2025.
Sale of end equipment to customers	617	618	(1)	(0.2)	
Total revenues	2,167	2,254	(87)	(3.9)	
Operating and general expenses	1,061	1,178	(117)	(9.9)	The decrease was mainly due to a reduction in expenses attributed to interconnect revenues (in line with the decline in revenues). This decrease was partially offset mainly by an increase in spectrum fee expenses following the cancellation of the discount granted in the corresponding year.
Salary	329	321	8	2.5	The increase was mainly driven by the impact of wage increases following the collective labor agreement. This increase was partially offset by a decrease in the number of employees.
Depreciation and amortization	576	552	24	4.3	The increase was mainly driven by an increase in new investments.
Other operating expenses, net	15	14	1	7.1	
Operating profit	186	189	(3)	(1.6)	
Financing expenses (income), net	(1)	7	(8)	-	The change was mainly due to a decrease in interest and indexation expenses following the closure of Income Tax assessments for prior years, which was partially offset by an increase in financing expenses on lease liabilities.
Income taxes	41	44	(3)	(6.8)	
Segment profit	146	138	8	5.8	

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

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1.2.2. Activity segments (Cont.)

c. Bezeq International services

	2025	2024	Increase (decrease)		Explanation
	NIS millions			%	
Revenues	1,080	1,105	(25)	(2.3)	The decrease was mainly due to a reduction in Internet service (ISP) revenues in the private segment, resulting from a decline in the number of subscribers following the unified internet reform, as well as a decrease in revenues from business internet services and international data communication services. In addition, the revenue decline was affected by the depreciation of the U.S. dollar exchange rate. This decrease was partially offset mainly by an increase in revenues from cloud activities and from the sale of equipment, licensing, and service contracts.
Operating, general and impairment expenses	720	722	(2)	(0.3)	The decrease was mainly due to a reduction in expenses for the use of internet infrastructure in the private and business segments, reflecting the decline in activity in this area, as well as a decrease in costs of international data communication services. In addition, the expense reduction was affected by the depreciation of the U.S. dollar exchange rate. This decrease was partially offset mainly by an increase in cloud activity expenses, including those of the subsidiaries.
Salary	214	211	3	1.4	The increase was mainly due to higher salary expenses in Bezeq International's subsidiary companies, offset by a decrease in payroll expenses at Bezeq International as a result of the ongoing reduction in its employee base.
Depreciation, amortization, and impairment	103	118	(15)	(12.7)	The decrease was due to a reduction in current depreciation, amortization of right-of-use assets, and lower impairment losses, in line with the decline in investments.
Other operating expenses	-	70	(70)	-	The corresponding year included a provision for voluntary retirement following the signing of a collective labor agreement.
Operating profit (loss)	43	(16)	59	-	
Financing expenses, net	7	5	2	40.0	The increase was driven by exchange rate differences and financing costs related to the discounting of the restructuring provision, offset by an increase in interest income.
Income taxes	-	1	(1)	-	
Segment profit (loss)	36	(22)	58	-	

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1.2.2. Activity segments (Cont.)

d. TV and communication services (proforma) *

	2025	2024	Increase (decrease)		Explanation
	NIS millions			%	
Revenues	1,300	1,265	35	2.8	The increase was mainly driven by growth in revenues from bundled television and fiber packages, as well as revenues from a partnership for providing content services to Partner.
Operating and general expenses	908	911	(3)	(0.3)	The decrease was mainly due to lower expenses for satellite services, content, engineering, and contractors, offset mainly by an increase in fiber-related activity costs and costs associated with the collaboration for providing content services to Partner.
Salary	178	184	(6)	(3.3)	The decrease was mainly due to workforce efficiency improvements and higher capitalization of salary costs, offset by the impact of wage increases under the collective labor agreement.
Depreciation and amortization	235	254	(19)	(7.5)	The decrease was mainly due to a change in the estimated useful life of assets and assets that were fully depreciated.
Other operating expenses	12	8	4	50.0	The increase was mainly due to the recognition of income from the sale of assets in the prior year.
Operating loss	(33)	(92)	59	64.1	
Financing expenses (income), net	24	(10)	34	-	The change was mainly due to a decline in the value of forward transactions resulting from the depreciation of the U.S. dollar exchange rate in 2025.
Income taxes	1	1	-	-	
Segment loss	(58)	(83)	25	30.1	

* Results of the TV and communications services segment are presented excluding the total impact of impairment losses and their reversals recognized since 2018. This is consistent with the way the Group's chief operating decision maker evaluates the segment's performance and makes resource allocation decisions. For further information, see Notes 10.1 and 26 to the Statements. Also see Note 29.4 to the Statements regarding selected summary financial data from the statements of yes.

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1.2.2. Activity segments (Cont.)

e. **TV and communication services (Cont.) - Comparison between accounting income and proforma income**

	2025		2024	
	Accounting P&L	Pro Forma P&L	Accounting P&L	Pro Forma P&L
	NIS millions			
Revenues	1,300	1,300	1,265	1,265
Operating and general expenses	637	908	870	911
Salary	184	178	192	184
Depreciation and amortization	(43)	235	155	254
Other operating expenses, net	12	12	8	8
Operating profit (loss)	510	(33)	40	(92)
Financing expenses (income), net	24	24	(10)	(10)
Income taxes expenses	1	1	1	1
Profit (loss) for the year	485	(58)	49	(83)

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1.3. Main data from the Group's consolidated quarterly P&L statements (NIS millions)

	Q1/2025	Q2/2025	Q3/2025	Q4/2025	2025	Explanation
Revenues	2,235	2,136	2,145	2,186	8,702	Starting from the second quarter, Bezeq ceased consolidating the results of its subsidiary Bezeq Online; see Note 12.2 to the Statements. In addition, most interconnect rates were eliminated starting June 2025.
						<u>Q2</u> – As noted above, the results of the subsidiary Bezeq Online were no longer consolidated. In addition, starting in the second quarter, impairment losses in the company yes were reversed; see Note 10.1 to the Statements.
Operating expenses	1,796	1,508	1,534	322	5,160	<u>Q4</u> – A provision for early retirement was recorded in the landline interior communications segment in the amount of approximately NIS 244 million; see Note 16.5.1 to the Statements. In addition, the Company recognized profit from the sale of subsidiary shares in the amount of approximately NIS 1.55 billion; see Note 1.3 to the Statements.
						Furthermore, in the fourth quarter, expenses related to the fiber deployment incentive fund were cancelled following a temporary order stipulating that in 2025 the payment rate of the obligated entities to the incentive fund would be 0% instead of 0.5% of their taxable income.
Operating profit	439	628	611	1,864	3,542	
Financing expenses, net	102	138	22	36	298	The decrease in net financing expenses starting from Q3/2025 was mainly due to the early repayment of the Company's debentures. In addition, financing expenses in Q2 were affected by a decline in the value of forward transactions resulting from the depreciation of the U.S. dollar exchange rate.
Profit after financing expenses, net	337	490	589	1,828	3,244	
Share in loss (profit) of equity-held investee, net	3	1	16	(1)	19	
Income taxes	90	77	72	38	277	
Profit for the period	244	412	501	1,791	2,948	
Total comprehensive income for the period	240	408	497	1,790	2,935	

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1.4. Cash flow

	2025	2024	Change		Explanation
	NIS millions	NIS millions	NIS millions	%	
Net cash flow derived from operating activities	3,242	3,409	(167)	(4.9)	The decrease in net cash flow from operating activities was mainly due to higher Income Tax payments in the landline interior communications segment.
Net cash flow derived from (used for) Investing operations	1,017	(2,320)	3,337	-	The increase in net cash flow from investing activities was mainly due to the sale of Bezeq shares by the Company and the redemption of bank deposits and other financial investments in the landline interior communications segment, offset by a decrease in the purchase of property and equipment.
Net cash flow used for financing operations	(1,696)	(809)	(887)	(109.6)	The increase in net cash flow used in financing activities was mainly due to higher transactions with non-controlling interests in the Company, offset by the early repayment of debentures, a decrease in proceeds from debenture issuances, and an increase in dividends paid in the landline interior communications segment compared to the corresponding period last year.
Net increase in cash and cash equivalents	2,563	280	2,283	815.4	

Working equity

The company's working capital as of 31.12.2025, amounted to approximately NIS 2.8 billion, compared to the Group's consolidated working capital of approximately NIS 669 million as of 31.12.2024.

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1.5. Plan for the buyback of the Company's shares

On September 17, 2025, the company purchased an additional 125,000 of its own shares for approximately NIS 2.6 million.

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

In 2025, the increase in the consumer price index resulted in financing expenses related to the Group's financial debt of approximately NIS 59 million (approximately NIS 57 million after hedging), representing a decrease of approximately NIS 28 million (approximately NIS 17 million after hedging) compared to the corresponding year.

It should be noted that the impact of the increase in the consumer price index on the Group's operating results was not material. In addition, there was no material change in the Bank of Israel interest rate during that year.

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2. Corporate governance aspects

2.1. Involvement of the Group members in the community and donations

The Company supports Bezeq's corporate responsibility policy and will continue to promote this policy in all Group companies. The Company's donation policy focuses on health, education, and community issues. In the year of the report, the Company donated to other non-profit organizations in amounts that are not material to the Company.

In 2025, the Bezeq Group donated a total of approximately NIS 10 million, including:

- Cash donations of approximately NIS 4.3 million
- Donations of services and communications infrastructure to nonprofit organizations totaling approximately NIS 5.3 million
- Wage contributions related to employee volunteer work of approximately NIS 440 thousand

Bezeq Group continues to work toward creating meaningful social impact and investing resources, capabilities, and partnerships to strengthen service members, their families, and supporting communities.

Below is a breakdown of the scope of donations made by Bezeq Group in the reporting year to recipient entities with which Bezeq, a director, the CEO, a controlling shareholder, or their relatives have a relationship, where each donation exceeds NIS 50,000.

Donation Recipient	NIS amount of the Group's donation	The nature of the relationship between the recipient of the donation and Bezeq, a director, CEO, controlling shareholder, or relative
Friends of Sheba Tel-HaShomer Medical Center (Registered Association)	150,000	According to information provided to the Company, during the reporting period, corporations owned by Mr. David Fuhrer and Mrs. Michal Fuhrer - who held a control permit in Bezeq until November 2025 - donated to Sheba - Tel HaShomer Medical Center. Mrs. Orit Elster Ben-Zvi, a director at Bezeq, serves as a director of Sheba Negev (PBC) Ltd., a company indirectly related to the donation recipient.
Friends of Sourasky Tel Aviv Medical Center (Registered Association)	150,000	According to information provided to the Company, during the reporting period, corporations owned by Mr. David Fuhrer and Mrs. Michal Fuhrer - who held a control permit in Bezeq until November 2025 - donated to Tel Aviv Sourasky Medical Center.
ELEM - Association for Youth in Distress (Registered Association)	60,000	According to information provided to the Company, during the reporting period, corporations owned by Mr. David Fuhrer and Mrs. Michal Fuhrer - who held a control permit in Bezeq until November 2025 - donated to Reichman University (PBC).

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2.2. Disclosure regarding auditor's salary

The following are the fee expenses for the auditors of the main consolidated companies in the Group for audit and audit-related services (NIS thousands):

Company	Auditor	Details	2025	2024
B Communications Ltd.	Somekh Chaikin	Audit and audit-related, including audit-related tax services	350	350
		Other services ¹	284	208
Bezeq – the Israeli Telecommunications Corp. Ltd.	Somekh Chaikin	Audit and audit-related, including audit-related tax services	1,873	1,815
		Other services ¹	874	1,070
Pelephone Communications Ltd.	Somekh Chaikin	Audit and audit-related, including audit-related tax services	738	715
		Other services ¹	957	278
Bezeq International Ltd.	Somekh Chaikin	Audit and audit-related, including audit-related tax services	396	384
		Other services ¹	270	348
Yes TV and Communications Services Ltd. (Yes)	Somekh Chaikin	Audit and audit-related, including audit-related tax services	749	726
		Other services ¹	157	107
Total			6,648	6,001

The accountants' fees were discussed by the Boards of Directors' committees for examining the statements and approved by the Boards of Directors of the Company and of each of the Group companies. The fees are determined with reference to the volume of hours and the derived hourly rate.

2.3. Directors with accounting and financial expertise and independent directors

As of the date of the report, all seven directors serving in the Company have accounting and financial expertise; For details about the directors with accounting and financial expertise serving in the Company as of the date of the report, see Regulation 26 in the report of additional details on the Company (part D of this periodic report) and also in Sections 2 and 9 of the corporate governance questionnaire.

2.4. Additional corporate governance issues

The Company established a gatekeepers' forum, with the participation of the Internal Auditor, the auditors, and the external legal advisors, led by the Company's CFO. This forum convenes as needed, in order to discuss general control and enforcement issues in the Company.

¹ "Other services" provided to main companies in the Group in 2023 and 2024 included, among other things, consulting services on tax and accounting issues that are not related to auditing and special approvals.

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2.5. Disclosure regarding the internal auditor in a reporting corporation

Details concentration	
Name of internal auditor	Ilan Chaikin
Date of entry into office	2008
Compliance with the provisions of the law	The internal auditor complies with the conditions set forth in Article 3(a) and 8 of the Internal Audit Law and the provisions of Article 146(b) of the Companies Law.
Employment format	Hourly fee, according to the number of hours determined at the beginning of each year by the Audit Committee.
Method of appointment	<p><u>The method of appointment and summary of the reasons for approving the appointment:</u> The appointment was approved by the Board of Directors in 2008, following the recommendation of the Audit Committee.</p> <p><u>Duties, powers and roles assigned to the auditor:</u> The authority and responsibility of the Company's Internal Auditor are fixed in the Company's internal audit procedure approved by the Audit Committee. According to the procedure, the Auditor's duties and powers are: Checking the correctness of the Company's operations and the actions of its officers, checking the reliability and integrity of the financial and operational information, examining the management of funds and liabilities and examining the Company's computerized information systems and the Company's information security system. The Internal Auditor is also responsible for examining employee complaints in accordance with the arrangements established by an audit committee in accordance with Article 117(6) of the Companies Law, 5759-1999. His powers are to receive any information, explanation and document necessary to fulfill his duties, right of access to any regular or computerized database of the Company, any database and any automatic or non-automatic data processing work plan of the Company and its units and receive permission to enter any property of the Company. The Internal Auditor is also entitled to be invited to all meetings of Management, the Board of Directors and its committees.</p>
Organizational supervisor of the Internal Auditor	The organizational supervisor of the internal auditor is the CEO of the Company.

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Work plan	<p>The work plan in 2024 was derived from the Company's multi-year work plan established for the years 2021-2024.</p> <p><u>The considerations in determining the internal audit work plan</u></p> <p>The guiding principle in building the internal audit work plan is the inherent risk in the Company's processes and activities. In order to assess these risks, the internal audit referred to the risk survey conducted by it, as well as to other sources that influenced the risk assessment in these processes, such as conversations with Management, findings of previous audits and other relevant activities. The main considerations in building the work plan are:</p> <p>Reasonable coverage of most areas of the Company's activity in accordance with the exposure to material risks, considering existing controls in the Company's areas of activity and the findings of previous audits.</p> <p><u>Parties involved in determining the work plan</u></p> <p>The Internal Auditor, Management and the Audit Committee of the Board of Directors.</p> <p><u>The party that receives the work plan and approves it</u></p> <p>The Audit Committee of the Board of Directors, after the issue has been discussed with the Company's CEO.</p> <p><u>The Auditor's discretion to deviate from the work plan</u></p> <p>The CEO of the Company or the Chairman of the Audit Committee may propose issues in matters where the need arises to conduct an urgent inspection as well as recommend reducing or stopping an inspection on a subject approved in the work plan. The Internal Auditor has the discretion to deviate from the work plan.</p> <p><u>Examination of material transactions</u></p> <p>The Internal Auditor is present at the Board of Directors' discussions where material transactions are approved and reviews the relevant material sent as part of these discussions.</p>
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2.1. Disclosure regarding the internal auditor in a reporting corporation (Cont.)

Details concentration	
Reference of the audit to material equity-held investee corporations	<p>The work plan of the Company's Internal Auditor does not include an audit of material equity-held investee corporations.</p> <p>The internal auditor conducts meetings with the internal auditor and other control factors of materially held corporations for the purpose of receiving periodic updates.</p>
Performing the audit	<p>In accordance with the Internal Auditor's notice, the audit work is conducted in accordance with the internal audit standards accepted in Israel and around the world and in accordance with professional guidelines in the field of internal audit, including international internal audit standards as well as in accordance with the Internal Audit Law and the Companies Law.</p>
Access to information	<p>The Internal Auditor was presented with documents and information as stated in Article 9 of the Internal Audit Law and was given constant and unmediated access to the corporation's information systems, including financial data.</p>
Internal Auditor's report	<p>The Internal Auditor submits written audit reports regularly during the reporting year to the chairman of the Board of Directors, the CEO, the Chairman of the Audit Committee and the members of the committee. The reports are submitted before the date of the committee hearing (usually about three days before this date).</p> <p>The Company's Audit Committee convened to discuss an internal audit report on expenses and payments on July 31, 2025. In addition, an internal audit report on the implementation of the supervision procedure by the internal auditor for 2025 was submitted for the company's management review on November 27, 2025.</p>
Board of Directors' evaluation of the Internal Auditor's activity	<p>The Board of Directors believes that the scope of the audit, the nature and continuity of the Internal Auditor's activity, as well as the work plan, are reasonable under the circumstances of the case and are capable of achieving the goals of the audit.</p>

Report of the Board of Directors on the State of Affairs of the Corporation for the Year ended December 31, 2025

Compensation	<p>The Internal Auditor's compensation is determined each year according to the scope of the audit hours, according to an hourly fee. In 2025, the number of hours invested in the audit by the Internal Auditor was approximately 132 hours, noting that the said number of hours is sufficient for the Internal Auditor to complete the audit work properly.</p> <p>In 2025, the Internal Auditor was paid compensation in the amount of NIS 40K including VAT. In the opinion of the Board of Directors, the scope of the Internal Auditor's compensation had no effect on his professional judgment.</p>
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3. Details related to a series of liability certificates

On 12.5.2025, Midroog Ltd. upgraded the Company's Series E and Series F debentures from A3.il to A2.il with a stable outlook (see immediate report Ref. No. 2025-01-033192).

On 31.5.2025, the Company executed a full early redemption of Series E debentures, equal to the principal plus accrued interest up to the early redemption date (see immediate report dated 21.4.2025, Ref. No. 2025-01-028321), which is incorporated into this report by reference.

On 31.8.2025, the Company executed a full early redemption of Series F debentures, equal to the principal plus accrued interest up to the early redemption date (see immediate report dated 13.8.2025, Ref. No. 2025-01-060352), which is incorporated into this report by reference.

On 19.11.2025, Midroog Ltd. announced the discontinuation of the Company's debenture rating following the full and final repayment of the debentures. Prior to its discontinuation, the rating stood at A2.il with a stable outlook. See the report published by Midroog on 19.11.2025 (Ref. No. 2025-15-088953), which is incorporated into this report by reference.

4. Material events after the reporting period

Regarding additional material events after the date of the Statements - see Note 30 to the Statements.

Darren Glatt
Chairman of the Board of Directors

Tomer Raved
CEO

Date of signing: March 16, 2026

Chapter C

Consolidated Financial Statements for Year Ended December 31, 2025

Consolidated Statements as of December 31, 2025

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30 Material events during and after the reporting period

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



Independent auditors' report to the shareholders of B Communications Ltd. (in voluntary liquidation)

The Opinion

We have audited the consolidated financial statements of B Communications Ltd. (in voluntary liquidation) (hereinafter: "the Company"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRS Accounting Standards and the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010.

Basis for the Opinion

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Accountants Regulations (Auditor's Mode of Operation), 5733-1973. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Statements section of our report. We are independent of the Company and its consolidated companies in accordance with the provisions of the law applicable in Israel regarding the independence of auditors and the prevention of conflicts of interest of auditors in Israel. We have also fulfilled our other ethical responsibilities in accordance with the Accountants Law, 5716-1955, and the regulations promulgated thereunder. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The key audit matters set out below are those matters that were communicated, or were required to be communicated, to the Company's Board of Directors and which, in our professional judgment, were of most significance in the audit of the consolidated statements for the current period. These matters include, among others, any matter that: (1) relates, or may relate, to material items or disclosures in the consolidated financial statements; and (2) involved especially challenging, subjective, or complex auditor judgment. These matters were addressed in the context of our audit and in forming our opinion on the consolidated financial statements as a whole. The communication of these matters below does not modify our opinion on the consolidated financial statements as a whole, and we do not provide a separate opinion on these matters or on the items or disclosures to which they relate.

We have determined that there are no key audit matters to communicate, except as described in the paragraph regarding material uncertainties concerning the entity's ability to continue as a going concern.

Material Uncertainty Regarding Going Concern

We draw attention to the statement in Note 1 to the Company's Consolidated Statements regarding the approval by the general assembly of the Company's shareholders of the Company's entry into voluntary liquidation, and the appointment of the Company's CEO as trustee to implement the liquidation proceedings. Our opinion is not modified in respect of this matter. As a result, the Company has changed its basis of reporting, effective from the current reporting period, from a going concern basis to a liquidation basis of accounting.

Responsibilities of the Board of Directors and Management for the Consolidated Statements

The Board of Directors and Management are responsible for the preparation and fair presentation of the Consolidated Statements in accordance with IFRS Accounting Standards and the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010, and for such internal control as the Board of Directors and Management determine is necessary to enable the preparation of consolidated statements that are free from material misstatement, whether due to fraud or error.

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



In preparing the consolidated financial statements, the Board of Directors and Management are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Israel will always detect a material misstatement when it exists.

Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Statements.

As part of an audit in accordance with generally accepted auditing standards in Israel, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

- Identify and assess the risks of material misstatement of the Consolidated Statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and Management.
- Conclude on the appropriateness of the Board of Directors' and Management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our special report to the related disclosures in the Consolidated Statements, or, if such disclosures are inadequate, to modify the wording of our special report. Our conclusions are based on the audit evidence obtained up to the date of our special report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Consolidated Statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and Management with a statement that we have complied with the relevant ethical requirements regarding our independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where relevant, the safeguards applied to eliminate identified threats to our independence.

From the matters communicated, or that were required to be communicated, with the Board of Directors and Management, we determine those matters that were of most significance in the audit of the statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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



Linking Paragraph

The engagement partner on the audit resulting in this independent auditor's report is Ran Tzuriel.

Somekh Chaikin
Certified Public Accountants
Tel Aviv
March 16, 2026

KPMG Somekh Chaikin, Israeli partnership and a member of the KPMG network of independent firms
incorporated under the Swiss entity KPMG International Cooperative ("KPMG International")

Consolidated Statements as of December 31, 2025

Consolidated statements of financial position as of December 31			
		2025	2024
Assets	Note	NIS millions	NIS millions
Cash and cash equivalents	4,3.3	2,844	896
Restricted cash and cash equivalents	4,3.3	-	18
Investments	5,3.3	-	*1,977
Trade receivables	6,3.3	-	1,395
Other receivables	6,3.3	1	174
Inventory		-	162
Assets of disposal group held for sale	12.2	-	83
Total current assets		2,845	4,705
Trade and other receivables	6,3.3	-	410
Right-of-use assets	8,3.6	-	1,762
PP&E	9,3.4	-	7,160
Broadcasting rights	11.2	-	116
Intangible assets	10,3.5	-	3,287
Deferred expenses and non-current investments	11	-	252
Total non-current assets		-	12,987
Total assets		2,845	17,692

* Including restricted deposits.

Consolidated statements of financial position as of December 31 (Cont.)

		2025	2024
Liabilities and equity	Note	NIS millions	NIS millions
Debentures, loans, and credit	13,3.3	-	1,123
Current maturities of lease liabilities	8,3.6	-	438
Trade payables	14	2	1,955
Employee benefits	16,3.8	-	400
Provisions	15,3.9	12	84
Liabilities of disposal group held for sale	12.2	-	34
Total current liabilities		14	4,034
Loans and debentures	13,3.3	-	8,571
Lease liabilities	8,3.6	-	1,530
Employee benefits	16,3.8	-	300
Derivatives and other liabilities	14	-	214
Deferred tax liabilities	7,3.12	-	304
Provisions	15,3.9	-	30
Total non-current liabilities		-	10,949
Total liabilities		14	14,983
Equity attributed to:			
Shareholders of the Company	18	2,831	*13
Non-controlling interests	12.4	-	*2,696
Total equity		2,831	2,709
Total liabilities and equity		2,845	17,692

* Retroactive adjustment due to a change in accounting policy – see Note 2.8.

