

Periodic Report 2025



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

Bezeq The Israeli Telecommunications Corp. Ltd. Periodic Report for 2025

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Affairs

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Letter from the Chairman of Bezeq Group | Tomer Raved

This past year was challenging for the State of Israel, for the economy, and for each and every one of us. The present situation - the prolonged war, and economic and global challenges - unsettled us. Despite the difficulty, the Israeli society and those organizations leading the economy proved their resilience. Bezeq did not stand in the sidelines. It was active, it led, connected, reinforced, maintained functional continuity, and continued to be a pillar of the Israeli economy.

The people behind the infrastructure

Bezeq is not only about its cutting-edge network, but first and foremost, it is about its people. Bezeq employees were at the heart of the national mission to ensure that Israel remained connected, through thick and thin. It had a massive responsibility in maintaining Israel's telecommunications infrastructure through the emergencies, restoring damaged lines, supporting the communities, and standing by those employees who served in the IDF reserves. Over a thousand employees were recruited for the war, receiving direct support from the Company, whether it was financial or otherwise. Thousands of civilians received free telecommunication services, and infrastructure damaged in the north and the south of the country was repaired at record speed. Bezeq did not only provide telecommunication services, but it was resiliently present, providing security, continuity, and hope.

Financial stability and security for investors

Throughout a year of uncertainty, Bezeq continued to demonstrate extraordinary stability and core revenue growth. The Company's credit rating was upgraded during the war, free cash flow remained strong, and the dividend policy was revised upwards to equal 80% of the Group's net profit, providing stable and competitive returns for shareholders.

As a result of the progress made in the strategic plan and the Group's successful performance across all growth engines, we revised our mid-term goals. We expect our average annual core revenue and adjusted EBITDA to grow at least 2%, and investments to gradually decline. Also, we expect an average annual free cash flow growth of 7%-9% in the coming years. We will continue to focus investments across the Group's growth engines and to maintain the financial soundness, promoting value generation for our shareholders in the years to come.

The markets acknowledge this trend. Foreign investors who were hesitant in the past, are now viewing Bezeq as a key force in the impressive recovery of the Israeli economy.

Innovation as a growth engine

In addition to addressing current challenges, 2024 was also a year of records and proof of our strategic advantage. Five years ago, when we decided to enter the fiber and 5G league, we knew that we could generate deep-rooted changes in the telecommunications market in Israel. Today, as Israel leaps forward from 70th place to the top ten worldwide given its internet browsing quality, it is clear that our courageous decision was assertive as it has shaped the face of the entire market. The goal we set for fiber deployment has been exceeded over and over again, Pelephone's cellular network has been significantly strengthened, and Israel is now more connected, faster and ready for the challenges of the coming decade. This change is beyond technology. We have deployed the infrastructure for the future of the Israeli economy and built Israel's resilience.

In 2024, the Group invested NIS 1.74 billion to significantly improve the infrastructure in the past four years. Today we expect a gradual decline following the completion of the fiber project in the coming year. These investments have enabled the acceleration of our growth engines and allowed Israel to be at the forefront of global innovation.

Looking ahead - Bezeq as a leading force

Israel's geographic location sits at a relevant technological, economic, and regional intersection. We operate in a unique environment with a rapidly growing population, extraordinary human capital, and innovative

industries that make Israel a rising power at the global stage. Not only does Bezeq react to change, it generates change.

In the coming years, we will continue to invest in state-of-the-art telecommunications infrastructure, expand 5G capabilities, develop innovative services, and improve our customer experience. Our commitment is clear: to be the company that guides Israel forward, in terms of technology, services, and national responsibility.

2024 was a challenging year, but it also proved that Bezeq is a stable, robust, and groundbreaking organization, supported by employee dedication and excellence. I believe that the coming years will bring boundless opportunities and we will ensure Bezeq realizes its full potential, for the benefit of our customers, our employees, and our investors.

I wish us all a year of growth, innovation, stability and primarily, security and peace.

Tomer Raved
Chairman of Bezeq Group

Chapter A

Description of Company Operations of the Periodic Report for 2025

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



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Chapter A | Description of Company Operations

Bezeq The Israeli Telecommunications Corp. Ltd. (the “Company” or “Bezeq”) together with its wholly owned subsidiaries, whose financial statements are consolidated with those of the Company, will hereinafter be called jointly in this Periodic Report: the “Group” or “Bezeq Group.”

For the reader’s convenience, Appendix A (section 6) to this chapter contains a glossary of the key defined terms in the report.

1. General Development of the Group's Business

1.1 Group operations and business development

1.1.1 General

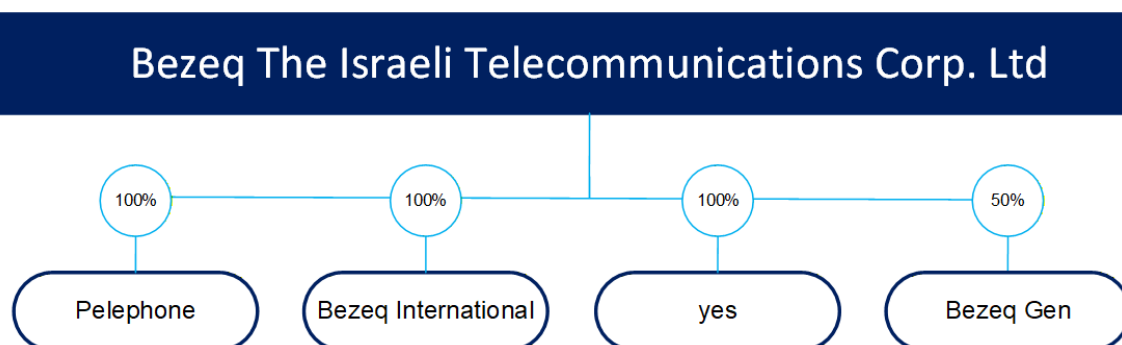
As at the publication date of this Periodic Report, Bezeq Group is the main provider of communications services in Israel. Bezeq Group provides a broad range of telecommunications services and other services, including domestic fixed-line services, internet infrastructure and access services, cellular services, international communications services, multichannel television services over the internet (OTT) and by satellite, maintenance and development of communications infrastructure, communications services to other communications providers (including wholesale market services), television and radio broadcasts, supply and maintenance of equipment, and services on customer premises (network end point – NEP – services). For information about the Company's activity in the electricity supply sector, see section 1.9.

The Company was established in 1980 as a government company, when the operations carried out until then at the Ministry of Communications were transferred, and it was privatized over the years. The Company became a public company in 1990 and its shares are traded on the TASE.

In November 2025, B Communications, the holder of the control permit in the Company up to that time, sold its entire holdings in the Company. For further information see section 1.1.2.

¹ The chapter on the Description of the Corporation's Business is in accordance with Section 8A of the Israel Securities Regulations (Periodic and Immediate Reports), 1970, and includes a description of the corporation and the development of its business, in accordance with the details and principles set out in the First Schedule to the Prospectus Details Regulations. However, in some cases and to complete the picture, the Company included a detailed description beyond that required, which also includes information that it believes is not necessarily essential.

The Company's holding structure in its main subsidiaries, as at the approval date of the report (March 8, 2026):



On April 17, 2025, the transaction for the sale of all of the Company's holdings in Bezeq Online to One Software Technologies Ltd. was completed, for a total consideration of approx. NIS 50 million (the "Agreement"), after all of the preconditions under the Agreement had been fulfilled. Under the agreement, ownership was transferred to the Buyer and the financial consideration set out in the agreement was received. For further information see also Note 12.5 to the 2025 Financial Statements.

1.1.2 Control in the Company

In accordance with the Communication Order, the transfer or acquisition of control of the Company requires the approval of the government ministers (the "Control Permit"). For further information about the Control Permit in the Company see section 8 of Chapter D of the Periodic Report.

On September 19, 2023, an amendment to the Telecommunications Order (Telecommunications and Broadcasting) (Determination of an Essential Service Provided by Bezeq The Israeli Telecommunications Corp. Ltd.) (Amendment), 2023 (the "Amendment to the Order") was published in the Official Gazette and it came into effect. The Amendment allows the controlling shareholder, subject to approval of the Prime Minister and the Minister of Communications, after consultation with the Minister of Defense, to transfer means of control to another party if, as a result of the transfer, it is no longer the controlling shareholder. The Amendment to the Order includes additional amendments to the Telecommunications Order, including:

- A. To add an option for the controlling shareholder to replace the Israeli shareholder requirement with directives issued by the Israel Security Agency under Section 13 of the Telecommunications Law.
- B. To provide an option for an institutional investor (Israeli) to increase its holding to up to 7.5% of a specific type of control means without requiring the approval of the ministers.
- C. To repeal Section 7(G) of the Telecommunications Order, which determines reporting requirements, terms, and restrictions on any party holding 2.5% or more of any type of means of control in a company where more than 75% of the company's shares are held by the public.
- D. To determine that the creation of a "joint appointment" (the exercise by two or more parties of the right to appoint, elect, or remove a CEO or director) and the holding of "substantial influence" over a company (the ability to influence the activities of an essential service provider, which does not constitute control and does not derive solely from the holding of means of control, as defined in Section 4D of the Telecommunications Law), require prior written approval from the ministers. For further information, see also section 2.16.1.

Further to the Amendment to the Order regarding the addition of the option for a controlling shareholder to replace the Israeli requirement with directives of the General Security Service under

Section 13 of the Telecommunications Law – in May 2024, the Company received directives that replace the Israeli requirement as set out in section 2.16.1.6.

On November 11, 2025 (the "Amendment Date") B Communications notified the Company that an amendment to its control permit in the Company, which was granted to the permit holders on November 11, 2019, had been signed (the "Amendment" and the "Permit"). Main points of the Amendment:

- A. The Permit allows the permit holders to control the Company by holding, through B Communications, at least 15 % of each type of means of control in the Company.
- B. The permit holders may reduce their holdings to below 15% of each type of means of control in the Company and, consequently, cease to be controlling shareholders of the Company. Under the Amendment, such reduction must be completed within a period not exceeding 24 months from the Amendment Date, which may be extended by an additional 12 months with the approval of the Director General of the Ministry of Communications.
- C. Within 24 months from the date on which the holdings of the permit holders in each type of means of control in the Company fall below 15%, the permit holders will further reduce their holdings to below 5% (the "Transition Period"). In the transition period, additional provisions will apply to permit holders, including the following main points: (a) The permit holders will not exercise voting rights exceeding 5% of the means of control in the Company; (b) the directors of the Company who were appointed by the permit holders or whose appointment was proposed by anyone on their behalf will resign from the board of directors within three business days from the commencement of the Transition Period (**the "Resigning Directors"**), except for one director on behalf of the permit holders, who may continue to serve during and after the Transition Period.

On November 18, 2025, B Communications informed the Company that it had sold, in an off-floor transaction, 441,135,157 ordinary shares of the Company with a par value of NIS 1 each (the "Sold Bezeq Shares"), representing the entire holdings of B Communications in the Company, to several institutional investors for NIS 6.20 per Company share. The total consideration for the Sold Bezeq Shares amounted to NIS 2,735 million (the "Consideration"). On November 21, 2025, the transaction for the sale of the shares was completed; B Communications no longer held Company shares, and the directors Ran Fuhrer and Darren Glatt ended their service in the Company. As a result, the Company became a company without a controlling shareholder.

In view of the above and in accordance with sections 2.9.4, 4.8, and 5.10.3, following the sale of the Sold Bezeq Shares, a second and final installment of approx. NIS 40 million was paid to employees of the Company and other Group companies, out of a special one-time grant totaling approx. NIS 80 million.

1.1.3 Transfer of CEO powers to the board of directors

In accordance with the resolution of the Company's board of directors on September 4, 2007, under Section 50(A) of the Companies Law and Articles 119 and 121.1 of the Company's articles of association, the powers of the CEO in all matters related to corporations held directly or indirectly by the Company (Pelephone, Bezeq International, and yes) were transferred to the board of directors.

1.2 Operating segments

The Group has four main operating segments which correspond with the corporate division among the Group companies and report as business segments in the Company's consolidated financial statements (see also Note 28 to the 2025 Financial Statements):

1.2.1 The Company – domestic fixed-line communications

This segment consists primarily of the Company's operation as a domestic carrier, including telephony services, internet services (including fiber service and wholesale BSA service), transmission and data communication services, and wholesale service for use of the Company's physical infrastructure. The operations of the Company in the domestic fixed-line segment are described in section 2 of this report.

1.2.2 Pelephone – cellular communications

This segment includes cellular communications services, terminal equipment marketing, and the installation, operation, and maintenance of cellular equipment and systems. The operations of Pelephone are described in section 3 of this report

1.2.3 Bezeq International – internet, international communication, and ICT solutions for businesses

This segment includes integration and internet services for businesses, hosting and cloud services, and ICT solutions. The segment also includes international communication services and internet services for existing private subscribers and does not include the marketing of the service to new/renewing subscribers (jointly "Bezeq International Services"). The operations of Bezeq International are described in section 4 of this report.

1.2.4 yes – television and communications services

This segment includes multichannel digital satellite television for subscribers over the internet (OTT), and by satellite (DBS), and value added services for subscribers and internet services (infrastructure through the wholesale market). The operations of yes are described in section 5 of this report.

It should be noted that, in addition, the Company's consolidated financial statements include an "Others" segment, which includes customer call centers, through Bezeq Online until the end of the first quarter of 2025 (see section 1.1.1 for further information about the sale of this activity). This segment is not material at the Group level.

1.3 Investments in the Company's capital and transactions in its shares

In 2024, B Communications acquired approx. 11.8 million shares of the Company for a total consideration of approx. NIS 52.6 million (at an average price of approx. NIS 4.44 per share).

On March 17, 2025, B Communications sold 160,000,000 ordinary shares of the Company with a par value of NIS 1 each in an off-floor transaction, representing approx. 5.77% of the Company's issued and paid-up capital, to several foreign and Israeli institutional entities at a price of NIS 5.7 per share. The gross consideration from the sale amounted to NIS 912 million.

In addition, on August 11, 2025, B Communications sold another 160,000,000 ordinary shares of the Company with a par value of NIS 1 each in an additional off-floor transaction, representing approx. 5.77% of the Company's issued and paid-up capital, to several foreign and Israeli institutional entities at a price of NIS 6.03 per share. The gross consideration from the sale amounted to NIS 965 million.

On November 18, 2025, B Communications sold 441,135,157 ordinary shares of the Company with a par value of NIS 1 each in another off-floor transaction, representing the entire holdings of B Communications in the Company, to several institutional entities for a consideration of NIS 6.20 per

share. The total consideration for the shares sold amounted to approx. NIS 2,735 million. For further information, see also section 1.1.2.

Further to the amendment to the Telecommunications Order (as set out in section 1.1.2), which allows, among other things, an Israeli institutional investor to increase its holding to up to 7.5% in a certain type of means of control in the Company without the approval of the ministers, in September-October 2023, Clal Insurance Enterprises Holdings Ltd., Harel Insurance Investments & Financial Services Ltd., and Migdal Insurance & Financial Holdings Ltd., and in January 2026 – Menorah Mivtahim Holdings, reported to the Company that they became interested parties in the Company after the rate of their holdings exceeded 5% of the Company's shares.

In November 2025, two market makers – Migdal Capital Markets Ltd. and Proxima Dynamics Ltd. – were appointed to operate in the Company's shares, following the Company's agreement with the Tel Aviv Stock Exchange Ltd. (the "TASE") to establish a tailor-made market-making program) for the Company's shares (the "Program"). Under the Program, the TASE is responsible for supervising the market makers' compliance with TASE regulations, guidelines, and board resolutions, as amended from time to time. The Company bears payments to the market makers, which include a fixed component for their activity and a variable component based on their performance. The amounts payable by the Company in connection with the market-making activity are not material to the Company. The parties intend to operate the Program for at least a year. It should be noted that each party may terminate the Program with 60 days' prior notice. Notwithstanding the above, for one year from the commencement of the market makers' activity, neither party will be permitted to announce the termination of the Program, except in the case of regulatory constraint.

1.4 Distribution of a dividend and buyback plan

1.4.1 Dividend policy

On March 11, 2025, the Company's board of directors resolved to revise the Company's dividend policy so that every year, the Company will distribute 80% of the half year profit (after tax) based on the Company's consolidated financial statements, starting with the distribution for the second half of 2024.

In addition, the Company will endeavor to increase the dividend in the future, subject to the Company's credit rating remaining in the AA group.

The board of directors considers it important to maintain the balance between ensuring the Company's financial robustness and stability, while maintaining a rating in the Company's current rating group [AA] over time, and continuing to add value for its shareholders through a regular dividend distribution. The board of directors was presented with the forecasts of the Company and the Group, as well as a sensitivity analysis in the event of an unforeseen deterioration in the business of the Company and the Group. After examining all of the above, the Company's board of directors determined that this decision reflects the correct balance between the requirements as described above.

Implementation of the dividend distribution policy is subject to the provisions of any law, including the distribution criteria prescribed in the Companies Law, while taking into account the expected cash flow, the Company's requirements and obligations, its cash reserves, plans and position as they may be from time to time, and subject to the approval of the general meeting of the Company's shareholders for each specific distribution, as set out in the Articles of Association of the Company.

Approval of the Company's dividend policy as aforesaid does not obligate the Company to distribute a dividend to its shareholders, and each specific distribution will be considered on its own merits in accordance with the above terms of implementation of the dividend distribution policy. Additionally, approval of the policy will not prevent the Company's board of directors from assessing, from time to time, the policy for distribution of dividends to the Company's shareholders, taking into consideration, among other things, the provisions of the law, the Company's business position and plans, and its

capital structure, while maintaining a balance between ensuring the Company's financial robustness and stability, including its debt level and credit rating, and the continued creation of value for the Company's shareholders through ongoing distribution of a dividend.

1.4.2 Distribution of a dividend

The distribution of dividends by the Company is subject to the condition that, at the time of the distribution, the Company is not in an unremedied breach of any of its material obligations to the holders of its Debentures (Series 11, 12, 13, and 14).

For information about the dividend distributed by the Company in 2025 and 2024, see Note 20 to the 2025 Financial Statements. As at the reporting date, the remaining distributable profits amount to approx. NIS 1,108 million (the balance is comprised of retained earnings accumulated in the last two years after deducting the amounts of the dividend paid for that period).

For information about recommendation of the board of directors of March 8, 2026, to the general meeting of the Company's shareholders regarding distribution of a dividend for profits in the second half of 2025, see Note 20 to the 2025 Financial Statements.

For further information see also Note 13 to the 2025 Financial Statements and section 4 to the Directors' Report.

1.4.3 Share buyback plan

On March 8, 2026, the Company's board of directors approved the Company's recommendation to implement a share buyback program in accordance with the Israel Securities Authority's safe harbor protection (Legal Position 199-8).

Under the program, the Company will repurchase its ordinary shares, each with a par value of NIS 1, for a total amount not exceeding NIS 150 million. The purchases will be carried out from time to time on the Tel Aviv Stock Exchange, through an independent TASE member acting under an irrevocable power of attorney and in accordance with the terms of the program, including price limits and volume restrictions.

The program will commence one trading day after the publication of the financial statements as at December 31, 2025 and following the approval of the general meeting of the Company's shareholders scheduled for April 13, 2026, and will conclude upon the earlier of: (1) the completion of purchases totaling no more than NIS 150 million; or (2) December 31, 2026. The program is defined as irrevocable; the Company will not be able to intervene in its execution, modify it, or suspend the purchases.

Chapter A (Description of Company Operations) of the Periodic Report for 2025

1.5 Financial information about the Group's operating segments

The figures in sections 1.5.1 to 1.5.4 are in NIS millions unless otherwise stated.

1.5.1 2025

	Domestic fixed-line communications	Cellular communications	Bezeq International services	Television and communications services ⁽³⁾	Other	Adjustments to consolidated ⁽²⁾	Consolidated
Total revenues:							
From external sources	4,171	2,151	1,027	1,299	54	-	8,702
Other operating segments in the corporation	257	16	53	1	-	(327)	-
Total revenues	4,428	2,167	1,080	1,300	54	(327)	8,702
Total attributable costs:							
Variable costs attributable to the operating segment ⁽¹⁾	760	618	688	463	44		
Fixed costs attributable to the operating segment ⁽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 revenues in the other operating segment ⁽³⁾	3,162	1,906	920	1,236	52	(591)	6,685
Costs that constitute revenues in other operating segments	24	76	117	97	-	(314)	-
Total costs	3,186	1,982	1,037	1,333	52	(905)	6,685
Profit (loss) from regular operations attributable to shareholders of the Company	1,242	186	43	(33)	2	577	2,017
Total assets attributable to the operations as at December 31, 2025	10,824	3,019	937	1,172	-	(14)	15,938
Total liabilities attributable to the operations as at December 31, 2025	10,627	1,481	695	520	-	(340)	12,983

(1) The Group companies, which are companies providing services (as opposed to manufacturing companies), do not manage a dedicated pricing system, which differentiates between fixed and variable costs. The above distinction was made for the purposes of this report only. Variable costs are costs for which the companies have flexible management and control in the short-term and which directly affect output, unlike fixed expenses, which are not flexible in the short term and do not directly affect output (on this, regarding the definition of fixed and variable costs, "short-term" means a period of up to one year). Variable costs include non-recurring expenses (revenues) that were included in other expenses (revenues) of each company.

(2) Details of adjustments for consolidated – transactions between operating segments

(3) See Notes 10 and 28 to the 2025 Financial Statements regarding the exclusion of an impairment loss in the television and communications services segment. The impairment loss in this segment is presented as part of the adjustments.

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1.5.2 2024

	Domestic fixed-line communications	Cellular communications	Bezeq International services	Television and communications services ⁽³⁾	Other	Adjustments to consolidated ⁽²⁾	Consolidated
Total revenues:							
From external sources	4,129	2,231	1,053	1,264	207	-	8,884
Other operating segments in the corporation	213	23	52	1	-	(289)	-
Total revenues	4,342	2,254	1,105	1,265	207	(289)	8,884
Total attributable costs:							
Variable costs attributable to the operating segment ⁽¹⁾	620	614	744	429	179		
Fixed costs attributable to the operating segment ⁽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 revenues in the other operating segment ⁽³⁾	2,871	1,992	985	1,323	204	(143)	7,232
Costs that constitute revenues in other operating segments	33	73	136	34	3	(279)	-
Total costs	2,904	2,065	1,121	1,357	207	(422)	7,232
Profit (loss) from regular operations attributable to shareholders of the Company	1,438	189	(16)	(92)	2	131	1,652
Total assets attributable to the operations as at December 31, 2024	10,660	2,880	932	1,163	83	(557)	15,161
Total liabilities attributable to the operations as at December 31, 2024	10,206	1,493	728	457	34	(261)	12,657

(1) The Group companies, which are companies providing services (as opposed to manufacturing companies), do not manage a dedicated pricing system, which differentiates between fixed and variable costs. The above distinction was made for the purposes of this report only. Variable costs are costs for which the companies have flexible management and control in the short-term and which directly affect output, unlike fixed expenses, which are not flexible in the short term and do not directly affect output (on this, regarding the definition of fixed and variable costs, "short-term" means a period of up to one year). Variable costs include non-recurring expenses (revenues) that were included in other expenses (revenues) of each company.

(2) Details of adjustments for consolidated – transactions between operating segments

(3) See Notes 10 and 28 to the 2025 Financial Statements regarding the exclusion of an impairment loss in the television and communications services segment. The impairment loss in this segment is presented as part of the adjustments.

Chapter A (Description of Company Operations) of the Periodic Report for 2025

1.5.3 2023

	Domestic fixed-line communications	Cellular communications	Bezeq International services	Television and communication s services ⁽³⁾	Other	Adjustments to consolidated ⁽²⁾	Consolidated
Total revenues:							
From external sources	4,157	2,309	1,139	1,308	190	-	9,103
Other operating segments in the corporation	255	39	73	1	2	(370)	-
Total revenues	4,412	2,348	1,212	1,309	192	(370)	9,103
Total attributable costs:							
Variable costs attributable to the operating segment ⁽¹⁾	656	734	744	385	165		
Fixed costs attributable to the operating segment ⁽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 revenues in the other operating segment ⁽³⁾	2,913	2,053	984	1,293	190	(109)	7,324
Costs that constitute revenues in other operating segments	48	99	189	20	3	(359)	-
Total costs	2,961	2,152	1,173	1,313	193	(468)	7,324
Profit (loss) from regular operations attributable to shareholders of the Company	1,451	196	39	(4)	(1)	98	1,779
Total assets attributable to the operations as at December 31, 2023	9,311	2,832	1,000	1,231	88	(584)	13,878
Total liabilities attributable to the operations as at December 31, 2023	9,189	1,448	779	445	30	(210)	11,681

(1) The Group companies, which are companies providing services (as opposed to manufacturing companies), do not manage a dedicated pricing system, which differentiates between fixed and variable costs. The above distinction was made for the purposes of this report only. Variable costs are costs for which the companies have flexible management and control in the short-term and which directly affect output, unlike fixed expenses, which are not flexible in the short term and do not directly affect output (on this, regarding the definition of fixed and variable costs, "short-term" means a period of up to one year). Variable costs include non-recurring expenses (revenues) that were included in other expenses (revenues) of each company.

(2) Details of adjustments for consolidated – transactions between operating segments

(3) See Notes 10 and 28 to the 2025 Financial Statements regarding the exclusion of an impairment loss in the television and communications services segment. The impairment loss in this segment is presented as part of the adjustments.

For explanations about the development of the financial information presented in sections 1.5.1 to 1.5.3, see section 1 of the Directors' Report on the State of the Company's Affairs (the "Directors' Report").

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1.5.4 Main results and operational data

Below is a summary of information about the results of Bezeq Group for 2024-2025.

Financial data (NIS millions)	2025	2024	2023	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
EBITDA (earnings before interest, taxes, depreciation, and amortization)	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 EBITDA²	4,005	3,716	3,817	1,037	1,041	1,013	914	974	915	910	917
Effect of the reversal of impairment loss/impairment at yes	(265)	(33)	(18)	(74)	(102)	(92)	3	(30)	(8)	2	3
Comparable EBITDA³	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)
Expenses for equity based compensation	22	21	10	5	6	7	4	4	6	7	4
Adjusted net profit⁴	1,656	1,265	1,328	428	482	427	319	365	309	292	299
Effect of the reversal of impairment loss/impairment at yes	(543)	(132)	(96)	(116)	(215)	(195)	(17)	(76)	(42)	(13)	(1)
Effect of impairment at Bezeq International	(27)	(23)	(30)	(1)	(9)	(3)	(14)	5	(10)	(9)	(9)
Adjusted comparable net profit⁵	1,086	1,110	1,202	311	258	229	288	294	257	270	289

² Adjusted net profit and adjusted EBITDA – net of other operating expenses/income, one-time losses/gains from impairment/appreciation, and equity compensation plan expenses.

³ Comparable net profit and comparable EBITDA – adjusted net profit and adjusted EBITDA net of the total effect of fair value increases /decreases.

⁴ See footnote 2.

⁵ See footnote 3.