Darren Glatt
Chairman of the Board of Directors

Tomer Raved
CEO

Itzik Tadmor
CFO

Date of approval of the financial statements: March 16, 2026

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

Consolidated Statements as of December 31, 2025

Consolidated P&L statement for the year ended December 31

		2025	2024	2023
	Note	NIS millions	NIS millions	NIS millions
Revenues	19,3.10	8,702	8,884	9,103
Operating expenses				
General and operating expenses	20	2,873	3,264	3,381
Salaries	21	1,863	1,936	1,926
Depreciation, amortization, and impairment	8,9,10,11	1,687	1,844	1,867
Other operating expenses, net	22	291	199	180
Profit from the sale of subsidiary shares	1.3	(1,554)	-	-
Total operating expenses		5,160	7,243	7,354
Operating profit		3,542	1,641	1,749
Financing expenses (income)				
Financing expenses	23,3.11	552	627	518
Financing income		(254)	(203)	(169)
Financing expenses, net		298	424	349
Profit after financing expenses, net		3,244	1,217	1,400
Share in loss of equity-held investee, net		19	8	-
Profit before income taxes		3,225	1,209	1,400
Income taxes expenses	7,3.12	277	321	346
Net profit for the year		2,948	888	1,054
Net profit attributable to shareholders of the Company		1,827	108	187
Net profit attributable to non-controlling interests		1,121	780	867
Net profit for the year		2,948	888	1,054
Profit per share (NIS)	25			
Basic		17.50	1.02	1.75
Diluted		17.50	1.02	1.74

Consolidated statements of comprehensive income for the year ended December 31

		2025	2024	2023
		NIS millions	NIS millions	NIS millions
Net profit for the year		2,948	888	1,054
Reassessment of defined benefit plan, net of tax – will not be transferred to P&L		(4)	(5)	18
Additional other comprehensive loss from hedging, net of tax – will be transferred to P&L		(9)	(1)	(6)
Total comprehensive income for the year		2,935	882	1,066
Attributable to:				
Shareholders of the company		1,825	106	190
Non-controlling interests		1,110	776	876
Total comprehensive income for the year		2,935	882	1,066

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

Consolidated Statements as of December 31, 2025

Consolidated statements of changes in equity for the year ended December 31

	Share capital	Shares premium	Treasury shares	Other funds	Deficit balance	Total	Non-controlling interests	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Balance as of January 1, 2023	12	1,495	(137)	(30)	*(1,506)	54	*1,622	1,896
Profit for the year 2023	-	-	-	-	187	187	867	1,054
Other comprehensive income (loss) for the year, net of tax	-	-	-	(2)	5	3	9	12
Total comprehensive income (loss) for the year 2023	-	-	-	(2)	192	190	876	1,066
Transactions imputed directly to equity								
Share-based compensation (see Note 24)	-	-	-	-	-	-	10	10
Dividend distributed to non-controlling interests (see Note 12.3)	-	-	-	-	-	-	(466)	(466)
Transaction with non-controlling interests (see Note 1.2)	-	-	-	-	(32)	(32)	(5)	(37)
Buyback of shares (see Note 18)	-	-	(23)	-	-	(23)	-	(23)
Balance as of December 31, 2023	12	1,495	(160)	(32)	(1,346)	(31)	2,477	2,446
Profit for the year 2024	-	-	-	-	108	108	780	888
Other comprehensive loss for the year, net of tax	-	-	-	(2)	-	(2)	(4)	(6)
Total comprehensive income (loss) for the year 2024	-	-	-	(2)	108	106	776	882
Transactions imputed directly to equity								
Share-based compensation (see Note 24)	-	-	-	-	-	-	21	21
Dividend distributed to non-controlling interests (see Note 12.3)	-	-	-	-	-	-	(568)	(568)
Transaction with non-controlling interests (see Note 1.2)	-	-	-	-	(42)	(42)	(10)	(52)
Buyback of shares (see Note 18)	-	-	(20)	-	-	(20)	-	(20)
Balance as of December 31, 2024	12	1,495	(180)	(34)	(1,280)	13	2,696	2,709
Profit for the year 2025	-	-	-	-	1,827	1,827	1,121	2,948
Other comprehensive loss for the year, net of tax	-	-	-	(2)	-	(2)	(11)	(13)
Total comprehensive income (loss) for the year 2025	-	-	-	(2)	1,827	1,825	1,110	2,935
Transactions imputed directly to equity								
Share-based compensation (see Note 24)	-	-	-	-	-	-	22	22
Dividend distributed to non-controlling interests (see Note 12.3)	-	-	-	-	-	-	(797)	(797)
Transaction with non-controlling interests (see Note 1.2)	-	-	-	14	959	973	880	1,853
Sale of shares of a subsidiary (see Note 1.3)	-	-	-	23	-	23	(3,911)	(3,888)
Buyback of shares (see Note 18)	-	-	(3)	-	-	(3)	-	(3)
Option exercise	**	1	-	(1)	-	-	-	-
Balance as of December 31, 2025	12	1,496	(183)	-	1,506	2,831	-	2,831

* Retroactive adjustment due to a change in accounting policy – see Note 2.8.

** Represents an amount lower than NIS 1 million.

Consolidated Statements as of December 31, 2025

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

Consolidated statements of cash flows for the year ended December 31

	Note	2025 NIS millions	2024 NIS millions	2024 NIS millions
Cash flows from operating activities				
Profit for the year		2,948	888	1,054
Adjustments:				
Depreciation, amortization, and reversal of loss (loss) from impairment	8,9,10,11	1,687	1,844	1,867
Profit from the sale of subsidiary shares	1.3	(1,554)	-	-
Capital gains, net	22	(7)	(17)	(2)
Financing expenses, net	23	332	435	364
Share in loss of equity-held investee		19	8	-
Impairment loss on disposal group held for sale	12.2	2	9	-
Reversal of excess cost	10.1.1	(36)	-	-
Share-based compensation	24	22	21	10
Income taxes expenses	7	277	321	346
Change in trade and other receivables	6	(38)	69	(10)
Change in inventory		54	(109)	(15)
Change in trade and other payables	14	129	147	62
Change in provisions	15	34	(25)	18
Change in employee benefits	16	112	115	(3)
Change in broadcasting rights (including impairment loss reversal)		(283)	(57)	(3)
Miscellaneous		(16)	4	23
Income taxes paid, net		(440)	(244)	(269)
Net cash derived from operating activities		3,242	3,409	3,442
Cash flows for investing activities				
Purchase of PP&E	9	(1,265)	(1,356)	(1,333)
Investment in intangible assets and deferred expenses	10,11	(413)	(390)	(375)
Investment transactions, net		(161)	(669)	(245)
Net proceeds from the sale of subsidiary shares		2,704	-	-
Proceeds from the sale of PP&E		40	16	39
Purchase of a subsidiary minus cash purchased		28	-	(14)
Classification as restricted cash and cash equivalents		18	(18)	-
Investment in equity-held investee		(31)	(10)	-
Interest received from bank deposits		111	95	72
Miscellaneous		(14)	12	21
Net cash used for investing activities		1,017	(2,320)	(1,835)
Cash flows for financing activities				
Issuance of debentures and receipt of loans	13	1,216	1,648	1,015
Repayment of debentures and loans	13	(3,169)	(1,071)	(1,409)
Transactions with non-controlling interests	1.2	1,853	(52)	(37)
Lease principal and interest payments	8	(491)	(449)	(484)
Buyback of Company shares	18	(3)	(20)	(23)
Interest paid	13	(311)	(304)	(312)
Dividend distributed to non-controlling interests	12	(797)	(568)	(466)
Payment for completed hedging transactions		6	7	4
Miscellaneous		-	-	(3)
Net cash used for financing activities		(1,696)	(809)	(1,715)
Net increase (decrease) in cash and cash equivalents		2,563	280	(108)
Effect of changes in foreign currency exchange rate		-	-	(2)
Cash and cash equivalents as of January 1		896	644	754
Balance of cash held for sale		28	(28)	-
Cash from deconsolidation of subsidiary	1.3	(643)	-	-
Cash and cash equivalents at the end of the year		2,844	896	644

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

1. General

1.1. The reporting entity

- 1.1.1. B Communications Ltd. (in voluntary liquidation) (hereinafter - "**the Company**") is a company incorporated in Israel and its registered office is at 144 Menachem Begin Rd., Tel Aviv. The Company is a public company, and its shares were traded on the Tel Aviv Stock Exchange until 28.12.2025. The consolidated statements of the Company as of December 31, 2025 include those of the Company and its subsidiaries (hereinafter - "**the Group**").
- 1.1.2. On April 14, 2010, the Company acquired 30.44% of the shares of Bezeq, the largest telecommunications group in Israel, and became the controlling shareholder of Bezeq.
- 1.1.3. On December 2, 2019, Searchlight Capital Partners, through its subsidiary, Searchlight II BZQ (hereinafter - "Searchlight"), and the Fuhrer family which controls TNR Investments Ltd. (hereinafter - "the Fuhrer Family"), completed the purchase of the control of the Company, so that Searchlight owned 60.18% and the Fuhrer Family owned 11.39% of the Company's ordinary and issued shares.
- 1.1.4. On November 18, 2025, the Company sold its remaining holdings in its subsidiary Bezeq as of that date. Following the completion of the aforementioned sale, the Company ceased to control Bezeq as of that date.
- 1.1.5. On December 17, 2025, the Company's general assembly of shareholders approved the voluntary liquidation of the Company and the appointment of the Company's CEO as trustee for the implementation of the liquidation proceedings.
- 1.1.6. As of December 31, 2025, Searchlight and the Fuhrer family hold 66.59% and 12.60%, respectively, of the Company's issued and outstanding ordinary shares (net).

1.2. Purchase and sale of Bezeq shares by the Company

- 1.2.1. During 2024, the Company purchased 11,843,449 ordinary shares of its subsidiary Bezeq for a total consideration of approximately NIS 52 million, at an average price of NIS 4.34 per share.
- 1.2.2. On March 17, 2025, the Company sold 160,000,000 ordinary shares of its subsidiary Bezeq at a price of NIS 5.7 per share. The net proceeds from the sale, after transaction costs, amounted to approximately NIS 900 million. The transaction was accounted for as a decrease in the ownership interest without loss of control. As a result, equity attributable to the owners of the Company increased by NIS 467 million, and the adjustment to non-controlling interests amounted to NIS 432 million, reflecting the relative share of the subsidiary's owners in the identifiable net assets of the subsidiary that was disposed of, including the allocation of a proportionate share of goodwill.
- 1.2.3. On August 11, 2025, the Company sold an additional 160,000,000 ordinary shares of its subsidiary Bezeq at a price of NIS 6.03 per share. The net proceeds from the sale, after transaction costs, amounted to approximately NIS 954 million.

The transaction was accounted for as a decrease in the ownership interest without loss of control. As a result, equity attributable to the owners of the Company increased by NIS 506 million, and the adjustment to non-controlling interests amounted to NIS 448 million, reflecting the relative share of the subsidiary's owners in the identifiable net assets of the subsidiary that was disposed of, including the allocation of a proportionate share of goodwill.

- 1.2.4. On November 18, 2025, the Company sold an additional 441,135,157 ordinary shares of its subsidiary Bezeq at a price of NIS 6.20 per share, representing the Company's remaining holdings in Bezeq as of that date. The net proceeds from the sale, after transaction costs, amounted to approximately NIS 2.7 billion. As a result of the sale, the Company recognized a profit of approximately NIS 1.55 billion.

Following the completion of the aforementioned sale, the Company ceased to control Bezeq. In these Statements, the Company consolidated Bezeq's results until the end of 2025, see Note 1.3 below.

1.3. Deconsolidation of the subsidiary

The following sets out the impact of the deconsolidation of the subsidiary on the financial statements:

	31.12.2025
	NIS millions
Cash and cash equivalents	643
Deferred investments and expenses	2,438
Customers	1,841
Other receivables	211
Inventory	98
Right-of-use assets	1,754
PP&E	7,469
Intangible assets	3,423
Broadcasting rights	400
Debentures, loans, and credit	(7,810)
Lease liabilities	(1,955)
Suppliers, payables, and other liabilities	(2,191)
Deferred tax liabilities	(314)
Provisions	(208)
Employee benefits	(761)
Capital reserve	23
Non-controlling interests	(3,911)
Net assets of the subsidiary	1,150
Proceeds from the disposal of shares of the subsidiary	2,704
Profit from the sale of subsidiary shares	1,554

1.4. Definitions

In these statements:

The Company	B Communications Ltd. (in voluntary liquidation)
The Group	the Company and its consolidated companies
Bezeq	"Bezeq" The Israel Telecommunications Corp. Ltd
Consolidated companies	Companies whose reports are fully consolidated, directly or indirectly, with the Company's reports.
Included companies	Companies, the Group's investment in which is included, directly or indirectly, in the statements based on the balance sheet value.
Investees	Consolidated companies or included companies.
Related party	As defined in International Accounting Standard 24 regarding related parties.
Interested party	As defined in Paragraph (1) of the definition of "interested party" in a corporation in Article 1 of the Securities Law, 5748-1968.

2. Basis of preparation of the statements

2.1. Declaration of compliance with international financial reporting standards

As stated in Note 1.1.2 above, the Company has initiated voluntary liquidation proceedings. Accordingly, these Consolidated Statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements as prescribed by International Accounting Standard IAS 1 and the disclosure requirements set forth in Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 5730-1970. The Company was not required to make any adjustments in its statements with respect to the measurement or classification of assets and liabilities.

The Consolidated Statements were prepared by the group in accordance with the international financial reporting standards IFRS International Accounting Standards (hereinafter: "IFRS") and in accordance with the securities regulations (annual financial statements), 2010.

The consolidated financial statements were approved by the Company's Board of Directors on March 16, 2026.

2.2. Activity currency and presentation currency

The consolidated financial statements are presented in new shekels, which are the Group's operating currency, and are rounded to the nearest million. The shekel is the currency that represents the main economic environment in which the group operates.

2.3. Basis of measurement

The consolidated statements were prepared on the historical cost basis with the exception of the following items:

- * Derivative financial instruments and investments in securities measured at fair value through P&L
- * Inventory measured as the lower of cost or net exercise value
- * Deferred tax assets and liabilities
- * Provisions
- * Assets and liabilities in respect of employee benefits

For more information regarding the measurement method of these assets and liabilities, see Note 3 – Material Accounting Policy.

2.4. Operating cycle period

The operating cycle of the Group does not exceed one year. Therefore, current assets and current liabilities include items that are intended and expected to be realized within a year from the date of the financial statements.

2.5. Format for analyzing expenses recognized in the P&L statement

Costs and expenses in the P&L statement are presented and analyzed according to a classification method based on the nature of the expenses. The aforementioned classification is suitable for understanding the business of the Group, which deals in a wide variety of services provided through a shared infrastructure. All costs and expenses are used to provide the services.

2.6. Use of estimates and discretion

When preparing the consolidated statements in accordance with international accounting standards (IFRS), Management is required to exercise discretion and be assisted by estimates, estimates and assumptions that affect the implementation of accounting policies and the reported amounts of assets and liabilities, revenues, and expenses. Actual results may differ from estimates.

The estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates were updated and in any future period affected.

The following is information regarding significant estimates and judgments, for which a change in estimates and assumptions has the potential to have a material impact on the statements of the next fiscal year:

Subject	Key assumptions	Possible implications	Reference
Measuring the recoverable amounts of cash generating units	All assumptions of expected cash flows from the cash generating units	Recognition of an impairment loss or reversal of impairment loss	Note 10
Provisions and contingent liabilities, including levies	Assessing the chances of claims against the Group companies and measuring the potential liabilities related to the claims	Cancellation or creation of a provision for a claim, recognition of income/expenses and recognition of profit or loss for said change, respectively	Notes 15, 17
	Bezeq estimates of the payment to the authorities for levies on real estate in the "Sakia" complex	Change in share capital gains gain from the sale of real estate in the "Sakia" complex	Note 6
Employee benefits	Actuarial assumptions such as discount rate, future wage increase rate and departure rate	Increase or decrease in liabilities for employee benefits and commitment to early retirement	Note 16
Deferred taxes	Assumption regarding the expectation of exercising the tax benefit in the future, including an assumption that it is more likely than not that transferred losses accumulated in Yes for tax purposes will not be used	Recognition of a deferred tax asset and impact on income taxes expenses	Note 7
Effective control over Bezeq	The possibility of appointing most of the members of the Board of Directors of Bezeq, as a result of the Company's permit to control Bezeq, the control over the composition and distribution of the other shareholders in Bezeq and the restrictions applicable to these shareholders under the Communications Law	Consolidation of Bezeq's statements or treatment of investment in Bezeq using the equity method	Notes 1.2, 1.3

2.7. Fair value determination

In order to prepare the statements, the Group is required to determine the fair value of certain assets and liabilities. Additional information regarding the assumptions used in determining the fair values is provided in Note 28.7 on fair value.

2.8. Change in accounting policy

According to the Group's accounting policy and in accordance with IFRS requirements, the Company elected to measure non-controlling interests at the acquisition date at their proportionate share of the fair value of the identifiable net assets of the acquiree in a business combination.

In accordance with the Company's accounting policy during the periods in which its shares were traded in the United States, upon a decrease in ownership interest without loss of control, the amount by which non-controlling interests were adjusted was calculated based on the non-controlling shareholders' proportionate share of the subsidiary's identifiable net assets less liabilities that were disposed of, without allocating a proportionate share of goodwill.

Following the disposal of shares of the subsidiary on March 17, 2025 (see Note 1.3), the Company decided to change its accounting policy for such transactions, in accordance with the position of the Israeli Accounting Standards Board, which the Company considers to represent a more relevant accounting policy. As a result, the amount by which non-controlling interests are adjusted is now calculated based on the non-controlling shareholders' proportionate share of the subsidiary's identifiable net assets less liabilities that were disposed of, including the allocation of a proportionate share of goodwill.

The change in accounting policy was applied retrospectively in accordance with the provisions of IAS 8. Accordingly, the financial statements were adjusted to reflect the impact of the change in accounting treatment such that the new policy was also applied to previously executed transactions.

The following presents the impact of the change in accounting policy on the financial statements:

In the statement of financial position:

	As Reported	Previously	The Change	As Presented in These statements
NIS millions				
<u>As of December 31, 2024 (audited)</u>				
Equity attributable to the owners of the Company	233		(220)	13
Non-controlling interests	2,476		220	2,696

In the statement of changes in equity:

	As Reported	Previously	The Change	As Presented in These statements
NIS millions				
<u>As of January 1, 2023 (audited)</u>				
Loss balance	(1,286)		(220)	(1,506)
Non-controlling interests	1,402		220	1,622

3. Material accounting policy

The accounting policy rules detailed below have been consistently applied to all periods presented in these consolidated reports by the Group entities.

In this note, where the Group chose accounting alternatives, which were allowed by accounting standards and/or accounting policies on a subject where there is no explicit instruction in accounting standards, the said disclosure is presented in **bold**. There is no reason to attribute excessive importance to the aforementioned emphasis compared to the rest of the accounting policies that have not been emphasized.

3.1. Consolidation of the statements

3.1.1. Subsidiaries

Subsidiaries are entities controlled by the Company. The statements of subsidiaries are included in the consolidated statements from the day control is obtained until the day control is lost.

Control exists when the group is exposed, or has rights, to variable returns from its involvement in the acquiree and has the ability to influence these returns through its power of influence in the acquiree. When examining control, actual rights held by the group and by others are taken into account.

3.1.2. Non-controlling interests

Non-controlling interests are the equity in a subsidiary that cannot be attributed, directly or indirectly, to the parent company and include additional elements such as: a share-based compensation that will be settled in equity instruments of subsidiaries.

3.1.3. Allocation of profit or loss and other comprehensive income among the shareholders

Profit or loss and any other component of comprehensive income is attributed to the Company's owners and non-controlling interests. The total profit or loss and other comprehensive income is attributed to the owners of the Company and the non-controlling interests even if as a result the balance of the non-controlling rights will be negative.

3.1.4. Loss of control

Upon loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests, and other components of equity attributable to the subsidiary.

The difference between the consideration received and the carrying amounts derecognized is recognized in profit or loss under the line item "Proceeds from the sale of subsidiary shares". Amounts previously recognized in equity through other comprehensive income in respect of that subsidiary are reclassified to profit or loss or retained earnings, in the same manner as would have been required if the subsidiary had directly disposed of the related assets or liabilities itself.

3.1.5. Transactions with non-controlling interests while retaining control

Transactions with non-controlling interests while retaining control are treated as equity transactions. Any difference between the consideration paid or received and the change

in non-controlling interests is credited to the Company's owner's share of equity directly to surplus. The amount by which the non-controlling interests are adjusted is calculated as follows: by the increase in the holding rate, according to the relative portion purchased from the balance of the non-controlling interests in the consolidated statements on the eve of the transaction. Also, when there are changes in the holding rate in a subsidiary, while retaining control, the Company reallocates the cumulative amounts recognized in other comprehensive income between the owners of the Company and the non-controlling interests.

3.2. Foreign currency transactions

From time to time, the Group enters into transactions with suppliers abroad, mainly in dollar and euro currencies. Foreign currency transactions are translated into the Group's functional currency according to the exchange rate in effect on the dates of the transactions. Financial assets and liabilities denominated in a foreign currency at the reporting date are translated into the activity currency according to the exchange rate in effect at that time.

3.3. Financial Instruments

3.3.1. Non-derivative financial assets

Non-derivative financial assets in the Group mainly include investments in shekel deposits in banks, investment in money market funds, customers and other receivables, and cash and cash equivalents.

At the time of initial recognition, financial assets are classified into one of the following measurement categories: amortized cost; or fair value through P&L.

The Group's debt instruments held as part of a business model aimed at collecting contractual cash flows in accordance with IFRS 9 mainly include cash and cash equivalents and short-term and long-term customers (see Note 6).

The contractual cash flows for these financial assets include only principal and interest payments which reflect a return for the time value of money and credit risk. Accordingly, these financial assets are measured at amortized cost.

Financial assets at amortized cost are measured using the effective interest method and net of impairment losses. Interest income, gains or losses from exchange rate differences and impairment are recognized in P&L. Any gain or loss arising from derecognition is also recognized in P&L.

The Group initially recognizes financial assets at the time when the Group becomes a party to the contractual provisions of the instrument, meaning the time when the Group committed to buy or sell the asset.

In addition, Bezeq holds investments in money market funds that are measured at fair value through P&L.

Financial assets at fair value through P&L are measured in subsequent periods at fair value. Net gains and losses, including interest or dividends income, are recognized in P&L.

3.3.2. Derivative financial instruments including hedge accounting

The Group holds derivative financial instruments for cash flow hedging purposes in respect of risks of future changes in the consumer price index in connection with the debentures issued by the Group.

At the time of creating the hedging relationship, the Group documents its risk management objective and strategy for performing the hedging. The group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other.

Derivatives are initially recognized at fair value. Attributable transaction costs are charged to income as incurred. After initial recognition, the derivatives are measured at fair value, with the effective part of the changes in the fair value of the derivative being credited to a hedge fund as part of other comprehensive income. The effective part of the changes in the fair value of a derivative, which is credited to other comprehensive income, is limited to the cumulative change in the fair value of the hedged item (according to current value) from the date the hedge was created.

In addition, the Group owns derivative financial instruments for cash flow hedging purposes for foreign currency risks. Hedge accounting has begun to be applied in respect of these instruments. In cases as mentioned, the Group performs economic hedging, and derivative instruments as mentioned are recognized at fair value; The changes in the fair value are immediately credited to the P&L statement, *as financing income or expenses*.

3.3.3. Non-derivative financial instruments

The non-derivative financial liabilities in the Group include: debentures issued by the Group, loans and credit from banking corporations and other credit providers (see Note 13), suppliers and other beneficiaries (see Note 14).

After initial recognition, financial liabilities are measured at amortized cost in accordance with the effective interest method.

Financial liabilities are deducted when the Group's liability, as specified in the agreement, expires or when it is discharged or cancelled.

The value of index-linked financial liabilities, which are not measured according to fair value, is estimated in each period according to the actual increase/decrease rate of the index.

3.4. PP&E

The Group chose to measure PP&E items at cost minus accumulated depreciation and impairment losses.

Cost includes costs directly attributable to the purchase of the property. The cost of self-constructed assets includes the cost of materials, direct labor, contactor costs, and discounted financing costs, any additional cost that can be directly attributed to bringing the asset to the location and condition necessary for it to be able to operate in the manner intended by Management, as well as an estimate of the costs of dismantling and removing the items and restoring the site where the item is located in cases where the Group is obligated to clear and restore the site.

Most spare parts, auxiliary equipment, and backup equipment are classified as fixed assets when they meet the definition of PP&E, since their useful duration is over a year in accordance with IAS 16.

When significant PP&E parts have different durations, they are treated as separate items (significant components) of the PP&E.

Profit or loss from the sale of PP&E is included in the other income or other expenses, as the case may be, in the P&L statement.

Depreciation is imputed to the P&L statement according to the straight-line method over the estimated useful life of each part of the PP&E items.

Improvements in leased buildings are generally amortized over the lease term (which includes the period of the extension options held by the Group which in its assessment are reasonably certain to be exercised) or the useful duration of the leasehold improvements, whichever is shorter.

Asset	Years
Landline and international network equipment (switching, transmission and power)	225
Landline network	9-40
TV and communication services equipment and infrastructure	-18
Subscriber equipment and installations	18-
Vehicles	6-7
Office and general equipment	314-
Electronic equipment, computers and internal communication systems	3-7
Cellular network	4-10
Passive radio equipment at cellular network sites	Until December 31, 2042
Structures	25
Underwater cable	10-25

The estimates regarding the depreciation method, the useful life and the residual value are re-examined at least every reporting year and adjusted when necessary.

3.5. Intangible assets and goodwill

3.5.1 The Group's intangible assets mainly include software and computer licenses and rights to use cellular communication frequencies (see Note 10).

Amortization of intangible assets is credited to the P&L statement according to the straight-line method, over the estimated useful duration of the intangible assets from the date the assets are available for use.

The estimated useful duration for the current period is:

Property type	Amortization period
Frequency usage rights	3G frequencies - until December 2030 4G and 5G frequencies - until August 31, 2032
Computer software and licenses to use the software	1-7 years, depending on the license period or over the estimated duration of use of the software

The estimates regarding the depreciation and useful duration method are re-examined at least every reporting year and adjusted when necessary.

3.5.2 Goodwill

Goodwill created as a result of the acquisition of subsidiaries is included in the intangible assets section. After initial recognition, goodwill is measured at

cost minus accumulated impairment losses that is not currently amortized. Goodwill is examined for impairment at least once a year. See also Note 10.

3.6. Leases

In the Group's lease agreements, the Group mainly leases cellular communication sites, buildings, and vehicles.

For lease contracts that include non-lease components, such as services or maintenance related to a lease component, ***the Group has chosen to treat the contract as a single lease component, without separating the components.***

Since the interest rate inherent in the lease cannot be easily determined, the Group's additional interest rate is used.

After initial recognition, the asset is treated **according to the cost model**, and is amortized over the lease term or the asset's useful duration (whichever is earlier).

3.6.1. Lease period

The lease period is defined as a period during which the lease cannot be canceled, and includes the periods for which there is an option to extend or cancel the lease if it is reasonably certain that the group will exercise the options to extend the lease and not exercise the option to cancel the lease.

3.6.2. Variable lease payments

Most of the Group's leasing agreements include lease payments that are linked to the Consumer Price Index. These payments are initially measured by using the existing index at the start of the lease, and are included in the measurement of the lease liability. When there is a change in the cash flow of future lease payments resulting from the change in the index, the balance of the obligation is updated (using the original interest rate) against the right-of-use asset.

3.6.3. Depreciation of a right-of-use asset

After the start date of the lease, the right-of-use asset is measured using the cost method, minus accumulated depreciation and minus accumulated losses from impairments and is adjusted for remeasurements of the liability for the lease. ***Depreciation is calculated on a straight-line*** basis over the useful duration or the contractual lease period, whichever is earlier.

The following is a weighted average of the remaining duration of the lease agreements as of 31.12.24:

Property type	Years
Cellular communication sites	6.1
Structures	14.3
Vehicles	2.5

3.7. Impairment and impairment loss reversal of non-financial assets

The Company performs an impairment test for its cash generating units once a year (see Note 10), or if there are indicators of impairment.

3.7.1. Recoverable amount measurement

The recoverable amount of an asset or of a cash generating unit is the value in use or the fair value less selling costs, whichever is higher. In determining the value in use, the Group discounts the predicted future cash flows according to the discount rate which reflects the market's assessments regarding the time value of money and the specific risks related to the asset or cash generating unit (for which the future cash flows were not adjusted).

3.7.2. Allocation of goodwill to cash generating units

For the purpose of examining the impairment of goodwill, cash-generating units to which goodwill has been allocated are grouped so that the level at which the impairment is examined reflects the lowest level at which the goodwill is subject to monitoring for the purpose of internal reporting, but in any case is not greater than the activity segment. Goodwill acquired as part of business combinations is allocated for the purpose of examining impairment to cash-generating units that are expected to yield benefits from the synergy of the combination.

3.7.3. Recognition of impairment loss reversal (loss)

An impairment loss of a cash-generating unit is recognized when the cash-generating unit's carrying amount, including goodwill, as far as relevant, exceeds its recoverable amount and is imputed to P&L. An impairment loss recognized for a cash-generating unit is allocated first to amortize the carrying amount of goodwill attributed to the unit, and then to amortize the carrying amount of the other assets in the cash-generating unit. For the purpose of allocating the loss from impairment, the value of the assets is not reduced below their fair value minus realization costs, their value in use (if determinable), or zero, whichever is higher.

Loss from impairment of assets that is created as a result of a one-time update of forecasts for the coming years is classified in the P&L statement under the section "Other expenses (Impairment loss)". On the other hand, loss from impairment of assets resulting from the ongoing adjustment of non-current assets of the group companies to their fair value minus exercise costs (created in light of the prospect of continued negative cash flow and negative operating value of those companies) is classified in the P&L statement under the same sections in which the current expenses were classified for these assets. The aforementioned classification is more in line with the presentation method based on the essence of the expense and is also more suitable for understanding the Group's business.

Accordingly, in the P&L statement, the continuous decrease in the value of broadcasting rights is shown as part of "General and operating expenses" while the continuous decrease in the value of items of PP&E, intangible assets and capacity usage rights is presented as part of the "Depreciation, amortization and impairment" expenses.

Reversal of impairment loss

An impairment loss on goodwill is not reversed. With respect to other assets for which impairment losses were recognized in prior periods, at each reporting date the Company assesses whether there are indications that such losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount, net of depreciation or amortization, that would have been determined had no impairment loss been recognized. The reversal of an impairment loss is recognized in the statement of profit or loss under the same line item in which the impairment loss for the relevant asset was recorded.

3.8. Employee benefits

3.8.1. Post-employment benefits

The Group has several post-employment benefit plans. The plans are usually funded by deposits to insurance companies and are classified as defined deposit plans as well as defined benefit plans.

Defined deposit plans

A defined deposit plan is a post-employment plan whereby the Group pays fixed payments to a separate entity without having any legal or implied obligation to pay additional payments.

The Group's obligations to deposit in a defined deposit plan are imputed as an expense to P&L in the periods during which the employees provided the services.

Defined benefit plans

The Group's net liability, which refers to a defined benefit plan for post-employment benefits, is calculated for each plan separately by estimating the future amount of the benefit that the employee will receive in exchange for his services in the current period and in previous periods. This benefit is presented according to current value minus the fair value of the plan's assets. The calculations are made every year by a qualified actuary. The discount rate is determined according to the yield at the time of reporting on high-quality corporate debentures, whose currency is the same as the currency in which the benefit is paid or linked thereto, and whose vesting date is similar to the terms of the Group's liability.

The net interest costs for a defined benefit plan are calculated by multiplying the net liability by the discount rate used to measure the liability for a defined benefit, as determined at the beginning of the annual reporting period.

The Group chose to present the interest costs that were credited to P&L, as part of the Financing expenses section.

Remeasurement of the net defined benefit liability includes actuarial profits and losses and the return on plan assets (excluding interest). Remeasurements are imputed immediately, through other comprehensive income, directly to ***surplus***.

When there is an improvement or reduction in the benefits that the Group provides to employees, part of the increased or reduced benefits that refers to the past services of the employees is immediately recognized as income when the amendment or reduction of the plan occurs.

3.8.2. Other long-term employee benefits

The Group's liability for long-term employee benefits (such as an obligation for accrued vacation and sick days), which do not refer to post-employment benefit plans, is for the amount of the future benefit due to employees for services granted in the current period and in previous periods. The amount of these benefits is presented at its current value. The discount rate is determined according to the yield at the time of reporting on high-quality linked corporate debentures whose currency is the shekel, and whose repayment date is similar to the terms of the Group's commitment. Actuarial changes are imputed to the P&L statement in the period in which they were created. ***The actuarial changes resulting from a change in the discount rate are imputed to the Financing expenses/income section, while the other differences are imputed to Salaries expenses.***

3.8.3. Early retirement and severance benefits

Severance benefits are recognized as an expense when the Group has made a clear commitment, with no actual possibility of cancellation, to dismiss employees before they reach the accepted retirement date according to a detailed formal plan. Benefits given to employees in voluntary retirement are imputed as an expense when the Group offered the employees a plan encouraging voluntary retirement and the employees accepted the offer, or when Bezeq can no longer go back on its offer.

The expenses for early retirement and dismissal that were imputed to P&L are presented in the Other operating expenses (income) Section. The actuarial changes resulting from a change in the discount rate of long-term benefits for early retirement and dismissal are credited to the financing expenses section, while the other actuarial changes are imputed to Other operating expenses (income).

3.9. Provisions

A provision is recognized when the Group has a current, legal or implied obligation, as a result of an event that occurred in the past, which can be reliably measured, and when it is expected that an inflow of economic benefits will be required to settle the obligation.

3.9.1. Lawsuits

The handling of pending lawsuits is in accordance with IAS37 and its accompanying provisions. According to the provisions, the claims are classified according to groups with similar characteristics, according to the areas of probability of the realization of the risk exposures as detailed below:

- A. Expected - probability above 50%.
- B. Possible - probability more than unlikely and less than or equal to 50%.
- C. Unlikely - probability less than or equal to 5%.

With respect to claims for which the Group has a legal obligation as a result of an event that occurred in the past and whose realization is likely to be expected, provisions are included in the statements which, in the opinion of the Group Management that is based, among other things, on its legal advisors handling those claims, are adequate under the circumstances of each case and this despite the fact that the said claims are denied by the Group companies. In addition, there are a limited number of legal proceedings, the chances of which cannot be assessed at this stage, and for that reason no provision was made for them.

In Note 17, details were given regarding the amount of the additional exposure due to pending claims which are likely to be realized.

The Group recognizes an indemnity asset only if it is practically certain that the indemnity would be received if the Company eliminates the liability. The amount recognized for the indemnity does not exceed the amount of the provision.

3.10. Revenues

Revenues in the Group is divided according to the activity segments (Note 19) as follows:

- Landline national interior communication - mainly internet services, telephony, transmission and data communication, and others.
- Cellular communication- cellular services and sale of end equipment.
- Multi-channel television
- Internet services (ISP, international communication, and ICT services)

3.10.1. The Group recognizes revenues when the customer obtains control over the promised goods or service. Revenues is measured according to the amount of consideration to which the Group expects to be entitled in return for the transfer of goods or services promised to the customer, apart from amounts collected for the benefit of third parties.

When there is a significant financing component in the contract, the **Bezeq recognizes the consideration amount using the discount rate that will be reflected in a separate financing transaction between itself and the customer at the time of engagement.** The financing component is recognized as interest income or expenses during the period calculated according to the effective interest method.

In cases where the gap between the date of receipt of payment and the date of delivery of the goods or service to the customer is a year or less, **the Group applies the practical relief stipulated in the standard and does not separate a significant financing component.**

Measuring progress of performance obligation fulfilment

In most types of revenues, the Group recognizes revenues over time by measuring progress toward fulfillment in full of the performance obligation in a manner that reflects the Group's performance in transferring control of the promised goods or services to the customer.

3.10.2. Contract costs

There are agreements in the Group that include supplemental costs of obtaining a contract with a customer, such as sales commissions paid to resellers and salespeople employed by the Group for sales and upgrades. These costs are recognized as an asset when it is expected that the Group will recover these costs.

Costs discounted as an asset are amortized to the P&L statement on a systematic basis according to the expected duration of the subscribers and according to their expected average churn rate according to the type of subscriber and the service received thereby (mainly in the range between 1 and 4 years).

In each reporting period, the Group examines whether the carrying amount of the asset recognized as mentioned above exceeds the remaining amount of the consideration that the Group expects to receive in exchange for the goods or services to which the asset refers, minus the costs directly related to the provision of such goods or services that were not recognized as expenses, and, if necessary, recognizes a loss from impairment in P&L.

3.11. Financing income and expenses

Financing income mainly includes interest income accrued using the effective interest method for the sale of terminal equipment in installments, interest income from capital and changes in the fair value of financial instruments presented at fair value through profit and loss.

Financing expenses mainly include interest expenses and linkage on loans received and debentures issued, changes in fair value of financial instruments, as well as financing expenses for employee benefits.

In cash flow statements, ***interest received is presented under cash flows from investing activities. The Group chose to present the interest and linkage differences paid for loans and debentures as part of cash flows used for financing activities.***

3.12. Income taxes expenses

Income taxes expenses include current and deferred taxes. Income taxes expenses are imputed to the P&L statement or to other comprehensive income if they arise from items that are recognized in other comprehensive income.

3.12.1. Current taxes

The current tax is the amount of tax expected to be paid on the taxable income for the year, when it is calculated according to the applicable tax rates according to the laws enacted or enacted *de-facto* at the time of the report. Current taxes also include changes in tax payments referring to previous years.

3.12.2. Offsetting current tax assets and liabilities

The Group offsets current tax assets and liabilities if there is an enforceable legal right to offset current tax assets and liabilities, and there is an intention to settle current tax assets and liabilities on a net basis, or if the current tax assets and liabilities are settled at the same time.

3.12.3. Uncertain tax positions

The provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more likely than not that the group will require its financial resources to settle the obligation.

3.12.4. Deferred taxes

The recognition of deferred taxes refers to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their value for tax purposes. The Group does not recognize deferred taxes for the following temporary differences:

1. Initial recognition of goodwill

2. Differences arising from investment in subsidiaries and affiliated companies, if it is not expected that they will be reversed in the foreseeable future and if the Group controls the date of reversal of the difference.

Deferred taxes are measured according to the tax rates expected to apply to the temporary differences at the time they will materialize, based on the laws that have been enacted or whose legislation has been completed *de-facto* as of the reporting date.

A deferred tax asset is recognized in the books for transferred losses, tax benefits and deductible temporary differences, when it is expected that in the future there will be taxable income against which they can be utilized. The deferred tax assets are reviewed at each reporting date, and if it is not expected that the related tax benefits will materialize, they are amortized (see also Note 7).

Deferred tax assets that have not been recognized are revalued at each reporting date and recognized if the expectation has changed so that it is expected that in the future there will be taxable income against which it will be possible to utilize them.

3.12.5. Offsetting deferred tax assets and liabilities

The Group offsets deferred tax assets and liabilities if there is an enforceable legal right to offset current tax assets and liabilities, and they are attributed to the same taxable income taxed by the same tax authority in the same taxable company, which intends to settle current tax assets and liabilities on a net basis, or if the current tax assets and liabilities are settled at the same time.

3.12.6. Presentation of tax expenses as part of a cash flow statement

Cash flows arising from income taxes are classified in the cash flow statement as cash flows from operating activities, unless they can be specifically identified with investing activities and financing activities.

3.13. Dividend

A liability relating to a dividend proposed or announced after the date of the statements is recognized only in the period in which the announcement was made (approval of the general assembly). In cash flow statements, ***a dividend paid is presented as a financing activity.***

3.14. New standards that were not yet adopted:

3.14.1. International Financial Reporting Standard 18 IFRS Presentation and Disclosure in Financial Statements:

This standard replaces International Accounting Standard 1IAS "Presentation of Financial Statements". The objective of the standard is to provide improved structure and content for financial statements, in particular in the P&L statement. The standard includes new disclosure and presentation requirements as well as requirements that were brought from International Accounting Standard IAS 1 Presentation of Financial Statements. As part of the new disclosure requirements, two interim totals are required to be presented in the P&L statement: operating profit and profit before financing and tax. In addition, the results in the P&L statement will be classified into three new categories: operating category, investing category, and financing category. In addition to changes in the structure of the P&L statement, the standard also

Notes to Consolidated Statements as of December 31, 2025

includes a requirement to provide separate disclosure in the financial statements regarding the use of performance measures defined by management (MPM indices).

In addition, within the framework of the standard, specific guidelines have been added for the grouping and splitting of items in the financial statements and in the notes. The date of initial application of the standard is for annual periods beginning on January 1, 2027, with the possibility of early application. In accordance with the decision of the Securities Authority, initial application of the standard has only been possible starting on January 1, 2025. The Company is examining the implications of implementing the standard on the statements.

4. Cash and cash equivalents

Cash and cash equivalents balance as of 31.12.2025 mainly includes deposits in banks for a period of up to 90 days as well as balances in current accounts.

5. Investments

	December 31, 2024
	NIS millions
Shekel deposits in banks	901
Investment in securities at fair value through P&L	1,067
Derivatives	9
	1,977

6. Trade and other receivables

6.1. Composition of trade and other receivables:

	December 31, 2025	December 31, 2024
	NIS millions	NIS millions
Customers*		
Open debts and checks regarding it	-	691
Credit cards	-	177
Income receivable	-	211
Long-term customer current maturities	-	315
Relate parties and interested parties	-	1
	-	1,395
Other receivables and current tax assets*		
Current tax assets	-	18
Other receivables	-	90
Related and interested parties	-	8
Expenses in advance	1	58
	1	174
Long-term customers and other receivables*		
Customers – open debts	-	244
Long-term receivables and authorities (mainly for real estate sales)	-	166
	-	410
	1	1,979

* Customer balances are presented net of the provision for predicted credit losses.

6.2. Aging of customer debts:

December 31, 2024		
	Gross customer balance	Provision for predicted credit losses
	NIS millions	NIS millions
Not in arrears	1,459	(7)
Arrears up to 1 year	188	(29)
Arrears 1-2 years	38	(22)
Arrears over 2 years	42	(30)
	1,727	(88)

6.3. The transactions in the provision for predicted credit losses during the year is as follows:

	2025	2024
	NIS millions	NIS millions
Balance as of January 1	88	70
Loss recognized from impairment	32	43
Loan-loss	(25)	(25)
Deconsolidation	(95)	-
Balance as of December 31	-	88

7. Income taxes

7.1. Corporate tax rate

The current taxes for the reporting periods and deferred tax balances as of December 31, 2025 are calculated in accordance with the tax rate relevant to the Group, which is 23%.

7.2. Final tax assessments

The Company has final tax assessments up to and including 2023.

On December 30, 2024, the Company received, to the best of its knowledge, an assessment for the 2019 tax year, according to which the Company was required to pay tax in the amount of approximately NIS 40 million (excluding interest and linkage differentials). This tax arises from the recognition of a revaluation of the Company's debentures to fair market value as a result of changes in the terms of the Company's debentures under the creditors' arrangement carried out by the Company in 2019.

On November 24, 2025, the Company entered into a tax settlement agreement with the Israeli Tax Authority, under which, among other matters, the Company agreed to pay approximately NIS 3 million (including interest and indexation differences) for the 2019 tax year, and final tax assessments were issued for the 2020–2023 tax years with no additional tax liability imposed on the Company for those years.

7.3. Income taxes expense components

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Current tax expenses			
Expenses for the current year	249	316	337
Adjustments for previous years according to assessment agreement	3	32	-
Adjustments for previous years	10	(1)	1
Total current tax expenses	262	347	338
Deferred tax expenses			
Creating and reversing other temporary differences	15	(3)	8
Adjustments for previous years according to assessment agreement	-	(32)	-
Reversal of temporary differences according to assessment agreement	-	9	-
Total deferred tax expenses	15	(26)	8
Income taxes expenses	277	321	346

7.4. Adjustment between the theoretical tax on the profit before income taxes and the tax expenses

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Profit before income taxes	3,225	1,209	1,400
Statutory tax rate	23%	23%	23%
Income taxes according to the statutory tax rate	742	278	322
Expenses (income) that are not recognized for tax and other purposes, as well as losses for which deferred taxes were not incurred, net	(379)	43	24
Reversal of impairment losses	(89)	-	-
Taxes expense relating to prior years	3	-	-
Income taxes expenses	277	321	346

7.5. Recognized deferred tax assets and liabilities and the changes therein

	Deferred tax assets for employee benefit plans	Deferred tax liabilities for PP&E and intangible assets	tax for and Other taxes	deferred taxes	Total
	NIS millions	NIS millions	NIS millions		NIS millions
Balance as of January 1, 2024	237	(542)	(17)		(322)
Changes imputed to P&L:					
Creation and reversal of temporary differences	6	(18)	38		26
Changes imputed to other comprehensive income	(3)	-	(5)		(8)
Balance as of December 31, 2024	240	(560)	16		(304)
Changes imputed to P&L:					
Creation and reversal of temporary differences	16	(19)	(4)		(7)
Reversal of excess cost (see Note 10.1.1)	-	(8)	-		(8)
Changes imputed to other comprehensive income	2	-	3		5
Deconsolidation	(258)	587	(15)		314
Balance as of December 31, 2025	-	-	-		-

8. Leases

As part of the lease agreements, the Group mainly leases cellular communication sites, buildings (including offices, warehouses, communication rooms and sales points), and vehicles.

8.1. Right-of-use assets

	Communication sites	Structures	Vehicles	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Amortized cost				
Balance as of January 1, 2024	655	1,056	159	1,870
Additions and changes*	175	167	185	527
Amortization for the year	(170)	(111)	(137)	(418)
Subtractions for terminated or canceled agreements	(12)	(200)	(5)	(217)
Balance as of December 31, 2024	648	912	202	1,762
Additions and changes*	188	91	137	416
Amortization for the year	(167)	(109)	(133)	(409)
Subtractions for terminated or canceled agreements	(7)	(5)	(3)	(15)
Deconsolidation	(662)	(889)	(203)	(1,754)
Balance as of December 31, 2025	-	-	-	-

* Additions for new agreements, linkage differences, and changes to existing agreements.

8.2. Lease liabilities

	Communication sites	Structures	Vehicles	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Balance as of January 1, 2024	727	1,127	187	2,041
Additions and changes*	176	173	184	533
Subtractions	(12)	(212)	(5)	(229)
Financing expenses for lease liabilities	26	37	9	72
Lease payments	(177)	(130)	(142)	(449)
Balance as of December 31, 2024	740	995	233	1,968
Additions and changes*	188	91	137	416
Subtractions	(7)	(5)	(3)	(15)
Financing expenses for lease liabilities	31	35	11	77
Lease payments	(198)	(147)	(146)	(491)
Deconsolidation	(754)	(969)	(232)	(1,955)
Balance as of December 31, 2025	-	-	-	-
Carrying amount as of December 31, 2024				
Current maturities of lease liabilities	214	113	111	438
Long-term lease liabilities	526	882	122	1,530
Balance as of December 31, 2024	740	995	233	1,968
Carrying amount as of December 31, 2025				
Current maturities of lease liabilities	-	-	-	-
Long-term lease liabilities	-	-	-	-
Total balance as of December 31, 2025	-	-	-	-

* Additions for new agreements, linkage differences, and changes to existing agreements.

Notes to Consolidated Statements as of December 31, 2025

9. **PP&E**

	Land and structures	Landline and international network equipment (switching, transmission, power)	Cables and landline and international communication infrastructure	Cellular network	Equipment and infrastructure for multi-channel television	Subscriber equipment	Office equipment, computers and vehicles	Total
	NIS millions							
Cost								
Balance as of December 31, 2024	1,360	2,791	13,153	3,735	1,341	1,795	594	24,769
Additions	54	283	379	190	111	326	87	1,430
Subtractions	(137)	(119)	-	(5)	(113)	(399)	(46)	(819)
Classification as assets intended for sale	(62)	-	-	-	-	-	(19)	(81)
Balance as of December 31, 2024	1,215	2,955	13,532	3,920	1,339	1,722	616	25,299
Additions	19	290	344	211	70	313	79	1,326
Subtractions	(11)	(114)	(42)	-	(157)	(331)	(76)	(731)
Deconsolidation	(1,223)	(3,131)	(13,834)	(4,131)	(1,252)	(1,704)	(619)	(25,894)
Balance as of December 31, 2025	-	-	-	-	-	-	-	-
Depreciation and impairment losses								
Balance as of January 1, 2024	1,105	1,529	9,633	3,083	1,205	1,017	369	17,941
Amortization for the year	31	207	198	162	36	327	56	1,017
Subtractions	(135)	(119)	-	(3)	(108)	(392)	(45)	(802)
Impairment (impairment reversal)	6	3	3	-	29	(1)	11	51
Classification as assets intended for sale	(52)	-	-	-	-	-	(16)	(68)
Balance as of December 31, 2024	955	1,620	9,834	3,242	1,162	951	375	18,139
Amortization for the year	25	229	213	169	58	328	53	1,075
Subtractions	(9)	(114)	(42)	-	(155)	(323)	(74)	(717)
Impairment (impairment reversal)	(1)	2	-	-	(55)	(2)	(16)	(72)
Deconsolidation	(970)	(1,737)	(10,005)	(3,411)	(1,010)	(954)	(338)	(18,425)
Balance as of December 31, 2025	-	-	-	-	-	-	-	-
Carrying amount								
As of January 1, 2024	255	1,262	3,520	652	136	778	225	6,828
As of December 31, 2024	260	1,335	3,698	678	177	771	241	7,160
As of December 31, 2025	-	-	-	-	-	-	-	-

* Depreciation expenses include a reversal of impairment loss in the TV and communications services segment amounting to NIS (84) million, and an impairment loss in the international communications services segment amounting to NIS 12 million.

10. Intangible assets

	Goodwill	Computer software and licenses	Brand – TV and communication services	Brand – TV and communication services	Others	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cost						
Balance as of January 1, 2024	3,078	3,036	570	6,689	116	13,489
Purchases or additions from self-development	-	262	-	-	-	262
Allocation of cost overruns and retroactive adjustment	23	3	-	-	(22)	4
Classification as assets intended for sale	-	(37)	-	-	-	(37)
Subtractions	-	(359)	-	-	-	(359)
Balance as of December 31, 2024	3,101	2,905	570	6,689	94	13,359
Purchases or additions from self-development	-	249	-	-	-	249
Amortization for the year	4	-	-	-	-	4
Subtractions	-	(58)	-	-	-	(58)
Deconsolidation	(3,105)	(3,096)	(570)	(6,689)	(94)	(13,554)
Balance as of December 31, 2025	-	-	-	-	-	-
Amortizations and impairment losses						
Balance as of January 1, 2024	1,510	2,655	395	5,568	81	10,209
Amortization for the year	-	144	21	-	2	167
Subtractions	-	(359)	-	-	-	(359)
Impairment (see below)	-	86	-	-	-	86
Classification as assets intended for sale	-	(31)	-	-	-	(31)
Balance as of December 31, 2024	1,510	2,495	416	5,568	83	10,072
Amortization for the year	-	177	23	-	2	202
Subtractions	-	(58)	-	-	-	(58)
Impairment (loss reversal) (see Note 10.1 below)*	-	(49)	-	-	-	(49)
Reversal of excess cost (see Note 10.1.1)	-	-	-	(36)	-	(36)
Deconsolidation	(1,510)	(2,565)	(439)	(5,532)	(85)	(10,131)
Balance as of December 31, 2025	-	-	-	-	-	-
Carrying amount						
As of January 1, 2024	1,568	381	175	1,121	35	3,280
As of December 31, 2024	1,591	410	154	1,121	11	3,287
As of December 31, 2025	-	-	-	-	-	-

* Depreciation expenses include the reversal of impairment loss in the TV and communications services segment amounting to NIS (80) million, as well as an impairment loss in the Bezeq International services segment amounting to NIS 31 million.