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Condensed information on the results of each of the Company's main segments of operation in 2024 and 2025:

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

Financial data (NIS millions)	2025	2024	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenues	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
EBITDA ⁽¹⁾	2,302	2,461	416	597	647	642	563	611	638	649
Share in loss (profit) of an 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 fixed assets and intangible assets and other investments	1,097	1,139	257	280	266	294	303	300	266	270
Proceeds from the sale of fixed assets 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
Operational 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, The number of subscribers connected to the fiber network at the end of the period (thousands) ⁽⁶⁾	993	810	993	954	907	863	810	759	694	635
The number of internet lines at the end of the period – retail (thousands) ⁽³⁾	980	1,008	980	990	999	1,003	1,008	1,012	1,014	1,019
Of which, the number of subscribers connected to the fiber network at the end of the period – retail (thousands) ⁽³⁾	628	521	628	609	583	554	521	483	442	407
The number of internet lines at the end of the period – wholesale (thousands) ⁽³⁾	493	471	493	483	477	474	471	474	472	470
Of which, the number of subscribers connected to the fiber network at the end of the period – wholesale (thousands) ⁽³⁾	365	289	365	345	324	309	289	276	252	228
Monthly average revenues per internet subscriber (NIS) – retail (ARPU) ⁽⁵⁾	136	130	138	136	136	134	133	131	129	127
Deployment of fiber optic network at the end of the period (thousands of households available for connection) ⁽⁶⁾	2,913	2,571	2,913	2,859	2,774	2,671	2,571	2,448	2,312	2,191
Average package speed per internet subscriber – retail (Mbps) ⁽⁴⁾	721	526	721	673	620	572	526	483	430	382
No. of Be routers used by the Company's customers (thousands)	875	862	875	873	870	864	862	858	846	837
No. of Be Mesh and Be Spot range extenders for home Wi-Fi (thousands)	474	462	474	479	470	466	462	457	449	445
No. 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
Monthly average revenues per telephony line (ARPL) (NIS) ⁽⁶⁾	30	32	29	30	30	31	31	32	33	33
Telephony churn rate ⁽⁹⁾	9.5%	10.0%	2.2%	2.6%	2.3%	2.4%	2.3%	2.5%	2.1%	3.1%

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- (1) EBITDA (earnings before interest, taxes, depreciation, and amortization) is a financial measure that is not based on generally accepted accounting principles. The Company presents this as an additional measure for assessing its business results since this is a generally accepted measure in the Company's area of operations that offsets aspects arising from the variance in the capital structure, various tax aspects and methods, and the amortization period for fixed assets and intangible assets. This measure is not a substitute for measures based on GAAP and it is not used as a sole measure for assessing the results of the Company's operations or cash flows. Additionally, the measure presented in this report may be calculated differently from corresponding measures in other companies. The Company's EBITDA is calculated as operating profit before depreciation, amortization, and ongoing losses from the impairment of fixed assets and intangible assets. To present fairly its financial activity, the Company presents continuing losses from the impairment of fixed assets and intangible assets in yes and Bezeq International under depreciation and amortization, and continuing losses from the impairment of broadcasting rights under general and operating expenses (in the statement of income). For further information see Note 10 to the Financial Statements and section 7.
- (2) Free cash flow is a financial measure that is not based on GAAP. Free cash flow is defined as cash from operating activities less cash for the acquisition/sale of fixed assets and intangible assets, net, and from 2018, with the application of IFRS 16, lease payments are also deducted. The Company presents free cash flow as a measure for assessing its business results and cash flows, since the Company believes that free cash flow is an important indicator of liquidity that reflects cash resulting from operating activities after cash investments in infrastructure and other fixed assets and intangible assets. For further information see section 7.
- (3) The total number of internet lines includes retail and wholesale lines. Retail – direct internet lines provided directly by the Company. Wholesale – internet lines provided through a wholesale service to other communications providers.
- (4) For packages with a range of speeds, the maximum speed per package is taken into account.
- (5) Revenues from retail internet services is divided by the average number of retail customers in the period. For further information, see also section 7.
- (6) As at the publication date of the report, approx. 2.95 million households are available for connection to the fiber optic network, of which, 1.017 million subscribers are connected to the fiber network (of which, approx. 637 thousand retail and approx. 380 thousand wholesale subscribers).
- (7) Inactive subscribers are subscribers whose Bezeq lines have been physically disconnected (not including subscribers who did not pay their debt to the Company on time in (roughly) the first three months of the collection process).
- (8) Calculated according to average number of lines for the period. For further information, see also section 7.
- (9) The number of telephony subscribers (gross) who left Bezeq Fixed-Line in the period divided by the average number of registered telephony subscribers in the period. See also section 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
Total revenues	2,167	2,254	554	517	530	566	563	547	561	583
Of which: revenues from interconnect fees⁽¹⁾	75	233	-	-	34	41	39	41	72	81
Total revenues less interconnect fees⁽¹⁾	2,092	2,021	554	517	496	525	524	506	489	502
Revenues from services	1,550	1,636	373	381	395	401	394	406	420	416
Revenues from services less interconnect fees⁽¹⁾	1,475	1,403	373	381	361	360	355	365	348	335
Revenues from the sale of terminal equipment	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
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 fixed assets, 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)
Operational data										
No. of postpaid subscribers at 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, 5G postpaid subscribers (thousands)⁽³⁾	1,375	1,237	1,375	1,348	1,315	1,276	1,237	1,195	1,144	1,086
Of which, MAX 5 subscribers (thousands)⁽³⁾	140	3	140	102	68	35	3	2	-	-
No. of prepaid subscribers at the end of the period (thousands)⁽³⁾	362	376	362	366	366	366	376	388	387	398
No. of subscribers at 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
Monthly average revenues per user (ARPU) net of interconnect fees (NIS)⁽¹⁾⁽⁴⁾	46	45	47	48	46	45	45	46	44	43
Churn rate⁽⁵⁾	23.8%	23.9%	5.9%	6.1%	5.6%	6.2%	6.0%	5.8%	5.6%	6.5%

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- (1) ARPU net of interconnect fees – The reform to change the interconnect fees regime, which was applied gradually from June 2023 and continued until June 2025, resulted in a decrease in interconnect fees, most of which were canceled as from this date, and a decrease in ARPU. Accordingly, Pelephone elected to present ARPU net of the revenue component from interconnect fees.
- (2) For the definition of EBITDA (earnings before interest, taxes, depreciation, and amortization) and free cash flow, see comments (1) and (2) in the Bezeq Fixed-Line table.
- (3) Subscriber figures include Pelephone subscribers (excluding subscribers from other carriers hosted on the Pelephone network and excluding IOT subscribers), and do not include inactive subscribers connected to Pelephone's service for six months or more. An inactive subscriber is one who in the past six months has not received one call, has not made one call / sent one SMS, or has performed no browsing activity, or has not paid for Pelephone services. Prepaid subscribers are included in the number of active subscribers from the date on which the subscriber loaded the device, and are removed from the list of active subscribers if the subscriber makes no outgoing use of the device for six months or more. It should be noted that a customer may have more than one subscriber number ("line"). Subscribers include those who consume various services (such as data for vehicle media systems), with ARPU significantly lower than that of other subscribers. It should be noted that Pelephone markets high-capacity data packages tailored for 5G usage. Shortly before the publication date of the report, Pelephone has 1.407 million postpaid subscribers for these packages. As at the publication date of the report, of Pelephone's 5G subscribers, approx. 166 thousand have joined the advanced 5G MAX services, which include prioritized data traffic.
- (4) Monthly ARPU (postpaid and prepaid). The index is calculated by dividing the average total consolidated monthly revenue, including from cellular services, from Pelephone subscribers and other telecom carriers, including revenues from cellular carriers who use Pelephone's network, repair services, and extended warranty in the period, by the average number of active subscribers in the same period. See also section 7.
- (5) The churn rate is calculated at the ratio of subscribers who disconnected from Pelephone's services and subscribers who became inactive in the period, to the average number of active subscribers in the period. See also section 7.

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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
Revenues	1,080	1,105	263	281	263	273	285	270	261	289
Of which: revenues 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
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 fixed 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
<u>Operational data</u>										
Churn rate⁽⁴⁾	22.2%	35.3%	5.0%	5.7%	5.1%	6.3%	6.6%	9.8%	10.7%	8.0%

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

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

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

(4) The number of internet subscribers who left Bezeq International in the period, divided by the average number of registered internet subscribers in the period. See also section 7.

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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
Revenues	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)
Ongoing depreciation, amortization, and impairment (reversal of impairment loss)	(43)	155	19	(56)	(46)	40	19	30	48	58
Ongoing EBITDA (reversal of impairment loss)⁽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 operating activities	205	176	51	53	26	75	(18)	55	46	93
Payments for investments in fixed 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
Operational data										
No. of television subscribers (thousands)⁽²⁾⁽³⁾	565	562	565	565	562	561	562	563	567	571
Of which, IP subscribers⁽⁴⁾	492	467	492	486	480	475	467	452	431	412
Of which, STING+ subscribers	156	139	156	154	151	146	139	132	129	124
Monthly ARPU from television subscribers (NIS)⁽⁵⁾	170	174	166	168	172	174	172	175	174	173
Average monthly revenue, yes (yes ARPU) (NIS)⁽⁵⁾	192	185	200	189	189	189	186	187	184	182
Churn rate⁽⁶⁾	15.5%	15.9%	4.1%	3.7%	3.6%	4.1%	3.8%	4.3%	3.9%	3.9%
No. of fiber network subscribers (thousands)⁽⁷⁾	118	73	118	106	94	85	73	64	55	46

(1) For the definition of EBITDA and free cash flow, see comments (1) and (2) in the Bezeq Fixed-Line table.

(2) Television subscriber – a single household or small business customer; in the case of a business customer with more than a certain number of decoders (such as a hotel or gym), the number of subscribers is standardized. The number of subscribers listed for business customers that are not small businesses is calculated by dividing the total payment received from all the business customers that are not small businesses by the average revenues per small business customer, which is determined periodically.

(3) As at the publication date of the report, 234 thousand subscribers have joined the international streaming services as part of the collaboration of yes with these services (see section 5.1.1.1).

(4) As at the publication date of the report, approx. 496 thousand television subscribers use yes+ and STING+ streamlining services, representing approx. 88% of all yes television subscribers. The number and rate of IP subscribers include subscribers using satellite services as well.

(5) Monthly ARPU is calculated by dividing the total revenues of yes (excluding revenues from the sale of content to external broadcasting entities, revenues from the sale of end equipment, and revenues from ISP) by the average number of relevant customers in the period. The ARPU of yes is calculated by dividing the total revenues of yes (excluding revenues from the sale of content to external broadcasting entities and revenues from the sale of end equipment) by the average number of relevant customers in the period. See also section 7.

(6) Number of television subscribers who left yes in the period, divided by the average number of registered television subscribers in the period. See also section 7.

(7) As at the publication date of the report, approx. 128 thousand subscribers are connected to the fiber network.

1.6 Medium-term forecast and targets for the Group

1.6.1 Forecast for 2026

The following is the Group's forecast for 2026 based on the information currently known to the Bezeq Group as at the publication date of the report:

- Adjusted comparable net profit⁶ for shareholders is expected to amount to NIS 1.0-1.1 billion.
- Comparable EBITDA⁷ is expected to be between NIS 3.7 and 3.8 billion.
- Gross CAPEX⁸ is expected to amount to approx. NIS 1.6 billion.

The Company will report, as required, any deviation of $\pm 10\%$ or more from the figures set out in the forecasts above (from the midpoint of the range, where applicable).

- Financial stability – maintaining a high credit rating, in the AA group

1.6.2 Bezeq Group's financial and operational targets for 2029

On January 22, 2026, Bezeq Group published its key targets for 2029. Bezeq Group reiterates these targets and adds additional financial and operational targets as part of the preparation of the Group's multi-year forecast and based on the information available as at the publication date of the report, as follows:

Name of target	Target
Core revenues ⁹	NIS 8.7-8.9 billion
Comparable EBITDA	NIS 4.2-4.4 billion ¹⁰
Gross CAPEX	NIS 1.5-1.6 billion
Comparable EBITDA less CAPEX	NIS 2.65-2.85 billion
Comparable net profit	Growth of more than 8% (in terms of CAGR)
Free cash flow ¹¹ (after leases)	Growth of more than 10% (in terms of CAGR)
Financial stability	Maintaining a high credit rating, in the AA category
Shareholder distributions	Aim to increase shareholder distributions (subject to maintaining a credit rating in the AA category)
Group headcount	Reduction of approx. 14% in the number of positions in the Group, while maintaining stable salary expenses
Fiber deployment	Approx. 3.5 million households
Retail internet ARPU	Approx. NIS 150

⁶ Comparable net profit and comparable EBITDA – see footnote 3 It should be noted that the adjusted comparable EBITDA and the adjusted comparable net profit for 2025 amounted to approx. NIS 3.74 billion and approx. NIS 1.09 billion, respectively. Starting from the 2025 financial statements, a comparative index is applied to eliminate non-recurring accounting effects arising from impairment / appreciation.

⁷ See footnote 6.

⁸ CAPEX – payments (gross) for investment in fixed assets and intangible assets. It should be noted that CAPEX for 2025 amounted to approx. NIS 1.68 billion.

⁹ Core revenues – net of revenues from telephony services at Bezeq Online, interconnect fees at Pelephone, private customers at Bezeq International, and Bezeq Online revenues

¹⁰ It should be noted that the above figure was included as adjusted EBITDA in the Company's original report; however, the Company does not anticipate any difference between this figure and the comparable EBITDA.

¹¹ For the definition of free cash flow see section 7.2.2.

Name of target	Target
Fiber take-up	43%
Internet subscribers with speeds above 1 Gbps	Approx. 50% of total subscribers
Pelephone ARPU	Approx. NIS 50
5G subscribers	Approx. 85%
5G Max subscribers	Approx. 450 thousand
5G sites	Achieving 90% of the deployment plan target Total of approx. 2,200 5G sites
yes ARPU	Approx. NIS 215
yes bundle subscribers	Approx. 50% of total subscribers

The Company does not commit to updating on a regular or other basis regarding its objectives or any other changes that will apply to the objectives or to the actual results in relation to the objectives.

1.6.3 Forward-looking information

The Company's forecasts and objectives in this section are forward-looking information, as defined in the Israel Securities Law. The Group's forecasts and objectives are based on the Company's assessments, assumptions, and expectations, and among other things, on the Group's assessments for the structure of competition in the telecommunications market and regulation in this sector, on the current economic situation, and accordingly, the Group's ability to implement its plans for 2026-2029, and taking note of changes that may occur in the foregoing, in business conditions and the effects of regulatory decisions, technology changes, or developments in the structure of the telecommunications market, or insofar as one or more of the risk factors listed in the Periodic Report for 2025 materialize. In addition, the forecast may change depending on the duration, intensity, and scope of the geopolitical-security situation.

Regarding the Company's objectives, taking into consideration that this refers to the medium term and the difficulty of predicting the Company's actual results and market performance in the medium term (2029), there is no certainty that the Company's objectives will be fully or partially met, and the deviation of the Company's actual results and performance from the objectives may be significant and material. Moreover, objectives do not purport to be forecasts and they should be read as such.

1.6.4 The Company published a detailed strategic and financial update concurrently with the publication of these financial statements. Bezeq Group's targets outlined above do not include the effects of the cancellation of structural separation, mergers and acquisitions, or accounting appreciation / impairment.

1.7 General environment and the influence of outside factors on the Group's operations

The communications industry, globally and in Israel, is developing rapidly with frequent changes in technologies, the business structure of the industry, and applicable regulation. Below is a description of the main trends and central characteristics of the communications market in recent years, which have significantly affected the operations of the Group as a whole.

Considering the diversity of the Group's communication operations, regulatory and other developments could sometimes have different effects on different operating segments and risk factors in the Group (see sections 2.20, 3.19, 4.15, and 5.18), meaning that changes in regulation and other factors that adversely affect one segment could potentially have a positive effect on another

segment. In certain cases, opposing effects on the operating segments might be offset one against the other at the Group level.

1.7.1 Competition in the communication market

There is fierce competition in the communications market:

In the internet services segment, there is fierce competition with companies owning passive infrastructure and fiber infrastructure, as well as with companies using the Company's passive infrastructure (in the wholesale market) for the purpose of independent transfer of fiber infrastructure. For information about companies offering services through the wholesale market, see section 1.7.5 and 2.16.5). There is competition with companies providing service at the national level as well as with companies providing service at the regional level, among other things, due to regulatory exemptions that encouraged regional players.

In the cellular telephony segment, the large number of carriers has strengthened competition and led to lower prices and increased customer migration. In the fixed-line telephony segment, competition, mainly from the cellular companies, has resulted in a decline in fixed-line telephony minutes and higher churn in fixed-line telephony services (including the continuation of growth in the number of households without a fixed line).

In the television services segment, there is competition with Idan+ free channels, and competition has intensified against OTT streaming services (VOD and linear channels), including by foreign service providers such as Netflix and Disney, which are not subject to regulatory supervision and the same liabilities as those of the multichannel broadcast providers.

The ICT services market is characterized by low entry barriers and a large number of competitors. The competition in this market results in low profit margins.

To reduce the effect on performance arising from the above, the Group companies are implementing ongoing efficiency measures and are working to increase revenues, among other things, through initiatives to improve the services they provide and to differentiate themselves from their competitors.

1.7.2 Communications groups in the Israeli market

The market is characterized by competition among communications groups (Bezeq Group, HOT Group, Cellcom Group (including the cellular company Golan Telecom) , and Partner Group) operating in parallel in several segments (fixed-line and cellular telephony, fixed-line and cellular internet services, multichannel television, and international calls).¹²

Telecommunications groups market bundles of different communication services from the companies in each group, allowing them to offer the customer a comprehensive solution that eliminates the need to connect with several different providers, and to offer more attractive rates compared to the rate that can be offered for purchasing each service separately (in some cases with cross-subsidization between the bundle components). Additionally, the wholesale market opens up further opportunities, allowing groups to offer a comprehensive proposal, even if part of it is based on service segments from other companies. From April 3, 2022, the Company, as an owner of infrastructure, and later, HOT as well, are permitted to provide ISP service to customers using private services together with their infrastructure service, after cancellation of the requirement for separation of infrastructure service from ISP service.

Competitors that do not belong to the communications group (such as Xfone and MVNO cellular carriers, including ISPs in the wholesale market) also operate in the wholesale market. In addition,

¹² In this regard, a "group" is characterized by proximity arising from the identity of shareholders, even though in some of the groups there is corporate, accounting, or marketing segregation between the entities belonging to the Group.

as aforesaid, there is a growing number of small-scale ISPs (who are not part of a group), which provide broadband internet services, including infrastructure (see section 1.7.5).

As at the reporting date, stricter restrictions apply to Bezeq Group in marketing service bundles than to the other communication groups. As at the reporting date, the operations of Bezeq Group, as a communications group, are subject to several regulatory restrictions in terms of collaborations between the Group companies, including the obligation to maintain structural separation between the Company and its subsidiaries and the restriction on marketing joint service bundles that include the services of the Company and its subsidiaries (for further information see section 1.7.3).

1.7.3 Structural separation

The Company's domestic carrier license stipulates that it must maintain structural separation between itself and its subsidiaries. This includes a requirement for full segregation between the management of the Company and that of the subsidiaries, including in terms of the business, finance, and marketing systems, and the Company is prohibited from disclosing commercial information to a subsidiary (subject to exceptions).

The source of this separation is the authority conferred on the Minister of Communications under the Telecommunications Law to order accounting segregation between different services provided by the same group/company and to demand separate companies for the provision of different services, including separation of services to a license holder from services to a subscriber, and provisions regarding implementation of the separation.

Structural separation restrictions place the Group at a competitive disadvantage opposite the other telecom groups that are not subject to restrictions on a similar scale. These structural separation restrictions also give rise to high operating costs and overheads.

1.7.3.1 Review of cancellation of the structural separation

The Company believes that the structural separation applicable to it should be canceled. It should be noted that following the report of the interdepartmental team set up to review adjustments to the obligation of structural separation in Bezeq Group and HOT Group, established by the State, which submitted its recommendations to the Minister of Communications in 2020, the separation between the infrastructure service and the ISP service was canceled (see section 2.1.8).

On April 8, 2025, the Ministry of Communications published its work plan for 2025, which outlined, as a main task, the development of a policy paper to assess regulatory provisions regarding structural separation for telecom companies. The plan also defined the publication of a decision by the end of 2025 as a success metric.

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

Further to the above, on October 22, 2025, the Ministry of Communications published a call for comments from the general public and telecommunications companies regarding a review of the structural separation requirement imposed on Bezeq Group and HOT.

According to the call for public comments, the Ministry of Communications is seeking input on a comprehensive and in-depth review of the structural separation requirement imposed on the Bezeq and HOT telecommunications groups, in view of the significant changes in Israel's fixed-line telecommunications market, including the accelerated shift from copper networks to advanced fiber-optic networks, and the entry of new players into the infrastructure market and related markets. The call for public comments further notes that it is unclear whether the current separation continues to serve its intended purpose, and that from a competitive standpoint, the existing model may only partially address competition concerns. Therefore, it is necessary to consider whether alternative models could result in a more effective market structure. Accordingly, the call focuses on three main policy alternatives (while noting that additional alternatives may also be considered): Alternative A – full elimination of structural separation; Alternative B – functional separation; Alternative C – separation of the passive infrastructure ownership. On November 16, 2025, the Company submitted a detailed response to the call for public comments, together with an expert economic opinion, demonstrating the necessity of implementing Alternative A and the lack of feasibility and justification for Alternatives B and C.

The Company believes that complete removal of the structural separation would have a materially positive effect on its results.

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

For information about the position of the representatives of the Company's employees regarding the Company's efforts to cancel the structural separation see section 2.9.6.

1.7.3.2 Marketing joint service bundles with a subsidiary and between subsidiaries

Under the domestic carrier license, the Company is permitted to offer subscribers joint service bundles with its subsidiaries, subject to approvals by the Ministry of Communications and several terms set out in the domestic carrier license, including: The bundles will be “unbundleable”, meaning that a service included in them will be offered separately and on the sale terms; when applying for approval of a bundle, there is a group of services in similar format being marketed to a subscriber as a bundle by a license holder that is not a subsidiary of the Company, or there is a group that includes license holders that provide a subscriber with all the services included in the joint service bundle.

Joint service bundles marketed by the subsidiaries, including the services of the Company, are also subject, according to their licenses, to similar limitations, including a requirement for unbundling (except for a bundle marketed by a subsidiary that contains only the broadband access service for the Company's internet providers).

These limitations, and in particular the unbundling obligation, which severely limits the Group's ability to offer discounts on the components of the bundles, puts the Group in a competitively inferior position compared with competing communications groups, which are not subject to similar limitation in marketing bundles (other than HOT Group, which is subject to lower regulation than Bezeq Group).

Sale of packages including television services – Following the amendment of the terms of the merger between the Company and yes, in accordance with the decision of the Competition Commissioner of April 12, 2021, yes is permitted to sell communication bundles that include internet and television services without any obligation to sell the

television services at a uniform unbundled price for bundle subscribers and subscribers who do not buy bundles – see section 2.16.9.3.

On the other hand, in recent years, the Ministry of Communications has rejected various applications from the Company to provide its internet services together with the television services of yes (including OTT technology).

1.7.3.3 Further limitations on collaborations and preferences between the Company and the subsidiaries

There are further limitations on collaborations between the Company and its subsidiaries, both under antitrust laws and conditions laid down by the Competition Commissioner in approvals of mergers between the Company and the Group companies, prohibiting bias in favor of the subsidiaries when providing certain services (see section 2.16.9), and by virtue of the provisions in the Company's license, which oblige it to provide its services equally. For further limitations see also section 5.14.3.

Lifting of the restrictions on structural separation and other limitations applicable to collaborations between the Group companies, as described above, to the extent they are lifted, may create various opportunities for the Group to realize synergies (primarily operational) and reduce tax payments.

1.7.4 Regulatory structure in the Telecommunications Law

From October 2022, telecommunications services in Israel¹³ are provided through registration in a registry managed by the Director General of the Ministry of Communications, subject to general permit regulations. In this way, an entity interested in providing telecommunications service can know in advance the conditions for its activity and start operating without applying for or obtaining a license. According to the law, there are instances where a license or the continuation of operation under a license is still required, when it involves: (a) telecommunications service provided through a cellular network; (b) telecommunications service provided through a telecommunications network with the number of users or subscribers or the number of network endpoints exceeds the number determined by the Minister; (c) telecommunications service provided through a telecommunications network in which one of the following takes place: (1) it includes a fixed or mobile ground station in Israel for satellite communication; (2) it includes a satellite located at or using the orbit registered in the name of the State of Israel in the International Telecommunication Union (ITU); (D) performance of a telecommunications operation at a ground telecommunications facility connecting a point in Israel and a point outside Israel (other than Judea and Samaria). In addition, a local authority (including a municipal company or municipal subsidiary) is required to obtain a license unless it already 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 Economics Committee, additional telecommunications services that require a license, as well as additional service providers who will be subject to the licensing requirement. The Minister also has the authority to instruct a registered telecommunications service provider to obtain a license for any service.

According to the General Permit Regulations, many entities that provided telecommunications services before the amendment to the Telecommunications Law on the matter moved from regulation through a license to regulation through registration in a designated register and in accordance with the regulations. Under the Regulations, this will not apply to certain license holders, including the Company, the subsidiaries Pelephone, Bezeq International, and yes, other than for the ISP service provided by yes. However, according to the explanation of the Regulations, the Ministry of Communications plans to map the licenses and actively cancel the provisions in the licenses that are regulated in the Regulations, and to assess the justification for determining different arrangements under the licenses.

¹³ "Telecommunications service" is defined in the law as a service provided to the general public or part of it through a telecommunications network, which is one of the following: a data transmission service; service; telephony service; another service listed in the first addendum of the Law (as at the reporting date, there are no details of the addendum to the Law).

1.7.5 Wholesale market

Starting in 2015, a "wholesale market" model was implemented, in which the owners of the national fixed-line access infrastructure in Israel were required to allow other communications operators to use their infrastructure at a price that will not exceed the maximum prices set in the regulations.

The Ministry of Communications determined the method for providing wholesale services as part of the service files for various services:

1.7.5.1 Wholesale BSA service

This service allows internet service providers that do not own infrastructure to offer their customers full internet services, including internet connectivity services (of the ISP) and internet infrastructure services (based on the Company's network the HOT network, and the IBC network – both on the traditional network and on the fiber network).

1.7.5.2 Wholesale service use of passive infrastructure

This service allows providers to use the Company's passive infrastructure to deploy communication cables and for certain providers to use dark fiber at the rates set out in the Regulations.

The Company was also granted the right to use the passive infrastructure of other companies, however their rates (with the exception of HOT) are not set out in the Regulations.

1.7.5.3 Wholesale telephony service

This service allows service providers that do not own infrastructure to offer their customers telephony service at wholesale rates using the Company's network. At present, the service has no customers.

The regulatory provisions regarding the wholesale market, as well as its implementation and development in and subsequent to the reporting period, affect a material part of the Group's operations. For further information about the wholesale market services and their regulation see section 2.16.5.

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

1.7.6.1 Interconnect fees

Up to June 15, 2025, the Group's telecom companies (Bezeq, Pelephone, and Bezeq International) paid interconnect fees to other operators for calls that are terminated on the networks of those operators, and some of them (the Company and Pelephone), received interconnect fees for calls that are terminated on their networks and from international telecom operators for incoming and outgoing calls on their networks. The changes in the interconnect fees had an offsetting effect at the Group's level, in view of their effect on the expenses or revenues of the Company and its subsidiaries.

On June 15, 2025, the transfer of interconnect payments for telephony calls terminating on cellular or domestic carrier networks was discontinued. As a result, each telecommunications operator bears its own costs and interconnect fees are no longer transferred between license holders for call minutes. Additionally, an international operator does not pay for forwarding an outgoing international calls.

For incoming international calls, an international operator continues to pay a fee according to the cellular or domestic operator requirement, respectively.

At this stage, this is the same as SMS interconnect fees.

1.7.6.2 Restriction of the disconnection penalty that a license holder is permitted to collect from a subscriber

Under the provisions of the Telecommunications Law, holders of domestic carrier, international carrier, and broadcasting licenses (including the Company, Bezeq International, and yes) are not permitted to charge subscribers who cancel agreements disconnection fees if their average monthly bill is less than NIS 5,000, or deny them a benefit that they would have received had they not ended the agreement.¹⁴ Cellular operators (including Pelephone) may not collect disconnect fees from customers who hold up to 100 phone lines or make a contract for cellular services conditional on an agreement to purchase, rent, or lease terminal equipment.

1.7.6.3 Call centers

The licenses of the Company, Pelephone, Bezeq International, and yes include provisions regarding the obligation to route certain calls to a professional human response, waiting times, and provisions regarding call center hours, the recording and documentation of calls, and reporting obligations, further to the amendment to the Consumer Protection Law which addresses, among other things, the waiting time for a human response.

1.7.6.4 Consumer legislation and privacy protection laws

Changes in consumer legislation affect the operations of the Group's companies on a regular basis. In recent years, various amendments to the Consumer Protection Law and its regulations have been approved.

Additionally, the operations of the Group companies are affected by the Privacy Protection Law and its regulations with respect to management and maintenance of databases and the information security of the data which they contain. In August 2025, Amendment 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 tools of the Privacy Protection Authority. The Company has adjusted its operations in accordance with the amendment.

1.7.6.5 Enforcement and financial sanctions

The Telecommunications Law, Economic Competition Law, Israel Securities Law, Consumer Protection Law, Privacy Protection Law, Law for Increased Enforcement of Labor Laws , 2011, and the Telegraph Ordinance were amended, giving the regulators powers of enforcement, supervision, and imposition of substantial graded fines for violation of these laws or regulations and the related directives.

Under Amendment 76 to the Telecommunications Law, the Director General of the Ministry of Communications has the authority to impose a financial sanction of up to 10 times the base amount set out in the Telecommunications Law for violation of a license provision regarding the obligation to deploy a fiber network or provide a service on the service.

For information about the financial sanctions imposed by the Ministry of Communications regarding wholesale services see section 2.16.5.1 (footnote 36), for information about sanctions imposed by the Competition Authority regarding passive infrastructure see section 2.16.9.5. For information about the monetary sanctions imposed for a violation related to the deployment of advanced infrastructure in incentive areas, see section 2.16.4.5.

¹⁴ Regarding the carriers' claims in the hearing held by the Ministry of Communications in respect of this provision, according to which the discounts or benefits, which are prescribed in the conditions that the subscribers are required to comply with, do not violate the provisions, the Ministry decided that in any case it will examine whether the conditions are relevant also when the subscriber remains active.

The Consumer Protection and Fair Trade Authority also exercises enforcement powers provided in the Consumer Protection Law and from time to time issues demands for information, conducts investigations against the Group's companies for suspected violations of this law, and imposes fines.

1.7.6.6 Market Concentration Law

The Concentration Law that was enacted in 2013 establishes restrictions on providing credit to business groups, separation between significant non-financial corporations and significant financial entities (the Company and the corporations under its control are defined as significant non-financial corporations under the Concentration Law) and consideration of national concentration considerations in the allocation of rights – restrictions on the allocation of rights in critical infrastructure to "highly concentrated entity". For further information, a list of sectors that will be considered "critical infrastructure sectors" has been defined, operations in the sector that require communication licenses. The Company and the companies that it controls are included in the list published by the Competition Authority and are considered highly concentrated entities. The law may adversely affect the Group's ability to enter new operating segments as well as its current operations.

1.7.7 Restrictions on the creation of liens on assets of the Group companies

For convenience, below are referrals to Sections in the 2025 Periodic Report that relate to the restrictions applicable to Group Companies in placing charges on their assets, and the main restrictions:

1.7.7.1 Regulatory restrictions

The Telecommunications Law, Telecommunications Order (which applies to the Company), and some of the telecommunications licenses of the Group companies include a restriction on granting of third-party rights on assets used to provide the critical service or on the assets of the license¹⁵ as the case may be, including the need for regulatory approval to create charges on these assets. In some cases, such as Pelephone's cellular carrier license, and Bezeq International's end-to-end internet service license, there are exceptions permitting the creation of charges in favor of banks without the need for the regulator's advanced approval. In addition, under the provisions of the law and the communications licenses, the license and the resulting rights are not transferable and they cannot be pledged or confiscated (with certain exceptions). See also sections 2.16.1.7, 3.14.2, 4.12.1, and 5.14.2.7.

1.7.7.2 Contractual restrictions

The Company has made undertakings to certain financing entities not to pledge its assets without simultaneously creating a charge of the same class, rank, and amount (negative charge), subject to specific exceptions. See also Note 13.3 to the 2025 Financial Statements.

1.7.8 Cyber defense management

1.7.8.1 The Group companies implement a cyber protection policy with security systems to protect their infrastructure and systems to prevent and reduce possible malicious or unintentional use of the Company's data by an internal or outside party, and the possibility of an outside party taking control of and managing network components or abusing information about the Company's infrastructures and systems. For further information about each area of operations and cyber risks, see sections 2.20.12, 3.19.2.8, 4.15.7, and 5.18.3.8.

¹⁵ The assets required to secure the provision of service by the license holder.

1.7.8.2 In addition, the administrative directives, and the licenses of Pelephone and Bezeq International include provisions regarding the protection of the telecommunications network, ensuring that the systems remain relevant and up to date, management of cyber incidents by license holders; and situations in which the license holders are required to report and share information.

1.7.9 Other regulatory developments in the reporting period and the main restrictions applicable to the Group's operating segments

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

1.7.10 Submarine cable

Bezeq Group is assessing the option of deploying new regional cables independently or through collaborations that will connect Israel to strategic landing points in Europe, allowing a significant increase in internet traffic capacity between Israel and Europe (the "Project"). As part of this process, the Group is negotiating with various parties to advance the matter. This initiative arises in response to global trends of dramatic growth in digital traffic volumes, both into Israel and along the route connecting Europe with the Near and Far East, partly due to the growing presence of major data and cloud service providers in Israel and the wider region. The deployment of new regional fiber networks is a part of the Group's strategic plan. It should be noted that as the reporting date, no binding decision has been made, and there is no certainty that a decision will be made to execute the Project, in whole or in part.¹⁶

In December 2025, Bezeq International Ltd. entered into a long-term agreement with an international telecommunications company in the Middle East. Under the agreement, Bezeq Group will provide the international company with advanced communications services, based on Bezeq International's submarine cable and the Group's fiber-optic infrastructure, to establish a communication route between East and West. The value of the transaction is estimated at tens of millions of shekels and includes consideration for access to the Group's infrastructure as well as for related services. According to the Company, the transaction strengthens the Group's position in the international communications market, and it intends to continue expanding its activity and reinforce its position in this sector.

The information in this section above regarding the assessment and promotion of new regional cables, global trends in increasing digital traffic, the decision whether to execute the Project, and the timing of such decision, as well as the connection of Israel to strategic landing points in Europe and the strengthening of its market position, constitutes forward-looking information, as defined in the Israeli Securities Law. Such information is based on the Company's assessments, assumptions, and expectations according to the information available at this time, and may not materialize or may materialize in a manner materially different from what is anticipated, depending, among other things, on the results of the assessment, the costs of carrying out the Project, the level of demand for internet traffic, pricing and economic feasibility, regulatory issues, and other factors beyond the Company's control.

1.8 Bezeq Group's business strategy

1.8.1 The Group's vision

Bezeq Group is defining the future of communications in Israel, serving as the nation's digital backbone and a primary engine for its economic growth. Through ongoing investment in powerful

¹⁶ On September 14, 2025, the Company reported its decision to discontinue the negotiations for the acquisition of Exelera Telecom Ltd., due to the inability of the Company and the sellers to reach a detailed agreement. For further information see the Company's immediate report on that date, included in this report by way of reference.

and advanced national infrastructure, Bezeq Group enables smart connectivity for every home, business, and public institution across the country.

Driven by financial resilience, AI-powered technological leadership, operational excellence, and a forward-looking international strategy, Bezeq Group is leading market evolution, strengthening Israel's competitive position in the digital era, and generating sustainable, long-term value for its customers, partners, and shareholders.

1.8.2 Group strategy – strategic focus

1.8.2.1 Advanced digital infrastructure

Continuation of the large-scale deployment of the fiber optic network nationwide, alongside the accelerated deployment of the 5G network.

Reinforcing the Group's position as a national and international strategic communications hub

Continuation of the development of future technological infrastructure based on advanced international standards, enabling ongoing innovation and long-term growth

1.8.2.2 Growth engines

Continued ARPU growth by expanding the service portfolio, developing value-added services, and increasing the use of advanced browsing upgrades

Accelerated browsing speeds and improved network quality driving significant growth in the use of content services, cloud solutions, and high-traffic applications

Monetization of Pelephone's 5G network, driving significant revenue growth

Increasing the share of yes subscribers in bundles, with a target of approx. 50%

1.8.2.3 Operational excellence and AI

Advancement of operational excellence initiatives, including productivity improvements, process optimization, and enhanced service quality, through the increased use of AI capabilities

Headcount efficiency and workforce optimization, aligning resources with the Group's requirements

Completion of the investment cycle in core infrastructure

Reduction of satellite and legacy system expenses, streamlining the cost structure, and focusing exclusively on advanced technologies.

1.8.2.4 Financial robustness

Maintaining sustained growth in free cash flow, through operational efficiency, improved profitability, and the implementation of business growth plans

Maintaining a strong balance sheet to maintain financial stability

Investment opportunities and synergistic acquisitions in complementary fields

Distribution to shareholders (while maintaining a high credit rating, in the AA group)

This section includes forward-looking information, as defined in the Israel Securities Law, including forecasts, goals, business strategy, assessments, aspirations, and estimates, regarding the operations of the Company and of its investees and the markets in which they operate, as well as other information relating to future events or matters, which may or may not materialize and are not under the Company's control ("Forward-looking Information"). Although the Company believes that the Forward-looking Information is based on reasonable estimates, the information set out above is subject to certain risks and uncertainties. Forward-looking Information is inherently subject to the risk

of failure to materialize and is uncertain, and the Company does not in any way guarantee that its assessments, expectations, aspirations, and objectives will materialize in practice. Accordingly, the Forward-looking Information should not be construed as a promise that it will actually materialize. The materialization of and/or other changes in the Forward-looking Information are dependent on factors that are not necessarily known in advance, and are not necessarily in the Company's control, and include risk factors and the nature of its operations, developments in the general environment, and external factors and regulation affecting its operations and other factors. The future results and achievements of Bezeq Group may differ materially from the Forward-Looking Information presented in this section.

1.8.3 Efficiency measures and promoting the integration of synergies between subsidiaries

Pelephone and yes have previously implemented significant measures to advance their synergy plans, including entering into collective agreements that incorporated efficiency and synergy processes. The companies currently operate separately under a joint CEO and, as relevant, a shared management, streamline decision-making processes and achieve cost efficiencies. The companies periodically implement efficiency measures and operational cost-saving initiatives through the use of shared resources.

Bezeq International, which is focusing on ICT growth, is also taking streamlining measures, including the signing of a collective agreement that includes a retirement plan as well as streamlining and cost-saving measures. In addition, the reduction in ISP activity at Bezeq International is compatible with the synergy in the Group.

For information about additional strategic goals for each of the Group companies, see sections 2.19, 3.17, 4.13, and 5.17.

For information about the decisions of the board of directors of the Company and yes regarding the outline for gradual migration from satellite broadcasts to OTT, see section 5.17.1.

The estimates set out in this section are forward-looking information as defined in the Israel Securities Law, which may be affected by various factors, including future changes in the Israeli market in general and in the communications market in particular, strategic and other measures that the Company and its subsidiaries might introduce, regulatory changes, and changes in the Company's competitive status. In addition, the above may be affected by the materialization of any of the risk factors listed in sections 2.20, 3.19, 4.15, and 5.18.

1.9 Electricity supply sector

1.9.1 The Company's entry into the electricity supply sector

On May 15, 2024, the Company signed a detailed shareholders' agreement (the "Agreement") with Powergen Ltd. ("Powergen")¹⁷, a wholly-owned company of the Generation Capital Ltd. fund, which manages the energy operations of the fund. The Agreement was based on principles established in a memorandum of understanding signed by the parties, which establishes the principles of cooperation between the Company and Powergen for electricity supply to household customers and small- and medium-sized business customers:

1.9.1.1 Under the cooperation, a company jointly owned by the Company (50%) and Powergen (50%) has been established (the "Joint Venture"), which holds a supply license for suppliers

¹⁷ Powergen Ltd. (formerly Generation Energy Ltd.) manages the energy activities of Generation Capital Ltd., and corporations under its control hold electricity generation facilities on a significant scale, and also develops, constructs, and manages electricity generation and storage projects, directly and through corporations under its control.

that do not hold production means (which was transferred from the Company to the Joint Venture on June 27, 2024), under the regulation published by the Israel Electricity Authority.

- 1.9.1.2 The Company, through the services it provides to the project, is responsible for marketing, sales, acquisition, and retention of customers, and for account management services to customers, including collection services and customer relations. Powergen is responsible for providing electric power for the Joint Venture, both through electricity generation and storage facilities belonging to corporations held by it, and through the continued development, operation, and financing of projects for establishing and operating electricity generation and storage facilities, by itself or through corporations under its control. It should be clarified that investments in these projects will be made, directly or indirectly, by Powergen Group only, and Bezeq Group or the Joint Venture are not expected to make material investments in the Joint Venture. Powergen will also provide electricity trade and optimization services for the Joint Venture, under certain conditions as reflected in the MoU.
- 1.9.1.3 Powergen offers, from time to time, the Joint Venture the electricity it generates, directly and indirectly, and the Joint Venture will purchase the electricity from it (under certain conditions), for as long as it is required, under long-term agreements with undertakings to purchase electricity in different mechanisms for setting prices. As part of contracts with Powergen renewable energy facilities, the rights for the generation of green electricity, including the rights for the issue of green certificates, will belong to the Joint Venture.
- 1.9.1.4 The activities of the Joint Venture are funded by both parties in equal shares.
- 1.9.1.5 Each of the parties (the Company and Powergen) will appoint half of the members of the board of directors of the Joint Venture. The chairman of the board of directors of the Joint Venture will be the CEO of the Company (Bezeq). All decisions will be made jointly by the board of directors of the Joint Venture, but the directors appointed by the Company will have a casting vote in the board of directors of the Joint Venture, specifically on decisions related to transactions with Powergen Group and marketing strategy and its implementation.

The Company's entry into the electricity generation sector is in accordance with the Company's strategy, which includes identifying opportunities for expansion into overlapping areas that complement the Group's activities, while diversifying the portfolio and reducing dependence on regulatory risks (for further information, see section 2.19).

Under the business plan of the project, the Joint Venture aims to reach a market share of approx. 400 thousand household customers and tens of thousands of business customers by the end of 2030.

1.9.2 Project activity

The project allows consumers to shift their electricity supply from the IEC in several discount tracks through BezeqGen under the Bezeq Energy brand, which is owned by the Company (50%) and Powergen. On June 27, 2024, the Electricity Authority announced the approval of the transfer of the Company's license to BezeqGen for electricity supply without means of production. BezeqGen began acquiring electricity for its operations and the Company began marketing BezeqGen's activities.

1.9.3 Background on the reform in Israel's electricity sector

As part of Israel's electricity reform, in 2018, it was determined that the supply segment relating to the purchase of electricity and its sale to consumers, including the consumer price and the issuing of bills, will be gradually opened up to competition. While distribution, at least at the regional level, is almost entirely controlled by the Israel Electric Corporation Ltd. (the "IEC") and in any case, it can only be performed by one distributor (a natural monopoly), supply can be opened up to competition. The supply segment was open to competition for large-scale consumers, and from 2021, it started to open up gradually 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 the IEC. According to the decisions of the Israel Electricity Authority, customers with a smart meter (a continuous meter allowing remote reading) and, from July 2024, also household consumers without a smart meter, can be transferred from the IEC to suppliers without means of production, thus opening up the market to competition on a very significant scale, while the IEC is not permitted to offer discounts until it loses 40% of its share in the low-voltage market. According to the estimate of BDO Consulting in February 2026, it is possible that an estimated NIS 12 billion of the market share of the IEC will pass to the competitors by 2030.

Some of the information included in this section includes forward-looking information as defined in the Israel Securities Law, and is based, among other things, on assessments regarding future developments in the electricity sector, the conduct and requirements of electricity customers, regulatory policy, and the marketing strategy of competitors. These estimates may not materialize, or they materialize in a way that is significantly different than that expected, among other things, depending on the variables set out above, which are not necessarily under the Company's control.

1.10 Corporate responsibility (ESG)

The Group is committed to implementing environmental, social, and corporate governance (ESG) principles as a central component of its business strategy and in alignment with international standards. The Group focuses on developing advanced communications infrastructure in Israel and globally, which serves as a foundation for national resilience, economic growth, and strengthened connectivity between Israel and the world – while maintaining a strong commitment to sustainability and high-quality corporate governance.

The ESG report reflects significant progress in strengthening management and measurement infrastructures, including: performing the first external audit of Scope 1 and 2 Scope 2 greenhouse gas emissions, expanding the reporting of Scope 3 emissions across the value chain, and formulating a new ESG strategy aligned with international standards. To enhance transparency, the Group has brought forward publication of the report and presents it in close proximity to its financial statements, with the aim of providing an integrated view of its performance and strengthening the trust of its stakeholders in Israel and worldwide.

Looking ahead, the Group is preparing for the evolving demands of an accelerated digital economy driven by AI, through strategic investments in infrastructure: the establishment of server farms and data centers, the expansion of advanced 5G mobile capabilities, and the advancement of projects that connect Israel's infrastructure with the rest of the world. These initiatives reinforce the role of communications as a vital component of national resilience and support 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 proportion of women in management positions to 50% by 2030 (and at least 40% on the board of directors), and increasing the representation of diverse population groups to 20% by 2030. In 2025, the Company continued its collaborations aimed at narrowing the digital divide and continued supporting IDF wounded soldiers, reservists, and their families through the Connected Fund, established by the Company to promote rehabilitation, resilience, and reintegration into daily life and careers. The Group encourages employee volunteering and invests in the ongoing strengthening of corporate governance, including the adoption of advanced management standards and the implementation of comprehensive compliance programs. In addition, the Group operates a cross-company ESG oversight forum that reports regularly to the board of directors.

2. Bezeq – Domestic Fixed-line Communications

2.1 General information about the operating segment

2.1.1 Operating segment and changes in the segment

The Company holds a general license to provide domestic fixed-line communication services and provides a range of such services as described in section 2.2, mainly internet access infrastructure services, domestic fixed-line telephony, transmission and data communication services, cloud and digital services, and wholesale services (for information about the wholesale services, see section 2.16.5).

2.1.2 Legislative restrictions, standards, and special constraints

2.1.2.1 Communications laws and the Company's domestic carrier license

The Company's operations are subject to government regulations and extensive oversight, due to its position as a general license holder under the Telecommunications Law, which is subject to the provisions of the Telecommunications, its regulations, orders and rules, and the provisions of the domestic carrier license and other laws. For further information and for the restrictions on the Company's operations and the changes in this context, among other things, regarding price setting, structural separation, permits for new services, and service bundles, see sections 1.7.3 and 2.16.

In addition, the Company was declared a provider of telecommunications services under the Telecommunications Order. Pursuant to this declaration, the Company is obliged to provide a number of basic services under the domestic carrier license and may not terminate or narrow them without approval. The order also sets out restrictions on transferring and acquiring means of control in the Company, and certain restrictions on the Company's operations. For further information see section 2.16.1.

2.1.2.2 Economic competition laws

The Company was declared a monopoly in its main areas of operation, and is also subject to oversight and restrictions under the Economic Competition Law (see section 2.16.9).

2.1.2.3 Environmental laws and planning and construction laws

Some of the Company's operations involve the use of wireless frequencies and the use of facilities that emit electromagnetic radiation, which are subject to the Telegraph Ordinance (see section 2.16.10), the Non-Ionizing Radiation Law (see section 2.15.2, and National Outline Plan (NOP) 36 and 56 (see section 2.16.11).

2.1.3 Changes in the scope of operation in the segment and its profitability, market developments, and customer characteristics

For key data about the scope of operation in domestic fixed-line communications and its profitability in 2025 and 2024, see section 1.5.4.1.

Recent development in wholesale BSA fiber service – Transition to providing the service in an IRU format, meaning through long-term agreements for providing a non-revocable right of use for the BSA fiber service. The Company signed agreements with Partner and Gilat (see section 2.6.2.2).

2.1.4 Technological developments that may have a significant effect on the operating segment

The demand in the telecommunications market for internet, transmission, and data communication services continues to grow, driven by the need for increasing bandwidths, allowing a diverse range of applications and services on IP-based infrastructure.

In the business sector, the entry of major global cloud service providers into the Israeli market, such as AWS, Microsoft, and Google, may constitute a threat to some of the Company's services, such as VCloud and DR. On the other hand, collaboration with these companies is an opportunity for the Company's growth and entry into new areas.

The development of SD-WAN technology¹⁸ and its growing use in the business sector, which includes the integration of the technology in the Company's communication networks, is an opportunity to enrich the business services offered by the Company.

Technological changes could result in cannibalization of existing services.

Technological developments and falling equipment prices could allow other operators to provide services similar to those provided by the Company at costs that are much lower.

The increase in cellular browsing speeds allow cellular operators to compete with the Company's internet services, and to market larger bandwidths to their customers at lower prices. As at the reporting date, the Company estimates that the increase in the number of customers using the cellular internet has not materially affected the volume of its internet operations. However, there is a real potential for growth in the use of cellular networks at the expense of use of the Company's network, and it may increase as 5G technology becomes established (see section 3.1.5), since they will also be able to provide ultra-fast internet in the customer's home.

The development of AI and its increasing usability is expected to drive higher demand for high-speed communication infrastructure and influence digital consumption habits, creating growth opportunities for the Company alongside operational efficiencies.

2.1.5 Critical success factors and changes in the operating segment

- 2.1.5.1 The ability to offer reliable communications systems at a competitive price based on a cost structure suited to the frequent changes in the Company's business environment
- 2.1.5.2 Regulatory decisions and the ability to address them
- 2.1.5.3 The ability to maintain innovation and technology leadership and translate this into advanced and reliable applications with customer value at short response times, and marketing leadership
- 2.1.5.4 Preservation of brand values and their adaptation to the changing competitive environment
- 2.1.5.5 Effectiveness of the sales and service systems
- 2.1.5.6 Managing an informed price policy, subject to regulatory restrictions

2.1.6 Main entry and exit barriers and changes in the operating segment

Activity in the domestic fixed-line communications segment is subject to registration in the registry and operation in accordance with the general permit regulations or obtaining appropriate licenses

¹⁸ SD-WAN is software-defined networking solution – using smart network software on uniform hardware. SD-WAN has a centralized controller that manages routes at customer sites and allows uniform communication and information security for the organization with simple centralized management.

under certain circumstances. For information about the exemptions in the regulation see section 1.7.4.

Traditionally, the main entry barrier to this segment is the need for heavy investments in technological infrastructure and in related systems until achieving economies of scale, and from the high costs involving the establishment of marketing, sales, collection, and customer support systems and the building of a brand. Over the years, these traditional barriers to the Company's operating segments have lessened considerably due to the following: technological improvements, lower infrastructure and equipment prices, the change in regulation (see sections 2.7.2 and 2.16.4), regulatory exemptions for new competitors, the mandatory obligation to allow the use of the infrastructure and services of the Company (HOT and IBC), including in the wholesale market.

The main exit barriers are due to the Company's commitment, which is set out in its license, to provide its services universally (to the general public in Israel, other than fiber as set out in section 2.16.4), the requirements in the Telecommunications Order, the regulations related to the Telecommunications Law, and the provisions under Section 13A of the Telecommunications Law regarding emergency operation; the Company's commitment to its employees who are employed under collective agreements; the heavy investments that achieve a return in the long term; and the commitment to repayment of long-term loans taken to finance the investments. Some of these exit barriers are unique to the Company and are not relevant to other operators in the segment.

2.1.7 Substitutes for and changes in the products in the segment

Cellular communications services are a substitute product for the Company's services, in the telephony segment, including through applications and IP technology such as VoB (see section 2.6.3.1) and in the internet (see section 2.6.2), transmission, and data communications segment. Technological developments (such as 4G and 5G in cellular, infrastructure based on fiber optics, millimeter waves, satellite, and advanced cable internet protocols) allow new services at high speeds and competitive prices.

2.1.8 Structure of and changes in competition

Domestic fixed-line telephony is regulated and overseen by the Ministry of Communications, among other things, by allowing telecommunications service providers to register as authorized providers operating in compliance with the permit regulations, and by granting licenses where required to entities operating in the sector. There is competition in services to end customers and authorized providers as well as in infrastructure. Some of the providers are active competitors in some markets and others compete in all of them. For further information see section 2.6.

Infrastructure – deployment

In the communications market, there is competition between communication infrastructure and networks that provide services to both private and business end customers, and to licensed providers, who use these networks to provide services to their own end customers. In recent years, there has been accelerated deployment of fiber networks in the market, in both independent infrastructure and the Company's passive infrastructure. As at the reporting date, the Company's fiber network reaches approx. 2.95 million households available for connection in the statistical areas in which the Company has chosen to deploy (the "Service Areas"), and, to the best of the Company's knowledge, the IBC network reaches approx. 2.43 million households.

Regarding the traditional network (non-fiber, copper) – the Company has a full nationwide network and is required to provide service to anyone requesting it (the "Universal Service Obligation"). This requirement also applies to HOT (which has received exemptions for the requirement), which also has an almost full nationwide network. For information about the switch off 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 with the deployment of fiber networks. Starting in April 2022, the Company will market its private end-to-end internet service (infrastructure and access service) only. In this service, the Company's main competitors are HOT, Partner, and Cellcom, as well as other authorized providers for services through fixed infrastructure they are licensed to deploy, or authorized providers without infrastructure (through the wholesale service).