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

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

	Yes enterprise value (according to the DCF method)	Fair value of Yes assets and liabilities, net	Carrying amount of Yes assets and liabilities, net before recognition of loss reversal / impairment	Loss cancellation (loss) from impairment
	NIS millions	NIS millions	NIS millions	NIS millions
As of December 31, 2025 and for the period of three months that ended on that date	762	*	484	**92
As of September 30, 2025 and for the period of three months that ended on that date (unaudited)	480	*	295	185
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 loss reversal recognized in 2025				387
As of December 31, 2024 and for the year that ended on that date	86	(34)	84	(151)

* The enterprise value as of September 30 and December 31, 2025, under the DCF approach is positive, whereas the fair value of Yes's assets and liabilities, net, remains negative. Therefore, the Bezeq Group does not present the enterprise value under this approach in its statements.

** The maximum recoverable amount in accordance with IAS 36 is NIS 92 million, based on the assets' cost minus accumulated depreciation without impairment losses as of the valuation date.

The recoverable amount of Yes's operating assets in each period is determined based on the value in use, calculated using the discounted cash flow (DCF) approach..

The following is a breakdown of the allocation of impairment loss to Yes's assets:

	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Broadcast rights - minus used rights *	214	(64)	(103)
PP&E **	84	(41)	(62)
Intangible assets **	80	(39)	(37)
Rights-of-use of leased properties **	1	-	1
Other receivables (advance expenses) *	8	(7)	(3)
Total impairment recognized	387	(151)	(204)

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

** The expense was presented as part of depreciation, amortization, and impairment expenses.

10.1.1. In addition to the reversal of impairment losses in the TV and communications services segment, the Group recorded a value recovery for cost overruns related to a brand amounting to approximately NIS 36 million as part of other expenses (income), see Note 22 below.

10.2. Impairment of the Internet and international communication services and ICT services segment (Bezeq International)

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

	Bezeq International enterprise value (according to the DCF method)	Fair value of Bezeq International assets and liabilities, net	Carrying amount of Bezeq International assets and liabilities, net before recognition of impairment	Impairment loss
	NIS millions	NIS millions	NIS millions	NIS millions
As of December 31, 2025 and for the period of three months that ended on that date	(93)	(79)	(53)	(26)
As of September 30, 2025 and for the period of three months that ended on that date (unaudited)	(89)	(56)	(42)	(14)
As of June 30, 2025 and for the period of three months that ended on that date (unaudited)	(89)	(59)	(38)	(21)

Notes to Consolidated Statements as of December 31, 2025

	Bezeq International enterprise value (according to the DCF method)	Fair value of Bezeq International assets and liabilities, net	Carrying amount of Bezeq International assets and liabilities, net before recognition of impairment	Impairment loss
	NIS millions	NIS millions	NIS millions	NIS millions
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 2025				(73)
As of December 31, 2024 and for the year that ended on that date	(89)	(51)		(91)

The recoverable amount of Bezeq International's operating assets in each period was determined as: the value of the activity according to the discounted cash flow (DCF) approach or the fair value of Bezeq International's assets and liabilities, net, whichever is higher.

The following is a breakdown of the allocation of the total impairment loss to Bezeq International's assets:

	2025	2024	2023
	NIS millions	NIS millions	NIS millions
PP&E and intangible assets **	(43)	(57)	(57)
Short- and long-term advance expenses *	(21)	(21)	(17)
Rights-of-use of leased vehicle assets **	-	-	(1)
Long-term advance expenses for capacities **	(9)	(13)	(12)
Total impairment recognized	(73)	(91)	(87)

* The expense was presented as part of General and operating expenses.

** The expense was presented as part of depreciation, amortization and impairment expenses.

11. Deferred expenses and non-current investments

	December 31, 2024
	NIS millions
Subscriber acquisition asset, net (see Note 11.1 below)	171
Deferred expenses	17
Bank deposit used to provide loans to Bezeq employees	29
Derivative instruments	27
Investment in an equity-held investee	8
	252

11.1. The following is a breakdown of subscriber acquisition assets:

	Subscriber acquisition assets
	NIS millions
Cost	
Balance as of January 1, 2024	351
Additions	132
Subtractions	(85)
Balance as of December 31, 2024	398
Additions	158
Subtractions	(120)
Deconsolidation	(436)
Balance as of December 31, 2025	-
Depreciation and impairment losses	
Balance as of January 1, 2024	185
Depreciation	127
Subtractions	(85)
Balance as of December 31, 2024	227
Depreciation	145
Subtractions	(120)
Deconsolidation	(252)
Balance as of December 31, 2025	-
Carrying amount	
As of January 1, 2024	166
As of December 31, 2024	171
As of December 31, 2025	-

11.2. The following is a breakdown of broadcasting rights assets:

	Broadcasting Rights Assets
	NIS millions
Cost	
Balance as of January 1, 2024	1,212
Additions	142
Subtractions	(64)
Balance as of December 31, 2024	1,290
Additions	132
Subtractions	(75)
Deconsolidation	(1,347)
Balance as of December 31, 2025	-
Depreciation and impairment losses	
Balance as of January 1, 2024	1,152
Depreciation	21
Subtractions	(63)
Impairment loss	64
Balance as of December 31, 2024	1,174
Depreciation	62
Subtractions	(75)
Impairment loss reversal	(214)
Deconsolidation	(947)
Balance as of December 31, 2025	-
Carrying amount	
As of January 1, 2024	60
As of December 31, 2024	116
As of December 31, 2025	-

12. Investees

12.1. The Company's control over Bezeq

- 12.1.1. The Company held the control permit in Bezeq and controlled Bezeq based on two facts: 1) The Company held significantly more voting rights than any other shareholder while the rest of Bezeq's holdings are very dispersed. 2) Israeli law and regulation require obtaining government approval for any Israeli institutional entity that wishes to increase its holding to over 7.5% in Bezeq or wishes to take actions together with another shareholder for the purpose of appointing a director in Bezeq or in order to influence the making of current operational decisions in Bezeq. Through these limitations and through the Company's representatives on Bezeq's Board of Directors, the regulatory regime guarantees that no individual or entity will interfere in the control of Bezeq, except for the holder of the control permit.
- 12.1.2. On November 11, 2025, an amendment was signed to the control permit for the subsidiary Bezeq, which was originally granted to the company on November 11, 2019. According to the amendment, the Company is allowed to hold less than 15% of any type of control instrument in Bezeq, thereby effectively ceasing to be the controlling shareholder of Bezeq.
- 12.1.3. On November 18, 2025, the Company sold the remainder of its holdings in the subsidiary Bezeq as of that date. Upon completion of the sale, the Company ceased to control Bezeq from that date.

12.2. Dividend distribution by Bezeq

12.2.1. Bezeq's dividend distribution policy

On 11.3.2025, Bezeq's Board of Directors decided to update Bezeq's dividend policy so that Bezeq will distribute every six months 80% of the semi-annual profit (after tax) according to its consolidated statements starting with the distribution for the second half of 2025, in view of the continued decrease in the scope of Bezeq's net debt, and in accordance with Bezeq's forecasts regarding business results for the coming years.

12.2.2. Dividends distribution by Bezeq

- A. On 23.4.2025, the general assembly of Bezeq's shareholders approved (following the recommendation of Bezeq's Board of Directors of 11.3.2025) the distribution of a cash dividend to Bezeq's shareholders in the 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 14.05.2024. The Company's share of the aforementioned dividend is approximately NIS 85 million.
- B. On 11.9.2025, the general assembly of Bezeq's shareholders (following the recommendation of Bezeq's Board of Directors of 5.8.2025) approved the distribution of a cash dividend to Bezeq's shareholders in a total amount of NIS 583 million (which, as of the day determining the distribution, is NIS 0.2102446 per share). The dividend was paid on 19.10.2025. The Company's share of the aforementioned dividend is approximately NIS 93 million.

12.3. Bezeq Online Ltd.

On 7.11.2024, Bezeq entered into an agreement with One Software Technologies Ltd. for the sale of all its holdings in its subsidiary, Bezeq Online Ltd. The transaction was completed on 17.4.2025, after all conditions precedent in the agreement were met. According to the agreement, ownership was transferred to the purchaser, and the full net cash consideration of approximately NIS 34 million was received, net of the subsidiary's remaining cash balance of approximately NIS 6 million.

12.4. Non-controlling interests

The following table shows data regarding the investees in the Group, including adjustments to fair value made on the day of purchase with the exception of goodwill, the non-controlling interests are material to the Group:

December 31							
	Percentage of ownership held by the non-controlling interests	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets	Carrying amount of the non-controlling interests
	%	NIS millions					
2024	72.51	4,512	11,689	4,014	8,901	3,286	2,476

Year ended December 31						
	Revenues	Net profit	Other comprehensive income (loss)	Comprehensive income	Profit attributed to non-controlling interests	Comprehensive income attributed to non-controlling interests
	NIS millions					
2025	8,702	1,417	(13)	1,404	1,121	1,110
2024	8,884	1,073	(6)	1,067	780	776
2023	9,103	1,189	12	1,201	867	876

Year ended December 31					
	Cash flow from current operations	Cash flow from investing activities	Cash flow from financing activities (without dividend to non-controlling interests)	Dividend to non-controlling interests	Total increase (decrease) in cash and cash equivalent
	NIS millions				
2025	3,242	1,017	(1,696)	(797)	1,766
2024	3,410	(2,320)	(810)	(568)	(288)
2023	3,440	(1,835)	(1,715)	(466)	(576)

13. Debentures, loans and credit**13.1. Composition**

	December 31, 2024
	NIS millions
Current liabilities	
Current debenture liabilities	847
Current loan liabilities	276
	1,123
Non-current liabilities	
Debentures	6,641
Loans	1,930
	8,571
Total debentures, loans and credit	9,694

13.2. Terms of Debentures and loans

	December 31, 2024		
	Book balance	Par value	Interest rate range
	NIS millions	NIS millions	
Bank loans at Bezeq:			
Unlinked loans, bearing fixed interest	812	813	3.2% - 5.33%
Unlinked loans, bearing variable interest	699	700	Prime+ 0.11% - Prime+0.53%
Total banks loans at Bezeq	1,511	1,513	
Loans from financial institutions at Bezeq:			
Unlinked loans, bearing fixed interest	695	695	3.22%-4%
Total financial institutions loans of Bezeq	695	695	
Total loans in Bezeq	2,206	2,208	
Public debentures of the Company:			
Series C – unlinked, bearing fixed interest	965	1,011	3.65%
Series F – unlinked, bearing fixed interest	1,083	1,009	5.50%
Total public debentures of the Company	2,048	2,020	
Public debentures of Bezeq:			
Series 9 - unlinked, bearing fixed interest	533	532	3.65%
Series 10 - linked to the consumer price index, bearing fixed interest	307	265	2.2%
Series 11 - unlinked, bearing fixed interest	1,380	1,403	3.2%
Series 12 - linked to the consumer price index, bearing fixed interest	1,428	1,269	1.7%
Series 13 - unlinked, bearing fixed interest	1,188	1,403	2.79%
Series 14 - linked to the consumer price index, bearing fixed interest	604	610	0.58%
Total public debentures of Bezeq	5,440	5,482	
Total debentures	7,488	7,502	
Total loans and debentures	9,694	9,710	

13.3. Debentures issued by the Company

13.3.1. On September 12, 2024, the Company exchanged approximately NIS 999 million of Series F debentures for approximately NIS 1,009 million of Series G debentures (a new series of debentures issued for the first time) as part of an exchange purchase offer.

The Company examined whether the change in the terms between the debentures series is material both quantitatively and qualitatively and concluded that the change is not material and therefore recorded a loss from the exchange of debentures in its books, which was classified as financing expenses in the P&L statement in the amount of approximately NIS 84 million in the third quarter of 2024.

13.3.2. On June 1, 2025, the Company made a full early redemption of its Series F debentures, in a total amount (principal plus accrued interest up to the early redemption date) of NIS 1,029 million. Following this early redemption, the Company recognized financing expenses of NIS 35 million.

13.3.3. On August 31, 2025, the Company made a full early redemption of its Series G debentures, in a total amount (principal plus accrued interest up to the early redemption date) of NIS 1,025 million. Following this early redemption, the Company recognized financing income of NIS 64 million.

As of December 31, 2025, the company has no outstanding debt to bondholders.

13.4. Transactions in liabilities arising from financing activities

	Debentures (including accrued interest)	Loans (including accrued interest)	Total
	NIS millions	NIS millions	NIS millions
Balance as of January 1, 2024	6,682	2,253	8,935
Changes as a result of cash flows from financing activities			
Proceeds from issuing debentures and receiving loans, minus transaction costs	1,444	200	1,644
Repayment of debentures and loans	(839)	(232)	(1,071)
Interests paid	(204)	(100)	(304)
Total net cash used for financing activities	401	(132)	269
Financing expenses imputed to the P&L statement	438	103	541
Balance as of December 31, 2024	7,521	2,224	9,745
Changes as a result of cash flows from financing activities			
Proceeds from issuing debentures and receiving loans, minus transaction costs	990	200	1,190
Repayment of debentures and loans	(2,867)	(276)	(3,143)
Interests paid	(212)	(99)	(311)
Total net cash used for financing activities	(2,089)	(175)	(2,264)
Financing expenses imputed to the P&L statement	259	101	360
Deconsolidation	(5,691)	(2,150)	(7,841)
Balance as of December 31, 2025	-	-	-

14. Trade payables

	December 31, 2025	December 31, 2024
	NIS millions	NIS millions
Suppliers		
Open debts and expenses payable *	2	966
Total suppliers	2	966
Liabilities to employees and other liabilities for wages and salaries	-	382
Deferred income	-	293
Institutions	-	77
Derivate instruments	-	3
Accrued interest	-	50
Current tax liabilities	-	171
Others	-	13
Total current payables including derivatives	-	989
Total and current trade payables	2	1,955
Deferred income due to a government grant **	-	45
Deferred income	-	150
Others	-	19
Total non-current payables	-	214
Total current and non-current trade payables	2	2,169

* Of which the balance of suppliers who are related parties and interested parties as of 31.12.2024 - NIS 1 million).

** See Note 10.1 above.

15. Provisions

	Customer lawsuits	Additional lawsuits	Dismantling and removing cellular sites and liability	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Balance as of January 1, 2025	77	1	36	114
Provisions created	19	106	4	129
Provisions exercised	(9)	(2)	(2)	(13)
Provisions cancelled	(10)	-	-	(10)
Deconsolidation	(77)	(93)	(38)	(208)
Balance as of December 31, 2025	-	12	-	12
Presented in the statement on the financial position as follows:				
Current provisions	-	12	-	12
Non-current provisions	-	-	-	-
Total	-	12	-	12

For details regarding claims, see Note 17 below.

16. Employee benefits

Employee benefits include severance benefits, post-employment benefits, other long-term benefits, and short-term benefits. See also Note 24 regarding share-based compensation.

16.1. Composition of the liabilities for employee benefits

		2024
	Note	NIS millions
Current liabilities for:		
Vacation		120
Sickness	16.4	115
Provision for early retirement plan at Bezeq	16.5.1	97
Provision for streamlining and early retirement plan at Pelephone, Bezeq International, and Yes	.16.5.2-16.5.3	61
Current maturity of benefits for retirees	16.3.3	7
Total current liabilities for employee benefits		400
Non-current liabilities for:		
Provision for amendment of employee agreement	16.1.1	70
Liabilities for benefits to retirees	16.3.3	102
Severance pay, net (see composition below)	16.3.1	64
Early notice and pension	16.3.2	28
Provision for voluntary retirement plan at Bezeq International		36
Total non-current liabilities for employee benefits		300
Total liabilities for employee benefits		700
The following is the composition of the liability for severance pay:		
Liability for severance pay		213
Fair value of plan assets		(149)
		64

On 6.8.2023 and on 8.8.2023, the Audit Committee of the Bezeq Board of Directors and the Bezeq Board of Directors (respectively) approved an amendment to the collective agreement between Bezeq and the Employees Organization and the Histadrut ("the Amendment"). The Amendment states, among other things, that a special bonus will be paid to Bezeq employees in the amount of NIS 75 million, for past services, most of which is conditional on the dates and conditions stipulated in the agreement depending on the change in the percentage of holdings of the current control permit holders in Bezeq (or the expiration/cancellation/transfer of the control permit) ("the Conditions"). The Amendment to the agreement was approved by the general assembly of Bezeq's shareholders on September 14, 2023. As a result of the signing and approval of the Amendment to the agreement, Bezeq recorded in 2023a one-off provision of NIS 75 million for the full amount of the special grant. During the month of December 2023, Bezeq paid approximately NIS 5 million as part of the agreement. During the year, upon fulfillment of the conditions, the grant was paid in full.

16.2. Defined deposit plans

Liability for benefits for employees of retirement age for their period of service in Bezeq and the consolidated companies and for the employees to whom Article 14 of the Severance Compensation Law, 5723-1963 ("Severance Compensation Law") applies, fully covered by current payments to pension funds and insurance companies.

	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Deposits recognized as an expense for a defined deposit plan	214	223	220

For some of the employees, the Group has an obligation to complete severance compensation beyond the amount accumulated in the severance fund in the name of the employees (see [Note 16.3.1 below](#)).

16.3. Defined benefit plans

Liabilities regarding defined benefit plans in the Group include the following liabilities:

- 16.3.1. The liability for severance pay for the balance of the liability that is not covered by deposits and/or insurance policies in accordance with the existing employment agreements and the Law on Severance Pay. In respect of this part of the liability, there is a reserve deposited in the name of Bezeq Group companies in pension funds and insurance companies. The reserves in pension funds and insurance companies include linkage differences and accrued interest. Withdrawal of the reserves is conditional upon compliance with the provisions detailed in the Severance Compensation Law.
- 16.3.2. A liability according to the personal employment agreements of senior employees in the Bezeq Group to pay a benefit for early notice upon termination of the employee-employer relationship. In addition, Bezeq has a liability towards a number of senior employees who are entitled to early retirement conditions (pension and retirement grants) that do not depend on the existing retirement agreements for all employees.
- 16.3.3. Bezeq retirees receive benefits, apart from the pension payments, the main ones being a holiday present (adjacent to the exchange rate of the dollar), financing the maintenance of the pensioners' clubs and social activities. Bezeq's liability for these costs accrues during the work period. Bezeq includes in its statements the liabilities for the expected costs in the post-employment period.

16.4. Provision for sick leave

The statements included a provision for redemption and exercise of sick days. The right to accrue sick days was taken into account for all employees of the Group, and the right to redeem sick days only for eligible employees in accordance with the conditions stipulated in the employment agreements. The provision was calculated on the basis of an actuarial calculation that includes the assumption of a positive accumulation of days for most employees and exercise of days using the "last in first out" (LIFO) method.

16.5. Benefits for early retirement and dismissal

16.5.1. In accordance with the collective agreement between Bezeq and the workers' organization and the new General Workers' Union of December 2006 and in accordance with amendment number 6 to the agreement of December 2020, Bezeq is entitled, at its discretion, to terminate the work of up to 50 permanent and veteran employees in each of the years 2026-2021. The right of Bezeq is cumulative over the years and this is in addition to the retirement quota of approximately 300 permanent employees remaining from the previous agreement, whose employment Bezeq can terminate at the end of the current agreement period.

Bezeq recognizes the expense for early retirement when Bezeq has made a clear commitment, with no actual possibility of cancellation, to dismiss employees before they reach the accepted retirement date, according to a defined plan. The collective agreement gives Bezeq the right to dismiss employees but does not create a clear commitment for Bezeq without a real possibility of cancellation. Therefore, the expenses for early retirement are recognized in Bezeq's books at the time the plan is approved.

On 30.11.2025, Bezeq's Board of Directors approved, as part of the implementation of Bezeq's streamlining plan, the retirement of approximately 220 permanent and veteran employees on an early retirement track at a total cost of approximately NIS 264 million. In light of the above, Bezeq recorded in its statements for Q4/2025 an expense of approximately NIS 244 million.

16.5.2. Labor relations at Pelephone are regulated by a collective agreement signed between Pelephone and the New General Workers' Histadrut - the Union of Cellular, Internet and High-Tech Workers ("the Histadrut") and the Pelephone Employees' Committee. The agreement applies to all Pelephone employees, with the exception of senior managers and certain employees in pre-defined positions.

On 6.12.2022, Pelephone signed a renewal of the existing collective agreement, which includes the provision of salary increases and bonuses, improvement of ancillary conditions, voluntary retirement and the settlement of labor disputes announced by the General Workers' Union and the employees' representatives, while maintaining industrial peace during the period of validity of the agreement in the matters regulated therein, for the period starting From 6.12.2022 to 31.12.2025 ("the Agreement").

The provisions of the collective agreement dated 6.12.2022, continue to apply to the parties, subject to the law.

In 2023, the Group recognized retirement expenses in the amount of approximately NIS 7 million.

In 2024, the Group recognized retirement expenses in the amount of approximately NIS 13 million.

In 2025, the Group recognized retirement expenses in the amount of approximately NIS 4 million.

16.5.3. On 26.2.2025, Yes signed a memorandum of principles with the National Labor Federation and the Yes Employees' Committee, according to which, subject to the approval of Yes's Board of Directors, the parties would sign an extension of the collective agreement originally entered into on 11.8.2021,

until 31.12.2025, with certain modifications. In April 2025, Yes, the National Labor Federation, and the Company's Employees' Committee signed an agreement to extend the collective agreement until 31.12.2025, which also formalized the remaining arrangements between the parties as set out in the February 2025 memorandum of principles. It was further agreed that the term would be automatically extended for 12-month periods each time, unless one of the parties notifies, at least 90 days before the expiry date, of its intention to make changes..

16.6. Actuarial assumptions

The main actuarial assumptions regarding defined benefit plans as of the reporting date are:

- 16.6.1. The mortality rates are based on published statistical data on acceptable mortality tables, including a future decline in the mortality rate.
- 16.6.2. The departure rates were determined based on the past experience of Bezeq and the consolidated companies while distinguishing between the different employee populations and according to the years of seniority. Departure rates include a distinction between departures that grant entitlement to full severance pay and departures that do not grant full severance pay.
- 16.6.3. The (nominal) discount rate is based on the yield of high-quality linked corporate debentures with a duration similar to that of the gross liability.

The following are the main discount rates:

	December 31, 2025	December 31, 2024
	Average discount rate	Average discount rate
Severance pay	5.1%	5.7%
Retiree benefits	5.3%	5.7%

- 16.6.4. Assumptions regarding salary updates for the purpose of calculating the liabilities were made on the basis of Management's estimates while distinguishing between the groups of employees. The main assumptions (in nominal terms) regarding salary updates of main employee groups are:

Annual salary increase assumption	
Veteran permanent Bezeq employees	The calculation was based on the expected salary increase resulting from the collective agreement signed in August 2015 and December 2020.
New permanent Bezeq employees	Average update of 6.6% for young employees gradually decreases to 3.8% at age 66.
Non-permanent Bezeq employees	4.6%-8% for young employees (according to different employee groups) gradually decreases to 0.7%-4.7%, 2% (in real terms) for senior workers.
Employees of Pelephone, Bezeq International and Yes	The rates of salary increases were determined based on the collective agreements that were signed. The average annual salary increase rate is between 2% and 4%.

- 16.6.5. Detailed weighted average duration of liabilities for key post-employment benefits:

	December 2025	31, December 2024
	Years	Years
Severance pay	10	10
Retiree benefits	14	14

16.6 Sensitivity analysis for main actuarial assumptions

The following is the analysis of the possible impact of the changes in main actuarial assumptions on employee benefit liabilities. The calculation is made in relation to each discount separately, assuming that the other discounts remain unchanged.

	December 31, 2025	December 31, 2024
	NIS millions	NIS millions
Discount rate - 0.5% addition	(20)	(19)
Future salary increase rate - 0.5% addition	21	21
Employee turnover rate - 5% addition	4	6
Mortality rate assumption - 5% increase	(2)	(2)

17. Pending and contingent liabilities

- 17.1. In June 2018, a motion was filed for disclosure and inspection of documents pursuant to Article 198A of the Companies Law, in which the Court was requested to order Bezeq, yes, and the former controlling shareholder of the Company and of Bezeq, Mr. Shaul Elovitch, and his son, Mr. Or Elovitch (together, “the Elovitchs”), to provide the petitioner, as a shareholder of Bezeq, with various documents for the purpose of examining the filing of a motion for approval of a derivative claim on behalf of Bezeq. According to the petitioner, the Company and the Elovitchs breached their duties of loyalty, fairness, and trust toward Bezeq, claiming that the sale of 115 million Bezeq shares on 2.2.2016, by the Company was carried out using Bezeq insider information and at a price significantly higher than the shares’ true value.

On 19.9.2023, a judgment was rendered dismissing the motion on the grounds that it had been filed more than five years earlier and that no hearing had taken place due to the stay of proceedings in the case. It was further stated in the judgment that the dismissal would not result in the expiration of the causes of action underlying the motion, and that no claim regarding the period from the date of the judgment until the filing of a new claim, if filed, would be heard.

In April 2024, the petitioner in the above proceedings filed a motion for approval of a derivative claim on behalf of Bezeq and/or a “double derivative” claim on behalf of yes against Mr. Shaul Elovitch and the Company. The allegations included in the motion for approval of the derivative claim are similar to those included in the document disclosure motion mentioned above.

On November 23, 2025, the Company, together with Mr. Shaul Elovitch (the Company’s former controlling shareholder), filed a motion with the Court requesting approval of a mediation settlement agreement signed between them and the petitioner, in order to conclude the proceedings relating to the motion for approval of the derivative claim.

Without admitting any of the allegations in the derivative claim approval motion, for the purposes of settlement and in order to fully resolve, waive, discharge, and terminate the derivative claim approval proceedings and the motion for disclosure, it was agreed between the parties that, subject to the mediation settlement becoming a final and binding judgment, the Company will pay a total, final, and absolute amount of NIS 11 million. The mediation settlement is subject to approval by the Tel Aviv District Court.