Wholesale internet service (BSA) for authorized providers

The Company's main competitor for providing fiber network services to authorized providers is IBC. IBC provides services to telecommunications providers and is generally not permitted to market directly to end customers. For information about IRU agreements for the service see section 2.6.2.2. The main competitor on the copper network is HOT.

For information about wholesale services, use of passive infrastructure, and dark fiber see section 2.16.5.

Transmission

In the transmission and data communications segment, the Company competes mainly with HOT Telecom, Cellcom, and Partner, which operate as communications groups and provide a comprehensive communications solution to customers.

Telephony

The Company's fixed-line telephony competitors are HOT Telecom and VoB service providers operating under licenses with no obligation to provide a universal service obligation, and cellular companies (see section 2.6.3.2). For information about wholesale telephony services see section 2.16.5.

Competition in the communications industry depends on a number of factors, such as: technological developments; regulatory decisions; possible changes in the terms of the licenses of the Company and the subsidiaries, the Permit Regulations or administrative directives applicable to their competitors; mergers and joint ventures between companies that compete with the Group companies; the possible repercussions of the Market Concentration Law; the lack of symmetry between the ability of the Company and the competitors to provide comprehensive service package; the new services that the Company will be permitted to provide; the price policy or intervention in prices; cancellation of the structural separation and the extent of flexibility granted to the Company when offering service bundles that are not unbundleable, 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

The Company provides a wide range of communications services to its business and private customers, as described below.

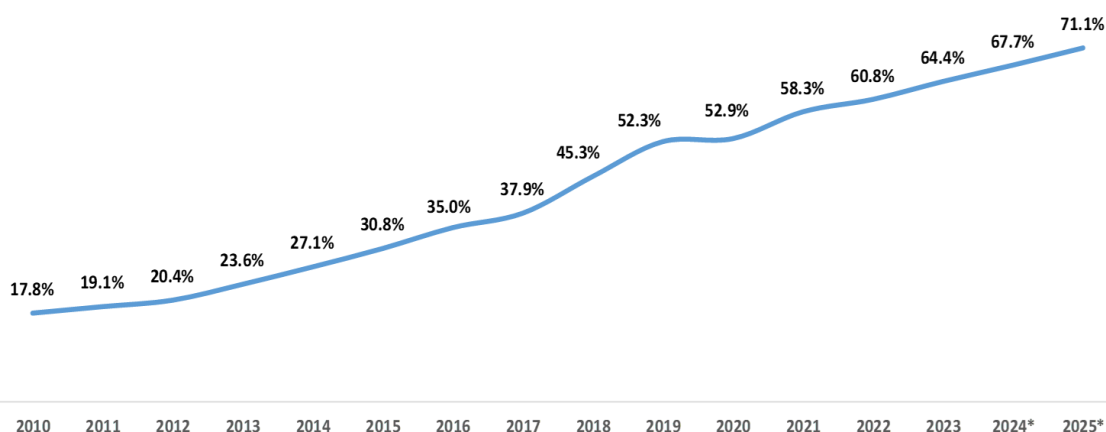
2.2.2 Telephony

The Company's telephony services include mainly the basic telephony services on the household telephone line, and associated services such as voice mail and caller ID. Following the hearings published by the Ministry of Communications regarding the switching off of the copper network (see section 2.7.2.3), the Company has started to provide telephony service on the fiber network. The Company also provides its customers with national numbering services for businesses (1-700, 1-

800), for full or partial payment for the calls by the business. The Company also operates an end-to-end call center for telephone number inquiries, serving both fixed-line and cellular operators, and an end-to-end website free of charge.

In recent years, there has been a decline in demand in this segment, which is reflected in the decrease in the rate of ownership of fixed telephone lines and a gradual erosion in the number of calls to and from fixed-line networks. The Company believes that this is mainly due to the rise in use of phones, smartphones, attractive deals for call-minutes marketed by the cellular companies, the prices in the segment, and from an increase in VoIP calls (see section 2.1.4). In 2025, there was a decrease of approx. 4% in the number of the company's lines compared with 2024 (however, it should be noted that the past year saw a moderation in the erosion rate of the Company's telephony revenues, following the completion of the interconnect fee reduction outline, see section 1.7.6.1)

Graph – Rate of households without a fixed-line home telephone¹⁹



For 2024-2025, see footnote 19.

For information about wholesale telephony services see section 2.16.5.4.

2.2.3 Internet access infrastructure services and ISP

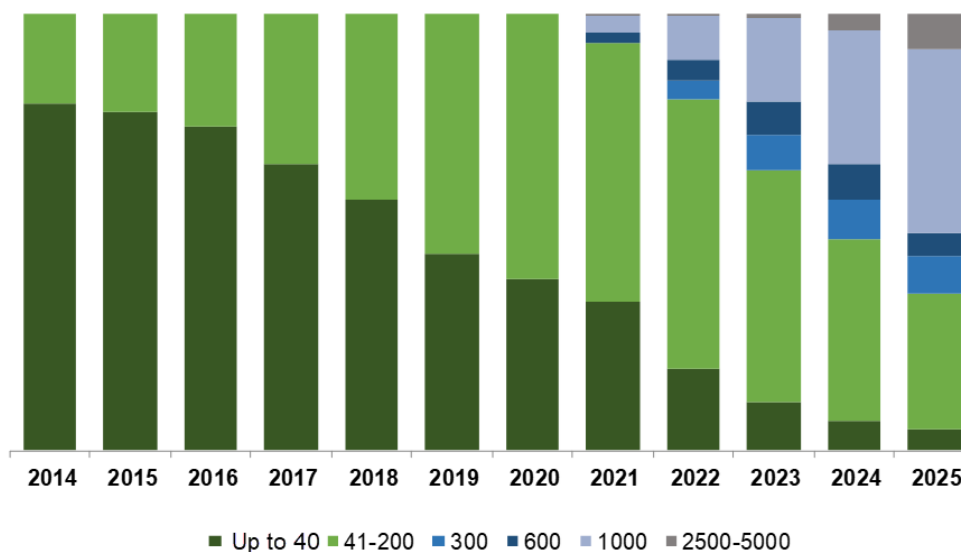
The Company provides broadband internet services nationwide on the copper network using xDSL technology and on the fiber network in statistical areas subject to the milestones in its license (for information about the Company's service areas, see section 2.16.4). There are also a limited number of areas where the Company uses wireless technologies such as VBAND.

From April 3, 2022, the Company markets and provides an end-to-end internet service: infrastructure and internet access in a private service (for further information see section 2.1.8).

In recent years, there has been a significant increase in bandwidth and browsing speeds in the Internet market, mainly with the deployment of the fiber network, which offers significantly higher speeds than the traditional copper network, and the migration of customers to it increases the average package rate. In addition to the migration of customers to the Company's fiber network, the Company is also working to upgrade broadband speeds on the fiber network. The Company provides service on fiber at speeds of up to 300 Mbs, 600 Mbs, 1 Gb, 2.5 Gb, and 5 Gb. The Company also provides speed of up to 200 Mbps on its copper network.

¹⁹ The figures were taken from publications of the Central Bureau of Statistics (findings from the Household Expenditure Survey for 2019-2022, dated June 9, 2024; and findings from the 2023 Household Expenditure Survey regarding household income, expenditure, and ownership of durable goods, dated January 1, 2026). For 2024-2025 figures, the Company's estimate is based on Central Bureau of Statistics' surveys from previous years.

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



* For packages with a range of speeds, the maximum speed in the package is taken into account.

In recent years, the number of customers has continued to grow. In 2025, the Company estimates that the following changes took place compared with 2024: an increase of Approx. 1.3% in the number of fixed-line internet subscribers in Israel and a decrease of Approx. 0.5% in the total number of the Company's internet subscribers (a decrease in retail and an increase in wholesale).

For information about changes in the number of the Company's internet subscribers and monthly average revenue per internet subscriber and average package speed see section 1.5.4.1. For information about the Company's market share in the segment see section 2.6.2.

ISP services is one of the Company's main occupations and a central channel for its investments in technology, marketing, advertising, and customer acquisition, and upgrades.

The Company is required to provide broadband internet access services in a wholesale BSA format to authorized providers that provide end-to-end internet service in this way to their customers. For information about this service see also section 2.16.5. For information about the indefeasible right of use (IRU) for BSA Fiber (wholesale market) provided by the Company to Partner and Gilat, see section 2.6.2.2.

2.2.4 Transmission and data communication services

Data communication services are network services for point-to-point data transmission, data transmission between computers and between various communications networks, services to connect communications networks to the internet, and remote access services.

The Company offers transmission services to communication operators, international entities, and its business customers over a variety of interfaces.

The sector is characterized by a rapid increase in customer broadband consumption, but in general at lower prices per given volume of traffic. This is due to both the development of technology (see section 2.1.4), allowing greater bandwidth at lower prices than in the past, and from competition in this sector (see section 2.6.4). There is also significant migration to the independent infrastructures of communications providers (see section 2.1.8).

2.2.5 Cloud and digital services

This category includes cloud computing services (VCLOUD); cyber services; virtual private PBX (IP Centrex) services; BCAM SMS services, business Wi-Fi services; and the B144 service, which is the Company's advertising platform for digital advertising and marketing for small businesses.

2.2.6 Wholesale services

The Company provides wholesale BSA service to service providers. At the end of 2025, the number of wholesale internet lines on the Company's network was approx. 493 thousand, representing approx. 33% of all Company subscribers. In this regard, it is noted that these lines also include lines that were not on the Company's network in the beginning (new or from a competitor's network).

The Company also provides a wholesale service that allows a competitor to use the Company's passive infrastructure.

For information about wholesale services see section 2.1.8 and 2.16.5.

2.2.7 Other services

2.2.7.1 Additional services to communications operators

The Company provides services to other communications operators, including cellular operators, international call operators, ISPs, domestic carriers, and Palestinian communications providers.

The services provided by the Company include infrastructure services, connection to the Company's network, billing services, leasing of space, and services in leased premises.

For information about wholesale services to communications operators and the option of using the Company's physical infrastructure by infrastructure owners as well, see section 1.7.5.

2.2.7.2 Broadcasting services

The Company operates and maintains radio transmitters, among other things, for Israel Broadcasting Corporation, Israel Army Radio (Galei Zahal), and the transmitters of several regional radio stations. The Company also operates DTT transmitters for the Second Authority. The Company is responsible only for operating and maintaining the transmitters for broadcasting of radio and television contents, and not for the content of the broadcasts For further information see also section 2.15. Contract works

2.2.7.3 Contract works

The Company sets up and operates networks or subnetworks for various customers (such as the Ministry of Defense, HOT Telecom, radio and television broadcasting companies, cellular operators, international call operators, local authorities, municipalities, and government bodies).

2.2.8 Sale of terminal equipment and devices

The Company sells smartphones (in addition to the other terminal equipment that it sells). The Company expanded the range of terminal equipment and other devices (including products not related to communication).

2.3 Breakdown of product and service revenues

The following table shows the distribution of the Company's revenues by products and services in its segment of operation, 2023-2025 (in NIS millions):

	2025	2024	2023
Revenues from internet services	2,032	1,999	1,947
Percentage of total operating segment revenues	45.89%	46.04%	44.13%
Revenues from fixed-line telephony	488	544	650
Percentage of total operating segment revenues	11.02%	12.53%	14.73%
Revenues from transmission and data communication services	1,211	1,179	1,163
Percentage of total operating segment revenues	27.35%	27.15%	26.36%
Revenues from cloud and digital services	365	348	349
Percentage of total operating segment revenues	8.24%	8.01%	7.91%
Revenues from other services and terminal equipment sales	332	272	303
Percentage of total operating segment revenues	7.50%	6.26%	6.87%
Total revenues from domestic fixed line communications	4,428	4,342	4,412

2.4 Customers

The Company is not dependent on a single customer, and there is no customer that accounts for 10% or more of the Company's total revenue. The Company's revenues are divided into two main customer types: Private customers (approx. 48%) and business customers (approx. 52%).²⁰ The distribution is by revenue, as shown in the following table (in NIS millions):

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

2.5 Marketing, distribution, and service

The Company has marketing, sales, and service systems for its business and private customers, which include customer managers for the business sector, combined sales and service centers around the country, technical support centers for private and business customers, and a virtual online shop. In 2025, the Company launched a new AI-based voice bot ("Ron"), which provides telephone support at the technical call center and handles more than 1,000 calls per day.

The Company markets its services mainly through mass media advertising, telesale centers, customer managers, and an array of independent dealers that include outsourcing sales centers. The Company also has independent service and sales channels on its website, a dedicated application (My Bezeq), and interactive voice response (IVR).

In addition, the ISPs market the Company's internet infrastructure as part of the Company's end-to-end ISP service based on the Company's wholesale BSA service. It should be noted that from April 3, 2022, they will no longer be able to market the Company's internet infrastructure to private customers in a bundle outside the wholesale market.

2.6 Competition

The following is a description of the development of competition in the domestic fixed-line communications segment:

²⁰ Including revenues from the service providers in the wholesale service.

2.6.1 Infrastructure – deployment

In the telecommunications market, two holders of licenses providing domestic fixed-line communication services are obligated to nationwide deployment and service to anyone requesting it (universal service²¹) over the traditional network (copper): the Company and HOT Telecom.

As at the publication date of the report, the Company's fiber network is deployed in approx. 2.95 million households available for commercial connection across the country, of which approx. 1.017 million subscribers have been connected (637 thousand retail and 380 thousand wholesale). Regarding the fiber network, the Company is required to provide service according to its service areas – see section 2.16.4).

HOT and IBC also have a widely deployed fiber network. According to a report published on the IBC website, as at the end of 2025, approx. 2.4 million households are accessible to its network). To the best of the Company's knowledge, HOT and Cellcom have IRU agreements with IBC that include purchase-volume commitment from IBC's deployment.

Partner (which holds a license that does not include any deployment obligation) owns an independent fiber network using P2P technology. Cellcom deployed a transmission network for its own use.

2.6.2 The internet segment

2.6.2.1 Internet service (retail) for end customers

The internet segment is characterized by high penetration rates and a large number of authorized providers. In recent years, it has undergone significant changes: (1) internet service over fiber – from March 2021, the Company provides internet service over its fiber network, according to milestones in its service areas; in the incentive areas, Bezeq Group is restricted from providing such services for five years from the date of the deployment obligation, under the license of the winner or by administrative order. Cellcom and Partner began providing fiber service several years before the Company (2) end-to-end service – until April 2022, the internet service that the Company was permitted to provide customers was limited to internet infrastructure only; customers were required to purchase access service (ISP) separately from a service provider or as a bundle from Bezeq. This also applies to HOT, whereas other providers were permitted to sell an end-to-end service, either independently or through the wholesale market. From April 2022, the Company provides customers with private internet service (fiber and copper) as an end-to-end service, which includes both infrastructure and access service (ISP). The Company is not permitted to market bundles with other access providers. Later, HOT was also permitted to provide end-to-end internet service to its customers.

For internet services to end customers, the Company faces competition from HOT (which is also authorized to market bundled services over the IBC network), Partner (on its own network and the wholesale market), Cellcom, and authorized providers²² of services using fixed infrastructure they are licensed to deploy (including the use of the Company's passive infrastructure subject to meeting security requirements) and authorized providers without their own infrastructure (using the wholesale service).

The cellular companies have deepened their internet operations on the cellular range, both in the private sector and in the business sector. Browsing services are provided both

²¹ The obligation to provide services to anyone in Israel requesting them also applies to general license holders that offer cellular services, such as Pelephone, Cellcom and Partner, and in the international telephony services segment, such as Bezeq International.

²² Including those that do not hold licenses but are registered in the register of the Ministry of Communications and operate under the General Permit Regulations.

from the cellular device and through a cellular modem that connects to laptop and desktop computers.

The Company estimates that its market share in terms of retail customers at the end of 2025 was approx. 35%.²³ In addition, customers of the Company's end-to-end ISP service represent approx. 91% of its retail customers as at the end of 2025.

2.6.2.2 Wholesale internet service

The Company's wholesale fixed broadband (BSA) service allows authorized providers, including Cellcom and Partner (excluding IBC; for information about HOT, see section 2.16.5.3), to provide end-to-end internet service also through the Company's internet infrastructure (Fiber and Copper), at maximum regulated prices that were not determined by the company.

Fiber: For wholesale internet service over fiber to authorized providers, the Company's main competitor is IBC, which provides the service mainly through IRU agreements. IBC's license permits service mainly to license holders and requires the submission of a shelf offering for the purchase of fiber infrastructure service (in an IRU format) at a reduced rate (to the best of the Company's knowledge, IBC is party to IRU agreements with Cellcom and HOT).

Signing IRU agreements for BSA service between the Company and Partner and between Gilat

On December 21, 2022, the Company and Partner signed a long-term agreement for Bezeq to provide Partner with indefeasible right of use (IRU) for BSA fiber (wholesale market). An amendment to the agreement was signed on September 12, 2024. Under the agreement, Partner was granted the irrevocable right of use to provide service to its customers on 120 thousand fiber cables of the Company at a download speed of 1 Gbps per cable, for 15 years starting on January 1, 2023 (the right of use of the cables will start in gradual batches over a period of up to five years). It should be noted that as at the reporting date, Partner has activated the entire line quota in the agreement. The consideration for the service, which includes one-time payments and annual payments, is expected to reach a total amount of NIS 1 billion (NIS 574 million for one-time payments, annual maintenance fees of 4% of the one-time payments for the cables for which the right of use will be granted up to that year, plus interest and/or linkage differences under the terms of the agreement); most of the consideration is expected to be paid in the first six years of the agreement. The agreement includes an option to increase the number of cables by another 48 thousand cables under the same terms, to upgrade speeds, and to extend the agreement period for two option periods of five years each, at a lower cable cost than in the first agreement period. Increasing the scope of the 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 that weights the regulatory price of the cable, starting from the sixth year of the agreement. The agreement increases the usability and utilization of the Company's fiber network, its revenues and profits, and its free cash flow (mainly in the first six years of the agreement) with a high level of certainty for future revenues from the cables in the wholesale market. However, the agreement includes a discount wholesale market rates (based on a commitment to volume and period of time (for the amendment to the agreement between the Company and Partner dated September 12, 2024, see the Supplementary Immediate Report – IRU agreement between the Company and Partner of September 12, 2024,

²³ The Company's assessment of its market share in internet infrastructure services at the end of 2025 is based on the number of customers that use 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 entities and their information is not public. Accordingly, it is difficult to provide accurate information about the market shares and these are estimates only.

which is included in this report by way of reference). As at the end of 2025, Partner exercised the options granted to it under the IRU agreement for approx. 36 thousand additional lines.

Further to the agreement and the negotiations with the Ministry of Communications, the Company agrees to reduce the prices for the individual fiber lines under the BSA for all the suppliers (at a cumulative speed of up to 1.1 Gbps) to a monthly fee of NIS 72 (linked to the CPI under the standard mechanism for adjusting prices) plus VAT, such that after the reduction in the price, the Ministry regarded the agreement as an off-the-shelf offer for any interested party. On December 25, 2023, the Company informed the Ministry of its decision not to link the price to the CPI in 2024 and to keep it at NIS 72. The agreement regarding non-linkage also applies to 2025. For information about the decision in the hearing regarding the wholesale prices and the petition filed on this matter with the High Court of Justice by some of the authorized providers, see section 2.16.5.3.

On December 15, 2024, the Company and Gilat signed an IRU agreement, which is essentially the same as the agreement signed with Partner, for 18 thousand lines for 15 years (in phases over a period of up to three years). The lines were fully utilized) for total consideration of approx. NIS 140 million (of which approx. NIS 90 million relates to one-time payments). In addition, on November 3, 2025, the Company and Gilat signed an addendum to the IRU agreement, which includes an expansion of the existing agreement. Under the addendum, Gilat was granted usage rights for an additional 90 thousand lines, to be deployed gradually in four phases over a usage period of 15 years, starting on the payment date for each lot included in the phase.²⁴ The consideration for the addendum is expected to reach a total amount exceeding NIS 600 million, subject to Gilat's full execution of all phases (including approx. NIS 400 million in one-time payments, as well as annual maintenance fees plus interest and/or index-linked adjustments in accordance with the agreement terms). Most of the consideration expected to be paid during the initial years of the addendum. The expanded agreement includes options for bandwidth upgrades and extensions of the usage period through two five-year option terms (granted to Gilat), at a lower cost per line than in the initial agreement periods. Exercising these options will result in a corresponding increase in the total financial scope of the agreement. The addition to the agreement is expected to increase the usability and efficiency of the Company's fiber network, its revenues and profits, and improve its free cash flow (mainly in the initial year, while providing greater certainty for future revenues from the cables in the wholesale market. As at the publication date of the report, Gilat has utilized approx. 21 thousand lines. For the decision in the hearing regarding the BSA fiber tariffs, including the determination of quotas for the large-scale companies and the requirement for the Ministry's approval to exceed them, see section 2.16.5.3.

Some of the information in this section constitutes forward-looking information as defined in the Israel Securities Law, based on the Company's assessments, including with respect to the competitive and regulatory structure of the telecommunications sector, the conduct of telecom operators and consumers, and the manner in which Partner and Gilat will exercise their usage rights for the lines in various regions. Actual estimates and results may be different depending on the changing variables set out above.

For information about the BSA service provided by authorized providers in the incentive areas see section 2.16.5.1.

Copper: For wholesale BSA internet service over a traditional (copper) network, the Company's main competitor is HOT. HOT has traditional communications infrastructure

²⁴ The realization of phases 2-4 (which include 18 thousand lines in each phase) is subject to a condition based on the growth in Gilat's overall activity as set out in the agreement.

deployed almost all around the country, through which a range of communication services can be provided.

The Company believes that at the end of 2025, its market share in the internet infrastructure market (retail and wholesale customers) was approx. 53%.

2.6.3 Telephony

In the private fixed-line telephony segment, there is a decrease in the rate of ownership of fixed telephone lines and a continuous decline in the number of calls to and from fixed-line networks (see section 1.5.4.1). The Company estimates that in 2025, erosion in the fixed-line telephony market continued at the same rate as in 2024. For further information see also section 2.3. Since not all competitors in the market are reporting corporations and their information is not public, the market shares of the competitors cannot be presented. For information about the Company's fiber telephony service following the hearing to switch off the copper networks, see section 2.7.2.3.

2.6.3.1 Competition from other domestic carrier license-holders

The Company and HOT Group have a nationally deployed fixed-line telephony infrastructure, and the competition between them is reflected, among other things, by HOT Group marketing internet, telephony, and cable television infrastructure), and possibly cellular services as well, mainly to households, including through bundles. HOT Group also markets telephony services to business customers.

The Company also has competition from license holders for domestic fixed-line communication services, including VoB, which provide the service, among others, on the Company's broadband access service, including the wholesale BSA service.

Since July 2017, the Company provides wholesale telephony services on its network (initially in a resale format and later in a service format) to license holders that are permitted to provide domestic carrier services. There is no demand for wholesale telephony service. For information about wholesale telephony services see section 2.16.5.

2.6.3.2 Competition in telephony from the cellular companies

The Company believes that the high penetration rate of cellular telephones combined with low airtime rates on an international scale and packages that include call minutes with no effective limit at fixed monthly prices have made the cellular telephone a substitute product for the fixed-line telephone. The Company believes that the increasing replacement of fixed lines with cellular lines is one of the reasons for the reduction in the average traffic per line and of the growing removal rate of telephone lines (see section 2.2.2). Partner and Cellcom also sell service bundles combining fixed-line telephony, cellular, and internet services.

In the cellular telephony sector, the trend has been switching to using applications that allow making calls and sending messages over the internet.

2.6.4 Transmission and data communications

In this segment, competition is intensifying. In addition to the Company, other companies operating in this segment are mainly Cellcom, Partner, and HOT, as well as ISP companies. operate in the field.

To the best of the Company's knowledge, Cellcom has deployed and set up a transmission network that it uses for its own needs and to compete with the Company's services in the transmission and data communications market. Partner also operates in the integrated transmission and data communication segment integrating telephony and internet for business customers.

Cellcom, Partner, HOT, and IBC use the Company's physical infrastructures as part of the wholesale service (see section 2.16.5.2), among other things, to compete with the Company in this segment.

IBC is permitted to provide VPN transmission services and broadband data communication lines.

2.6.5 Other competing infrastructures²⁵

In addition, there are currently a number of infrastructures in Israel with the potential to serve as communications infrastructure, which are based on fiber optics and are mostly owned by government companies and entities, such as Israel Railways, Mekorot Israel National Water Co., Petroleum & Energy Infrastructures Ltd., and Trans Israel Ltd. Some local authorities are also attempting to create an alternative to installation of pipes or fibers by deploying their own infrastructures. Under Amendment 76 to the Telecommunications Law, a local authority, including a municipal company and a municipal subsidiary, requires a license for a service it seeks to provide in any case (but does not require registration in the registry).

2.6.6 The Company's deployment and ways of addressing intensifying competition

The Company addresses competition in domestic fixed-line telecommunications services in several ways:

2.6.6.1 The Company is taking steps to introduce high-speed internet and increase the number of its customers for the service (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 2.7.2.1 and 2.16.4).

2.6.6.2 In 2018, the Company started marketing its Be router (in upgraded versions over the years). This is an advanced router with an innovative design and cutting-edge capabilities including smart Wi-Fi which provides high-quality, continuous browsing on the home network and cyber protection. The router and services are managed by an application for the Company's customers. The Company also markets products to improve the reception range of the Be Spot home internet network (including a fiber-adapted version) and Be Mesh network. With the introduction of internet services on fiber, a router, and a product to improve reception range that are compatible with the fiber network at ultra-fast speeds have been launched.

In May 2023, the Company, together with Nokia International, carried out a pilot demonstrating the ability to deliver speeds of up to 25 Gbps using advanced technologies. At the same time, the Company announced a future roadmap for the development of multi-gig speeds and services, including the launch of multi-gig speeds of up to 25 Gbps in 2027, advanced Wi-Fi 7 standards, and an upgrade of the Company's Be router. In 2025, the Company also launched a new fiber router supporting AI-based cybersecurity and Wi-Fi 7, designed for standard fiber speeds (up to 2.5 Gbps). In addition, the Company launched a new Wi-Fi 7 compatible range extender, a BOOST range extender for remote rooms and reinforced safe areas, and a backup Be router battery.

2.6.6.3 The Company works constantly to improve the quality of its services and to retain its customers (including by upgrading browsing speed and providing customer value), simplify and automate processes, and adapt its operations to the structure of competition in its operating segments.

2.6.6.4 The Company offers packages to telephony customers, consumption-adapted tracks, and special offers.

2.6.6.5 The Company is acting to reduce its operating expenses and is focusing on investing in growth operations as a means of decreasing maintenance expenses. Nevertheless, the

²⁵ Migration to HOT and IBC infrastructure.

Company's ability to adjust its expenses in the short and medium term is limited due to the structure of its costs, which are mainly rigid in the short and medium term (in particular depreciation expenses and expenses related to salaries and salary incidentals, as well as operating costs such as infrastructure maintenance and building leasing and maintenance).