- 17.2. In January 2021, a consolidated motion was filed (filed in lieu of two similar motions on the same matter that were dismissed) against Bezeq, the Company, and 90 additional respondents, including former and current officers of Bezeq, the Company, and Bezeq International (“the respondents”). According to the motion, the petitioners and members of the represented classes allegedly suffered damages as a result of acts and omissions of the respondents that violated the law, *inter alia*, by including misleading information in the financial statements of Bezeq and the Company, and by failing to disclose material information to investors as required by law, in connection with Bezeq’s and the Company’s announcement dated 9.11.2020, stating that discrepancies of hundreds of millions of shekels existed in the books of Bezeq International.

On November 24, 2025, the parties filed a motion with the Court requesting approval of a settlement agreement in connection with the motion for approval of the class action against them, pursuant to which, for settlement purposes only and without constituting any admission of liability by the respondents, and subject to the final approval of the settlement agreement by the Court, a total and final amount of NIS 75 million (“the settlement amount”) will be paid in full settlement of all claims relating to the approval motion. The Company’s share of the settlement amount is NIS 1.4 million.

18. Capital

18.1. Shareholders' equity

Ordinary shares NIS 0.1 par value each

	Ordinary shares	
	December 31, 2025	December 31, 2024
Registered share capital	300,000,000	300,000,000
Issued and paid up share capital	117,410,128	116,335,793
Treasury shares	(12,298,530)	(12,173,530)
Issued and paid up share capital, net	105,111,598	104,162,263

- 18.1.1. On March 12, 2024, the Company's Board of Directors approved an additional buyback plan for the Company's shares in the amount of up to NIS 25 million. as part of the aforementioned share repurchase program, the Company purchased a total of 1,500,000 of its shares for approximately NIS 20 million.
- 18.1.2. On September 17, 2025, the Company purchased an additional 125,000 shares of the Company for approximately NIS 2.6 million.
- 18.1.3. As of the date of approval of the Statements, Searchlight and the Fuhrer family held 66.59% and 12.60%, respectively, of the Company's issued and paid-up share capital.

19. Revenues

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Landline national interior communication - Bezeq Fixed Lines			
Internet - infrastructure	1,941	1,961	1,907
Data transmission and communication	1,064	1,025	974
Landline telephony	480	531	632
Cloud and digital services	365	348	349
other services	321	264	295
	4,171	4,129	4,157
Cellular communication - Pelephone			
Cellular services and end equipment	1,535	1,615	1,724
Sale of end equipment	616	616	585
	2,151	2,231	2,309
TV and communication services - Yes	1,299	1,264	1,308
Internet services (ISP) and international communication services and ICT solutions - Bezeq International	1,027	1,053	1,139
Others	54	207	190
Total revenues	8,702	8,884	9,103

19.1. Engagement with customer recognized over time

- 19.1.1. On 21.12.2022, Bezeq signed a long-term agreement with Partner Communications Ltd. ("Partner") for the provision of non-permanent right of use (IRU) service in the BSA fiber service (wholesale market) by Bezeq to Partner. In accordance with the agreement, Partner was granted a right of use a non-transferable and irrevocable right to provide service to its customers on 120,000 unspecified Bezeq fiber optic lines at a rate of 1 gigabyte download per line, for a period of 15 years starting on 1.1.2023 (the beginning of the right to use the lines will be done in phases for a period of up to five years).

The consideration for the provision of the service, which includes one-time payments and annual payments, is expected to reach a total amount of approximately NIS one billion (approximately NIS 574 million for one-time payments, annual maintenance fees at the rate of 4% of the one-time payments for the lines for which the right of use will be granted until that year, and with the addition of interest and/or linkage differences according to the terms of the agreement), with most of the consideration amount expected to be paid during the first 9 years of the agreement. In practice, Partner has already implemented the first 5 tranches in the agreement by the end of 2024. In light of these conditions, a material financing component was identified in the terms of the agreement.

The agreement includes the option to increase the number of lines by up to 48 thousand additional lines under the same conditions. As of the report date, Partner had utilized approximately 36,000 lines to upgrade rates as well as to extend the agreement period in two five-year option periods each with less lines than in the first agreement period. Increasing the content of the aforementioned agreement will result in a corresponding increase in the total financial scope of the agreement. The agreement also includes a price protection mechanism for Partner in a way that weighs the price of the regulatory line, starting from the sixth year of the agreement. These options do not provide a substantive right to the customer.

- 19.1.2. On 3.11.2025, an addendum was signed between Bezeq and Gilat to a long-term agreement for the provision of an indefeasible right of use (IRU) on the BSA fiber service (wholesale market). This is an expansion of an existing Bezeq agreement with Gilat dated 15.12.2024, under which Gilat was granted the right to use 18,000 fiber optic lines for a 15-year usage period, starting from 15.1.2025, for a total consideration of approximately NIS 140 million (of which approximately NIS 90 million were one-time payments). Under the addendum, Gilat was granted the right to use an additional 90,000 lines, to be provided in four phased tranches over a 15-year usage period, starting from the payment date for each batch forming part of a tranche (there is a condition for the execution of tranches 2 to 4, each including 18,000 lines, depending on Gilat's overall business growth as specified in the agreement).

The consideration for the addendum is expected, assuming full exercise of all tranches by Gilat, to exceed NIS 600 million (of which approximately NIS 400 million are one-time payments, plus annual maintenance fees and/or interest and/or linkage differences according to the terms of the agreement), with the majority of the payment expected to be made during the early years of the addendum. The extended agreement includes the option to upgrade speeds and to extend the usage periods through two five-year option periods (at Gilat's discretion) at a line cost lower than in the initial periods of the agreement. Exercising these options will result in a corresponding increase in the total financial scope of the agreement.

20. General and operating expenses

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Connectivity and payments to communication operators in Israel and abroad	389	613	762
End equipment and materials	837	828	825
Content costs (including impairment (reversal of impairment loss))	*268	491	530
Marketing and general	529	490	439
Structure and site maintenance	267	264	257
Services and maintenance by subcontractors	**519	511	504
Vehicle maintenance*	64	67	64
	2,873	3,264	3,381

General and operating expenses are presented minus expenses imputed in 2025 to investments in PP&E and intangible assets in the amount of NIS 51 million (approximately NIS 58 million in 2024 and NIS 51 million in 2023).

* Includes a reversal of impairment loss of NIS 214 million related to broadcasting rights.

** Includes a reversal of impairment loss of NIS 8 million related to prepaid expenses.

21. Salaries

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Total salaries and related expenses	2,431	2,501	2,468
Share-based compensation	21	21	10
Minus salaries credited to investments in PP&E and intangible assets	(589)	(586)	(552)
	1,863	1,936	1,926

22. Other operating expenses, net

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Capital gains (mainly from the sale of real estate)	(7)	(17)	(2)
Impairment loss from disposal group held for sale	2	9	-
Expenses for termination of employee-employer relations in early retirement at Bezeq	267	104	57
Expenses due to the termination of employer-employee relations with early retirement and a streamlining agreement at Pelephone, Bezeq International and Yes	4	91	17
Provision for claims	41	20	44
One-off provision - amendment of collective agreement with the employees	-	-	75
Reversal of excess cost (see Note 10.4.1)	(36)	-	-
Other expenses (income)	20	(8)	(11)
Other operating expenses, net	291	199	180

23. Financing expenses, net

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Interest expenses for financial liabilities, net	332	371	344
Loss from debenture exchange	-	84	-
Financing expenses for employee benefits	24	21	10
Linkage and exchange rate differentials	63	71	92
Financing expenses for lease obligations	78	72	63
Other financing expenses	9	8	9
Change in fair value of financial assets measured at fair value through P&L	46	-	-
Total financing expenses	552	627	518
Income due to credit grossing in sales	28	26	22
Net financing income from early repayment of debentures	29	-	-
Interest income from investments	97	85	93
Other financing income	47	31	28
Change in fair value of financial assets measured at fair value through P&L	53	61	26
Total financing income	254	203	169
Financing expenses, net	298	424	349

24. Share-based compensation**24.1. Terms of the Bezeq Group option plan**

During 2023, Bezeq granted approximately 3 million additional options to officers, managers and senior employees of Bezeq and its subsidiaries. The options were granted in four tranches. Each tranche will vest in four annual instalments, and a different exercise price was determined for each tranche. The fair value of these options, as estimated by an external valuation expert using a Monte Carlo model, amounts to approximately NIS 3 million, in accordance with the vesting period and exercise terms described above.

During 2024, Bezeq granted approximately 21 million additional options to officers, managers and senior employees of Bezeq and its subsidiaries. The options were granted in four tranches. Each tranche will vest in four annual instalments, and a different exercise price was determined for each tranche. The fair value of these options, as estimated by an external valuation expert using a Monte Carlo model, amounts to approximately NIS 9 million, in accordance with the vesting period and exercise terms described above.

24.2. Transactions the in number of options in Bezeq Group

	Options	Options
	2025	2024
	Millions	Millions
Balance in circulation at the beginning of the period	53	52
Options granted during the year	13	21
Options realized	(11)	(11)
Options forfeited during the year due to the departure of the bidders	(4)	(9)
Balance in circulation at the end of the period	51	53
Exercisable at the end of the period (subject to compliance with the share exercise price conditions)	20	*10

* As of the date of approval of the statements, approximately 13 million options met the share price conditions and are exercisable.

24.3. Options granted to Company officers

During the year 2022, the Company allocated 3,350,000 options exercisable into 3,350,000 ordinary shares of the Company to Company officers. The vesting period of the options granted to the Company's officers is 3 years.

Salaries expenses recognized by the Company for share-based compensation:

	Year ended December 31		
	2025	2024	2023
	NIS thousands	NIS thousands	NIS thousands
Salary expenses	200	400	400

25. Profit per share

The calculation of the basic and diluted profit per share was based on the profit attributed to the ordinary shareholders and according to the weighted average number of ordinary shares included in the calculation as follows:

	2025	2024	2023
Net profit attributable to the Company's shareholders (NIS millions)	1,827	108	187
Weighted average of ordinary shares			
Balance as of January 1 (millions)	104	106	107
Effect of buyback of shares	*	*	(1)
Basic weighted average of ordinary shares as of December 31 (millions)	104	106	106
Effect of share-based compensation	*	*	*
Diluted weighted average of ordinary shares as of December 31 (millions)	104	106	106
Basic profit per share (NIS)			
	17.50	1.02	1.75
Diluted profit per share (NIS)			
	17.50	1.02	1.74

* Amount lower than NIS 1 million.

26. Segmental reporting

26.1. The Group operates in four different segments in the communications industry, in such a way that each company in the Group operates in a separate business segment. Each Company provides services in the segment in which it operates using the PP&E and infrastructures it owns (see also Note 19). The infrastructure of each company is used to provide its services. Some of the Group companies use infrastructure owned by other Group companies.

The main reporting format, according to business segments, is based on the administrative and internal reporting structure of the Group.

The business segments of Bezeq Group are as follows:

1. "Bezeq" the Israel Telecommunications Corp. Ltd. – landline interior communications;
2. Pelephone Communications Ltd. - cellular communications;
3. Bezeq International Ltd. – Internet and international communication services and ICT solutions (information and communication systems) (hereinafter - "Bezeq International Services Sector");
4. Yes TV and Communications Services Ltd. (Yes) - multi-channel TV.

The rest of the Group companies are presented in the "Others" section. Other activities include call center services for customers (Bezeq Online), see Note 12.2 above. These activities are not reported as reportable segments since they do not meet the quantitative thresholds in the reported years.

Inter-segment pricing is determined according to the price established in transactions in the normal course of business.

Results, assets and liabilities of a segment include items that can be directly allocated to the segment, as well as those that can be reasonably allocated.

The results of the TV and communication services segment are presented excluding the total effect of asset impairment described in Note 10.1 (proforma). This is in accordance with the manner in which the Group's main operational decision-maker evaluates the performance of the segments and makes decisions regarding the allocation of resources to said sectors.

The capital expenditure of a segment is the total cost incurred during the period for the purchase of PP&E, intangible assets, and deferred expenses.

26.2. Activity segments

	Year ended December 31, 2025						
	Landline interior communication	Cellular communication	Bezeq International services	TV and communication services *	Others	Adjustments	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues from externals	4,171	2,151	1,027	1,299	54	-	8,702
Inter-segmental income	257	16	53	1	-	(327)	-
Total revenues	4,428	2,167	1,080	1,300	54	(327)	8,702
Operating and general	750	1,061	720	908	8	(574)	2,873
Salaries	1,089	329	214	178	43	10	1,863
Depreciation, reductions and impairments	1,060	576	103	235	1	(288)	1,687
Segment results - operating profit (loss)	1,242	186	43	(33)	2	2,102	3,542
Financing expenses	427	44	19	29	-	33	552
Financing income	(148)	(45)	(12)	(5)	-	(44)	(254)
Total financing expenses (income), net	279	(1)	7	24	-	(11)	298
Segment profit (loss) before income taxes	963	187	36	(57)	2	2,113	3,244
Share in loss of equity-held investee, net	19	-	-	-	-	-	19
Income taxes	224	41	-	1	1	10	277
Segment results - net profit (loss)	720	146	36	(58)	1	2,103	2,948
Segment assets	-	-	-	-	-	2,845	2,845
Segment liabilities	-	-	-	-	-	14	14
Investments in PP&E, intangible assets and deferred expenses	1,114	379	58	192	-	-	1,743

* The results of the TV and communication segment are presented net of the overall impact of impairment recognized as of 2018. This is in accordance with how 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 29.4 regarding a summary of selected data from Yes's statements.

28.2. Activity segments (Cont.)

	Year ended December 31, 2024						
	Landline interior communication	Cellular communication	Bezeq International services	Multichannel TV	Others	Adjustments	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues from externals	4,129	2,231	1,053	1,264	207	-	8,884
Inter-segmental income	213	23	52	1	-	(289)	-
Total revenues	4,342	2,254	1,105	1,265	207	(289)	8,884
Operating and general	738	1,178	722	911	29	(314)	3,264
Salaries	1,037	321	211	184	171	12	1,936
Depreciation, reductions and impairments	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) before income taxes	1,188	182	(21)	(82)	2	(52)	1,217
Share in loss of equity-held investee, net	8	-	-	-	-	-	8
Income taxes	274	44	1	1	1	-	321
Segment results - net profit (loss)	906	138	(22)	(83)	1	(52)	888
Segment assets	10,652	2,857	923	1,163	83	415	16,093
Goodwill	-	23	9	-	-	1,559	1,591
Investment in equity-held investee	8	-	-	-	-	-	8
Segment liabilities	10,206	1,493	728	457	34	2,065	14,983
Investments in PP&E, intangible assets and deferred expenses	1,192	357	77	214	4	-	1,844

* The results of the TV and communication segment are presented net of the overall impact of impairment recognized as of 2018. This is in accordance with how 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 29.4 regarding a summary of selected data from Yes's statements.

28.2. Activity segments (Cont.)

	Year ended December 31, 2023						
	Landline interior communication	Cellular communication	Bezeq International services	Multichannel TV	Others	Adjustments	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues from externals	4,157	2,309	1,139	1,308	190	-	9,103
Inter-segmental income	255	39	73	1	2	(370)	-
Total revenues	4,412	2,348	1,212	1,309	192	(370)	9,103
Operating and general	769	1,278	800	886	28	(380)	3,381
Salaries	1,028	323	216	186	159	14	1,926
Depreciation, reductions and impairments	1,019	549	137	244	6	(88)	1,867
Segment results - operating profit (loss)	1,451	196	39	(4)	(1)	68	1,749
Financing expenses	370	35	17	8	-	88	518
Financing income	(114)	(48)	(7)	(17)	-	17	(169)
Total financing expenses (income), net	256	(13)	10	(9)	-	105	349
Segment profit (loss) before income taxes	1,195	209	29	5	(1)	(37)	1,400
Income taxes	294	50	-	1	1	-	346
Segment results - net profit (loss)	901	159	29	4	(2)	(37)	1,054
Segment assets	9,311	2,832	991	1,231	88	332	14,785
Goodwill	-	-	9	-	-	1,559	1,568
Segment liabilities	9,189	1,448	779	445	30	2,016	13,907
Investments in PP&E, intangible assets and deferred expenses	1,155	365	100	192	5	-	1,817

* The results of the TV and communication segment are presented net of the overall impact of impairment recognized as of 2018. This is in accordance with how 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 29.4 regarding a summary of selected data from Yes's statements.

26.3. Adjustments for reporting segments of revenues, P&L, assets and liabilities

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Revenues			
Revenues from reporting segments	8,975	8,966	9,281
Revenues from other segments	54	207	192
Cancellation of revenues from inter-segmental sales	(327)	(289)	(370)
Consolidated revenues	8,702	8,884	9,103
P&L			
Operating profit for reporting segments	1,438	1,519	1,682
Financing expenses, net	(298)	(424)	(349)
Adjustments for the multi-channel TV segment	577	131	98
Loss from activities classified in the Other and other adjustments category	(46)	(9)	(31)
Gain from deconsolidation of subsidiary	1,554	-	-
Consolidated operating profit	3,225	1,217	1,400
		December 31, 2025	December 31, 2024
		NIS millions	NIS millions
Assets			
Assets of reporting segments	-	15,627	
Assets associated with activities classified in the Other category	-	83	
Goodwill not attributable to an activity segment	-	1,559	
Investment in equity-held investee	-	8	
Minus loss from asset impairment (see note 10), inter-segment assets and other adjustments	-	(898)	
Assets and cost overruns that are not attributed to a reporting segment	2,845	1,313	
Consolidated assets	2,845	17,692	
Liabilities			
Liabilities of reporting segments	-	12,884	
Liabilities associated with activities classified in the Other category	-	34	
Minus inter-segmental liabilities	-	(261)	
Liabilities related to non-reporting segments	14	2,326	
Consolidated liabilities	14	14,983	

27. Transactions with interested parties and related parties**27.1. Identity of interested parties and related parties**

The Company's interested parties and related parties as defined in the Securities Law and International Accounting Standard 24 regarding related parties are mainly Searchlight and TNR, their related parties affiliates, directors and key management personnel from the Company or Searchlight and TNR.

27.2. Balances with interested parties and related parties

	As of December 31
	2024
	NIS millions
Related parties, net	(7)
Right-of-use assets	37
Current lease liability maturities	(4)
Non-current lease liabilities	(35)

27.3. Transactions with interested parties and related parties

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Revenues			
From related parties	6	5	8
Expenses			
To related parties (excluding benefits to directors specified in Note 27.5)	27	29	27
PP&E			
To related parties	1	1	1
To equity-held investee	25	16	-

Transactions listed in Article 270 (4) of the Companies Law that are not considered negligible transactions

There were no such transactions during the reporting period.

For the transactions listed in Article 270(4) of the Companies Law concerning benefits, insurance, and undertaking to indemnify directors and officers of the Company, see Note 27.6 below.

27.4. Benefits for key managerial personnel in the Group

Benefits for the employment of key management personnel in the Group in 2023-2025 include:

	Year ended December 31		
	2025	2024	2023
	NIS thousands	NIS thousands	NIS thousands
Number of key management personnel *	5	6	6
Salaries **	10,632	11,943	10,147
Grant ***	7,053	6,322	6,910
Share-based compensation	6,372	12,059	5,619
	24,417	30,324	22,676

* Key management personnel in the Group in the reporting year include the Chairman of the Company's Board of Directors, the Company's CEO and Chairman of the Board of Directors of Bezeq, the CEO of Bezeq, the CEO of Pelephone and Yes, as well as the CEO of Bezeq International.

** In 2024, changes in other provisions (included in total salary) include an increase in provisions in the amount of approximately NIS 0.95 million, mainly a provision for advance notice to the Chairman of the Board of Directors of Bezeq and the current CEO of Bezeq.

In 2023, the changes in other provisions (included in the total salaries) mainly a decrease in the provision for advance notice to the Chairman of the Bezeq Board of Directors in the amount of approximately NIS 0.2 million.

For information on share-based compensation, see Note 24 above.

27.5. Benefits for directors of the Company

	Year ended December 31		
	2025	2024	2023
	NIS thousands	NIS thousands	NIS thousands
Compensation for the members of the Board of Directors *	1,175	997	805
Number of directors receiving compensation *	6	6	6

* The directors' compensation of the Chairman of the Company's Board of Directors is presented in Note 27.4 above due to his being key management personnel.

27.6. Additional benefits for directors and officers in the Company

Date of the approval of the general assembly (after receiving the approval of the Company's Board of Directors), unless otherwise specified	Nature of transaction	Transaction amount
30.4.2020	Amendment to the letter of commitment to indemnification and exemption for the directors and officers of the Company regarding the maximum amount of indemnification.	Up to 25% of the Company's equity according to the Company's latest reports published before the actual indemnity was granted or a total of USD 15 million, whichever is higher.
17.12.2025	Conversion of the Company's previous insurance policy into a run-off insurance policy to cover the liability of the Company's directors and officers for a period of seven years.	A liability limit of up to USD 20 million per claim and in the aggregate for the entire policy period, in addition to reasonable legal expenses. The total premium amounts to approximately USD 735.5 thousand.
17.12.2025	Certificate of the Company's engagement in an insurance policy to cover the liability of directors and officers in the Company and its subsidiaries, in accordance with the Company's compensation policy for the period until 16.12.2026.	Liability limit of up to USD 20 million per claim and in total for the entire insurance year plus reasonable legal expenses. The total annual premium is approximately USD 156,975. The amount of the deductible for the company is up to USD 10K per case and up to USD 25K per case for securities claims in Israel.

28. Financial instruments

28.1. Framework for financial risk management

The comprehensive responsibility for establishing the Company's financial risk management framework and overseeing it rests with the Board of Directors. The purpose of financial risk management in the Company is to define and monitor the various risks on an ongoing basis and to determine the level of risk exposure that must be met and the possible effects resulting from this exposure in accordance with the assessments and expectations of the board of directors.

The Company's policy is to manage, according to rules established by the Board of Directors, the exposure resulting from fluctuations in foreign exchange rates, changes in interest rates and changes in the Consumer Price Index.

28.2. Credit risk

Management maintains ongoing monitoring of the Group's exposure to credit risks. Cash and investments in deposits and securities are deposited in highly rated banking and non-banking corporations, and there are also investments in short-term loans and financial funds.

Investments in financial assets

To the extent that investments are made in securities, they are made in liquid, marketable and low-risk securities. Transactions involving derivatives are conducted with entities with a high credit rating.

28.3. Liquidity risk

The Group's policy for managing its liquidity is to ensure, as far as possible, sufficient liquidity to fulfill its existing and expected obligations when they come due, in a normal business scenario and under extreme conditions, without causing it unwanted losses or damage to its goodwill. The cash balances held by the Group are mainly managed in liquid investment channels, subject to the needs of financing current activities and debt service.

Regarding the terms of debentures issued and loans received by the Group companies, see Note 13 above.

As of December 31, 2025							
	Carrying amount	Predicted cash flow	H1/2026	H2/2026	2027	2028 to 2030	2031 onwards
NIS millions							
Non-derivative financial liabilities							
Trade payables	2	2	1	1	-	-	-
As of December 31, 2024							
	Carrying amount	Predicted cash flow	H1/2025	H2/2025	2026	2027 to 2029	2030 onwards
NIS millions							
Non-derivative financial liabilities							
Trade payables	1,687	1,687	1,684	3	-	-	-
Loans	2,206	2,585	236	119	503	1,296	431
Securities	7,488	8,796	116	953	1,776	3,116	2,835
	11,381	13,068	2,036	1,075	2,279	4,412	3,266
Financial liabilities in respect of derivative instruments (index and dollar)							
	1	1	-	1	-	-	-

28.4. Market risks

The purpose of market risk management is to manage and monitor the exposure to market risks within acceptable parameters to prevent significant exposures to market risks that will affect the Group's results, its obligations and its cash flow.

28.4.1. Risk of exposure to Consumer Price Index (inflation) and foreign currency

A significant portion of cash balances is invested in shekel deposits that are exposed to changes in real value as a result of changes in the Consumer Price Index.

The following is a statement on the financial situation according to linkage bases as of 31.12.2025:

	As of December 31, 2025		
	Unlinked	Non-monetary	Total balances
	NIS millions	balances NIS millions	NIS millions
Assets			
Cash and cash equivalents	2,844	-	2,844
Other receivables	-	1	1
Total assets	2,844	1	2,845
Liabilities			
Trade payables	2	-	2
Provisions	12	-	12
Total liabilities	14	-	14
Total exposure in the statement of financial position	2,830	1	2,831

Notes to Consolidated Statements as of December 31, 2025

The following is a statement on the financial situation according to linkage bases as of 31.12.2024:

As of December 31, 2024					
	Unlinked	Linked to	Foreign	Non-	Total
	NIS	price	currency	monetary	balances
	millions	index	(mainly	balances	NIS
		NIS	dollars)	NIS	millions
	millions	millions	millions	millions	millions
Current assets					
Cash and cash equivalents	864	-	32	-	896
Investments	18	-	-	-	18
Customers	1,921	54	2	-	1,977
Other receivables	1,351	-	44	-	1,395
Inventory	58	46	10	60	174
Total current assets	-	-	-	162	162
Non-current assets					
Trade receivables	4,212	100	88	305	4,705
Right-of-use assets					
PP&E	244	166	-	-	410
Intangible assets	-	-	-	1,762	1,762
Deferred expenses and non-current investments	-	-	-	7,160	7,160
Total non-current assets	-	-	-	3,287	3,287
Total assets	-	28	-	340	368
Current liabilities					
Debentures, loans and credit	4,456	294	88	12,854	17,692
Current maturities of lease liabilities					
Trade payables	818	305	-	-	1,123
Employee benefits	31	407	-	-	438
Provisions	1,235	176	275	269	1,955
Total current liabilities	397	-	3	-	400
Non-current liabilities					
Loans and debentures	-	-	-	34	34
Lease liabilities	2,601	871	249	313	4,031
Employee benefits					
Derivatives and other liabilities	6,444	2,127	-	-	8,571
Deferred tax liabilities	34	1,494	2	-	1,530
Provisions	263	-	37	-	300
Total non-current liabilities	-	-	-	214	214
Total liabilities	-	-	-	304	304
	30	-	-	-	30
Total exposure in the statement of financial position	6,771	3,621	39	518	10,949
The scope of index and foreign currency risk hedging transactions is as follows:					
Forward contracts (see Note 28.6)	(1,404)	845	559	-	-

28.5. Hedging

28.5.1. Cash flow hedge accounting

Bezeq entered into forward contracts, as detailed in the table below, for the purpose of reducing exposure to changes in the Consumer Price Index for index-linked debentures. These transactions hedge a specific cash flow of a part of the debentures and are recognized in accounting as a cash flow hedge. The expiration date of these transactions corresponds to the disposal schedules of the bonds they were intended to protect. The fair value of the forward contracts is determined by using observable market data (level 2 in the fair value hierarchy).

Hedged item	Repayment dates	Transactio ns	Nominal value	Fair value	Equity principal balance
			NIS millions	NIS millions	NIS millions
As of December 31, 2024					
Debentures Series 10	12.2025 to 12.20	1	75	6	1
Debentures Series 12	6.2026 to 6.2030	10	550	27	8
		11	625	33	9

28.6. Financial instruments measured at fair value

28.6.1. The table below presents an analysis of the financial instruments measured at fair value:

	December 31, 2024
	NIS millions
Level 1 - Investment in securities measured at fair value through P&L	1,067
Level 2 – Forward contracts	32

28.6.2. The fair value of forward contracts on the Consumer Price Index or foreign currency is based on discounting the difference between the price stated in the forward contract and the price of the current forward contract for the remaining period of the contract until redemption, using an appropriate interest rate (level 2) . The evaluation is carried out under the assumption that a market participant takes into account the credit risks of the parties in the pricing of such contracts.

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

The table below details the differences between the carrying amount and the fair value of financial liabilities.

The fair value of public debentures is determined according to their quoted purchase price at the close of trading, as of the reporting date (level 1).

The fair value of non-traded loans and debentures is measured on the basis of the present value of the future cash flows for the principal and interest component, discounted according to the market interest rate appropriate for similar obligations plus the required adjustments for risk premium and non-tradability as of the date of the statements (level 2).

	As of December 31, 2024		
	Carrying amount (including accrued interest)	Fair value	Discount rate (weighted average)
	NIS millions		%
Loans from banks and institutional bodies (unlinked)	1,517	1,479	4.76
Public debentures (index-linked)	2,342	2,287	2.53
Public debentures (unlinked)	5,158	5,072	5.01
	9,017	8,838	

28.8. Offsetting financial assets and financial liabilities

The Group has agreements with various communication companies for the supply and receipt of communication services. According to some agreements, each party has the right to offset the amounts that each party owes. The table below shows the carrying amount of offset balances as presented in the statement of financial position:

	December 31, 2024
	NIS millions
Gross balance of trade and other receivables	46
Offset amounts	(41)
Balance of trade receivables presented in the statement of financial position	5
Gross supplier balance	46
Offset amounts	(41)
Balance of suppliers presented in the statement of financial position	5

29. Summary of selected data from the statements of Bezeq the Israel Telecommunications Corp. Ltd., Telephone Communications Ltd., Bezeq International Ltd. and Yes TV and Communications Services Ltd.

29.1. Bezeq the Israel Telecommunications Corp. Ltd.

Data from the statement of financial position:

	December 31, 2024
	NIS millions
Current property	3,232
Non-current property	9,477
Total property	12,709
Current liabilities	2,555
Non-current liabilities	7,652
Total liabilities	10,207
Equity	2,502
Total liabilities and equity	12,709

Data from the P&L statement:

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Revenues	4,428	4,342	4,412
Operating expenses			
Salaries	1,089	1,037	1,028
Depreciation and amortization	1,060	1,023	1,019
General and operating expenses	750	738	769
Other operating expenses, net	287	106	145
Total Operating expenses	3,186	2,904	2,961
Operating profit	1,242	1,438	1,451
Financing expenses (income)			
Financing expenses	427	398	370
Financing income	(148)	(148)	(114)
Financing expenses, net	279	250	256
Profit after financing expenses, net	963	1,188	1,195
Share in profits of investees, net	678	158	288
Profit before income taxes	1,641	1,346	1,483
Income taxes	224	274	294
Profit for the year	1,417	1,072	1,189

29.2. Telephone Communications Ltd.

Data from the statement of financial position:

	December 31, 2024
	NIS millions
Current property	796
Non-current property	2,084
Total property	2,880
Current liabilities	733
Non-current liabilities	760
Total liabilities	1,493
Equity	1,387
Total liabilities and equity	2,880

Data from the P&L statement:

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Revenues			
Revenues from services	1,550	1,636	1,756
Revenues from sale of end equipment	617	618	592
Total revenues from services and sales	2,167	2,254	2,348
Operating expenses			
General and operating expenses	1,061	1,178	1,278
Salaries	329	321	323
Depreciation and amortization	576	552	549
Total operating expenses	1,966	2,051	2,150
Other operating expenses, net	15	14	2
Operating profit	186	189	196
Financing expenses (income)			
Financing expenses	44	37	35
Financing income	(45)	(30)	(48)
Financing expenses (income), net	(1)	7	(13)
Profit before income taxes	187	182	209
Income taxes	41	44	50
Profit for the year	146	138	159

29.3. Bezeq International Ltd.

Data from the statement of financial position:

	December 31, 2024
	NIS millions
Current property	390
Non-current property	542
Total property	932
Current liabilities	397
Non-current liabilities	331
Total liabilities	728
Equity	204
Total liabilities and equity	932

Data from the P&L statement:

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Revenues	1,080	1,105	1,212
Operating expenses			
Operating, general and depreciation expenses	720	722	800
Salaries	214	211	216
Depreciation, amortization and impairments	103	118	137
Other operating expenses, net	-	70	20
Total operating expenses	1,037	1,121	1,173
Operating profit (loss)	43	(16)	39
Financing expenses (income)			
Financing expenses	19	15	17
Financing income	(12)	(10)	(7)
Financing expenses, net	7	5	10
Profit (loss) before income taxes	36	(21)	29
Income taxes	-	1	-
Profit (loss) for the year	36	(22)	29

29.4. Yes TV and Communications Services Ltd. (Yes)

Data from the statement of financial position:

	December 31, 2024
	NIS millions
Current property	164
Non-current property	418
Total property	582
Current liabilities	404
Non-current liabilities	53
Total liabilities	457
Equity	125
Total liabilities and equity	582

Data from the P&L statement:

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Revenues	1,300	1,265	1,309
Operating expenses			
Operating, general and depreciation expenses	637	870	861
Salaries	184	192	193
Depreciation, amortization and impairments	(43)	155	166
Other operating expenses (income), net	12	8	(5)
Total operating expenses	790	1,225	1,215
Operating profit	510	40	94
Financing expenses (income)			
Financing expenses	29	5	8
Financing income	(5)	(15)	(17)
Financing income, net	24	(10)	(9)
Profit before income taxes	486	50	103
Income taxes	1	1	1
Profit for the year	485	49	102

30. Material events during and after the reporting period

- 30.1.** On December 17, 2025, the general meeting of the Company's shareholders approved the voluntary liquidation of the Company, as well as the appointment of the Company's CEO as trustee for the implementation of the liquidation proceedings.
- 30.2.** On January 8, 2026, after the balance sheet date and prior to the completion of the liquidation process, and after the Company's CEO, acting as trustee for the implementation of the liquidation proceedings, determined that this would not adversely affect the proper management of the voluntary liquidation process, an interim cash distribution in the amount of NIS 2,785.5 million (NIS 26.5 per share) was made.

**Separate Financial Information for the Year Ended
December 31, 2025**

Separate Financial Information as of December 31, 2025

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

To
Shareholders of B Communications Ltd. (in voluntary liquidation)

Dear Sir,

Re: Special report of the independent auditor on separate financial information under Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

The Opinion

We audited the separate financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 of B. Communications Ltd. (in voluntary liquidation) (hereinafter – “the Company”) as of December 31, 2025 and 2024 and for each of the three years the last of which ended on December 31, 2025 (hereinafter: “the Separate Financial Information”).

In our opinion, the separate financial information has been prepared, in all material respects, in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Basis for the Opinion

We conducted our audit in accordance with auditing standards accepted in Israel. Our responsibilities under these standards are described in the paragraph titled “Auditor’s Responsibilities for the Audit of the Separate Financial Information”. We are independent of the Company in accordance with the provisions of the law applicable in Israel regarding the independence of auditors and the prevention of conflicts of interest of auditors in Israel. In addition, we have fulfilled our other ethical responsibilities in accordance with the Accountants Law, 5716-1955, and the regulations promulgated thereunder. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Regarding Going Concern

We draw attention to the statement in Note 1 to the Company’s Consolidated Statements regarding the approval by the general assembly of the Company’s shareholders of the Company’s entry into voluntary liquidation, and the appointment of the Company’s CEO as trustee to implement the liquidation proceedings. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors and Management for the Separate Financial Information

The Board of Directors and Management are responsible for the preparation and presentation of the Separate Financial Information in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, and for such internal control as the Board of Directors and Management determine is necessary to enable the preparation of separate financial information that is free from material misstatement, whether due to fraud or error.

In preparing the Separate Financial Information, the Board of Directors and Management are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting in the separate financial information unless the Board of Directors and Management either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

Condensed Separate Interim Financial Information as of March 31, 2022 (unaudited)

Auditor's Responsibilities for the Audit of the Separate Financial Information

Our objectives are to obtain reasonable assurance about whether the Separate Financial Information as a whole is free from material misstatement, whether due to fraud or error, and to issue a special auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Israel will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Separate Financial Information.

In performing an audit in accordance with generally accepted auditing standards in Israel, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

- Identify and assess the risks of material misstatement of the Separate Financial Information, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and Management.
- Conclude on the appropriateness of the Board of Directors' and Management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our special report to the related disclosures in the Separate Financial Information, or, if such disclosures are inadequate, to modify the wording of our special report. Our conclusions are based on the audit evidence obtained up to the date of our special report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Separate Financial Information, including the disclosures, and whether the Separate Financial Information is prepared, in all material respects, in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

We communicate with the Board of Directors and Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Somekh Chaikin
Certified Public Accountants

March 16, 2026

Separate Financial Information as of December 31, 2025

Separate Statement of Financial Position as of December			
		2025	2024
	Note	NIS millions	NIS millions
Assets			
Cash and cash equivalents		2,844	112
Restricted cash and cash equivalents		-	18
Short-term investments and deposits*	3	-	*60
Other receivables		1	2
Total current assets		2,845	192
Investment in equity-accounted investee	4	-	**1,889
Total non-current assets		-	1,889
Total assets		2,301	2,157
Liabilities			
Payables and credit balances	5	2	20
Provisions	6	12	-
Total current liabilities		14	20
Debentures	7	-	2,048
Total non-current liabilities		-	2,048
Total liabilities		14	2,068
Shareholders' equity	8	2,831	**13
Total liabilities and shareholders' equity		2,845	2,081

* Including restricted deposits.

** Retroactive adjustment due to a change in accounting policy – see Note 2.2.

Darren Glatt
Chairman of the Board of Directors

Tomer Raved
CEO

Itzik Tadmor
CFO

Date of approval of the financial statements: March 16, 2026

The notes attached to the separate financial information constitute an integral part thereof.

Separate Financial Information as of December 31, 2025

P&L Statement for Year Ended December 31

	Note	2025	2024	2023
		NIS millions	NIS millions	NIS millions
Operating income (expenses)				
Profit from the sale of shares of a subsidiary	4	1,554	-	-
Salaries		(4)	(4)	(4)
General and operating expenses		(13)	(7)	(7)
Other expenses	6	(12)	-	(19)
Total operating income (expenses)		1,525	(11)	(30)
Financing income (expenses)				
Financing expenses	9	(54)	(181)	(110)
Financing income		63	7	5
Financing income (expenses), net		9	(174)	(105)
Profit (loss) after financing expenses, net				
		1,534	(185)	(135)
Income taxes expenses		(3)	-	-
Share in net profit of equity-accounted investee		296	293	322
Net profit for the year		1,827	108	187

Comprehensive income for the year ended December 31

	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Net profit for the year	1,827	108	187
Other comprehensive income (loss), net of tax	(2)	(2)	3
Total comprehensive income for the year	1,825	106	190

The notes attached to the separate financial information constitute an integral part thereof.

Separate Financial Information as of December 31, 2025

Cash flow data for the year ended December 31			
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Cash flows from current activities			
Net profit for the year	1,827	108	187
Adjustments to profit:			
Profit from the sale of shares of a subsidiary	(1,554)	-	-
Share in profits of equity-accounted investee, net	(296)	(293)	(322)
Financing income (expenses), net	(10)	166	106
Share-based compensation	*	*	*
Income taxes expenses	3	-	-
Change in trade payables	*	*	(1)
Change in other receivables	1	2	(3)
Change in provisions	12	(20)	20
Income tax paid, net	(3)	-	-
Net cash used for current activities	(20)	(37)	(13)
Cash flows from investing activities			
Change in deposits and investments, net	64	(5)	40
Disposal of investment (investment) in an affiliate	4,557	(52)	(37)
Change in cash and restricted cash value	18	(18)	-
Dividend received from subsidiary	178	213	172
Interest and dividend received in cash	31	5	4
Net cash derived from investing activities	4,848	143	179
Cash flows from financing activities			
Issuance of debentures and receipt of loan	26	-	500
Repayment of debentures and loan	(2,046)	-	(497)
Buyback of shares	(3)	(20)	(23)
Interest paid	(73)	(55)	(76)
Net cash used for financing activities	(2,096)	(75)	(96)
Increase in cash and cash equivalents	2,732	31	70
Effect of changes in foreign currency exchange rate	-	-	(2)
Cash and cash equivalents for January 1	112	81	13
Cash and cash equivalents at the end of the period	2,844	112	81

(*) Amount less than NIS 1 million.

The notes attached to the separate financial information constitute an integral part thereof

Notes to the Interim Condensed Separate Financial Information

1. General

The following are financial data from the Group's consolidated statements as of 31.12.2025 (hereinafter - "Consolidated Statements"), which are published as part of the periodic reports, attributed to the company itself (hereinafter - "Separate Financial Information"), presented in accordance with Regulation 9C (hereinafter - "the Regulation") and the tenth schedule (hereinafter – "the Tenth Schedule") to the Securities Regulations (Periodic and Immediate Reporting), 5730-1970 regarding the separate financial information of the corporation.

The separate financial information should be read together with the Consolidated Statements.
In this separate financial information -

"The Company" - "B Communications Ltd."

"Included Company", "consolidated company", "the Group", "Investee", "related party": as these terms are defined in the Group's 2025 Consolidated Statements.

Regarding the Company's entry into voluntary liquidation, see Note 1.1.5 to the Consolidated Statements.

2. Explanation of the material accounting policy applied in the separate financial information

The accounting policy rules detailed in the Consolidated Statements were consistently applied to all periods presented in the separate financial information by the Company, including the manner in which the financial data was classified within the Consolidated Statements with the changes required by the following:

2.1. Presentation of financial data

The data on the financial position, P&L, P&L including cash flows include information contained in the Consolidated Statements and attributed to the Company itself. The investment balances and the results of the operations of investees are handled according to the balance sheet value method. Cash flows in respect of current activity, investment activity, and financing activity in respect of transactions with investees are shown separately on the net, within the relevant activity according to the essence of the transaction.

2.2. Change in Accounting Policy

In accordance with the Group's accounting policy and the IFRS rules, the Company elected to measure non-controlling interests at the acquisition date based on their proportionate share of the fair value of the identifiable net 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, when the ownership interest decreased without a loss of control, the amount by which the non-controlling interests were adjusted was calculated based on the proportionate share of the subsidiary's owners in the identifiable net assets less the liabilities of the subsidiary that were realized, without allocating a proportionate share of goodwill.

Following the disposal of shares of the subsidiary on March 17, 2025 (see Note 4.1 below), the Company decided to change its accounting policy with respect to such transactions, in accordance

Notes to Separate Financial Information as of December 31, 2025

with the position of the Israel 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 based on the proportionate share of the subsidiary's owners in the identifiable net assets less the liabilities of the subsidiary that were realized, including the allocation of a proportionate share of goodwill.

The change in policy was applied retrospectively in accordance with the provisions of IAS 8. Accordingly, the financial statements were adjusted to reflect the effect of the change in accounting treatment, such that the new policy was also applied to transactions carried out in prior periods.

For the effect of the adjustment on the Company's consolidated financial statements, see Note 2.8 to the consolidated financial statements.

Below is the effect of the adjustment resulting from the change in accounting policy on the Company's separate financial statements:

In the statement of financial position:

	As Previously Reported	The Change	As Presented in These statements
NIS millions			
<u>As of December 31, 2024 (audited)</u>			
Investment in an investee	2,109	(220)	1,889
Equity attributable to the owners of the Company	233	(220)	13

3. Short-term investments and deposits

	December 31, 2024
NIS millions	
Investments in marketable securities	32
Short-term restricted deposits	28
	60

4. Investment in an equity-held investee

Consolidated company directly held by the Company:

	Company rights in equity	Investment in consolidated company (according to balance sheet value method) as of
	December 31, 2024	December 31, 2024
	%	NIS millions
Bezeq	27.49%	2,109
		2,109

4.1. Investment in Bezeq

- A. Regarding changes in the Company's investment in its subsidiary Bezeq, see Note 1.2 to the Consolidated Statements.
- B. Regarding the change in accounting policy relating to the adjustment of non-controlling interests upon a decrease in the ownership percentage without loss of control, see Note 2.2 above.
- C. Regarding Bezeq's dividend distribution policy and dividends distributed by Bezeq during 2025, see Note 12.2 to the Consolidated Statements.

5. Trade payables

	December 31, 2025	December 31, 2024
	NIS millions	NIS millions
Trade and other payables	2	1
Interest payable	-	19
	2	20

6. Debentures

	December 31, 2024	
	Carrying amount	Par value
	NIS millions	NIS millions
Debentures issued to the public:		
Debentures Series F	965	1,011
Debentures Series G	1,083	1,009
Total debentures	2,048	2,020

Regarding the exchange of debentures carried out by the Company in 2024 and the early repayments of the Company's debentures in 2025, see Note 13.3 to the Consolidated Statements.

7. Contingent liabilities

Regarding the status of contingent liabilities against the Company, see Note 17 to the Consolidated Statements.

8. Shareholders' equity

Ordinary shares of NIS 0.1 par value

	Ordinary shares	
	December 31, 2025	December 31, 2024
Registered share capital	<u>300,000,000</u>	<u>300,000,000</u>
Issued and paid-up share capital	<u>117,410,128</u>	<u>116,335,793</u>
Treasury shares	<u>(12,298,530)</u>	<u>(12,173,530)</u>
Issued and paid-up share capital, net	<u>105,111,598</u>	<u>104,162,263</u>

- 8.1. On March 12, 2024, the Company's Board of Directors approved an additional buyback plan for the Company's shares in the amount of up to NIS 25 million. as part of the aforementioned share repurchase program, the Company purchased a total of 1,500,000 of its shares for approximately NIS 20 million.
- 8.2. On September 17, 2025, the Company purchased an additional 125,000 shares of the Company for approximately NIS 2.6 million.
- 8.3. As of the date of approval of the Statements, Searchlight and the Fuhrer family held 66.59% and 12.60%, respectively, of the Company's issued and paid-up share capital.

9. Financing expenses (income), net

	Year ended December 31		
	2025	2024	2023
	NIS millions	NIS millions	NIS millions
Interest expenses, net	54	97	108
Loss from debenture exchange	-	84	-
Exchange rate differences	-	-	2
Total financing expenses	54	181	110
Net income from early redemption of debentures	29	-	-
Profits from investments in marketable securities and bank deposits	30	5	4
Change in fair value of financial assets measured at fair value through P&L	4	2	1
Total financing income	63	7	5
Financing expenses (income), net	(9)	174	105

10. Income taxes

See Note 7.2 to the Consolidated Statements.

11. Share-based compensation

See Note 24.3 to the Consolidated Statements.

12. Material events during and after the reporting period

- 12.1. On December 17, 2025, the Company's general shareholders' meeting approved the Company's entry into voluntary liquidation and the appointment of the Company's Chief Executive Officer as trustee for the implementation of the liquidation proceedings.
- 12.2. On January 8, 2026, prior to the completion of the liquidation process and after the Company's Chief Executive Officer, acting as trustee for the implementation of the liquidation proceedings, determined that such action would not impair the proper conduct of the voluntary liquidation process, an interim cash distribution was made in the amount of NIS 2,785.5 million (NIS 26.5 per share).



Chapter IV

Additional Details about the Corporation and Corporate Governance Questionnaire

for the Period ended December 31, 2025

Chapter D (Additional Details on the Corporation) for the Periodic Report for the Year 2025

Regulation 10a: Condensed statements of consolidated quarterly income for each of the quarters in the reported year

See Section 1.3 of the Board of Directors' report attached in the second part of this report.

Regulation 10c: Use of proceeds from securities

During the reporting year, no use was made of the proceeds from securities offered by the Company according to a prospectus.

Regulation 11: List of investments in subsidiaries as of the date of the statement of the financial position

As of the date of the statement of financial position, the Company no longer holds shares of Bezeq Israeli Telecommunication Corp Ltd. ("Bezeq").

Regulation 12: Changes in investment in a subsidiary during the reported period

- a. On March 17, 2025, the Company sold, in an off-exchange transaction, 160,000,000 ordinary shares of Bezeq, with a par value of NIS 1.00 each, to several foreign and Israeli institutional investors. In consideration for the aforementioned Bezeq shares, the Company received NIS 5.7 per Bezeq share, with the total (gross) consideration for the Bezeq shares sold amounting to NIS 912 million. For further details, see the immediate report published by the Company on 17.3.2025 (Reference No. 2025-01-017754), which is incorporated in this report by reference.
- b. On August 11, 2025, the Company sold, in an off-exchange transaction, 160,000,000 ordinary shares of Bezeq, with a par value of NIS 1.00 each, to several foreign and Israeli institutional investors. In consideration for the aforementioned Bezeq shares, the Company received NIS 6.03 per Bezeq share, with the total (gross) consideration for the Bezeq shares sold amounting to NIS 965 million. For further details, see the immediate report published by the Company on 11.8.2025 (Reference No. 2025-01-059548), which is incorporated in this report by reference.
- c. On November 18, 2025, the Company sold, in an off-exchange transaction, 441,135,157 ordinary shares of Bezeq, with a par value of NIS 1.00 each, to several foreign and Israeli institutional investors. In consideration for the aforementioned Bezeq shares, the Company received NIS 6.20 per Bezeq share, with the total (gross) consideration for the Bezeq shares sold amounting to NIS 2,735 million. For further details, see the immediate reports published by the Company on 18.11.2025 and 23.11.2025 (Reference Nos. 2025-01-088788 and 2025-01-090375, respectively), which are incorporated in this report by reference.

Regulation 13: Income of subsidiaries and income of the corporation therefrom for the year ended December 31, 2025 (NIS millions)

<u>Company name</u>	<u>Profit for the period</u>	<u>Comprehensive income for the period</u>	<u>Dividend Distributed to Shareholders</u>	<u>Management fee</u>	<u>Interest income</u>
Bezeq	1,417	1,404	975	-	-

Regulation 20: Trading on the stock exchange

On December 17, 2025, a full trading suspension in the Company's shares took effect, and the Company's shares were traded on the Preservation List until December 28, 2025, on which date the Company's shares were delisted from trading on the Tel Aviv Stock Exchange. The process of suspension of trading until the delisting of the shares from trading followed the approval by the Company's general assembly of shareholders of the voluntary liquidation of the Company. For further details, see the Company's immediate report dated 17.12.2025 (Reference No. 2025-01-100708), as well as an announcement by the Tel Aviv Stock Exchange dated 21.12.2025, which are incorporated in this report by reference.

Chapter D (Additional Details on the Corporation) for the Periodic Report for the Year 2025

Regulation 21: Compensation for related parties and senior officers

The following is a breakdown of the compensation paid by the Company, or paid by the companies under its control (including commitments to provide compensation), during the year 2025: (1) to each of the five holders of the highest compensation among the senior officers in the Company or in the companies under its control, and which were given to them in connection with their office in the Company or in a company under its control, whether the payments were made by the Company or by a company under its control or whether by another; and (2) rewards for the three senior officers with the highest compensation in the Company itself, which were given to them in connection with their office in the Company.

Details of compensation persons					Compensation (NIS thousands)				Total (NIS thousands)	Section below
Name	Position	Sex	Job volume	Holding rate in the corporation equity	Salary ¹	Grant ²	Share-based payment	Other	Total	
Tomer Raved	Company CEO and Chairman of the Bezeq Board of Directors	Male	Full-time	-	3,974	1,806	2,886	-	8,666	A
Itzik Tadmor	Company CFO	Male	Full-time	-	763	588	8	-	1,359	B
Ilan Chaikin	Company Internal auditor	Male	Full-time	-	40	-	-	-	40	C
Ilan Sigal	CEO of Pelephone and Yes	Male	Full-time	-	2,493	2,251	1,332	-	6,076	D
Nir David ³	Bezeq CEO	Male	Full-time	-	2,551	1,700	⁴ 1,968	-	6,219	E
Directors	Director	-	Full-time	-	1,320	-	-	-	1,320	F

The Group did not pay any of the office bearers listed in the table above payments for the year 2025 which were not listed in the aforementioned table and which were not recognized in the statements for the reporting year.