The Company launches new communications services, value added applications (such as BIZFIBER and integration services), bundles of products and services, and joint bundles (that correspond to some of those offered by its competitors, although under an unbundling restriction, see section 1.7.3) to broaden the scope of use of subscriber lines, respond to customer needs, and reinforce its technological innovation image. The Company invests in enhancement of its infrastructure so as to enable it to provide advanced services and products for its subscribers.

- 2.6.6.6 The Company launched several business services under the Bezeq Business Pro brand, which include security and business networking solutions installed at the customer's premises or on the Company's infrastructure. In addition, the Company is advancing a cloud-based computing server solution for businesses as part of its VCLOUD service. The Company is also working to upgrade transmission cables to high speeds.

2.6.7 Positive and negative factors that affect the Company's competitive status.

2.6.7.1 Positive factors

- A. Nationally deployed, quality infrastructure through which a range of services are provided.
- B. Presence in most businesses and households.
- C. Strong and well-known brand
- D. Technological innovation
- E. High positive cash flow, financial robustness, and access to financing sources.
- F. Broad service infrastructure and varied customer interfaces.
- G. Professional, experienced, and skilled human resources

2.6.7.2 Negative factors

The Company believes that various restrictions imposed upon it by existing regulation impede its ability to compete in its operating segments. The main restrictions in this context are the following:

- A. Absence of rate flexibility
- B. The Company is limited in its ability to offer differential rates for its core services.
- C. The structural separation obligation and restrictions in marketing joint service bundles of the Company and other Group Companies

For further information see section 1.7.3.

- D. Universal service and fiber deployment obligation

The Company operates under an obligation to provide service to the entire public in Israel at a uniform price (universal service), except in relation to deployment of a fiber network in incentive areas. Due to this obligation, the Company is required to provide services also in circumstances that are not financially viable (subject to the possibility of obtaining an exemption in extraordinary circumstances). For information about the scope of the obligation to provide services on an ultra-wide bandwidth fiber network, see section 2.16.4. This obligation does not apply to other licensed providers of fixed-line services (with the exception of HOT, and not with

respect to fiber; for information about HOT and IBC see section 2.6.1), which are permitted to offer their services only to profitable customers, which are a material source of the Company's income. These companies have deployed and are rapidly deploying fiber in economically viable areas. In addition, HOT, which is required to provide a universal service (not fiber), received various exemptions for the requirement for full deployment, and the Company is required to allow HOT and IBC to use its passive infrastructure (see section 2.16.5).

E. Characteristics of fixed-line telephony terminal equipment

Fixed-line terminal equipment does not have personal characteristics and is technologically less advanced than cellular terminal equipment, and the supply of advanced services that can be consumed with it is limited.

2.7 Fixed assets

2.7.1 General

The Company's fixed assets include mainly domestic communications infrastructure, real estate assets (land and buildings), computer systems, vehicles, and office equipment.

In the coming year, the Company plans to gradually relocate its data center in Tel Aviv to a new facility in the Ramla area ("Bezeq Ayalon"). Pelephone is also expected to move its core facility to this location.

2.7.2 Infrastructure and domestic fixed-line communications equipment

2.7.2.1 Data transfer and transmission network

The Company began deploying fiber infrastructure for private customers (in the access segment) in 2020, allowing ultra-broadband speeds (see section 2.6.1 for information about the network deployment scope). This infrastructure is based on GPON technology and currently supports downstream bandwidths of up to 10Gbps (as at the publication date of the report, the Company markets bandwidths of up to 5 Gbps in the downstream channel).

For information about the amendment to the Company's license and the Company's selection of the fiber network deployment areas, see section 2.16.4.

Concurrently with this infrastructure, NGN fiber to the cabinet (FTTC) infrastructure and an access network based on copper wires from the cabinet to the network end user's premises (set out in the description of the telephony network in section 2.7.2.2). Today, bandwidths with a download speed of up to 200 Mbps can be supplied on this network, depending on the quality of the copper infrastructure.

This data transmission network is used by ISPs in Israel as a dual access network in a wholesale model based on both xDSL technology over copper infrastructure and GPON technology over fiber infrastructure to the customers' homes. All access infrastructure is linked at a national level through an advanced MPLS network to all providers in Israel and for the Company's own use. The MPLS network allows the application of reliable and efficient national connectivity for various uses, on a national level.

Bezeq has two parallel MPLS networks from different equipment manufacturers for backup and survivability in different applications. In these networks, in addition to the internet service, Layer 3 IP transmission services are provided, as well as cellular backhaul and Metro transmission services (Ethernet Layer 2), with high performance and flexibility. The services are provided on the Company's infrastructure through new and advanced communication systems for transfer of large volumes of traffic between sites for a diverse application. In addition, the services include advanced options of full

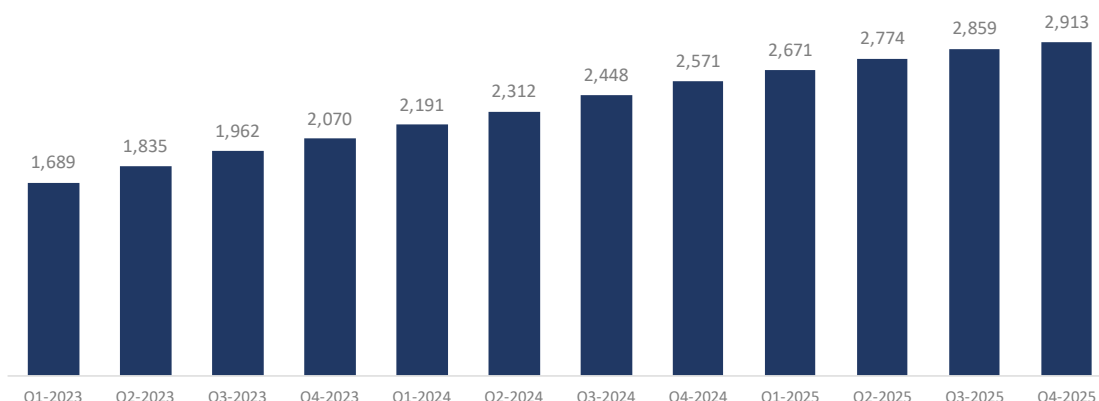
management of the Company or independent management, allowing the business customer better control over management of the organizational communication network.

Since receiving the ISP license (see section 2.2.3), the Company added ISP infrastructure, with backup and survivability at two sites. This infrastructure includes an IP network, customer connection system, CGNAT IPv4 (network address translation and sharing) with full IPv6 support. Additionally, connections were deployed and equipment was installed at three sites in Europe to allow flexible and efficient use of content from the global internet. In 2025-2024, additional international links were added to the network to support resilience and increased traffic volumes.

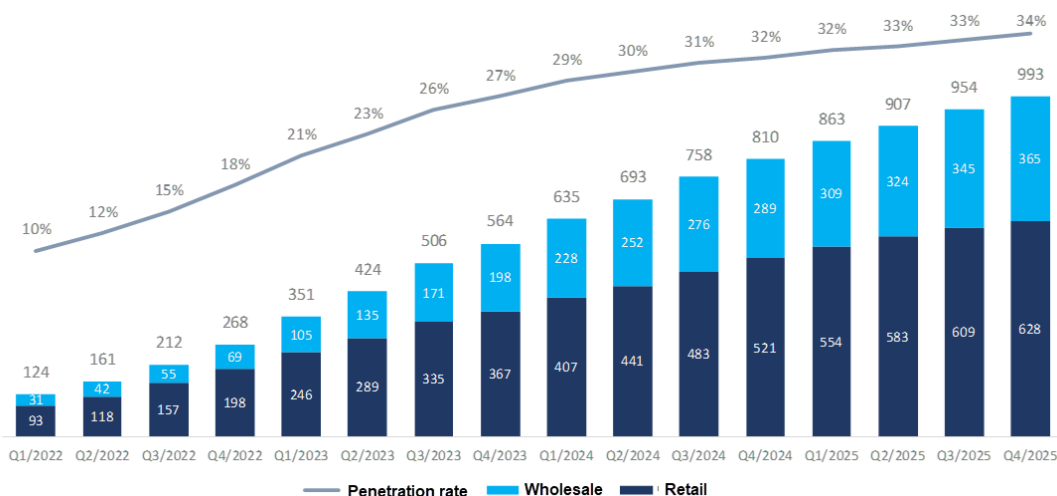
Most of the peripheral equipment (equipment installed at the subscriber, such as routers) is owned by the Company and leased to the customer.

Below is a description of the number of households available for commercial connection to the Company's fiber network, and the number of subscribers to the Company's fiber network and the distribution between copper infrastructure and fiber:

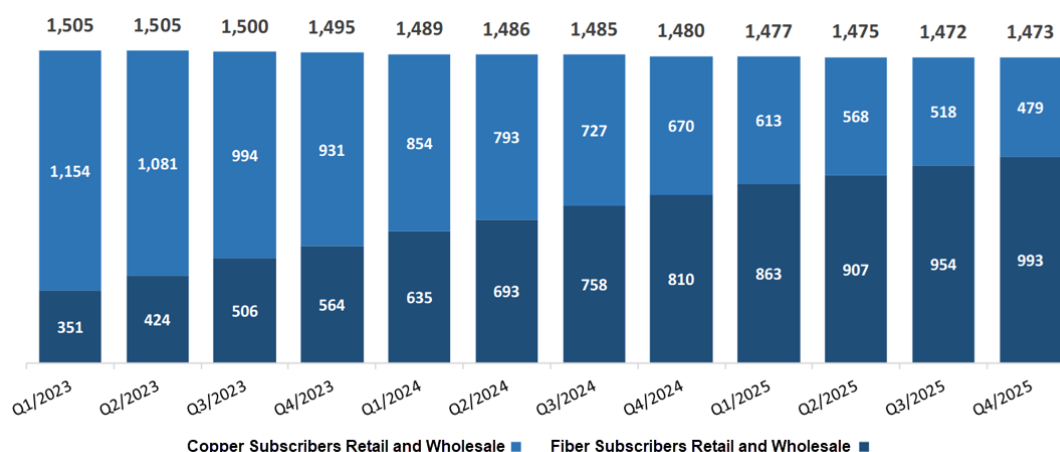
Households available for commercial connection (Home passed) (quarterly, thousands)



Total Bezeq fiber subscribers (retail + wholesale) (quarterly, thousands)



Copper infrastructure vs. fiber retail+ wholesale (quarterly, thousands)



2.7.2.2 Telephony network

The Company’s telephony network consists of exchanges (meaning call switching and transferring 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 network endpoint at the subscriber to the exchange). The infrastructure connects to terminal equipment installed at the subscriber. The connection from the terminal equipment to the access network is based on copper cables, and this copper network is the Company’s access infrastructure for the telephony services (it should be noted that the copper cables are also part of the Company’s internet network, as set out below). Subscribers are managed through a class 5 telephony switch, and carrier relations are managed through a class 4 switch. All switches and telephony components are backed up and resilient across different data centers. For information about the fiber-based telephony service, see section 2.7.2.3.

2.7.2.3 Switching off the copper network

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

Stage A – exemption from copper deployment in areas of new construction

A. The Company’s deployment in its fiber-deployment areas – the Company will be granted an exemption from copper deployment only for new buildings in its fiber deployment areas, as set out in its license.

B. Bezeq’s deployment in incentive areas – Bezeq may request from the Advisory Committee and the Ministry of Communications, in accordance with Telecommunications Regulations (Telecommunications and Broadcasting) (Advisory Committee), 2011, not to deploy copper in these areas, as set out in this section below.

Stage B – gradual switch off of the copper network – In 2025, in accordance with the policy, the requirement to connect new retail and wholesale subscribers to copper

infrastructure is canceled in areas where a fiber alternative is available.²⁶ Once 85% of users in a specific area receive fiber service, copper networks can be switched off with notice of at least three months.

Regarding the incentive areas, the Company will be required, at least until the end of 2030, to provide services as currently defined, including internet and telephony services, over the copper network, unless it has previously deployed a fiber network in those areas in accordance with the option granted to it.

The infrastructure owner will be required to remove the overhead infrastructure no later than one year after the switch off of the copper network in the statistical area.

Stage C – from 2030 onwards, copper networks will be switched off in all areas where fiber optic infrastructure is available for every residential apartment, even if in certain areas, fewer than 85% of users receive fiber service, provided customers and wholesale service providers are given sufficient notice.

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

On December 25, 2025, the Minister of Communications published a decision regarding requests to limit the obligation to deploy copper and cable networks in new construction areas and to provide services over an advanced network. In accordance with the decision, which fully adopted the Advisory Committee's decisions:

The Company will be exempt from copper deployment in new construction within its fiber deployment areas, as defined in its license. Accordingly, in new construction within fiber deployment areas, the Company will be required to deploy only an advanced network and provide all its services over this network, without being obligated to deploy a copper network. The Company is required to complete the deployment of the advanced network in a new neighborhoods and provide service no later than the occupancy date.

Regarding the Company's deployment in the incentive areas, the Company may request from the Advisory Committee and the Minister of Communications not to deploy a copper network in these areas, under the following conditions:

1. Underground deployment of passive infrastructure in new construction within incentive areas, to be completed no later than the occupancy date of the new neighborhood
2. Deployment of an advanced network and the provision of service over the network from the date on which the Company is permitted to do so under the law; in the interim period, the Company will be exempt from deploying copper and from providing service (including telephony) in new construction within the incentive area, until fiber is deployed in that area as required.

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

²⁶ According to the clarification issued by the Ministry of Communications on February 15, 2026, to implement the Minister's policy allowing the discontinuation of services over the copper network once 85% subscriber coverage has been reported, a legislative amendment must be completed to formally approve, among other things, the Minister's policy. Therefore, until the legislative amendment is finalized, there is no change to the universal service obligation to provide services over the copper network (except for the exemption regarding fiber deployment in new neighborhoods, as set out above), and the existing copper infrastructure may not be decommissioned.

2.7.2.4 Millimeter waves

Another domestic technology that provides a last-mile solution, namely, the connection to the subscriber's endpoint for the provision of broadband internet services, is millimeter-wave technology. This technology enables the wireless delivery of significantly higher bandwidth than was possible with previously available technologies and serves as a complementary infrastructure. The technology can be used both point-to-point and point-to-multipoint. This technology allows relatively quick connection (after approval of the Ministry of Communications) of large areas and at lower costs compared with the deployment of cable infrastructure.

2.7.3 IT

The IT system in the Company supports four main areas: Marketing and customer management, engineering infrastructures of the telecommunications networks, Company resources management, and company-wide systems.

The Company has a large and complex IT system supporting critical work processes and handling very large volumes of data. This system consists of a large number of systems, some of which are information systems which started being developed many years ago, while others are modern and were developed and applied recently. Most of the systems operate in open computer environments.

2.7.4 Real estate

2.7.4.1 General

The Company has real estate assets from four sources: assets transferred to the Company by the state in 1984 under the assets transfer agreement (see section 2.17.2.1), assets in which the Company acquired rights subsequent to that date, assets leased from third parties, and assets for which the Company received a right of use, under the Telecommunications Law and related regulations, to provide telecommunications services and/or for telecommunications operations, whether or not there is a written arrangement for rights. In addition, the Company has an interest (migration rights) in other real estate to provide telecommunications services (for example, to install cables).

The real estate assets are used by the Company for telecommunications services (such as exchanges, control rooms, and broadcasting sites) and for other operations (such as offices and storage areas). Some of the Company's owned or leased assets are assets with potential for betterment.

The following is a list of the Company's assets in accordance with the material rights on the asset. Furthermore, the Company has an interest (such as migration rights) in other real estate (such as for the construction of offices and laying cables):

Chapter A (Description of Company Operations) of the Periodic Report for 2025

Nature of the right	No. of assets	Plot area (thousands of sq. m.)	Built-up area (thousands of sq. m.)	Remarks
Ownership, lease or right of lease	Approx. 297	Approx. 825	Approx. 79	Of this, approx. 293 properties cover an area of approx. 806 thousand sq.m plots, 71 thousand sq.m. are on a built up area for communication needs and the remainder are for administration needs.
Possession (authorized/ possession rights by law)	Approx. 64	Approx. 2	Approx. 0.7	Assets in Israeli settlements in Judea and Samaria, all for communication requirements. There is no written regulation of the contractual rights for these properties, but the Company believes that this does not create material exposure.
Lease	Approx. 321	Approx. 41	Approx. 67	Of which, approx. 306 assets on a built up area of approx. 19 thousand square meters are for communication requirements, and the remainder are for administration needs Of which, approx. 2 thousand square meters of a built up area are under a sublease
Miscellaneous rights in control rooms	Approx. 2,888	N/A	Approx. 29 (based on estimate)	These are rooms for cables and installations for residential communications. For most of the assets, the rights are for use granted to the Company under the Telecommunications Law and its regulations, and there is no written rights arrangement with the property owners. In the Company's estimation and based on past experience, this does not create material exposure.

2.7.4.2 Registration

As at the publication date of the Periodic Report, the Company's rights in some of its real estate assets are not registered in the Lands Registry (some of the assets are in the registration process and others are not eligible for registration).

2.7.4.3 Real estate settlement agreement

On March 10, 2004, the settlement agreement signed on May 15, 2003 between the Company, Israel Land Authority (ILA), and the state (the "Settlement Agreement") was certified as a judgment. The agreement refers to most of the real estate assets transferred to the Company under the asset transfer agreement signed for commencement of the Company's business operations. According to the Settlement Agreement, the properties remaining in the Company's possession have the status of capitalized lease, and subject to signing individual lease contracts, the Company will be entitled to make any transaction in the properties and to enhance them. The Settlement Agreement sets out a mechanism for payment to the ILA for betterment of the properties (if any) in addition to the rights under plans approved before 1993, as set out in the Settlement Agreement, at the rate of 51% of property appreciation after betterment (if the Company also pays betterment tax, it will be entitled to a refund from the ILA for half of the payment paid to the ILA for the appreciation or the betterment tax, whichever is lower). The Settlement Agreement also states that 17 properties will be returned to the State, through the ILA, on various dates (up to 2010), on the terms set out in the Settlement Agreement. As at publication date of the Periodic Report, the Company returned 16 properties to the ILA.

2.7.4.4 Sale of real estate

A. General

In accordance with the approval of the board of directors, the Company is continuing its measures to sell inactive properties or properties that are relatively easy to vacate without incurring any significant expenses, or for a consideration that justifies providing a worthy alternative, and over the years, the Company has sold properties, recognizing capital gains for these sales, which in some years were material.

The Company completed the sale of most of the properties (in terms of value) that met this definition and also intends to complete the sale of the remaining properties of this type in the coming years. Selling the remaining properties is likely to generate additional capital gains for the Company in material amounts (although at a substantially lower amount than the capital gains recorded by the Company in recent years for the sale of these properties).

It should be emphasized that the above also refers to real estate assets for which a concrete decision to sell them has not yet been made and there can be no certainty regarding the timing of their sale or whether a decision will be made to sell them). Furthermore, the sale of some of the properties may involve difficulties, including a lack of demand or various planning restrictions.

In view of the above, it should be emphasized that the Company's estimates set out above are forward-looking information, as defined in the Israel Securities Law, and they may not materialize, or may materialize in a way that is significantly different than foreseen. These estimates are based, among other things, on the Company's estimates for the value of the real estate assets it owns in relation to their carrying amount, since the Company has no appraisals for some of the assets, or the appraisals in the Company's possession are out of date and the valuations are therefore based on the Company's internal estimates; and the Company is unable to predict the consideration that may actually be paid for any assets sold (if and when they are sold).

B. Property in Sakia

On January 21, 2018, the Company signed an agreement for the sale of a property near the Mesubim junction in which the Company has a capitalized lease right (the "Property"). On May 5, 2019, the transaction was finalized, and the total consideration received by the Company for the Property (including linkage differences and interest according to the provisions of the agreement) amounted to NIS 511 million, plus VAT.

On May 21, 2018, the Company received a demand from the ILA for permit fees of approx. NIS 148 million plus VAT for a property betterment plan approved prior to signing the agreement (the "Betterment Plan"). The Company filed an objection to the demand on legal grounds. On January 20, 2019, the ILA dismissed all of the Company's claims on legal grounds; however, the parties are currently negotiating as part of the dispute settlement mechanism set out in the Settlement Agreement. In parallel, the Company filed an assessment appeal against the demand.

On August 5, 2018, the Company received a demand for payment from the local planning and building committee in Or Yehuda, for betterment tax in the amount of NIS 143.5 million for disposal of the Property by way of a sale (the "Demand for Betterment Tax"). On September 17, 2018, the Company filed an appeal on the Demand for Betterment Tax and sent the ILA a demand for payment of the full amount of the betterment tax according to the ILA's undertaking in the Settlement Agreement. On January 20, 2019, the ILA dismissed the Company's Demand for Betterment Tax. Upon conclusion of the sale transaction as set out above and receipt of the entire consideration, the Company paid half of the betterment tax in the

amount of NIS 75 million, and it provided a bank guarantee for the other half of the tax, without this derogating from or prejudicing the steps taken or to be taken by the Company to cancel or reduce this tax.

On June 27, 2021, the Company filed a claim with the Tel Aviv District Court against the ILA for reimbursement of the full amount of approx. NIS 217 million paid by the Company to the ILA as permit fees and betterment tax, and for the award of declaratory relief, according to which the ILA must pay the Company any amount that is forfeited, if forfeited, from a bank guarantee of NIS 75 million provided by the Company to the Or Yehuda Local Planning and Building Committee as collateral for the balance of the betterment levy. In the claim, the Company argued that it is not required to pay permit fees and betterment tax since, in accordance with the Settlement Agreement it signed with the ILA and the State of Israel, it was entitled to receive the lease contract for the property after betterment under the plan and without payment of permit fees to the ILA and that in accordance with the provisions of the Settlement Agreement, the ILA is liable for payment of the betterment tax.

On January 17, 2022, the ILA filed a statement of defense claiming that the claim should be dismissed for the following reasons: (1) payment of the permit fee, for which the Company demands a refund, was lawfully imposed on the Company, since the Betterment Plan deviated from the limited rights granted to the Company in the Settlement Agreement; (2) regarding the Company's claim to receive from the ILA the betterment tax paid by the Company to the local committee – the ILA's obligation in the settlement agreement to pay the betterment tax, on which the Company bases its claim, was for these limited rights, and today is not possible to calculate the part of the betterment levy applicable to the ILA for the limited rights granted to the Company compared with the betterment tax applicable to the Company for deviation from the limited rights in the Betterment Plan.

It should be noted that the amount of the permit fees to be imposed on the Company at the end of the proceedings could also affect the amount of the betterment tax that the Company will be required to pay. The Company believes that the amount of the permit fee and the betterment tax that it will be required to pay is expected to be significantly lower than the total amount of the demands. Accordingly, the Company recorded a capital gain of NIS 403 million in its financial statements for the second quarter of 2019. If the Company's estimates do not materialize, the final capital gain will be between approx. NIS 250 million and NIS 450 million. For further information see also Note 6.6 to the 2025 Financial Statements.

On January 1, 2023, the interim decision of the appeals committee dismissed the Company's claim that when the Betterment Plan was approved it did not have rights for which it could be charged the betterment tax. On October 17, 2023, the appeal on this decision filed by the Company at the district court was dismissed.

On March 28, 2024, the Company received an advisory assessment according to which the total betterment tax as at the date of the committee's demand (August 2, 2018) amounts to approx. NIS 117 million. Later, the Company was sent a demand for payment that includes arrears interest in the amount of approx. NIS 22.8 million, which was reduced to NIS 13.3 million following the Company's request. The Company has paid the entire amount of the betterment tax and the underlying arrears payments in accordance with the decision of the appeals committee. It intends to amend the statement of claim against the ILA to reflect the amount of the betterment tax actually paid by the Company (by increasing the amount of the claim by approx. NIS 55 million and removing the declaratory relief).

It should be clarified that the amount of the betterment tax approved by the appeals committee does not change the Company's estimates for the amount of the capital gain that was recorded, since the Company's estimates were also based on the legal

situation in the claim against the ILA, which includes the ILA's obligation in the Settlement Agreement to bear the betterment tax for the property.

The information in this section about the Company's estimates and the capital gains arising from the sale of the property is forward-looking information, as defined in the Israel Securities Law, and it is based, among other things, on the foregoing and the Company's estimates regarding its claims relating to payment of the demands. The information may not fully materialize if the Company's aforementioned estimates materialize in a way that is different than expected.

2.8 Intangible assets

2.8.1 The Company's licenses

The Company operates under its domestic carrier license, which forms the basis for its domestic fixed-line communications operations (for a description of the main points of the license, see section 2.16.3). The Company also has a general domestic carrier license for the Judea and Samaria region (see section 2.16.3.9).

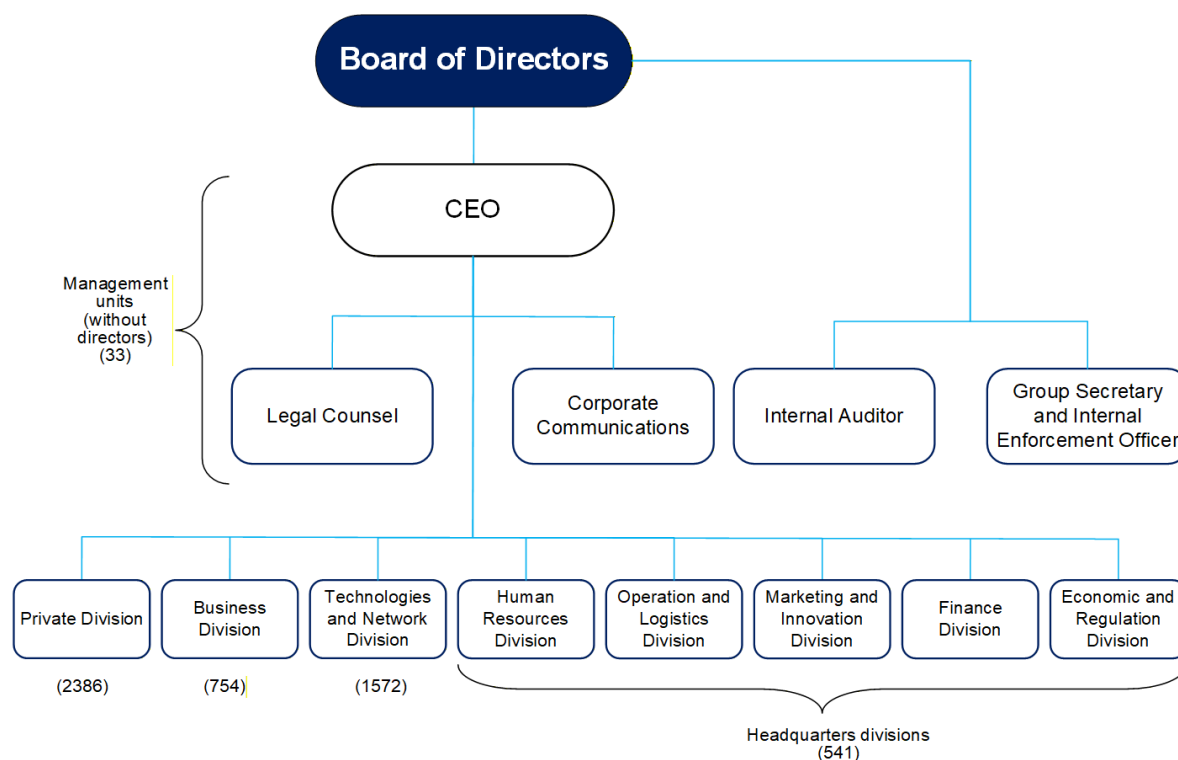
2.8.2 Trademarks

The Company uses trademarks that characterize its services and products. As at the publication date of this Periodic Report, there are 160 trademarks registered or in the process of being registered in the Company's name as well as five samples/designs. The main trademarks of the Company are "Bezeq" – the name of the Company, and "B" – the Company's logo.