¹ Regarding senior executives at Bezeq, wage amounts include the cost of wages (employer cost) and the ancillary wage components, including benefits and social conditions, such as coverage of telephone expenses, a personal vehicle of the type customary in the Group (cost of leasing or depreciation expenses and reimbursement of expenses instead of using a company vehicle), study fund (for some of the managers), deposit in a pension fund and deposits due to termination of employee-employer relationship (for employees subject to Article 14 of the Compensation Law), reimbursement of expenses and quota of vacation days, sick and annual convalescence as customary, expenses for holiday gift to employee (grossing amount), fees for membership in professional organizations paid for the employee (outside the employee's occupation) and also, to the extent that a loan was made to the employee - the value of the grossing benefit in the interest that the loan bears.

² Regarding senior executives at Bezeq, the grant amounts listed in the table are as recognized in the 2023 statements and include a performance-dependant grant as well as special grantees (for details regarding each of the officers see details in sections D-E after the table below), all in accordance with Bezeq's compensation policy. The performance-dependent grant that appears in the table is for the year 2023 (but not yet paid to senior executives as of the date of the report) and includes a contingent portion that will be paid in practice to the aforementioned Bezeq officers according to the distribution described in the notes to the table. During 2023, grantees were paid to the above officers for 2022, the amount of which [including a contingent portion not paid in practice in 2022, but paid in practice in 2024 (if any) is included in the corresponding table in Bezeq's annual statements for 2021 (as published on March 23, 2022)].

³ The amounts detailed in the table refer to both Nir David's term of office as VP of the Business Customers Division at Bezeq and his term of office as CEO of Bezeq.

⁴ In addition to the aforementioned equity-based compensation, Mr. David holds 6,465 shares of Bezeq.

Chapter D (Additional Details on the Corporation) for the Periodic Report for the Year 2025

The following is a breakdown of the terms of engagement with the stakeholders and officers listed in the table above:

a. Tomer Raved

Mr. Raved has served as the Company's CEO since January 2020, and also served as a director in the Company from January 2020 to November 2021, as a director in Bezeq starting in May 2020, and as of January 1, 2024, Mr. Raved serves as Chairman of Bezeq's Board of Directors. According to the employment agreement with Mr. Raved, which was approved at the Company's general assembly on February 13, 2020, Mr. Raved is entitled to a monthly salary as well as social and ancillary benefits as accepted by the Company and in accordance with the Company's compensation policy (recovery fees, training fund, pension, sick pay, vacation days, mobile phone, business expenses and national insurance, excluding vehicle expenses).

In addition, Mr. Raved is entitled to an annual grant of up to 12 salaries subject to meeting the targets, where according to the Company's approved compensation policy, a rate of 65% of the aforementioned annual grant will be paid subject to meeting the target of improving the debt-to-asset ratio (LTV) of at least 5% compared to last year; rate of 10% of the annual grant will be paid subject to meeting budget targets set by the Company's Board of Directors and 25% of the annual grant will be paid at the discretion of the Company's Board of Directors. In this regard, it should be noted that following Mr. Raved's appointment as Chairman of Bezeq's Board of Directors, on March 12, 2024, Mr. Raved announced to the Company that he is waiving the grant rate conditional on the debt-to-asset ratio improvement target for 2023 and as long as he also serves as Chairman of the Bezeq Board of Directors.

Also, Mr. Raved is entitled to be included in the liability insurance for directors and officers and for indemnification as is customary in the Company, as are all other officers in the Company.

As of the date of the report, Mr. Raved exercised a total of 3,250,000 unregistered options of the Company that were held by him, and a total of 2,677,362 unregistered options remain in his possession, in respect of which Mr. Raved has signed an irrevocable undertaking pursuant to which he undertakes not to exercise them. If you want, I can also provide a slightly smoother legal/financial-reporting version (the way it typically appears in annual reports or liquidation reports).

The employment agreement with Mr. Raved can be terminated by the Company with up to 6 months notice. Mr. Raved may terminate his employment at any time with 30 days notice.

In addition, Mr. Raved serves as Chairman of the Board of Directors of Bezeq and as Chairman of the Board of Directors of the Group's subsidiaries as of January 1, 2024. Except for Bezeq-Gen, where he has been serving as a director since March 5, 2024. Mr. Raved's employment agreement with Bezeq is for an indefinite period, with either party eligible to terminate the agreement at any time and for any reason, with 3 months' prior notice.

As part of his office, Mr. Raved is employed under a personal contract, for an indefinite period that can be terminated by either party with prior notice ranging between 3-6 months. The non-compete period in the agreement is 3-6 months from the date of termination of employment at Bezeq, unless otherwise agreed between the parties. The salary of the officers is linked to the consumer price index, and in the event of a decrease in the wage index, it does not change until the index increases, offsetting the decrease in the index. The officers are entitled to customary accompanying conditions, including provisions for a further education fund, a deposit in a pension fund, vacation days, annual convalescence, sick days, reimbursement of expenses, liability insurance for officers and executives, exemption and obligation to indemnify, and the possibility of entitlement to an annual performance-based grant, in accordance with the provisions of the compensation policy; entitled to a total monthly salary (gross) in the amount of approximately NIS 150 thousand for 85% position (linked to the consumer price index) and an annual performance-based cash grant, as

Chapter D (Additional Details on the Corporation) for the Periodic Report for the Year 2025

detailed below.

Equity-based compensation: On February 5, 2024, Bezeq's General Assembly approved granting Mr. Raved 5,381,064 options. The fair value of the options as of the date of their granting (calculated in accordance with the Monte Carlo model) is approximately NIS 9.6 million. For further details regarding the terms of the options, see the outline of the granting of options to employees as published by Bezeq on December 28, 2023, which is hereby incorporated by way of reference (the "**2023 Outline**"). In addition, on January 25, 2026, the general assembly of shareholders of Bezeq approved the grant of 4,399,907 options to Mr. Raved. The fair value of the aforementioned options as of the grant date (calculated in accordance with the Monte Carlo model) is approximately NIS 5.4 million. For further details regarding the terms of the options, see the employee option grant outline published by Bezeq on December 18, 2025, which is incorporated herein by reference (the "**Current Outline**").

For further details regarding the terms of Mr. Raved's office and employment as Chairman of the Board of Directors of Bezeq, see Bezeq's immediate report on the convening a general meeting of shareholders dated February 1, 2024, which is hereby incorporated by way of reference.

Annual grant: Mr. Raved's annual performance-based grant targets for 2025 were predetermined within the framework of the compensation policy and approved by the General Assembly and include: a Group Adj. EBITDA⁵ target that weighs 50% in the calculation of the grant, a Group Adj. Net Profit target that weighs 25%, and a Group Adj. Free Cash Flow (FCF) target that weighs 25%. Mr. Raved's compliance rate with all of the grant targets for 2025 was approximately 125%. The threshold condition for entitlement for the annual performance-based grant is that the Group Adj. EBITDA results (excluding the impact of IFRS 16) for 2025 (NIS 3,557.8 million) will not be less than 40% of the Group Adj. EBITDA results (excluding the impact of IFRS 16) in 2024 (NIS 3,275.9 million) - this condition has been met.

The compensation policy limits the annual performance-based grant for the Chairman of the Board of Directors to up to 75% of the annual base salary (i.e., 9 salaries). Accordingly, the grant approved for Mr. Raved for the year 2025 amounts to 75% of the annual salary.

b. Itzik Tadmor

As of January 2019, Mr. Tadmor is employed as the Company's CFO. According to the employment agreement with him, in addition to his monthly salary, Mr. Tadmor is entitled to social and ancillary benefits as customary (vacation days, executive insurance, study fund, etc.). Starting in 2024, Mr. Tadmor will be entitled to a grant of up to 6 salaries conditional on meeting the targets to be set. In addition, an additional discretionary grant was approved for Mr. Tadmor, in recognition of the special effort he invested during the process of the Company's disposal of its shares in Bezeq in 2025, in accordance with the Company's compensation policy.

Also, Mr. Tadmor is entitled to be included in the directors' and officers' liability insurance arrangement and indemnity as is customary in the company, like the other officers in the company.

As of the date of this report, Mr. Tadmor has exercised all of the Company's unregistered options that were held by him.

⁵ Adjusted EBITDA for the purposes of determining compensation is calculated as EBITDA excluding Other operating expenses/income (net), losses/gains from depreciation/appreciation (including losses from continuous depreciation), the effects of implementing International Financial Reporting Standard IFRS16 "Leases", and excluding expenses for payments in respect of equity compensation plan.

Chapter D (Additional Details on the Corporation) for the Periodic Report for the Year 2025

The employment agreement with Mr. Tadmor can be terminated at any time with 3 months notice by either party.

c. **Ilan Chaikin**

Ilan Chaikin is employed as the internal auditor of the Company. Mr. Chaikin is entitled to a fee at a rate of NIS 240 per hour plus VAT. During 2025, Mr. Chaikin's fee amounted to approximately NIS 40K. For further details, see Section 2.5 of the Company's Board of Directors' report as of December 31, 2025, in Chapter B of the periodic report.

d. **Ilan Sigal – CEO of Pelephone and Yes**

Serves as CEO of Pelephone and Yes. Mr. Sigal's employment agreement, signed on May 23, 2022, is for an unlimited period, with either party eligible to terminate it at any time with 6 months' prior notice. In respect of his office, Mr. Sigal is employed under a personal contract, for an indefinite period that can be terminated by either party with 3-6 months' prior notice. The non-compete period in the agreement is between 3-6 months from the date of termination of employment at Bezeq, unless otherwise agreed between the parties. The salary of the officers is linked to the consumer price index, and in the event of a decrease in the wage index, it does not change until the index increases, offsetting the decrease in the index. The officers are entitled to customary accompanying conditions, including provisions for a further education fund, a deposit in a pension fund, vacation days, annual convalescence, sick days, reimbursement of expenses, liability insurance for officers and executives, exemption and obligation to indemnify, and the possibility of entitlement to an annual performance-based grant, in accordance with the provisions of the compensation policy ("**Bezeq Compensation Policy**").

Equity-based compensation: In respect of his office, Mr. Sigal was granted (in two separate allocations) a total of 5,331,000 options, the aggregate fair value of which, as of the date of their grant (calculated in accordance with the Monte Carlo model), is approximately NIS 10 million. For details regarding the terms of 4,131,000 of the options, see the Employee Option Grant Outline dated May 9, 2022 ("**2022 Outline**") and the Private Offering Report dated September 1, 2022, which are hereby incorporated by way of reference. For details regarding the terms of 1,200,000 of the options, see the current outline and the private offering report dated March 13, 2024.

Annual grant: Mr. Sigal's annual performance-based grant targets for 2025 as CEO of Pelephone and Yes were pre-determined by Bezeq's Compensation Committee in December 2024 and included: an Adj. EBITDA⁶ target aggregated for Pelephone and Yes that weighs 40% in the calculation of the grant; an Adj.EBITDA target aggregated for Pelephone and Yes minus CAPEX aggregated for Pelephone and Yes (CAPEX in cash flow terms) that weighs 25%; an Adj. EBITDA target by Company, Pelephone and Yes, a separate target that weighs 15%; an Adj. Net Profit target aggregated for Pelephone and Yes that weighs 10%; and a management evaluation target that weighs 10%. The threshold condition for receiving the grant was that the aggregated Adj. EBITDA results for Pelephone and Yes for 2025 (approximately NIS 729.2 million) would not be less than 40% of the aggregated Adj. EBITDA results for Pelephone and Yes in 2024 (approximately NIS 656 million) – this condition was met.

Mr. Sigal's compliance rate with all of the annual performance-based grant targets for 2025 was approximately 123.7%. Accordingly, the grant rate for Mr. Sigal for 2025 is approximately 90% of his annual salary. Mr. Sigal will be entitled to 40% of the compensation for meeting the weighted aggregate Adj. EBITDA target in 2025 only in 2026 (after the date of approval of the financial statements for 2026) and only if the minimum aggregate Adj. EBITDA target set in relation to the

⁶ See Footnote 15 above.

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2026 budget year is achieved, in accordance with the compensation policy.

For the purpose of calculating the achievement of the targets for 2025, in accordance with Bezeq's compensation policy, the Compensation Committee and the Board of Directors of Bezeq approved the neutralization of the effects of the "Rising Lion" war on the results of 2024, which were not budgeted for in the 2025 budget, from the calculation of the performance for the purpose of the grant.

e. Nir David

Has served as the CEO of Bezeq starting April 1, 2024. In addition, Mr. David serves as Chairman of the Board of Directors of Bezeq Gen. Mr. David's employment agreement is for an unlimited period, with either party eligible to terminate the agreement at any time with 6 months' prior notice.

In respect of his office, Mr. David is employed under a personal contract, for an indefinite period that can be terminated by either party with 3-6 months' prior notice. The non-compete period in the agreement is between 3-6 months from the date of termination of employment at Bezeq, unless otherwise agreed between the parties. The salary of the officers is linked to the consumer price index, and in the event of a decrease in the wage index, it does not change until the index increases, offsetting the decrease in the index. The salary of the officers is linked to the consumer price index, and in the event of a decrease in the wage index, it does not change until the index increases, offsetting the decrease in the index. The officers are entitled to customary accompanying conditions, including provisions for a further education fund, a deposit in a pension fund, vacation days, annual convalescence, sick days, reimbursement of expenses, liability insurance for officers and executives, exemption and obligation to indemnify, and the possibility of entitlement to an annual performance-based grant, in accordance with the provisions of the compensation policy, with his monthly salary being approximately NIS 147,000 (linked to the consumer price index); for additional details regarding Mr. David's terms of office and employment, see Bezeq's immediate report on a meeting dated April 11, 2024, which is hereby incorporated by way of reference.

Equity-based compensation: Prior to his office as CEO, Mr. David served as VP of the Business Customers Division at Bezeq. During his tenure as VP, he was allocated 1,500,000 options. The fair value of the options as of the date of their granting (calculated in accordance with the Monte Carlo model) is approximately NIS 1.3 million. For further details regarding the terms of the options as stated, see the 2022 Outline and the Private Offering Report dated May 9, 2022, which are hereby incorporated by way of reference.

On May 20, 2024, the General Meeting approved the granting of 4,058,032 options to Mr. David. The fair value of the options as of the date of their grant (calculated in accordance with the Monte Carlo model) is approximately NIS 6.6 million. For further details regarding the terms of the options, see the current Outline and the Immediate Meeting Report dated April 11, 2024, which are hereby incorporated by way of reference.

Annual grant: Mr. David's annual performance-based grant targets for 2025 as Bezeq CEO were predetermined by the Bezeq Board of Directors in December 2024 and included: an Adj. EBITDA target for Bezeq (solo) that weighs 50% in the calculation of the grant; an Adj. Profit after tax target for Bezeq (solo) that weighs 20%; an Adjusted Free Cash Flow (FCF)⁷ target for the Company (solo) that weighs 20%; and a management evaluation target that weighs 10%.

The threshold condition for entitlement to the grant was that the Adj. EBITDA results for 2025 (approximately NIS 2,479 million) would not be lower by more than 40% compared to the Adj. EBITDA results for 2024 (approximately NIS 2,452 million) – this condition was met. Mr. David's rate of achievement of the overall performance-based annual grant targets for 2025 was

⁷ Adjusted free cash flow (FCF) is calculated as cash from operating activities minus cash for the purchase/sale of PP&E and intangible assets (net), and minus lease payments.

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approximately 93.42%. Accordingly, the annual grant granted to Mr. David for 2025 amounts to approximately 67% of his annual salary.

f. Directors

Each director (including the Chairman of the Board of Directors) is entitled to an annual compensation and a participation compensation for each meeting, in the maximum amount, in accordance with the Company's classification under to the Compensation Regulations. Directors with financial accounting expertise, as this term is defined in the Companies Regulations (Terms and Tests for a Director with Accounting and Financial Expertise and for a Director with Professional Competence), 5765-2005 are entitled to external expert director annual compensation, as stated in the Compensation Regulations. In addition, the directors are entitled to be included in the arrangement for liability insurance of directors and officers and indemnification as is customary in the Company, as are all other officers in the Company. In 2025, compensation was paid to the directors of the Company in accordance with the Compensation Regulations in the amount of NIS 1,320K.

Regulation 21a: The controlling shareholder in the corporation

On December 2, 2019, a debt settlement was completed between the Company and its bondholders, under which Searchlight II BZQ LP and a corporation controlled by the Fuhrer family (TNR Investments Ltd.) acquired control of the Company (and consequently, Bezeq). The company owns Bezeq Directly. In this regard, see also Bezeq's immediate report dated December 2, 2019 regarding the Company's announcement of the completion of the said transaction, as well as Bezeq's immediate reports dated January 2, 2020 regarding holdings of stakeholders and those who became stakeholders in the corporation.

As of the date of completion of the debt settlement as aforesaid, the controlling owners of the Company are Searchlight II BZQ L.P, a limited partnership incorporated in the Cayman Islands ("**Searchlight**") and TNR. Investments Ltd. ("**TNR**"), a private company incorporated in Israel. The final general partner of Searchlight is Searchlight Capital Partners II GP, LLC, a limited liability company incorporated in the State of Delaware, which is held by a number of individuals including Eric Zinterhofer, Erol Uzumeri and Oliver Harmaann, with the latter being among the only ones to receive the Company's control permit from the Ministry of Communications. TNR is fully owned and controlled by Mr. David Fuhrer (50%) and Mrs. Michal Fuhrer (50%). Searchlight and TNR are considered controlling shareholders in the Company by virtue of a control permit dated November 11, 2019 and by virtue of a voting agreement between them which confers on them a cumulative holding, as of the date of this report, of approximately 79.19% of the voting rights in the Company.

To the best of the Company's knowledge, the shareholders' agreement between Searchlight and TNR includes, among other things, a provision according to which as long as the holdings of an "Israeli entity" in Bezeq's controlling shareholder are required, Searchlight will grant TNR power of attorney in respect of the amount of shares that will allow TNR to vote at the general meetings of the Company, an amount of shares equal to: (a) the amount of shares held by TNR on the effective date of the meeting, or (b) the amount of shares reflecting 19% of the issued capital and voting rights in the Company on the effective date of the meeting, whichever is highest. To the best of the Company's knowledge, the shareholders' agreement includes additional provisions, including a commitment by Searchlight to refrain from voting for the approval of certain issues without the consent of TNR.

For details regarding the control permit, see Section 1.1.4 in Chapter A of the periodic report.

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Regulation 22: Transactions with the controlling shareholder

For details, to the best of the Company's knowledge, regarding any transaction with the controlling shareholder in the Company, or such that the controlling shareholder in the Company has a personal interest in the approval thereof, which the Company, the companies controlled thereby or related thereto entered into in the reporting year or after to the end of the reporting year and until the date of submission of this report, or it is still valid at the date of the report, as well as for details regarding Bezeq's negligibility procedure, see Note 29 to the Statements.

Regulation 24: Holdings of related parties and senior executives

For details regarding the status of the holdings of interested parties in the Company, see an immediate report dated January 8, 2026 (Reference No.: 2026-01-003492), which is included in this report by way of reference.

Regulation 24a: Registered capital, issued capital and convertible securities

For details regarding the registered equity, the issued equity and the convertible securities of the Company, see immediate report dated December 29, 2025 (Reference No.: 2025-01-104418) included in this report by way of reference.

Regulation 24b: Register of shareholders

For the Company's shareholder register, see immediate report dated December 29, 2025 (Reference No.: 2025-01-104418) included in this report by way of reference.

Regulation 25a: Registered address of the corporation

Address: 144 Menachem Begin St., Tel Aviv

Phone: 03-6796101 Fax: 03-6796111

Email: tomer@bcomm.co.il

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Regulation 26: The directors of the corporation

Last name and first name	Darren Glatt, Chairman	Phil Bacal	Ran Fuhrer	Efrat Duvdevani	Ajit V. Pai	Efrat Makov	Stephen Joseph
ID number	549871770 (foreign passport)	HP037044 (foreign passport)	066522772	238248730	536841734 (Foreign passport)	023044365	551988678 (foreign passport)
Date of birth	November 18, 1975	September 13, 1985	September 2, 1984	JUNE 10, 1968	January 10, 1973	June 17, 1968	April 10, 1980
Address for the service of court documents	144 Menachem Begin Road, Tel Aviv (with the Company)	144 Menachem Begin Road, Tel Aviv (with the Company)	2 Haysur St., Ramat Hasharon, 4703006	48 Hanasi Ben Zvi St., Herzliya, 4639948	Arlington, Old Dominion Drive, 4868, 22207	138 Ahad Ha'am St., Tel Aviv	144 Menachem Begin Road, Tel Aviv (with the Company)
Citizenship	American	Canadian	Israeli	Israeli	American	Israeli	British
Education	BACCY, George Washington University MBA, Harvard Business School	MBA Richard Ivey School of Business (with honors) at the University of Western Ontario. Bachelor of Arts in Business Administration.	Degree in Law, IDC Herzliya, B.A. in Management, IDC Herzliya, LL.M. Commercial Law (cum laude), Tel Aviv University, M.Sc. General Management, Stanford University, Semester in Law at Berkeley University Member of the Israel Bar Association. Course for Directors and Other Senior Corporate Officers - Executive Development Center, Tel Aviv University. Graduate and member of the 8400 Health Technology Leadership Program - Harvard Business School.	Bachelor's degree in International Relations and English, The Hebrew University; Degree in Public Policy - Management and Finance, Tel Aviv University	B.A., Social Studies, Harvard University; J.D Law Studies, University of Chicago Law School	B.A. In Economics and Accounting from Tel Aviv University. Israeli CPA license (1993), American CPA license (New York State) (1995).	B.Sc. in Business and Financial Economics from Leeds University, KPMG. Chartered Accountant, FCA of the Institute of Chartered Accountants in England and Wales.
Occupation for the past five years	Partner in the Searchlight Capital Partners and head of investments in infrastructure, media and technology.	CEO of bullet Trade Services, Partner in Searchlight Capital Partners.	VP of Business Development at the Neopharm Group.	CEO of the Peres Center for Peace and Innovation.	Partner in Searchlight Capital Partners. Chairman of the FCC	Jewelry Designer and independent brand owner. Director in the following companies: BioLight Life Sciences Ltd	CEO, CFO and VP of Operations at Ocean Outdoor Group (LSE: OOUT).

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						(2011-2020); Anchiano Therapeutics Ltd (2018-2020); iSPAC 1 Ltd (2021-2023); Allot Ltd (2021-present); Ceragon Ltd (2022-present).	
Serves as a director in other corporations	Bezeq, Mainstream Fiber Network, Wecom Fiber, All Points Broadband, Adams Outdoor Advertising, and Chord Music Partners.	Roots Corporation, Care Advantage, Bullet Trade Services	Advisory Board of the Tel-Aviv University Alumni Organization		All Points Broadband, Mainstream Fiber Networks, Wecom Fiber, Ziply Fiber, America's Public Television Stations, EdgeQ	See above.	Atoll Holdco Ltd, Scp Acquisition Topco Limited, Scp Acquisition Midco Limited, Scp Acquisition Bidco Limited, Ocean Topo Limited, Ocean Bidco Limited, Ocean Outdoor UK Limited, Signature Outdoor Limited, Mediaco Outdoor Limited, Forrest Outdoor Media Limited, Ocean Brands Limited, Forrest Media (Holdings) Limited, Forrest Media Limited, DKTD Media B.V, Ngage Media B.V, Interbest B.v, Global Agencies Stockholm AB, Gudfar& son AB, Visual Art & Global Agencies Sweden AB, Visual Art International Holding AB, Visual Art Sweden AB, Visual Art Sweden Holding AB, Visual Art Denmark City Reklame A/S, Visual Art Norway AS. Visual Art USA Inc, Visual Art Germany GmbH, Visual Art Finland Oy

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Has accounting and financial expertise	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Is the director an employee of the corporation, of its subsidiary, of its affiliated company or of a stakeholder therein	Yes, see details of occupation in the last five years.	No	Yes, the director serves as VP of Business Development of the Neopharm Group, whose controlling shareholders, David and Michal Fuhrer, are also controlling shareholders of TNR Investments Ltd., which owns the joint controlling interest in the Company.	No	Yes, see details of occupation in the last five years.	No	No
Is the director a family member of another stakeholder in the corporation	No	No	Yes, his parents, David and Michal Fuhrer, are the controlling shareholders in TNR Investments Ltd., which owns the joint controlling interest in the Company.	No	No	No	No
Membership in a committee or committees of the Board of Directors	No	No	No	The Committee for the Examination of Financial Statements; The Audit Committee; Compensation Committee;	No	The Committee for the Examination of Financial Statements; The Audit Committee; Compensation Committee;	The Committee for the Examination of Financial Statements; The Audit Committee; Compensation Committee;
Is this member of the Board of Directors an outside director	No	No	No	Yes	No	Yes	No
Does the Company see the director as an independent director	No	No	No	Yes	No	Yes	Yes

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Regulation 26A: Senior officers

Name of senior officer	Itzik Tadmor	Dudu Mizrahi	Ilan Chaikin
Role in the Company, subsidiary, affiliate or related party	Chief Financial Officer	CEO of the Company and Chairman of the Board of Directors of Bezeq	Internal Auditor
Date of birth	February 14, 1981	April 18, 1985	November 21, 1954
Education	BA in Accounting and Economics, Tel Aviv University. MBA in Business Administration, Tel Aviv University.	Double major in Law and Economics from the Tel Aviv University; MBA - Stern School of Business	Bachelor's degree in Economics and Accounting, Tel Aviv University.
Main occupations in the last 5 years and a list of the corporations in which he serves as a director	CFO of the Company.	The Company's CEO and Chairman of the Board of Directors of Bezeq.	Managing partner at CPA Chaikin Cohen Rubin & Co.
Is he a related party in the Company or a family member of another senior official or of another related party in the Company	No	No	No

Regulation 26B: Independent authorized signatory

The Company's CEO, Mr. Tomer Raved, is an independent signatory authorized by the Company, as this is term defined in the law.