2.9 Human resources

2.9.1 Organizational structure and headcount according to the organizational structure

Below is a chart of the Company's general organizational structure as at December 31, 2025:



- From April 1, 2026, the operation and logistics division will be dissolved, and its units will be merged with the human resources division and the economic and regulation division.

2.9.2 Number of Company employees and employment structure

As at December 31, 2025, the Company has 5,286 employees (compared with 5,425 at the end of 2024). The number of employees includes part-time employees. The total number of positions²⁷ in the Company as at December 31, 2024 was 5,495 and 5,464.

Approx. 93% of the Company's employees are employed under a collective agreement (of which approx. 59% are tenured employees and the remainder are not tenured). The remainder of the Company's employees (approx. 7%) are employed under personal agreements, not under collective agreements.

For information about the special collective agreement of December 2006 and its amendments see section 2.9.4.

2.9.3 Early retirement plans

In 2025, 89 tenured employees retired from the Company under the early retirement plan.

On November 30, 2025, the Company's board of directors approved, as part of the implementation of the efficiency plan and in accordance with the collective agreement in the Company, the retirement of approx. 220 long-term tenured employees in 2026 in an early retirement track at a total cost of approx. NIS 264 million. Accordingly, the Company recorded an expense of NIS 244 million in its financial statements for the fourth quarter of 2025, and a provision for the remaining amount was recorded upon the signing of Amendment 8 to the collective bargaining agreement in January 2026.

For further information see also Note 16.5 to the 2025 Financial Statements.

2.9.4 Nature of employment agreements in the Company

Labor relations in the Company are regulated in collective agreements between the Company, the representatives of Company employees and the Histadrut The Israel National Labor Federation, and in personal agreements. Company employees are also subject to expansion orders to certain general collective agreements.

Below are the main points of the special collective agreement between the Company and the employees committee and the Histadrut New Federation of Labor of December 2006, together with the amendments signed over the years (jointly in this section: the "Collective Agreement"), which regulates labor relations in the Company:

Under the Collective Agreement, all the agreements, arrangements, and conduct in the Company before signing the Agreement, including the mechanism for linkage of salaries to the public sector, will continue to apply only to the long-term tenured employees of the Company, to which the Agreement applies, subject to explicit changes added to the Agreement. Existing and future temporary employees will be employed on the basis of monthly/hourly salary agreements based on a market salary model according to occupation, with high management flexibility. The Agreement sets out restrictions on certain types of future organizational changes, and a mechanism of notification, negotiation, and arbitration with the employees committee in the event of organizational changes.

The Collective Agreement also defines a "new permanent employee", whose employment terms are different from those of a long-standing permanent employee of the Company (under the collective agreement): the salary model is based on the Company's salary policy and is compatible with market salaries and at the end of employment in the Company, the employee is entitled to increased severance pay only (depending on the number of years of employment).

²⁷ Calculated according to total monthly hours worked divided by the standard monthly working hours quota.

In the absence of a controlling shareholder in the Company, as long as up to 11 directors serve on the board of directors, one employee representative will also serve on the board of directors. If there are more than 11 directors, an additional employee representatives will serve on the board of directors (see also the reference below to Amendment 7, subsection 5).²⁸ Employee directors will be nominated by the employees union (subject to approval of their identity by the chair of the board of directors and their election by the general meeting). Employee directors are not entitled to compensation for their service.

Under the retirement arrangements (as in effect as at the publication date of the report and in accordance with Amendment 8 to the collective agreement, described in this section below), the Company may, at its discretion, terminate the employment of up to 160 long-term tenured permanent employees and new tenured employees of the Company (as defined in the collective agreement) on average each year in the term of the amendment to the collective agreement, and an additional 60 long-term and new tenured employees in 2032.

For information about other material agreements related to labor relations see section 2.17.3.

Further to the move to amend the Telecommunications Order regarding the holding of means of control in the Company (see section 1.1.2) and the negotiations between the Company and the employees committee to amend the collective agreement as a result, on September 18, 2023, the parties signed Amendment 7 ("Amendment 7") to the agreement, subsequent to its approval by the certified organs of the Company, including the approval of the general meeting of the Company's shareholders on September 14, 2023.

Below are the main points of Amendment 7:

1. Maintaining the financial robustness of the Company, including maintaining the status of a public company, the current credit/debt rating of the Company, and the rate of holdings in Pelephone that will not fall below 50.01%.
2. Distributing a dividend to the Company's shareholders subject to the law, while maintaining the current credit/debt rating of the Company, when a distribution that does not meet the profit test only requires the consent of the employee's organization
3. Payment of a special bonus to the Company's employees in the amount of NIS 75 million, most of which is conditional on the dates and terms set out in the Amendment depending on the change in the holdings rate of the current holders of the Control Permit in the Company at that time (or the expiration/cancellation/transfer of the Control Permit) (the "Terms"). Most of the bonus was paid in 2025.
4. If the Terms are met, the Company will pay a monthly NIS increment of NIS 2,400 linked to the CPI and the Company will cover the payment of management fees to the pension fund for long-term tenured retirees who retired or will retire from the Company as from July 1, 2023. Following the fulfillment of the Terms, the clause has entered into force.
5. If the Terms are met and if there is no controlling shareholder in the Company, the employee's organization has the right to appoint an additional (second) representative from among the employees, if the number of board members exceeds eleven (11) (including external directors and an employee director).
6. Amendment 7 was in effect from July 1, 2023 until December 31, 2025, and for some of the arrangements a later validity is determined as set out in the Amendment. Amendment 7 covers all the claims of the parties and the parties will maintain industrial peace in the matters regulated

²⁸ If the Company has a controlling shareholder, then for as long as 15 directors serve on the board of directors, one employee representative will also serve on the board of directors. If there are more than 15 directors, an additional employee representatives will serve on the board of directors.

therein for as long as it is in effect, and in any matter related to changes in the holdings of the Control Permit holders at that time (at the date Amendment 7 was signed), also after its expiration.

For information about the sale of the holdings of B Communications in the Company and the payment of the special bonus, see section 1.1.2.

Amendment 8 to the collective agreement

On January 22, 2026, Amendment 8 to the collective agreement ("Amendment 8") was signed, extending the provisions of the collective agreement unless such provisions were expressly changed or amended. Below are the main points of Amendment 8:

1. Amendment 8 includes the cancellation, effective January 1, 2026, of the linkage of long-term tenured employees to rights, terms of employment, and wages applicable in the State or in the public service, alongside salary increases and benefits for employees and enhanced retirement arrangements.
2. As part of the retirement arrangements, the Company may, at its discretion, terminate the employment of up to 160 long-term tenured permanent employees and new tenured employees of the Company (as defined in the collective agreement) on average per year in the period of Amendment 8 (as set out in section 5 below), and an additional 60 long-term tenured employees in 2032.
3. It should be noted that as at the reporting date, the Company is unable to fully assess the financial effect due to various uncertainties in the implementation of Amendment 8. However, the cost of employee benefits is expected to reach an aggregate amount of approx. NIS 200 million over the entire term of the agreement. The Company believes that if the retirement plan is implemented in full, it is expected to have a positive effect on the Company's results (excluding the retirement expenses, which will increase accordingly).
4. Exhaustion of rights and industrial peace – In the period of Amendment 8, the parties will maintain industrial peace and the exhaust claims in matters regulated therein.
5. Amendment 8 is valid until December 31, 2031, while the retirement arrangements will remain in effect until December 31, 2032.

2.9.5 Officers and senior management in the Company

As at the publication date of the Periodic Report, the Company has seven directors, including three external directors, one independent director (who is not an external director) and three directors who are not independent directors (including one employee director). In addition, the Company has 11 senior management members (10 senior management members as at April 1, 2026), an internal auditor, a group secretary, and a compliance officer.

The senior management members are employed under personal agreements that include pension coverage, payment of target-based bonuses, and advance notice before retirement.

For information about compensation for officers under Regulation 21 of the Israel Securities Regulations (Periodic and Immediate Reports), 1970, see section 7 of Chapter D of this Periodic Report and Note 29 to the 2025 financial statements.

On December 10, 2020, the Company's board of directors approved a capital compensation plan (the "Plan") according to which options may be allotted, representing approx. 2.94% of the Company's issued and paid-up capital fully diluted after exercise as at the date of approval by the board of directors. On December 12, 2020, an outline based on the Plan (as amended on January 14, 2021, May 9, 2022, and December 27, 2023, and December 18, 2025) was published (the

"Outline"). Under the Outline, from time to time, the Company makes allotments to the officers and/or employees in the Company and its subsidiaries.

On January 22, 2026, the general meeting of the Company's shareholders approved, among other things, an update to the Company's existing compensation policy and its extension for a three-year period starting from the date of the approval by the general meeting. The amendments include, among other things, updating the ceiling on the monthly base salary of officers, updating the ceiling on the performance-based bonus and equity-based bonus for VPs, updating the ceiling on the special bonus to six gross monthly salaries for an officer and setting a ceiling on the aggregate of all such bonuses to be granted to an officer over the entire policy period at fifteen gross monthly salaries, adding the possibility of eligibility for a one-time bonus for cancellation of the structural separation for the chairman of the board of directors and the relevant CEOs (subject to conditions), and allowing the Company to grant an equity-based bonus to its directors. For further information about the Company's revised compensation policy see the immediate report (amended) of January 1, 2026, on the convening of a general meeting, included in this report by way of reference.

For further information about the capital compensation plan – see Note 26 to the 2025 Financial Statements.

2.9.6 Addressing the cancellation of structural separation with employee representatives

As part of the Company's activity to cancel the obligation of structural separation between the Company and its subsidiaries (see section 1.7.3) and to advance the Company's activity on an issue that is of utmost importance to Bezeq Group, asked the representatives of the Company's employees (the "Employee Representatives") to support and advance successful completion of the measure, at this stage, regarding the efforts to cancel the structural separation between the Company and yes. Subsequently, on March 3, 2024, the Employee Representatives, in coordination with representatives of yes employees, announced its agreement to the Company's request (an agreement from which the Employee Representatives later withdrew, as set out below) to support the process, including reaching agreements between the parties for cooperation with and updating of the Employee Representatives on the Company's activities on the subject, including:

- 2.9.6.1 Informing and consulting with the Employee Representatives prior to any measure that constitutes a structural change in the process.
- 2.9.6.2 Regulating the implications of the measures on the employees of the Company and yes in a collective agreement (or another way that is agreed on); any measure with such implications will not be performed unilaterally prior to a reasonable and fair arrangement between the parties, with negotiations that include requirements for arranging financial consideration in favor of the employees.
- 2.9.6.3 Applying the arrangement with the required changes to any similar measure in the future for other subsidiaries.

The Company believes that the involvement of the Employee Representatives of the Company and yes will contribute to the Company's efforts to cancel the structural separation between the two companies.

On October 9, 2024, the Company received a notice from the chair of the Employee Representatives that they are not bound by the agreements and requests that all of the Company's activity on the matter is suspended. It should be noted that the notice of the chair of the Employee Representatives was on the background of earlier financial demands of the Employee Representatives on the subject. The Company intends to continue its commitment to the employees of the Company and yes under the agreements reached between the parties, and it continues to work towards structural separation with the relevant parties.

On December 26, 2024, the Company and yes received notices of a labor dispute in accordance with the Labor Dispute Settlement Law, 1957 (the "Notices"), which were declared and approved by

the Histadrut New General Federation of Labor (for the Company) and the Histadrut National Labor Federation (for yes), starting from January 12, 2025 (for the Company) and January 10, 2025 (for yes). In accordance with the Notices, the disputed matters refer to a demand to reach an arrangement for the consequences for employees of the planned consolidation of the Company's operations and yes (if implemented), due to the gradual process of cancellation of the structural separation in Bezeq Group, and the dead end/failure to reach agreements in negotiations to settle the consequences. The Company believes that there is no legal basis for declaring labor disputes, therefore there is no justification for the grounds, and it will continue to advance the cancellation of structural separation with the relevant parties.

Subsequently, on February 26, 2025, the Company received a notice from the chair of the Company's employees' committee, stating that the Employee Representatives, together with the employees' representatives of yes, will collaborate fully on the matter. However, on October 16, 2025, the Company received a notice from the chair of the Company's employee representatives stating that the employee representatives are withdrawing from the agreements. The Company remains committed to its employees in accordance with the agreements and continues its efforts to advance the cancellation of the structural separation, which, based on information provided to the Company, was expected to be decided upon by the Ministry of Communications by the end of 2025. At this stage, the aforementioned labor dispute has not yet been resolved.

2.10 Equipment and suppliers

2.10.1 Equipment

The main equipment used by the Company is exchanges, communication cabinets (MSAG), copper cables, optic cables, transmission equipment, data communication systems and equipment, servers, internet modems, and routers. The Company purchases most of the equipment for its communications infrastructure from Israeli companies affiliated with international communication equipment manufacturers. In addition, the Company purchases hardware and software from several suppliers.

2.10.2 Percentage of purchases from main suppliers and form of agreement with them

With respect to Section 23 of the First Schedule to the Securities Regulations, the Company considers a "main supplier" to be a supplier that accounts for more than 10% of the volume of the Company's annual purchases.

In 2025, the Company had no main supplier, as defined above.

2.10.3 Dependence on suppliers

Most of the equipment purchased for data communication, switching, transmission, and cellular systems is unique, and the possibility of receiving support other than through the manufacturer over the years of operation is limited. In view of the importance of manufacturer support for specific equipment used by the Company, the Company believes that it may be dependent on the following suppliers:

Supplier	Area
Nokia Solutions and Networks Israel Ltd.	Metro Ethernet and access systems to the NGN GPON equipment for fiber deployment by the Company
Juniper Networks	Metro transmission
Cisco / BroadSoft	Metro switches
Dialogic Networks (Israel) Ltd.	Transfer exchanges for connecting operators to the Company's switching network
Adtran Holdings Ltd.	Access systems to the NGN
DELL	Hardware and backup, restoration and survivability solutions for systems and infrastructures, and storage equipment

Supplier	Area
VMware	Infrastructure for most of the server virtualization system
Heights Telecom T Ltd.	Be Router
F5 Networks Inc.	ISP (carrier-grade NAT router)
Microsoft	Software solutions for the Company's computing infrastructure

Agreements with suppliers on which the Company may be dependent, as set out in this section, generally include a warranty period for a certain period and terms and conditions set out in the agreements, followed by another period of maintenance or support. Where necessary, the Company may enter into an agreement with the provider for support and maintenance services for a further period. These agreements usually include various forms of relief for the Company should the supplier breach the agreement. Such agreements with suppliers are usually long term.

2.11 Working capital

For information about the Company's working capital, see section 1.4 in the Board of Directors Report.

2.12 Investments

For information about the Company's working capital, see Note 12 to the 2025 Financial Statements and sections 3 and 4 to Chapter D in the Periodic Report.

2.13 Financing

2.13.1 Average and effective interest rates on loans

As at December 31, 2025, the Company is not financed by any short-term credit (less than one year). The following table shows the distribution of long-term loans (including current maturities):

Loan term	Source of finance	Principal amount (NIS millions)	Currency or linkage	Type of interest and change mechanism	Average interest rate	Effective interest rate	Interest range in 2025
Long-term loans	Banks	867	Unlinked NIS	Fixed	4.28%	4.33%	3.20%-5.33%
	Banks	700	Unlinked NIS	Variable, based on the annual prime interest rate **	6.21%	6.59%	5.86%-6.53%
	Non-bank sources*	4,276	Unlinked NIS	Fixed	4.26%	4.35%	2.79%-3.65%
	Non-bank 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 further information about the Company's loans, see Note 13 to the 2025 Financial Statements.

2.13.2 Restrictions on borrowings

2.13.2.1 Restrictions included in the Company's loans

See Note 13 to the 2025 Financial Statements. As at the date of the financial statements and the publication date of the Periodic Report, the Company is in compliance with all the restrictions applicable to it.

2.13.2.2 Bank of Israel restrictions on a single borrower and group of borrowers

The Supervisor of Banks' directives include restrictions on the liability of a single borrower and of a group of borrowers towards the banks. The Supervisor of Banks' directives could from time to time affect the ability of banks to grant further credit to the Company. For

information about the authorization to set restrictions on borrowings for a business group in the Market Concentration Law see section 1.7.6.6.

2.13.3 Reportable credit

As at December 31, 2025, the Company's reportable credit, in accordance with Legal Position 104-15 of the Israel Securities Authority (Reportable Credit Event) is Debentures (Series 11, 12, 13, and 14), as set out in Note 13 to the 2025 Financial Statements and section 4 of the Board of Directors Report.

All of the Company's loan agreements (public debentures and private loan agreements) include a cross-default clause establishing the right to immediate repayment if a third-party lender calls for immediate repayment of the Company's debts due to a default event in amounts exceeding the amounts set out in the loan agreements. As at the reporting date, the Company's loans do not include financial covenants, so the cross-violation covenant is not relevant to the financial covenants.

2.13.4 Credit received in and subsequent to the reporting period

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

On December 4, 2025, the Company completed a public offering of Debentures (Series 13 and 14), by way of expansion of the series traded on the TASE, under the shelf offering report dated December 2, 2025, which was published under the shelf prospectus published on May 9, 2023. As part of this public offering, NIS 905,255,000 par value Debentures (Series 13) were issued for a consideration of approx. NIS 806 million and NIS 192,781,000 par value. Debentures (Series 14) were issued for a consideration of approx. NIS 194 million. For further information see the Company's shelf offering report dated December 2, 2025 and the Company's immediate report dated December 4, 2025 regarding the offering results, which are included in this report by way of reference.

On this matter, see also section 4 of the Board of Directors' Report and Note 13 to the 2025 Financial Statements.

2.13.5 Company debentures

For details about the debentures issued by the Company, see Note 13 to the 2025 Financial Statements and section 4 to the Board of Directors Report. See also section 2.13.4.

2.13.6 Credit rating

The Company's debentures are rated by Standard & Poor's Maalot Ltd. ("Maalot") at iIAA (the same rating was affirmed by Maalot also with respect to the Company (iIAA/Stable), Pelephone and yes). In addition, the Company's debentures are rated by Midroog Ltd. ("Midroog") at Aa2.il with a stable rating outlook.

For information about the Company's rating history over the past two years, see the Company's immediate reports of January 9, 2024; May 2, 2024; December 4, 2024; May 5, 2025; and December 2, 2025 (Maalot); and January 9, 2024, May 19, 2024; December 4, 2024; May 7, 2025; and December 2, 2025 (Midroog), included herein by way of reference.

For further information see also section 4 of the Board of Directors' Report.

2.13.7 The Company's assessment regarding debt issuance in the coming year (2026) and the sources of such financing

In 2026, the Company is expected to repay an amount of approx. NIS 1.22 billion on account of the principal and interest on its loans, including debentures. Most of the Company's raising requirements for 2026 have already been realized as set out in section 2.13.4.

The Company raises capital from time to time to finance its cash flow. The financing options at the Company's disposal are raising debt by means of loans from banks and institutions and by issuing debentures (private or marketable).

2.13.8 Liens and collateral

For information about liens and collateral of the Company see Note 19 to the 2025 Financial Statements.

2.14 Taxation

For information about taxation, including carryforward losses for tax purposes of yes see Note 7 to the 2025 Financial Statements.

On December 14, 2025, the Company received a letter from the Israel Tax Authority, which, at the Company's request, extends the validity of the tax ruling in an agreement that includes preliminary approval of the Israel Tax Authority for tax purposes for the merger of yes with and into the Company, in accordance with Section 103b of the Income Tax Ordinance (the "Tax Ruling") for one year, meaning until December 31, 2026. It should be noted that the letter included a statement similar to that contained in extension letters from previous years, according to which the Israel Tax Authority may consider not extending the validity of the Tax Ruling beyond December 31, 2026, if no material developments occur in 2026 with respect to the cancellation of the structural separation. The Company believes that it is entitled to an extension of the Israel Tax Authority's approval in accordance with the terms of the Tax Ruling, and in any event, even if the validity of the Tax Ruling is not extended, the Company will be able to apply for a new tax ruling in place of the Tax Ruling. It should further be noted that, as part of the 2025 work plan of the Ministry of Communications, one of the key tasks specified was the preparation of a review of regulatory provisions relating to structural separation for telecommunications companies. In October 2025, the Ministry of Communications issued a call for public and industry comments regarding the renewed review of the structural separation obligation applicable to Bezeq Group and HOT (see section 1.7.3.1).

2.15 Environmental risks and means for their management

2.15.1 General

Some of the Company's facilities, such as broadcasting, wireless communications, or high-voltage facilities²⁹ are sources of electromagnetic radiation which are included in the definition of "radiation sources" in the Non-Ionizing Radiation Law.

2.15.2 Non-Ionizing Radiation Law

The law regulates the handling, establishment, operation, and supervision of radiation sources. Among other requirements, the law stipulates that the establishment and operation of a radiation source require a permit; sets punitive provisions and severe responsibility of a company, employees, and officers that breach the provisions of the law; imposes recording and reporting obligations on a permit-holder, and grants supervisory powers mainly to the Supervisor of Non-ionizing Radiation at

²⁹ The establishment and operation of these facilities require an establishment permit and an operating permit in accordance with the Non-Ionizing Radiation Law. The establishment of high-voltage facilities (transformers) in Company sites is aimed at providing energy for use by the Company's facilities.

the Ministry of Environmental Protection (in this section: the "Supervisor"), including regarding the terms of the permit, cancellation of the permit, and removal of a radiation source.

The Company has operating permits from the Supervisor for the communication facilities and broadcasting sites it operates. The Company also took the measures required to obtain radiation permits for the high voltage facilities on its properties. As at the reporting date, the Company has radiation permits for 13 high voltage facilities, all of which have an establishment and operation permit or valid category approval.

It should be noted that the Supervisor requires building permits as a condition for the continued validity of the operating permits for communications facilities (including broadcasting facilities), as well as compliance with additional conditions, including wireless access installations which have category approval granted to the Company by the Supervisor. See also section 2.16.11.

The law includes a punitive section with a stipulation that the construction or operation of a radiation source contrary to any of the terms of the permit and the construction or operation of a radiation source without a permit, after receiving a written warning from the Commissioner, are strict liability offenses.

2.15.3 Permits

For information about the permits for broadcasting facilities required under the Planning and Construction Law, see section 2.16.11.

2.15.4 Company policy for radiation risk management

The Company applies a work procedure for the construction, operation, and measurement of sources of non-ionizing radiation, and an appropriate compliance procedure that was approved by its board of directors. The Company has assigned an officer to oversee implementation of the compliance procedure. Periodic reports on the status of Sources of Radiation are submitted to the CEO and to the Board of Directors. For further information, see also section 2.20.9.

2.16 Restrictions and control of the Company's operations

The Company is subject to systems of laws that regulate and limit its business operations. The Ministry of Communications is the main body overseeing the Company's operations as a communications company and is permitted to issue instructions on various subjects.

2.16.1 The Telecommunications Order

The Company was declared a provider of telecommunications services under the Telecommunications Order. By virtue of this declaration, the Company is required to provide certain types of services and is not permitted to discontinue or narrow them. These services include basic telephone service, infrastructure service, transmission service and data communication service including interconnect, and other services listed in the addendum to the Order.

Due to the company's status as a provider of an essential service, the law imposes strict restrictions, including a limitation on exercising "significant influence" over the Company and a prohibition on "joint appointments". Under the Telecommunications Law and the Telecommunications Order, 'significant influence' is defined as the capability to significantly influence the Company's activities, even without formal control. The Telecommunications Law stipulates two primary presumptions of significant influence: The right to appoint an officer and the holding of 25% or more of the means of control. In addition, a joint appointment (the exercise of the right of appointment by more than one person) requires prior approval from the ministers. A joint appointment without approval is invalid. The Telecommunications Law and the Telecommunications Order impose criminal, financial, and administrative sanctions for violations of these provisions, including substantial fines, an obligation to sell excess holdings, and the cancellation of voting, appointment, and dividend rights. Accordingly, any action that may grant any party the ability to exercise material influence over the Company –

particularly any coordination or agreement regarding appointments – requires prior legal review and approval of the ministers.

Main provisions of the Telecommunications Order:

- 2.16.1.1 Restrictions on the transfer and acquisition of means of control in a company, which include a ban on holding 5% or more (7.5% or more for an Israeli institutional investor) of means of control of a certain kind without the prior written approval of the Prime Minister and the Minister of Communications (the "Ministers").
- 2.16.1.2 Transfer or acquisition of control in a company requires the approval of the Ministers after consultation with the Minister of Defense (the "Control Permit"). For information about the Amendment to the Telecommunications Order regarding the Control Permit see also section 1.1.2.
- 2.16.1.3 Holdings not approved as aforesaid will be considered "exceptional holdings", and the Order states that exercise of a right by power of exceptional holdings will not be valid. The Order stipulates that exercise of a right by power of exceptional holdings will not be valid. The Order also contains provisions authorizing the Ministers and the company to apply to the courts with an application for the enforced sale of exceptional holdings.
- 2.16.1.4 A duty to report to the Ministers upon demand is imposed on the Company, on any information on matters relating to provision of an essential service.
- 2.16.1.5 At least 75% of the members of the board of directors of the Company must be Israeli citizens and residents who have security clearance and security compatibility as determined by the General Security Service. The chairman of the board of directors, external directors, CEO, Deputy CEO, and other officers in the Company as listed in the Order, must be Israeli citizens and residents and have security clearance relevant to their functions.
- 2.16.1.6 "Israeli" requirements are set out for the controlling shareholder in the Company: for an individual – an Israeli Entity (as defined in the Order); for a company – incorporated in Israel, its core business is in Israel, and an Israeli Entity (as defined in the Order) holds at least 19% of the means of control in it, or at least 19% of the voting rights at the general meeting and rights to appoint directors who are controlling shareholders and has the right to appoint at least one fifth of the number of directors in the Company and its subsidiaries, and no less than one director in each, appointed by it, provided that the rate of holdings in the Company, directly or indirectly, do not at any time fall below 3% of any type of means of control of the Company.

The amendment to the Telecommunications Order (see section 1.1.2) adds an option for the controlling shareholder to replace the Israeli requirement if so instructed by the Prime Minister, under Section 13 of the Law, at the request of the General Security Service, and the General Security Service confirms that it includes alternative requirements to the Israeli requirement. In May 2024, the Company received directives that replace the Israeli requirement.
- 2.16.1.7 The approval of the Ministers is required for granting rights in certain assets of the Company (switches, cable network, transmission network and databases, and banks). In addition, granting rights in means of control in the Company's subsidiaries, including allotment of more than 25% of the shares in the subsidiary, requires the approval of the Ministers.
- 2.16.1.8 Certain actions of the Company require the approval of the Minister of Communications, among them voluntary liquidation, a settlement or arrangement between the Company and its creditors, reorganization or restructuring in the Company, a merger and split of the Company.

2.16.2 Control of Company rates

The Company's rates are subject to arrangements under Section 5 and Sections 15 to 17 of the Telecommunications Law and under the domestic carrier license as set out below in this section.

The Company's rates are subject to regulatory intervention (even if they are not set in the regulations), and from time to time, the Company is exposed to significant changes in its rate structure and level. Control of the rates makes it or could make it difficult for the Company to provide an appropriate and competitive response to market changes and to offer competitive prices at short notice. Furthermore, the restrictions on granting discounts limit the Company's participation in certain tenders.

Below are the main control arrangements over the Company's prices:

- 2.16.2.1 Service with a rate set out in the Regulations – Section 15 of the Telecommunications Law, the Minister of Communications, with the consent of the Minister of Finance, may set payments (including maximum or minimum payments) for the services of a license holder. The payment can also be set on the basis of (1) cost, based on the calculation method instructed by the Minister plus a reasonable profit; or (2) benchmark points arising from one of the following: payment for services provided by the license holder; payment for comparative services; payments in other countries for such services.

The telephony services provided by the Company (for subscribers with 3 lines or fewer) are stipulated as maximum tariffs in the regulations. Additionally, the Company is permitted to market telephony service packages that include a telephone line and call minutes, at rates that it sets in accordance with Section 17 of the Telecommunications Law, provided that the payments in these packages are lower than the payments arising from the maximum rates to be determined.

- 2.16.2.2 Interconnect rates – The Ministers of Communications and Finance are authorized (under Section 5 to the Telecommunications Law) to set interconnect fees or payment for a license holder's use of the telecommunications facilities of another license holder, and to issue instructions in this regard (including for related arrangements), among other things, based on the parameters set out in section 2.16.2.1. For further information, see also section 1.7.6.1.
- 2.16.2.3 Rates not set under the Regulations – The Company may request a reasonable payment for a service for which a payment is not set or for which a maximum or minimum payment is set in accordance with Sections 5 or 15 of the Telecommunications Law. Under the Company's license, the Company will offer these rates to interested customers throughout the country and regarding a fiber network in the service area set out in Appendix K-1, without discrimination and at a uniform rate according to the types of services.

The Minister of Communications may instruct the Company to notify him of any payment the Company intends to request as set out above and of any change in the payment before providing the service or implementing the change. If the Minister of Communications determines that the Company intends to request an unreasonable payment, or a payment that raises a concern of harm to competition, the Minister may determine (for a period not exceeding one year) the maximum payment that the Company may request for the service or the separation of the payment for the service from the payment for the bundle of services. The Minister may assess whether the payment is unreasonable, among other things, based on the parameters in section 2.16.2.1(1) above and may assess the payment based on the provisions in section 2.16.2.1(2) above. Under the license, the Company is required to notify the Ministry of Communications of the rate it sets 14 days in advance.

2.16.2.4 Not applying the margin squeeze – On March 27, 2023, the Ministry of Communications published the ruling of a hearing regarding the format for assessing margin squeeze by owners of fixed-line communication infrastructure.³⁰ In accordance with the ruling, the margin squeeze test will be applied to a retail product based on the Company's fiber network in the deployment areas, and may be extended by the Ministry to other companies. Licensed providers that deploy advanced networks in the incentive areas will be subject to the margin squeeze format determined in the ruling of the Minister of Communications regarding determining an obligation and maximum payment for ultra-broadband access service on the fiber network of the winners of the incentive fund tenders. The ruling describes the method for calculating prices underlying the test and determines that the retail margin component will be calculated as a 25% increment on the wholesale cost, plus the G component (representing the cost of international transmission), or alternatively, as a 20% reduction from the retail price to the end customer plus the reduction of the G component.

The test is used as an independent assessment, instead of establishing a rigid framework including reports and advance approvals for each marketing proposal. Failure to comply with the margin squeeze test will lead, among other things, to the exercise of the powers of the Minister of Communications under Section 17(C) of the Telecommunications Law and to a reduction of the wholesale payment for a BSA in a way that will bring it within the limits of the proposed test for one year. This year, the Minister may consider a permanent update of the reduced rate in the Regulations.

It should be noted that prior to the ruling in the hearing, the Company also performed an independent assessment of not applying the margin squeeze in the BSA service.

2.16.2.5 For information about wholesale service rates and new pricing for all wholesale rates, see section 2.16.5.

2.16.3 The Company's domestic carrier license

The Company operates, among other things, under the domestic carrier license.³¹ The main topics covered in the license are:

2.16.3.1 Scope of license, the services the Company must provide, and the duty of universal service

The Company is required to provide its services to all on equal terms for each type of service, irrespective of location or unique cost. The license is unlimited in time; the Minister may modify or cancel the license or make it contingent; the license and any part of it cannot be transferred, no charge can be imposed on it, nor can it be subject to attachment. For information about the obligation for deployment and universal service regarding fiber infrastructure see sections 2.7.2, 2.16.5, 2.16.4, and 2.16.5. The license also includes the wholesale services that the Company is required to provide according to the relevant service portfolios (see sections 1.7.5 and 2.16.5).

2.16.3.2 Structural separation principles

For a description of the structural separation principles applicable to the Company see section 1.7.3.

2.16.3.3 Rates

³⁰ Margin squeeze exists when an infrastructure owner holding market power and providing wholesale services to its competitors narrows the margin between its retail rate for the consumer and the wholesale rate for its competitors, impairing the economic viability of the competitors' purchase of wholesale inputs from it and marketing retail services to the consumer on their basis.

³¹ A copy of the domestic carrier license appears on the Ministry of Communications website at www.moc.gov.il.

For a description of the main provisions for rates see section 2.16.2.

2.16.3.4 Marketing joint service bundles

For information about the provisions in the domestic carrier license that allow the Company to apply for permission to market joint service bundles subject to restrictions, see section 1.7.3.2.

2.16.3.5 Operations of Company networks and service standards

The Company is required to maintain and operate the network and provide its services at all times, including in emergencies, in an orderly and proper manner according to the technical and service quality requirements, and to take steps to improve its services. The license includes an appendix for the "level of service for the subscriber". The Company submitted its proposals for amendment of the appendix to the Ministry, adapting it to the current state of affairs and the licenses of other operators, however, as at the reporting date, the amendment report has not yet been published. For information about the provisions of the license regarding the response of the call centers see section 1.7.6.3.

2.16.3.6 Interconnect and use

Provisions were established regarding the obligation for interconnection with other public networks and allowing other license holders or a broadcasting license holders to use the Company's network, including by providing transmission services, for telecommunications operations or services, including wholesale services, under reasonable and equal conditions, while avoiding preferential treatment for a related company.

2.16.3.7 Security arrangements

Provisions were established for operation of the Company's network in an emergency, including the obligation to manage it in a way that prevents its collapse in such situations, as well as detailed guidelines for preparedness to maintain functional continuity in an emergency.

The Company is required to provide telecommunications services and set up and maintain the terminal equipment infrastructure for the security forces in Israel and abroad, as provided in its agreements with the security forces. Furthermore, the Company provides special services to the security forces. The Company will take action to ensure that each purchase and installation of hardware in its telecommunications installations, except for terminal equipment, will be made in full compliance with instructions given to the Company according to Section 13 of the Telecommunications Law.

The Company is required to appoint a security officer and to comply fully with the security instructions contained in the appendix to the license. For information about the provisions of the license regarding preparation for cyber defense management, see section 1.7.8.

2.16.3.8 Supervision and reporting

Extensive reporting duties to the Ministry of Communications are imposed on the Company. In addition, the Director General at the Ministry of Communications (as defined in the Company's license) is granted the authority to enter facilities and offices used by the Company and to seize documents.

2.16.3.9 License validity

The license is valid for an unlimited period. The Minister of Communications may revoke, restrict, or suspend the license, as the case may be, in any of the cases set out in Section 6 of the Telecommunications Law, provided that the Company has been given a reasonable opportunity to present its arguments.

2.16.3.10 Miscellaneous

- A. The domestic carrier license includes restrictions on the acquisition, maintenance, and transfer of means of control under the Telecommunications Order (see section 2.16.1) and on cross-ownership, which include mainly a ban on crossholding by entities with an interest in another material domestic carrier³² as set out in the license, and restrictions on crossholding by holders of domestic carrier licenses or general licenses in the same operating segment.
- B. The Company submitted a bank guarantee of NIS 15 million to the Director General of the Ministry of Communications as collateral for fulfillment of the terms of the license and for indemnifying the state for any loss it incurs due to their violation by the Company.
- C. The Director General at the Ministry of Communications is authorized to impose a fine for violation of any of the terms of the license (for further information see also section 1.7.6.5).
- D. In a calendar year, the Company may invest up to 25% of its annual revenue in operations not intended for providing its services (the revenues of the subsidiaries are not considered Company revenues for this purpose).
- E. License to provide services in Judea and Samaria – On October 26, 2020, the Company was issued a general license to provide domestic fixed-line telecommunications services in Judea and Samaria (prior to this, the service was included in the Company's general license). The introductory letter attached to the license states that the license refers to the Company's general license issued by the competent authorities at the Ministry of Communications, with the necessary adjustments for the area. It reflects the existing situation in the infrastructure owned by the Company and for which it is responsible. The license will remain in effect for as long as the security legislation, jurisdiction, and administration of the Israel Defense Forces in Judea and Samaria apply in the area, and subject to compliance with the provisions of the license.
- F. On May 16, 2022, the Company received a call for public comments published by the Ministry of Communications for the provision of communications services to the business sector, in which the Ministry is calling on companies in the communication market that provide communications services to the medium-large business sector, to describe their operations in the sector and the barriers to expanding their operations. This is to advance regulation that will increase competition in the sector. According to the call for public comments, the medium-large business customer market is characterized by a significant economy of scale and significant barriers to entry and expansion that also limit the long-standing players. In addition, the Company's market share in the sector and the rate of change in these market shares indicate a low level of competition in the sector that affects prices and the level of services received by businesses in Israel, and therefore, the Ministry is taking steps to assess the state of competition and barriers in the sector and is asking for the opinions of the players. On June 20, 2022, the Company submitted its reference to the call for public comments, according to which the communication sector for large and medium-sized businesses is a competitive market with no barriers to entry and expansion and no market failures, and in such circumstances regulatory intervention is not required.

For information about the wholesale market and wholesale service files see section 2.16.5.

For information about the provisions of the Company's license regarding determining obligations for deployment on a fiber network, see section 2.16.4.

³² A domestic carrier with a market share of 25% or more

2.16.4 Advanced network – fiber

2.16.4.1 The Telecommunications Law regulates (under the amendment to the law dated December 24, 2020), the deployment of an advanced network (the fiber network), accordingly, the Company is permitted to select the statistical regions in the country for deployment of the fiber network (a network not based on the copper network) and provide internet access service over it.

The Company is required to deploy its fiber network across all the statistical areas it has selected (the "Service Areas") no later than March 14, 2027 (six years from the effective date set in the Company's license), and it is prohibited from deploying a fiber network in Service Areas it has not selected, as set out below (for information about the scope of the Company's fiber network deployment as at the publication date of this report, see section 2.1.8).

A fixed-line telecommunications service provider other than the Company (such as HOT) is not obligated to deploy a fiber network or provide telecommunications service over the network in any specific area, however it is permitted to do so throughout the country, including in incentive areas (for information about the winners of incentive tenders, see below).

The law provides an incentive to authorized providers to deploy networks in statistical areas that the Company did not select as Service Areas ("Incentive Areas"). The main incentives include reduced payments for use of the Company's passive infrastructure in the Incentive Areas and funding from an incentive fund managed by the Accountant General at the Ministry of Finance. The fund is financed through mandatory annual contributions of liable entities,³³ including the Company, at a rate of 0.5% of their annual income. The Minister of Communications, with the agreement of the Minister of Finance and approval of the Economic Committee, may change this rate. In 2023 to 2025, the deposit rate was 0% in accordance with orders issued under this authority. Further to the orders, there was a decrease of approx. NIS 40 million in the Group's expenses for each of these years compared with 2022.

Amounts from the incentive fund are allocated under tenders. Under the tender terms, the tender committee may establish threshold conditions for participation in the tender, including the condition that a participant in the tender must be a license holder. The sole criterion for selecting winners in the tenders is the proportion between the number of households in the Incentive Areas in the participants' bids and the amounts from the incentive fund to be allocated under the tenders.

The license or the administrative order of the tender winner includes an obligation to deploy a fiber network in a service area that includes the Incentive Areas won by it, including an obligation to provide ISP service on the network to anyone who asks for it, within the timeframes to be specified in the license. The establishment of such an

³³ "Liable entity": an entity with an infrastructure or marketing affiliation, whose most recent annual revenue exceeds NIS 10 million.

"Holder of an infrastructure affiliation": an authorized provider whose revenue in the most recent financial year consists of at least 50% from one or a combination of the following: (1) providing services related to infrastructure; (2) selling a bundle of services or services and goods, which also includes a service related to infrastructure provided by the authorized provider

"Holder of a marketing affiliation": an entity that, in its most recent financial reporting year, met both of the following conditions: (1) it was a corporation controlled by an holder of an infrastructure affiliation, a corporation that is a controlling shareholder of an infrastructure affiliation, or a corporation whose controlling shareholder is a controlling shareholder of an infrastructure affiliation; (2) it provided one or more of the following services as part of a service bundle that also included a service related to infrastructure, provided by the holder of infrastructure affiliation to which it is connected, as set out in section (1): (a) Telecommunications service; (b) provision of visual and audio content to subscribers, including over the internet; (c) sale or supply of end-user equipment;

obligation in Judea and Samaria will be subject to the statutory provisions applying in Judea and Samaria.

The Company and a related corporation are prohibited from participating in the tender for allocations from the incentive fund, or from deploying a fiber network and providing services on it in the Incentive Areas, until five years after the date of the deployment obligation in the license for the winner of the tender.

The Minister may permit the Company, at its request, to deploy a fiber network and provide services on it in Incentive Areas for which allocations have not yet been made from the incentive fund, provided the proportion of households in the areas to be included in their application does not exceed 10% of the households in the areas included in the statistical areas selected by the Company.

The above restrictions do not detract from the ability of the Company or a related corporation to deploy a fiber network in an incentive area to provide a telecommunications service to a business subscriber, or to provide a service to a business subscriber on a fiber network that was deployed.

The law further stipulates that ownership of the internal wiring in a fiber network will belong to the subscriber whose premises the wiring serves. A licensed provider may demand reasonable payment for installation.

- 2.16.4.2 On June 15, 2021, the Company's license was amended, and among other things, an appendix was added with a list of statistical areas selected by the Company, covering approx. 76% of the population in Israel, with an estimated 80% of households. The license also includes milestones for completion of deployment of the fiber network, as follows: Completion of deployment to buildings in which the cumulative percentage of households is 60% of all households in the service area (all the statistical areas chosen by the Company) – no later than two years after the effective date (March 14, 2021)³⁴; 80% – no later than three years after the effective date; 95% – no later than five years after the effective date; completion of deployment to all the buildings in the service area no later than six years after the effective date.

The tenders committee set up under Section 14D of the Telecommunications Law published two tenders for the Incentive Areas, on October 31, 2021 and on February 1, 2023. According to the Ministry of Communications, the winners of the tenders won the vast majority of the Incentive Areas and as at July 2023, there is an obligation to deploy and provide internet access service on a fiber network in approx. 99.5% of households.

The Company's requests to add service areas in which it will deploy a fiber network and provide services were approved by the Ministry of Communications on October 3, 2022; August 14, 2023; July 7, 2024; February 13, 2025; July 20, 2025; and December 30, 2025. The approved areas include "returned areas" that the interministerial tenders committee permitted certain winners of the incentive tenders to cancel their right to deploy a fiber network for several reasons. The updated proportion of households in the Company's deployment areas will be approx. 88.63%.

- 2.16.4.3 For fiber internet services provided by authorized providers, the Ministry of Communications determined that the type of infrastructure (independent or wholesale) will not be used as a feature allowing providers to offer different terms or rates.
- 2.16.4.4 Deploying fiber in residential buildings

Regarding the deployment of fiber in new residential buildings, on June 8, 2021, an amendment to the Planning and Construction Regulations (Application for a Permit, its Conditions and Fees), 1970, was published. The Telecommunications Law also sets out

³⁴ The date when the Company began to provide ISP services on the fiber network for a fee

conditions for deploying a fiber network in an apartment building without the consent of the majority of the apartment owners.

2.16.4.5 Imposition of a monetary sanction regarding the deployment of advanced infrastructure in incentive areas

On December 31, 2025, the Director General of the Ministry of Communications decided to impose a monetary sanction of approx. NIS 8 million on the Company for a violation relating to the deployment of advanced infrastructure in incentive areas, following a determination, based on a supervisory report by the Ministry of Communications, that the Company violated the provisions of Section 14E of the Telecommunications Law by deploying advanced infrastructure in incentive areas where it is not authorized to do so, before five years had elapsed from the date of the deployment obligation under the winning licenses in those areas. In a prior hearing held for the company on the matter, the Ministry of Communications announced its intention to impose a monetary sanction in the amount of approx. NIS 10 million. Following the company's arguments at the hearing, including that the circumstances involved minor, isolated, and unintentional malfunctions, the Ministry of Communications reduced the amount of the sanction to approx. NIS 8 million, as noted, after some of the Company's arguments were accepted.

2.16.5 Wholesale market

The Company provides services under a wholesale market model, under which the obligation to sell wholesale services to other communications operators was imposed on owners of nationwide fixed-line access infrastructure (the Company and HOT) and IBC for wholesale internet service, passive infrastructure, and dark fiber.³⁵

The regulatory provisions regarding the wholesale market, as well as its implementation and development in the reporting period, affect a material part of the Group's operations.

2.16.5.1 BSA service

This service allows service providers that do not own infrastructure to offer their customers end-to-end internet services that includes their ISP service (internet access) and the Company's infrastructure service³⁶, without deploying their own fiber network, or, alternatively, in addition to providing service over their own network, in areas where they wish to provide service to end customers. The service is provided on the Company's traditional network (copper) and on the fiber network. Since the service was launched, hundreds of thousands of customers have switched services through these service providers. For further information see sections 1.5.4.1 and 2.1.3.

The BSA service, referenced in the Company's license and considered part of it, also includes (from February 2022) the BSA Fiber Service chapter, which imposes obligations on the infrastructure owners, including the Company, to periodically publish, via the automated interface (API) and on their websites, information regarding fiber network deployment (this obligation applies to the Company and to IBC). In addition, the Company is also required to publish detailed statistical information about a wide range of

³⁵ Regarding passive infrastructure – unless it concerns infrastructure essential to the Israel Electric Corporation

³⁶ It should be noted that in the early days of the service, the Ministry's supervision of the Company resulted in fines amounting to approx. NIS 8.5 million, which the Company paid. Subsequently, after receiving a request for disclosure of documents under Section 198A of the Companies Law regarding the financial sanction, and after the Company's board of directors rejected an application to file a derivative claim against Company officers and determined that under the circumstances, the Company does not have solid grounds for a claim against officers and against other office holders that served in the relevant periods, and that legal proceedings in the matter will not be beneficial to the Company, in February 2022, the applicant filed a motion for certification of a derivative claim against Company officers (all but one are former officers) in the amount of the financial sanction plus interest and linkage differences. The case was concluded in a settlement as set out in section 2.18.1.

parameters on an internal interface between the operators. On June 20, 2021, the Ministry added a requirement to the reporting regulations for detailed periodic information about accessibility and connection to fiber optics, according to uniform parameters and regarding the number of fiber optic subscribers, divided into statistical areas. This requirement applied to providers deploying fiber. The service file requires the Company and HOT to provide BSA service, and some provisions apply to IBC. The service file further states that it constitutes a detailed structure of the wholesale provisions, that it will serve as a source of interpretation for wholesale arrangements applicable to IBC, and that the Ministry may apply additional sections from the service file to IBC as it sees fit. For BSA fiber service, the infrastructure owner required to provide the service is also the one granted a license to establish a fixed-line telecommunications network. This obligation applies to the Company's deployment areas, incentive area, or any other obligation determined by law.

BSA service tariffs over the copper network (prior to the amendments introduced in the new Usage Regulations of February 26, 2026)

The Usage Regulations set maximum rates for the service, which were updated between 2017 and 2023 in accordance with the demand forecast index based on formulas established by the Minister in his notices regarding the Usage Regulations. For 2017 and 2018, the update according to the demand forecast index was applied retroactively and included a graded offset mechanism. On December 31, 2023, an amendment to the Usage Regulations was published, canceling the update mechanism and stipulating that the rates for 2024 would be updated in accordance with the change in the CPI published in November 2023 compared with the CPI published in November 2022. On January 1, 2025 and December 31, 2025, , a temporary order was published according to which the maximum payments for the service will not be updated on January 1, 2025 and January 1, 2026, respectively.

BSA service tariffs over fiber infrastructure ("BSA Fiber") (prior to the amendments introduced in the new Usage Regulations of February 26, 2026)

The Usage Regulations set the maximum rates for accessibility and data transfer services at a cumulative speed of up to 550 Mbps and over 550 Mbps and up to 1,100 Mbps. Under the Regulations, the rates are adjusted once a year on January 1, starting in 2021, according to changes in the CPI. Following the IRU agreement with Partner for BSA Fiber (wholesale market), the Company lowered the prices of individual lines in the BSA Fiber service. Under the IRU agreements that the Company signed with Partner and Gilat, these companies acquired the irrevocable right of use for lines in the BSA service for at least 15 years, with advance payment in installments at a price reflecting the obligation (see section 2.6.2.2). For information about BSA Fiber pricing, the temporary order, and the petition filed by several companies at the High Court, see section 2.16.5.3. The Company is entitled to demand a reasonable payment for the initial installation service of internal wiring³⁷ to the premises of the subscriber. In accordance with the Telecommunications Law, internal wiring installed to provide telecommunications service on a fiber network will be owned solely by the party whose premises the wiring serves.

The Amendment to the Usage Regulations of February 15, 2022, stipulates the obligation to deploy in an incentive area (where the license or the administrative order of the domestic carrier includes a requirement to deploy a fiber network under Section 14D(f) of the Law) for BSA service over fiber in the Incentive Areas. The maximum payment that a company deploying lines in the incentive area is permitted to demand from another licensed provider for broadband access service on a nationwide connection level is the same as the payment that Bezeq is permitted to demand, and it does not include

³⁷ Internal wiring is part of the telecommunications network installed in the premises of a person and in common premises and is intended to serve the premises of that person alone.

installation and repair of malfunctions at the subscriber's home; a company deploying lines in the incentive area may charge a reasonable rate for this, which will be set, and it will also be required to meet the margin reduction test. On February 26, 2026, updated regulations were published, following the decisions in the hearing on wholesale market tariffs, as set out in section 2.16.5.3.

In a decision dated February 26, 2026, the wholesale service file (BSA + telephony) was amended to include a virtual unbundled local access (VULA) service on advanced networks.

2.16.5.2 Wholesale service use of passive infrastructure

In accordance with the Mutual Use of Passive Infrastructure Service File and following an extension in the Director's directive in this matter, the Company is required to allow authorized providers to use its passive infrastructure in statistical areas and Incentive Areas, subject to compliance with security regulations. The service is also provided as mandated to owners of IBC and HOT infrastructure. At the same time, authorized providers are required to allow "mutual" use of their infrastructure.³⁸ Additionally, according to the Use of Physical Infrastructure Service File, the Company is required to allow holders of a unique general domestic operator license to use available dark fiber on the Company's available optical cable or a virtual wavelength from existing wavelengths on the fiber optic network. The Ministry's decision dated February 26, 2026 included an amendment to the Use of Physical Infrastructure Service File, adopting the reciprocity model for the dark fiber leasing service, also with respect to the Company, HOT, and IBC. In addition, the optical wavelength service was removed, as it had not been included in the wholesale market tariff hearing regarding the determination of maximum charges, due to the lack of demand for the service.

Expanding the option to use the Company's passive infrastructure increased the extent of damage caused to the Company's infrastructure by operators and the difficulty of monitoring use.

For information about the provisions of the Competition Authority regarding passive infrastructure and the judgment on the Company's appeal see section 2.16.9.5. For information about a motion for certification of a class action and two demands to exercise rights before filing a derivative claim on this matter see section 2.18.1.G.

Service tariffs (prior to the amendments introduced in the new Usage Regulations of February 26, 2026)

The rates for use of the Company's passive infrastructure and dark fiber are also fixed in the Usage Regulations. In accordance with Section 14 D(i) of the Telecommunications Law, in regulations published on July 21, 2022, the Minister set a reduced rate for use of the Company's passive infrastructure (including dark fiber) in the Incentive Areas, and in the area beyond the Incentive Areas,³⁹ which is about one quarter of the rate in the Company's service areas for infrastructure access service and more than one third for dark fiber service. For information about the significant reduction in usage service rates across all areas and an additional reduction proposed in the Ministry of Communications' hearing of July 2025, see section 2.16.5.3.

2.16.5.3 Pricing of wholesale market services

On March 28, 2024, the Ministry of Communications published a hearing regarding setting of maximum payments for the use of passive infrastructure in Bezeq network (the

³⁸ Other than passive infrastructure of a licensed domestic carrier held by IEC and which it requires for its operations as a licensed critical service provider.

³⁹ 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 determining regulation regarding identification of usage in these areas.

"Hearing"). The Hearing does not address the adjustment of rates for the BSA service, for which the Ministry announced that it intends to perform an economic assessment of the service and its effect on the on the fixed-line communications market, including assessment of the scope of the obligation to supply this service. The reason for this is because, unlike passive access infrastructure, there are competitive disadvantages in their significant and immediate reduction (see further information later in this section).

Following the Hearing and the Company's consent, on January 1, 2025, an amendment to the Usage Regulations was published, reducing four rates that the Company is authorized to charge, applicable from April 1, 2024 until June 30, 2025, as follows (NIS per month, without VAT):

	Current rate in the regulations	Proposed rate	Measurement unit
Monthly payment for access service to passive infrastructure not in the Incentive Areas and not in infrastructure in the area beyond the Incentive Areas.	0.446	0.250	Meter
Monthly payment for access service to passive infrastructure in the Incentive Areas or in infrastructure in the area beyond the Incentive Areas.	0.113	0.107	Meter
Monthly payment for dark fiber service not in the Incentive Areas and not in infrastructure in the area beyond the Incentive Areas.	0.546	0.300	Meter
Monthly payment for dark fiber service in the Incentive Areas and or in infrastructure in the area beyond the Incentive Areas.	0.208	0.197	Meter

On June 30, 2025 and December 31, 2025, amendments were made to the Telecommunications Regulations (Telecommunications and Broadcasting) (Use of a Domestic Carrier's Public Telecommunications Network) (Temporary Provision) (Amendment), 2025, extending the validity of the tariffs until December 31, 2025, and until February 28, 2026, respectively, to allow completion of the work on the new cost model by the professional team. On February 26, 2026, the Ministry published its decision in the hearing and the updated Usage Regulations, in which the tariffs were anchored as set out below in this section.