Without derogating from the above, for the purpose of making money transfers in any amount from the Company's accounts in banks, the signatures of Mr. Tomer Raved, the Company's CEO, and Mr. Itzik Tadmor, the Company's CFO, are required.

Regulation 27: The accountant of the corporation

Somekh Chaikin, CPA

Address: 17 HaArbaa St., KPMG Millennium Tower, Tel Aviv 6473917

Tel: 03-6848000

Regulation 28: Amendment of the Company's Articles of Association

In the reporting year, no changes were made to the company's Articles of Association.

Regulation 29 (a): The recommendations and resolutions of the directors before the general meeting, and their resolutions that do not require the approval of a general meeting in matters specified in Regulation 29(a)

1. On March 16, 2025, the Company's Board of Directors approved the full early redemption of the Company's debentures (Series F), which was carried out on May 31, 2025. For further details, see

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the Company's report dated April 21, 2025 (Reference No. 2025-01-028321), which is incorporated in this report by reference.

2. On August 10, 2025, the Company's Board of Directors approved the full early redemption of the Company's debentures (Series G), which was carried out on August 31, 2025. For further details, see the Company's report dated August 13, 2025 (Reference No. 2025-01-060352), which is incorporated in this report by reference.

Regulation 29 (b): Resolutions of the general assembly that were not adopted in accordance with the recommendations of the directors in the matters listed in Sub-regulation (a) above

During the reporting year, resolutions were not adopted at the Company's general assembly that were not in accordance with the recommendations of the Board of Directors in the matters detailed in Regulation 29(a).

Regulation 29 (c): Resolutions of a special general assembly

1. On January 26, 2025, the Company's shareholders' assembly approved the appointment of Mrs. Efrat Duvdevani as an external director of the Company for an additional term of office (second term). For further details, see the Company's immediate reports dated January 19, 2025 and January 26, 2025 (Reference Nos.: 2025-01-005311 and 2025-01-006725), which are incorporated into this report by way of reference.
2. On May 12, 2025, the Company's shareholders' assembly approved the following matters: (a) the reappointment of the Company's auditor; (b) the reappointment of the Company's serving directors who are not external directors; (c) the granting of an exemption from liability and indemnification undertakings by the Company, until April 15, 2028, to directors and officers serving on behalf of the controlling shareholder of the Company, and to such directors and officers who may serve in the Company from time to time; and (d) the remuneration policy for the Company's directors and officers, for a period of three years from the date of its approval and in accordance with applicable law. For further details, see the Company's immediate reports dated April 7, 2025, and May 12, 2025 (Reference Nos. 2025-01-025397 and 2025-01-033086), which are incorporated in this report by reference.
3. On September 11, 2025, the Company's shareholders' assembly approved the appointment of Mrs. Efrat Makov as an external director of the Company for an additional term (third term). For further details, see the Company's immediate reports dated August 6, 2025, and September 11, 2025 (Reference Nos. 2025-01-058221 and 2025-01-068752), which are incorporated in this report by reference.
4. On December 17, 2025, the Company's shareholders' assembly approved the following matters: (a) the voluntary liquidation of the Company in accordance with Chapter G of the Companies Law; and (b) the appointment of Mr. Tomer Raved, the Company's CEO, as trustee to implement the Company's voluntary liquidation procedures. For further details, see the Company's immediate reports dated November 26, 2025, and December 17, 2025 (Reference Nos. 2025-01-093053 and 2025-01-100708), which are incorporated in this report by reference.

Regulation 29A (4): Exemption, insurance, or obligation to indemnify officers

For details regarding exemption, insurance or indemnification obligation for officers, See Note 29.6 to the statements.

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March 16, 2026

Date

B Communications Ltd.

Name and role of signatories:

Tomer Raved, CEO

Darren Glatt, Chairman of the Board of Directors

CORPORATE GOVERNANCE QUESTIONNAIRE ¹

BOARD OF DIRECTORS INDEPENDENCE			Correct	Incorrect
1.	<p>In each reporting year, two or more external directors served in the corporation.</p> <p>This question can be answered "Correct" if the period of time in which two external directors did not serve does not exceed 90 days, as stated in Article 363A (b) (10) of the Companies Law, but any answer (Correct / Incorrect) must state the period of time (days) in which the corporation did not have two or more external directors in the reporting year (including a term of office approved retrospectively, while separating between the various external directors):</p> <p>Director A: <u>Efrat Makov</u>.</p> <p>Director B: <u>Efrat Duvdevani</u>.</p> <p>The number of external directors serving in the corporation as of the date of publication of this questionnaire: <u>2</u>.</p>	√		

¹ Published as part of legislative proposals to improve the statements on March 16, 2014.

2.	<p>The rate² of independent directors³ serving in the corporation as of the publication of this questionnaire: <u>3/7</u>.</p> <p>The rate of independent directors determined In the Articles of Association⁴ of the corporation⁵: _____.</p> <p><input checked="" type="checkbox"/> Irrelevant (not provided for in the Articles of Association).</p>	_____	_____
3.	<p>In the reporting year, an examination was conducted with the external directors (and the independent directors) and it was found that in the reporting year they complied with the provision of Article 240 (b) and (f) of the Companies Law regarding the lack of affiliation of the external (and independent) directors serving in the corporation and they meet the conditions required for serving as an external (or independent) director.</p>	√	
4.	<p>All directors who served in the corporation during the reporting year are not subordinated⁶ to the CEO, directly or indirectly (except for a director who is an employee representative if the corporation has employee representation).</p> <p>If you answered "Incorrect" (namely, the director is subordinated to the CEO as mentioned) – indicate the rate of directors that do not meet the aforesaid limitation: _____.</p>	√	

²In this questionnaire, "rate" - a certain number out of the total. For example 3/8.

³ Including "external directors" as defined in the Companies Law.

⁴ For the purposes of this question - "Articles of Association" including according to a specific legal provision applicable to the corporation (for example in a banking corporation - the directives of the Supervisor of Banks).

⁵ A debenture company is not required to answer this section.

⁶ For the purposes of this question - the very office of a director of a holding corporation controlled by the corporation will not be considered "subordinate", on the other hand, the office of a director of a corporation serving as an officer (other than a director) and / or an employee of the corporation controlled by the corporation will be considered "subordinate".

5.	<p>All the directors who announced the existence of a personal interest in approving a transaction on the agenda of the meeting, did not attend the discussion and did not participate in such vote (except for discussion and / or voting in the circumstances under Article 278 (b) of the Companies Law):</p> <p>If Your answer is "Incorrect"-</p> <p>Was it for the purpose of presenting a particular subject thereby in accordance with the provisions of Article 278 (a):</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No (mark x in the appropriate box).</p> <p>Indicate the rate of meetings at which such directors were present at the discussion and / or participated in the vote, except in the circumstances as stated in paragraph a: _____.</p>	√	
6.	<p>The controlling shareholder (including his relative and / or someone on his behalf), who is not a director or other senior officer in the corporation, was not present at the Board of Directors meetings held in the reporting year.</p> <p>If your answer is "incorrect" (i.e., a controlling shareholder and / or relative and / or someone on his behalf who is not a board member and / or a senior official in the corporation was present at such board meetings) - indicate the following details regarding the presence of any additional person at Board of Directors meetings:</p> <p>Identity: _____.</p> <p>Position in the corporation (if any): _____.</p>	√	

		<p>Details of the affiliation to the controlling shareholder (if the person present is not the controlling shareholder himself): _____.</p> <p>Was it for the purpose of presenting a certain subject thereby: <input type="checkbox"/>Yes <input type="checkbox"/>No (mark x in the appropriate box)</p> <p>The rate of presence⁷ thereof in meetings of the Board of Directors that took place in the reporting year for the purpose of presenting a certain subject thereby: _____, Other presence: _____</p> <p><input type="checkbox"/> Irrelevant (there is no controlling shareholder in the corporation).</p>		
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QUALIFICATIONS AND SKILLS OF THE DIRECTORS				
			Correct	Incorrect
7.		<p>There are no provisions in the corporation's articles of association that restrict the possibility of immediately terminating the office of all directors in the corporation, who are not external directors (in this matter - determination by a simple majority is not considered a restriction)⁸.</p> <p>If Your answer is "incorrect" (namely, there is a restriction as mentioned), indicate -</p>	√	

⁷ While separating between the controlling shareholder, his relative and / or someone on his behalf.

⁸ A debenture company is not required to comply with this section.

		A.	The period of time stipulated in the articles of association for the term of office of a director:		
		B.	The required majority set forth in the articles of association for the termination of office of the directors:		
		C.	A statutory quorum set forth in the articles of association at the general meeting for the purpose for the termination of office of the directors:		
		D.	The majority required to amend these provisions in the articles of association:		
8.			<p>The corporation prepared a training program for new directors, in the field of the corporation's business and in the field of law applicable to the corporation and the directors, and also arranged a follow-up program for the training of incumbent directors, adapted, among other things, to the director's position in the corporation.</p> <p>If your answer is "correct" - indicate whether the plan was implemented in the reporting year: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (Mark x in the appropriate box)</p>	√	
9.		A.	<p>The corporation has a required minimum number of directors on the Board of Directors who must have accounting and financial expertise.</p> <p>If your answer is "correct" – indicate the minimum number determined:</p>		√

		B.	<p>Number of directors who served in the corporation during the reporting year</p> <p>With accounting and financial expertise⁹: 47.</p> <p>With Professional qualifications¹⁰: 0.</p> <p>In the event of changes in the number of directors as stated in the reporting year, indicate the lowest number (except in a time period of 60 days of change) of directors of any type who served in the reporting year.</p>	_____	_____
10.		A.	<p>Throughout the reporting year, the Board of Directors included members of both sexes.</p> <p>If your answer is "incorrect" – indicate the period of time (days) in which the aforesaid did not exist: _____.</p> <p>This question can be answered "correct" if the period of time in which directors of both sexes did not serve does not exceed 60 days, however in any answer (correct / incorrect), indicate the period of time (days) in which directors of both sexes did not serve: _____.</p>	√	

⁹ After the evaluation of the Board of Directors, in accordance with the provisions of the Companies Regulations (conditions and tests for a director with accounting and financial expertise and for a director with professional Qualification), 5765-2005.

¹⁰ See Footnote 9.

		B.	The number of directors of any sex serving on the corporation's Board of Directors as of the date of publication of this questionnaire: Men: <u>5</u> , women: <u>2</u> .	_____	_____
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BOARD MEETINGS (AND CONVENING A GENERAL MEETING)						
					Correct	Incorrect
11.	A.		Number of board meetings held during each quarter of the reporting year: First quarter (2025): 4 Second quarter: 3 Third quarter: 3 Fourth quarter: 4		_____	_____
	B.		Next to each of the names of the directors who served in the corporation during the reporting year, indicate the rate ¹¹ of participation in the meetings of the Board of Directors (in this paragraph - including the meetings of the committees of the Board of Directors of which he is a member, and as indicated		_____	_____

See H.S. 2.¹¹

			below) that took place during the reporting year (and with reference to term of office): <u>See note at the end of the questionnaire.</u>					
			(Add lines according to the number of directors).					
		Director's name	Rate of his participation in the meetings of the Board of Directors	Rate of his participation in meetings of the Audit Committee 12	Rate of his participation in meetings of the Committee for Examining the financial statements 13	Rate of his participation in meetings of the Compensation Committee 14	Rate of his participation in meetings of other Board of Directors committees in which he is a member (indicate the name of the committee)	
		Darren Glatt	100%	-	-	-		
		Phil Bacal	86%	-	-	-		

¹² Regarding the company director in this committee.

¹³ Regarding the company director in this committee.

¹⁴ Regarding the company director in this committee.

			Ran Forer	100%	-	-	-				
			Stephen Joseph	93%	100%	100%	100%				
			Efrat Duvdevani	93%	100%	75%	100%				
			Efrat Makov	100%	100%	100%	100%				
			Ajit Pai	86%	-	-	-				
12.				In the reporting year, the Board of Directors held at least one discussion regarding the management of the corporation's business by the CEO and his subordinates, without their presence, and they were given an opportunity to express their position.							√

SEPARATION BETWEEN THE FUNCTIONS OF THE CEO AND THE CHAIRMAN OF THE BOARD

			Correct	Incorrect
13.		<p>Throughout the reporting year, a chairman of the board served in the corporation.</p> <p>This question can be answered "correct" if the period of time in which a chairman of the board did not serve in the corporation does not exceed 60 days as stated in Article 363A (2) of the Companies Law, but in any answer (correct / incorrect), indicate the period (days) in which a chairman of the board did not serve in the corporation as aforesaid: [__].</p>	√	
14.		<p>Throughout the reporting year, a CEO served in the corporation.</p> <p>This question can be answered "correct" if the period of time in which a CEO did not serve in the corporation does not exceed 60 days as stated in Article 363A (2) of the Companies Law, but in any answer (correct / incorrect), indicate the period (days) in which a CEO did not serve in the corporation as aforesaid: [__].</p>	√	
15.		<p>In a corporation in which the chairman of the board also serves as the CEO of the corporation and / or exercises his powers, the duplication of office is approved in accordance with the provisions of Article 121 (c) of the Companies Law¹⁵.</p> <p><input checked="" type="checkbox"/> Irrelevant (if there is no such dual office in the corporation).</p>		

¹⁵ In a bond company - approval in accordance with Article 121 (d) of the Companies Law.

16.		<p>The CEO <u>is not</u> a relative of the chairman of the Board of Directors.</p> <p>If your answer is "incorrect" (i.e., the CEO is a relative of the chairman of the board)-</p>	√	
	A.	Indicate the family relation between the parties: _____.	_____	_____
	B.	<p>The office was approved in accordance with Article 121 (c) of the Companies Law¹⁶:</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><i>(mark x in the appropriate box)</i></p>	_____	_____
17.		<p>A controlling shareholder or his relative <u>does not</u> serve as CEO or senior executive officer in the corporation, except as a director.</p> <p><input type="checkbox"/> Irrelevant (the corporation has no controlling shareholder).</p>	√	

¹⁶ In a debenture company - approval in accordance with Article 121 (d) of the Companies Law.

AUDIT COMMITTEE

			Correct	Incorrect
18.		In the reporting year, on the Audit Committee <u>did not serve</u> -	—	—
	A.	A controlling shareholder or his relative. <input type="checkbox"/> Irrelevant (the corporation has no controlling shareholder).	✓	
	B.	Chairman of the Board of Directors.	✓	
	C.	A director employed by the corporation or by the controlling shareholder of the corporation or by a corporation under his control.	✓	
	D.	A director who regularly provides services to the corporation or controlling shareholder of the corporation or corporation under its control.	✓	
	E.	A director whose main livelihood depends on the controlling shareholder. <input type="checkbox"/> Irrelevant (the corporation has no controlling shareholder).	✓	
19.		A person who is not allowed to be a member of the Audit Committee, including a controlling shareholder or his relative, was not present at the reporting year at the meetings of the Audit Committee, except in accordance with the provisions of Article 115 (e) of the Companies Law.	✓	

20.	<p>The legal quorum for discussion and decision-making at all Audit Committee meetings held in the reporting year was a majority of committee members, with the majority present being independent directors and at least one of them being an external director.</p> <p>If your answer is "incorrect" - indicate the rate of meetings in which the said requirement was not met: _____.</p>	v	
21.	<p>In the year of the report, the Audit Committee held at least one meeting in the presence of the internal auditor and the auditor and without the presence of officers of the corporation who are not members of the committee, regarding deficiencies in the business management of the corporation.</p>	v	
22.	<p>All meetings of the Audit Committee attended by those who are not allowed to be members of the committee, were with the approval of the committee chairman and / or at the request of the committee (regarding the legal advisor and the corporation secretary who is not a controlling shareholder or his relative).</p>	v	
23.	<p>In the reporting year, arrangements were established by the Audit Committee regarding the manner in which the corporation's employees' complaints were handled in connection with deficiencies in the conduct of its business and regarding the protection to be given to the employees who complained as aforesaid.</p>	v	

24.	The Audit Committee (and / or the Committee for the Examination of the Financial Statements) was of the opinion that the scope of the auditor's work and his fees in relation to the financial statements in the reporting year were adequate for carrying out proper audit and review work.	√	
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FUNCTIONS OF THE COMMITTEE FOR EXAMINING THE FINANCIAL STATEMENTS (HEREINAFTER - THE COMMITTEE) IN ITS PRELIMINARY WORK FOR THE APPROVAL OF THE FINANCIAL STATEMENTS				
			Correct	Incorrect
25.	A.	Indicate the period of time (in days) determined by the Board of Directors as a reasonable time to submit the Committee's recommendations prior to the discussion of the Board of Directors for approval of the financial statements: <u>3 days when approving the periodic statements and 2 days when approving the quarterly statements.</u>	_____	_____
	B.	<p>The number of days that have actually elapsed between the date of the transfer of the recommendations to the Board of Directors and the date of the Board of Directors' discussion:</p> <p>First quarter statements (year 2025): <u>4 days.</u></p> <p>Second quarter statements: <u>5 days.</u></p> <p>Third quarter statements: <u>4 days.</u></p>	_____	_____

		Annual statements: <u>4 days</u> .		
	C.	<p>The number of days that have elapsed between the date of submission of the draft financial statements to the directors and the date of the discussion of the Board of Directors of the approval of the financial statements:</p> <p>First quarter statements (year 2025): <u>3 days</u>.</p> <p>Second quarter statement: <u>2 days</u>.</p> <p>Third quarter statements: <u>4 days</u>.</p> <p>Annual statements: <u>4 days</u>.</p>		
26.		<p>The corporation's auditor attended all meetings of the Committee and the Board of Directors, at which the corporation's financial statements relating to the periods included in the reporting year were discussed.</p> <p>If your answer is "incorrect", indicate the participation rate: _____</p>	√	
27.		In the Committee, all the conditions listed below were met throughout the reporting year until the publication of the annual statements:	_____	_____
	A.	The number of its members was not less than three (at the time of the discussion in the Committee and the approval of the statements as aforesaid).	√	

	B.	It complied with all the conditions set out in Article 115 (b) and (c) of the Companies Law (regarding the office of members of the Audit Committee).	√	
	C.	The chairman of the Committee is an external director.	√	
	D.	All its members are directors and most of its members are independent directors.	√	
	E.	All its members have the ability to read and understand financial statements and at least one of the independent directors has accounting and financial expertise.	√	
	F.	Committee members gave a statement prior to their appointments.	√	
	G.	The legal quorum for discussion and decision-making in the Committee was the majority of its members, provided that the majority of those present were independent directors, including at least one external director. .	√	
		If your answer is "incorrect" regarding one or more of the subsections of this question, indicate in relation to which statements (periodic / quarterly) the said condition was not met and the condition that was not met.	_____	_____

COMPENSATION COMMITTEE				
			Correct	Incorrect
28.		<p>The Committee consisted of, in the reporting year, at least three members and the external directors constituted a majority (at the time of the Committee's deliberations).</p> <p><input type="checkbox"/> Irrelevant (No discussion took place).</p>	v	
29.		<p>The terms of office and employment of all members of the Compensation Committee in the reporting year are in accordance with the Companies Regulations (Rules regarding Compensation and Expenses for an External Director), 5769-2000.</p>	v	
30.		In the reporting year, on the Compensation Committee did not serve -	_____	_____
	A.	<p>The controlling shareholder or his relative</p> <p><input type="checkbox"/> Irrelevant (the corporation has no controlling shareholder).</p>	v	
	B.	Chairman of the Board of Directors.	v	

		C.	A director employed by the corporation or by the controlling shareholder of the corporation or by a corporation under his control.	√	
		D.	A director who regularly provides services to the corporation or to the controlling shareholder of the corporation or to a corporation under his control.	√	
		E.	A director whose main livelihood depends on the controlling shareholder. <input type="checkbox"/> Irrelevant (the corporation has no controlling shareholder).	√	
31.			The controlling shareholder or his relative were not present in the reporting year at the meetings of the Compensation Committee unless the chairman of the Committee determined that either of them was required to present a particular subject.	√	
32.			The Compensation Committee and the Board of Directors did not exercise their authority under Articles 267A (c), 272 (c) (3) and 272 (c1) (1) (c) to approve a transaction or compensation policy, despite the opposition of the general assembly. If your answer is "incorrect" indicate - Type of transaction approved as stated: _____ The number of times their authority was used in the reporting year: _____	√	

INTERNAL AUDITOR			
		Correct	Incorrect
33.	The Chairman of the Board of Directors or the CEO of the corporation is the organizational supervisor of the internal auditor of the corporation.	✓	
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan in the reporting year. In addition, indicate the audit topics that the Internal Auditor dealt with in the reporting year: Implementation by the supervision procedure by the internal auditor and compliance and regulation. (mark x in the appropriate box).	✓	
35.	Scope of employment of the internal auditor in the corporation in the reporting year (in hours ¹⁷): <u>132 hours</u> .	_____	_____
	In the reporting year, a discussion took place (in the Audit Committee or on the Board of Directors) of the Internal Auditor's findings.	✓	

¹⁷ Including working hours invested in investee corporations and audits outside Israel, and as appropriate, both by the Company's internal auditor and by the internal auditors of the Company's subsidiaries.

36.	The internal auditor is not a stakeholder in the corporation, a relative of such, an auditor or anyone on his behalf, nor does he maintain material business relationships with the corporation, its controlling shareholder, or a relative or corporations under their control.	√	
INTERESTED PARTY TRANSACTIONS			
		Correct	Incorrect
37.	<p>The controlling shareholder or his relative (including a company under his control) is not employed by the corporation or provides it with management services.</p> <p>If your answer is "incorrect" (namely, the controlling shareholder or his relative is employed by the corporation or provides it with management services) indicate -</p> <ul style="list-style-type: none"> - Number of relatives (including the controlling shareholder) employed by the corporation (including companies under their control and / or through management companies): - Have the employment agreements and / or the management services as aforesaid been approved by the organs established by law: <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	√	

	<p>(mark x in the appropriate box)</p> <p><input type="checkbox"/> Irrelevant (In a corporation nothing husband control). _____.</p>		
38.	<p>To the best of the corporation's knowledge, the controlling shareholder has no other business in the corporation's field of activity (in one or more fields). <u>See note at the end of the questionnaire.</u></p> <p>If your answer is "incorrect" - indicate whether an arrangement has been established to delimit activities between the corporation and its controlling shareholder.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(there is to mark x In the box Appropriate)</p> <p><input type="checkbox"/> No relevant (the corporation has no controlling shareholder).</p>	√	

Closing notes to the questionnaire:

1. Meetings of the Board of Directors (and convening a general assembly)

Section 11B - It should be noted that in the column on the participation rate in meetings of additional board committees, the reference is to permanent board committees only and does not include non-permanent committees established on an ad hoc basis for certain issues. It should be noted that in the number of meetings of the Board of Directors and its committees, the meetings held during the reporting year were considered, with reference to the term of office of each of the directors on the board and in each of the committees, as the case may be.

2. Stakeholder transactions

Section 38 - Searchlight Group, which owns the Company, has holdings in many communications companies around the world (mainly in the United States). As stated in Section 1.8 of Chapter A of this report, Bezeq Group's strategy as of this date is to focus on the local market in Israel only.

Chairman of the Board of Directors: _____

Chairman of the Audit Committee: _____

Chairman of the Committee for Examining the Financial Statements: _____

Management Statement

CEO Statement pursuant to Regulation 9B(d)(1) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "Reporting Regulations")

I, Tomer Raved, hereby declare that:

1. I have reviewed the annual report of B Communications Ltd. (the "**Corporation**") for the year 2025 (the "**Reports**");
2. To the best of my knowledge, the Reports do not contain any untrue statement of a material fact and do not omit any statement of a material fact necessary in order to make the statements included therein, in light of the circumstances under which such statements were included, not misleading with respect to the period covered by the Reports;
3. To the best of my knowledge, the statements and other financial information included in the Reports fairly present, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and for the periods to which the Reports relate;
4. I have disclosed to the Corporation's independent auditors, to the Board of Directors, and to the Audit Committee of the Board of Directors, any fraud, whether or not material, involving the CEO or anyone directly subordinate to him, as well as other employees who have a significant role in the Corporation's financial reporting, disclosure and internal control over them.

The foregoing shall not derogate from my responsibility or from the responsibility of any other person under any law.

March 16, 2026

Date

Tomer Raved,
CEO

Senior Financial Officer Statement pursuant to Regulation 9B(d)(2) of the Reporting Regulations

I, Itzik Tadmor, hereby declare that:

5. I have reviewed the annual report of B Communications Ltd. (the “**Corporation**”) for the year 2025 (the “**Reports**”);
6. To the best of my knowledge, the Reports do not contain any untrue statement of a material fact and do not omit any statement of a material fact necessary in order to make the statements included therein, in light of the circumstances under which such statements were included, not misleading with respect to the period covered by the Reports;
7. To the best of my knowledge, the statements and other financial information included in the Reports fairly present, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and for the periods to which the Reports relate;
8. I have disclosed to the Corporation’s independent auditors, to the Board of Directors, and to the Audit Committee of the Board of Directors, any fraud, whether or not material, involving the CEO or anyone directly subordinate to him, as well as other employees who have a significant role in the Corporation’s financial reporting, disclosure and internal control over them.

The foregoing shall not derogate from my responsibility or from the responsibility of any other person under any law.

March 16, 2026

Date

Itzik Tadmor,
CFO