The tariffs were not linked to the CPI at the beginning of 2025 nor at the beginning of 2026.

On February 23, 2025, the Ministry of Communications issued a call for public comments for the ex-ante regulatory oversight method for BSA (wholesale internet) rates, which is currently carried out by setting maximum rates for the BSA service (the "Call for Public Comments"). As stated in the Call for Public Comments, following market developments, including three wholesale networks with extensive coverage, the voluntary agreements signed in the market, and the European Commission's recommendations to minimize price regulation in areas with infrastructure-based competition or joint investment agreements, the Ministry is reviewing the extent of its intervention in BSA rates and is seeking public comment to assist the Ministry in evaluating appropriate regulatory and oversight aimed at expanding competition and reducing the regulatory burden. On March 23, 2025, the Company submitted an economic opinion together with its response to the Call for Public Comments, stating that the Israeli internet market is currently at a competitive equilibrium that provides appropriate investment signals and positive trends across all quantitative and qualitative indicators. Accordingly, this equilibrium should be maintained, and no ex-ante regulation should be imposed. In the absence of any identified anti-competitive conduct, ex-post oversight based on antitrust laws would be sufficient.

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

On July 29, 2025, the Ministry of Communications published a public hearing regarding the setting of maximum payments in the wholesale market. According to the hearing, the Ministry believes that it is necessary to update the cost model underlying the wholesale tariffs and to set new tariffs for the Company.

The full text of the hearing (without appendixes) is attached to the Company's immediate report dated July 29, 2025, included in this report by way of a reference. On October 15, 2025, the Company submitted its response to the hearing, stating that, in its view, the reduced tariffs proposed in the hearing should be significantly increased.

On February 26, 2026, the Ministry of Communications published the Minister's decision in the hearing (together with recommendation documents and a draft license amendment), establishing new wholesale tariffs that are higher than those published in the hearing document for wholesale services provided by the Company to all companies (including HOT). Under the decision, the price for connecting a customer to the Company's fiber infrastructure will be reduced from NIS 72 to NIS 58 (not linked to the CPI) for download speeds of up to 1 Gbps. From September 1, 2028, price regulation on wholesale fiber tariffs will be fully removed for large market players (companies with 300,000 subscribers or more). The Ministry also announced that the cost of deploying an independent network over the Company's infrastructure, which is also higher than the cost published in the hearing document, will be set at NIS 180 per deployment kilometer, linked to the CPI. In addition, the decision sets a quota for the number of BSA lines the Company is required to provide to each of the large companies (Cellcom, Partner, and HOT). This quota will be calculated according to a set formula, which varies based on changes in the number of residential units with access only to the Company's infrastructure (lines included in IRU agreements will be included in the quota).⁴⁰ The formula will be updated twice a year. From September 2026, exceeding the quota will require Ministry approval. Until August 31, 2028, the quota will be supplied at the regulated price set in the decision. From that date onward, the Company will no longer be obligated to sell to the large companies at a regulated price. Other companies (that are not large) will retain the option of unlimited access to BSA provided by the Company at a regulated price (until March 2031). For further information, see also the Company's immediate report (which includes the Minister's decision), included in this report by way of reference. The Minister's decision was anchored in the Telecommunications Regulations (Telecommunications and Broadcasting) (Use of a Public Telecommunications Network by a Service Provider), 2026.⁴¹

The Company estimates, based on the decision, that the effect of the tariff reduction is not expected to be material to the Group's results. Furthermore, the reduction of the proposed tariff reduction is expected to have a positive effect on yes. As a result, the Company recognized a one-time accounting gain of NIS 70 million in its financial statements for the third quarter of 2025 (shortly after publication of the hearing), reflecting the increase in the fair value of yes in the Company's reports. For further information see also Note 10.4 to the Financial Statements.

The information in this report, including regarding the effect and implications of the decision on the Company and its operations, constitutes forward-looking information as

⁴⁰ Under the formula, the number of residential units with access only to the Company's infrastructure will be multiplied by the relevant company's share of retail internet lines (fiber and copper) relative to all large companies, including the Company.

⁴¹ It should also be noted that on February 26, 2026, an amendment to the Company's license was published, anchoring the requirement to obtain prior Ministry approval for any agreement between the Company and another large company. Under the amendment to the license, this requirement applies to new agreements and/or material expansions or amendments to existing agreements.

defined in the Israeli Securities Law. Such information is based on the Company's assessments, assumptions, and expectations based on the information available to it at the reporting date. The Company's assessments may not materialize or may materialize only partially or in a materially different manner, depending on the factors mentioned above, including factors beyond the Company's control.

It should be noted that on September 19, 2024, a petition was filed with the High Court of Justice by three telecommunications operators, including Gilat, for an order nisi against the Minister of Communications, the Ministry of Communications, the Company and other formal respondents, requesting that the Ministry of Communications brings forward the publication date of the hearing and apply the rates to be set retroactively from September 2023. According to the respondents (the Minister of Communications and the Ministry of Communications) in their preliminary response to the petition, the petition should be dismissed, as there is no basis for judicial intervention in the professional staff work then being conducted at the Ministry of Communications, which includes assessment of maximum rates for providing BSA fiber service, and the assessment of the need for further market regulation has not yet been completed. On December 15, 2024, Gilat notified the court of its request to withdraw from the proceedings, after signing the IRU agreement with the Company on December 12, 2024 (see section 2.6.2.2), while the other applicants requested to continue with the hearing of the petition. In September 2025, the respondents submitted a final update notice regarding the publication of the hearing (described in this section above) to set maximum tariffs for the use of the service. Subsequently, on October 15, 2025, the court issued a ruling dismissing the petition without an order for costs.

2.16.5.4 Wholesale telephony service

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

There was no actual demand nor were there any customers at all (except for very few and for tests) for the wholesale telephony service in all the formats over the years.

2.16.6 Authorities for real estate

Under the provisions of Section 4(F) of the Telecommunications Law, the Minister of Communications granted the Company certain powers related to real estate, as set out in Chapter F of the Law.

The Law distinguishes between land owned by the state, the Development Authority, the Jewish National Fund, a local authority, or a company lawfully established and owned by one of them, and a road ("Public Land"), and other land ("Private Land"). Regarding Public Land, the Company and any person authorized by it, can enter it to perform network deployment and maintenance works and to provide telecommunications services, provided that the deployment according to the provisions of the Planning and Construction Law. The amendment to the Telecommunications Law and the Planning and Construction Law cancels the requirement for the approval of the local Planning and Construction Committee, such that certain actions do not require a building permit if performed by a license holder that was granted powers under Chapter F of the Telecommunications Law, if performed according to an approved plan.

A network on Private Land will be deployed according to the provisions of the Planning and Construction Law and requires the consent of the landowner, the long-term lessee, or the protected tenant, as the case may be.

Under the provisions of the Telecommunications Regulations (Telecommunications s and Broadcasts) (Installation, Operation and Maintenance), 1985, if the Company believes that providing a telecommunications service to an applicant requires the installation of a telecommunications device on the applicant's premises (or on shared premises), the Company may request that the applicant,

as a prerequisite for providing the requested service, allocates a suitable place on the premises for installation of the device, for the sole use of the Company, and it may use the device to provide service to other applicants as well.

Under the provisions of the Planning and Construction Regulations (Application for a Permit, its Terms and Fees), 1970, an applicant for a permit to construct a residential building is required to install infrastructures for telephony, television, and internet services so that the customer is free to choose the provider. At the same time, the Company's license was amended (as well as the licenses of HOT Telecom and yes), so that if the Company uses the internal wiring (part of the access network installed in residences and in apartments for the sole use of these residences) to provide its services, it is required to provide maintenance services for the wiring installed by the permit applicant, without this granting it any proprietary rights in the internal wiring. For information about the draft amendment to these regulations for the requirement to install fiber infrastructure, see section 2.16.4.4.

2.16.7 Immunities and exceptions to liability

The Minister of Communications granted the Company certain immunities from liability for damages listed in Chapter Nine of the Telecommunications Law, in accordance with his authority to grant immunity to a general license-holder.

In addition, Section 13 of the Telecommunications Law contains exceptions to criminal and civil liability for an act done in fulfillment of a directive to provide services to the security forces in that section.

2.16.8 Regulations under the Telecommunications Law

As at the publication date of the Periodic Report, regulations in two additional key areas apply to the Company: (1) discontinuation, delay, or restriction of telecommunications operations and services; (2) installation, operation, and maintenance.

2.16.9 Economic competition laws

2.16.9.1 The Competition Commissioner (in this section: the "Commissioner") declared the Company a monopoly in the following areas:

- A. Basic telephony services, provision of communications infrastructure services, and transfer and transmission of broadcasting services to the public.⁴²
- B. Provision of high-speed access services through the access network to the subscriber.⁴³
- C. Provision of high-speed access services for ISPs through a central public telecommunications network.

The Commissioner's declaration of the Company as a monopoly constitutes alleged evidence of its content in any legal proceeding, including criminal proceedings.

2.16.9.2 The Company has adopted an internal compliance procedure containing internal rules, guidelines and an internal reporting and control system, the purpose of which is to ensure that the operations of the Company and its employees are carried out in accordance with the provisions of the Economic Competition Law.

⁴² Declaration of July 30, 1995

⁴³ On November 10, 2004, the Commissioner split the declaration dated December 11, 2000 on ISP infrastructure into two separate declarations (Declarations B and C).

- 2.16.9.3 According to the conditions of the Competition Authority's approval dated March 26, 2014 of the merger (as defined in the Economic Competition Law) between the Company and yes, the following restrictions apply to the Company and yes:⁴⁴
- A. The Company and any person authorized by it (in this section: "Bezeq") will not impose any restriction on consumption of fixed-line internet infrastructure services stemming from the customer's accumulated browsing volume, and will not cause the option granted to a customer to use any service or application provided over the internet to be restricted or blocked.
 - B. Bezeq will deduct amounts for provision of multichannel television services from the internet provider payments for connection to the Company's network.
 - C. Bezeq will sell and provide internet infrastructure services and television services under equal terms to all Bezeq customers (the sale of internet infrastructure services as part of a service bundle will not be considered sale under unequal terms).
 - D. Bezeq and yes will cancel all exclusive arrangement regarding non-original productions and will not be party to such exclusive arrangements (except with regard to a third party who is the broadcast license owner at the date of the decision). In addition, for two years from approval of the merger (which have passed in the meanwhile), Bezeq will not prevent any entity (other than a holder of a broadcast license at the date of the decision) from purchasing rights in original productions (this does not apply to new productions).

On April 12, 2021, the Competition Authority published the decision of the Competition Commissioner regarding amendment to the merger conditions. Under the amendment, the Commissioner decided to permit the subsidiaries of Pelephone, Bezeq International, and yes (but not the Company) to sell communications bundles that include internet infrastructure, ISP, and television services without any obligation to sell the television services at a separate price, which will be uniform for bundle buyers and for those who do not buy a bundle. In addition, the Commissioner decided that the condition requiring the Company and yes to cancel exclusivity arrangements to which they are party with respect to television content that is not locally produced, and prohibiting them to be parties to such exclusivity arrangements, will not apply to the purchase of foreign content (other than sports), thereby allowing greater flexibility in the purchase of foreign content.

- 2.16.9.4 As part of the approval of the merger of the Company and Pelephone on August 26, 2004 (as subsequently amended), restrictive terms were imposed, mainly prohibiting discrimination in favor of Pelephone in the supply of a product in which the Company is a monopoly, prohibiting the bundling of the supply of certain products by any of the companies when purchasing products or services from the other, and restrictions on certain joint operations.
- 2.16.9.5 On September 4, 2019, the Company received the Competition Commissioner's ruling (the "Ruling") on the abuse of the Company's position in contravention of Section 29A of the Economic Competition Law and a demand for payment, under Section 50H of the Law, for Approx. NIS 30 million from the Company and NIS 500 thousand from the former CEO of the Company. This Ruling is further to a hearing held for the Company after the Antitrust Commissioner announced in 2018 her intention to determine that the Company had abused its position, based on evidence held by the Antitrust Authority indicating that

⁴⁴ It should be noted that the merger agreement between the Company and yes on December 25, 2016, according to which all the operations of yes will be merged with and into the Company, with the main purpose of streamlining the activities and operations of the Company and yes, was not completed due to failure to fulfill the preconditions for the merger, primarily cancellation of the structural separation in the Group, meaning, the Company's obligation to maintain structural separation between itself and its subsidiaries, as set out in the Company's domestic carrier license.

the Company leveraged its market power arising from its control of the passive infrastructure and imposed barriers for new players seeking to use this infrastructure.

On October 24, 2023, the Antitrust Tribunal dismissed the Company's appeal on the Ruling. The Company paid the full amount of the sanctions in 2019. For information about a motion for certification of a class action and demands to exercise rights prior to filing a derivative claim following the Ruling, see section 2.18.1.G.

2.16.10 Telegraph Ordinance

The Government deals with the shortage of radio frequencies for the supply of diverse advanced communication services for the public in Israel (among other reasons, due to the allocation of a large number of frequencies for security and other public purposes), by allocating them in tenders and limiting the number of licenses granted for the use, and by determining terms and criteria to ensure efficient use of frequencies.

The Telegraph Ordinance regulates the use of the electromagnetic spectrum and also applies to the Company's use of radio frequencies as part of its infrastructure. Under the Telegraph Ordinance, the set-up and operation of a system that uses radio frequencies is subject to a license, and the use of radio frequencies is subject to the allocation of a suitable frequency in accordance with the policy of the committee. The Telegraph Ordinance imposes license fees and fees for the designation and allocation of frequencies.

2.16.11 Setting up communications facilities

The National Outline Plan for communications, NOP 36 (within the Green Line) and NOP 56 (in the Administered Territories), were designed to regulate the deployment and set up of communication facilities in a way that will ensure coverage for transmitting and receiving radio, television, and wireless communications, while avoiding radiation hazards and minimizing damage to the environment and the landscape, and also to simplify and streamline the processes involved in setting up the facilities.

The Company has installed and is installing broadcasting facilities and wireless communication facilities for providing broadcasting services to its customers, and uses such communication facilities, mainly for providing services to areas that are not connected to the fixed-line communications infrastructure (remote areas or new towns).

2.16.11.1 NOP 36 – communications installations within the Green Line

NOP 36 was divided into two parts according to classification of broadcasting facilities according to the technical variables and physical dimensions of the facilities, which ultimately affect the determination of safety ranges for protection against radiation and how prominent the facilities are on the landscape. Part A of the NOP, which was approved by the government and is in effect, addresses guidelines for the installation of very small and small broadcasting facilities, while part B, which has not been brought for government approval and is not in effect, addresses guidelines for setting up large broadcasting facilities. As a result, there are currently no special guidelines regarding the Company's large broadcasting facilities, most of which were established by the State before the Company was established.

The Company obtained building permits for most of the small broadcasting facilities in accordance with NOP 36A. From time to time, additional broadcasting facilities are required that require building permits in accordance with NOP 36A. The Company believes that it is not required to obtain building permits for very small facilities, due to the exemption under the Planning and Construction Law and the Telecommunications Law for "wireless access facilities" (which include very small broadcasting facilities).

2.16.11.2 NOP 56 – communication facilities in the Administered Territories

NOP 56 regulates the establishment and licensing of communication facilities in the Administered Territories. The plan includes transitional provisions for facilities installed under a permit for small installations.

The plan also includes a requirement for a communications license and the consent of the Commissioner of Government Property at the Civil Administration.

The Company has arranged for the licensing of the vast majority of the facilities in the Administered Territories held by the Company (there are a few other sites for which the licensing has not been arranged). The Company has also arranged the licensing of the facilities on customer premises with the Communications Officer in the Civil Administration according to a demand sent by the Officer to the Company.

2.16.11.3 Radiation permits

For information about radiation permits for the communications and broadcasting facilities see section 2.15.

The addition of an antenna to an existing, lawful broadcasting facility is exempt from a permit, subject to meeting a combination of conditions and exclusions, which are set out in the Planning and Building Regulations (Works and Buildings Exempt from a Permit), 2014. The Company is taking the required steps to add antennas to its broadcasting facilities according to the mechanism set out in these regulations.

2.16.12 Consumer legislation

For information about the consumer legislation applicable to the Company see section 1.7.6.4.

2.17 Material agreements

The following is a brief description of substantial agreements outside the ordinary course of the Company's business, which were signed in the reporting period or which were in effect:

2.17.1 Deeds of trust for the Company's Debentures (Series 11, 12, 13, and 14)

For further information see also the description in Note 13 to the 2025 Financial Statements and section 4 of the Board of Directors' Report.

2.17.2 Real estate

2.17.2.1 Asset transfer agreement between the Company and the State, January 31, 1984

An agreement between the State and the Company, under which the Company was granted the State's rights in assets which the Ministry of Communications used for providing telecommunications services, and the Company assumes the rights of the State in those assets and for the obligations and liabilities relating to those rights immediately prior to implementation of the agreement. Moreover, under this agreement, the State's rights, powers, obligations, and duties, as well as the contracts and transactions that were in force for telecommunications services immediately prior to application of the agreement, were transferred to the Company.

2.17.2.2 Settlement Agreement of May 15, 2003, between the Company and the state and the Israel Land Authority, regarding rights related to real estate

For further information see section 2.7.4.3.

2.17.2.3 Agreement between the Company and the Postal Authority (today Israel Postal Company) of June 30, 2004

An agreement between the Company and the Postal Authority to define and regulate the rights of the Company and the Postal Authority in their joint assets. The agreement listed the joint assets and defined the part of each party in them. It was determined that each of the parties will have exclusive rights in its parts, except for the rights in common property, building rights, or rights specifically determined otherwise. The agreement determines, among other things, a mechanism of right of refusal if a party wishes to make a sale transaction and a priority right for a rental transaction. For a number of additional properties, the party holding the full exclusive rights in them will be one party named in the agreement.

2.17.3 Employment agreements

2.17.3.1 Special collective agreement of December 2006

For information about this agreement and its amendments see section 2.9.4.

2.17.3.2 Voluntary retirement arrangements

On April 24, 2014, the Company and Menora Mivtachim Insurance Ltd. ("Menora") signed an agreement regulating pension payments for the early retirement of Company employees and provision for the payment of old-age and survivors' pensions to employees who retire from the Company under the special collective retirement agreement signed by the Company, the employee representatives, and the Histadrut New Federation of Labor on February 12, 2014. The Supervisor of Insurance approved the policy and it came into effect on March 31, 2016. Accordingly, from May 1, 2016, Menora issues policies for retiring employees, and the annuities and related payments are paid on the basis of these policies. The agreement is valid (after five extensions) until the end of 2026.

2.17.4 IRU agreement between the Company and Partner

For information about the indefeasible right of use (IRU) for BSA Fiber (wholesale market) provided by the Company to Partner, see section 2.6.2.2.

2.18 Legal proceedings

The Company's reporting policy is based on considerations of quality and of amount. The Company decided that the quantitative materiality threshold for events affecting the net profit will have an effect of 5% or more on the Company's average adjusted net profit (as defined in section 1.6), according to the Company's consolidated annual statements in the last three years (2022-2024). Accordingly, in the absence of relevant qualitative considerations, this section describes legal proceedings involving NIS 80 million or more⁴⁵ before tax, and legal proceedings in which the amount claimed is not stated in the statement of claim, except in the case of a claim which ostensibly does not reach the above qualitative threshold (unless the Company believes the claim has other aspects or implications beyond its monetary amount). In regard to class actions, it is noted that submission of class actions in Israel does not involve payment of a free deriving from the amount of the claim. Accordingly, the amount of a claim in claims of this type may be significantly higher than the scope of true exposure for those claims.

⁴⁵ To assess whether the claim is within the threshold, the amounts were linked to the CPI. The amounts noted in this section are the original amounts (without linkage differentials). Regarding the threshold, where there are similar proceedings against a number of Group companies, the amount of the claim might be assessed cumulatively for all the proceedings together. It is further clarified that if certain proceedings relate largely to the same legal or factual issues, or it is known that such issues are reviewed or considered together, then to set the threshold of quantitative materiality as set out in these sections, the amount involved in all of these proceedings together was assessed.

Chapter A (Description of Company Operations) of the Periodic Report for 2025

2.18.1 Pending proceedings

	Date	Parties	Court	Type of action	Description	Amount of the claim (NIS millions)
A.	March 2015	Shareholder against the Company and former Company officers	District Court (Tel Aviv – Economic Department)	Motion for certification of a derivative claim together with a statement of derivative claim.	<p>A motion against the Company and against Shaul Elovitch, the Company's controlling shareholder and chairman of the board of directors, and against Company directors serving on the relevant dates who voted in favor of the Company's transaction underlying the motion as set out below (the "Respondents").</p> <p>According to the allegations in the motion, the Company decided, through the Respondents, to enter into a transaction to acquire the entire holdings and shareholders loans of Eurocom DBS (a company indirectly controlled by the Company's controlling shareholder at that time) in yes in consideration for NIS 680 million in cash and contingent considerations of up to another NIS 370 million.</p> <p>The applicant alleged that the consideration for the transaction was excessive and the decisions of the Respondents to enter into the transaction caused the Company great damage after they were in breach of their duty of care and fiduciary duties towards the Company and were negligent in their positions. The applicant also alleged that the Company's controlling shareholder violated his duty of fairness and that the Company was in breach of its duty of disclosure and reporting regarding the commitment of the trustee of the holdings of Eurocom DBS in yes to sell the holdings as from the end of March 2015.</p> <p>In view of the aforesaid, the applicant filed a motion with the court to certify a derivative claim on behalf of the Company against the Respondents for the damage allegedly incurred by the Company as a result of the Respondent's decisions with respect to the transaction, in the amount of NIS 502 million.</p> <p>On March 7, 2017, the court approved the filing of a revised motion by the applicant that includes additional claims relating, among other things, to the independence of the parties advising the Company, alleged faults in the work of the audit committee, board of directors, and the general meeting, and alleged faults arising from representation of Eurocom by parties serving as directors in the Company.</p> <p>In view of the investigation by the Israel Securities Authority and the indictments subsequently filed (see section 2.18.3), which relate, among other things, to the agreement underlying this claim, and in view of the position of the Israel Securities Authority that the procedure should be stayed, the court ruled to stay the proceedings in this case. On January 17, 2021, the Attorney General announced that he would appear in the proceeding (in the matter of the stay of proceedings, not on the merits of the case). The proceedings were stayed until May 8, 2025. In May 2025, an update and request were submitted on behalf of the Attorney General, stating that a stay of proceedings is no longer being sought. At the same time, the court was petitioned to instruct that the Attorney General is notified prior to the investigation stage, to allow her to consider her position, at the appropriate time, of whether a stay of proceedings is required in view of developments in the criminal proceedings concerning related party transactions. Following the above and the agreements between the parties in view of the criminal proceedings, the stay of proceedings continues, at this stage, until June 2026.</p>	502
B.	November 2015 and March 2018	Customer v. the Company	Central District Court	Two claims together with motions for certification of class actions	<p><u>The motion of November 2015</u> – It was alleged that the Company abused its monopolistic position, among other things, by "preventing and blocking competition in general and effective competition in the communications market in Israel" and acted to delay and thwart the wholesale market reform, resulting in damage to the Israeli public and unreasonable profits earned solely due to the abuse of its power as a monopoly. According to the applicants' allegations, the damage caused by the Company to the communication market in Israel is reflected in the Company's excessive and unreasonable profits and they seek damages of NIS 800 million, which they allege is based on 10% of the Company's surplus operating income arising from abuse of its monopolistic power. Accordingly, the applicants set the amount of the claim at NIS 556 million, after the amount was reduced in another action (which in the meantime ended in withdrawal).</p>	Motion 556 of November 2015 and Motion 258 of March 2018

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	Date	Parties	Court	Type of action	Description	Amount of the claim (NIS millions)
					<p>In December 2017, the court approved the inclusion of an immediate report published by the Company on October 22, 2017, as evidence in the case, in which the Company reported on a final oversight report issued by the Ministry of Communications regarding implementation of the wholesale telephony service and notice of the Ministry's intention to impose a financial sanction in this matter. In December 2018, the Ministry of Communications imposed a financial sanction of approx. NIS 11 million on the Company.</p> <p>On March 3, 2019, the Company informed the court that in the view of the expected changes to the judicial panel if the motion for certification is accepted, it agrees to the court's proposal to certify the motion as a class action without a reasoned ruling being handed down in this case by the court, while reserving all its arguments for the actual claim. Subsequently, on March 5, 2019, the court accepted the motion for certification of the claim as a class action and clarified that all arguments of the parties are reserved for hearing of the actual claim and that the evidence and investigations that were heard as part of the motion for certification will be part of the evidence in the class action.</p> <p>In view of the criminal proceeding ("Case 4000") related to this proceeding, on November 1, 2021, the Attorney General at that time announced his involvement in the proceeding and requested an order to stay the proceedings in this proceeding. Subsequently, according to the revised notices filed on May 19, 2024, by the Attorney General, in view of the progress in the criminal proceedings in Case 4000, at this stage, there is no need to continue the stay of proceedings.</p> <p>The mediation in the case concluded without the parties reaching an agreement.</p> <p><u>The motion of March 2018</u> – A similar motion to the motion of November 2015 filed by the same applicants for the period from the date of filing the November 2015 motion through to the end of 2017, in view of the applicants' allegation that the Company did not cease the actions alleged against it in the previous motion and in view of the allegation added to the tort, in addition to abuse of the Company's power, also "acts of corruption and unlawful operations and foreign and wrongful purposes of the Director General of the Ministry of Communications". According to the applicants, the damage caused by the Company to the telecommunications market in Israel is reflected in the excess and unreasonable profitability of the Company. On May 31, 2018, the Company filed a motion for stay of proceedings in view of the investigation of the ISA (see section 2.18.3). In view of the investigation of the ISA and the subsequent indictments, the court approved a motion by the Attorney General to continue the stay of proceedings in the case until February 15, 2024. Subsequently, according to the revised notices filed on May 19, 2024, by the Attorney General, in view of the progress in the criminal proceedings in Case 4000, at this stage, there is no need to continue the stay of proceedings. Subsequently, the parties agreed to refer the November 2015 motion to mediation and to suspend proceedings on the March 2018 motion until mediation is completed.</p> <p>It should be noted that in September 2019, the applicants filed a motion to file a new motion for certification of a class action (a motion that was filed against the Company in September 2019, further to a ruling by the Competition Commissioner on September 4, 2019, regarding abuse of the Company's position – see the description in subsection G(1) below) with the court in which this proceeding is being heard and to strike out that motion on the grounds that it is a similar, later motion.</p>	
C.	June 2017	Shareholders of the Company Against the Company, the chairman of the Company's board	Tel Aviv District Court (Economic Department)	Two motions to certify class actions	<p>The motions refer to the transaction in 2015 in which the Company acquired from Eurocom DBS (a company that was under the control of the controlling owners of the Company at the time) the remaining yes shares held by it (in this section: the "Transaction"):</p> <p>The first motion was filed on behalf of anyone who acquired Company shares between February 11, 2015 and June 19, 2017 (excluding the respondents and/or those acting on their behalf and/or connected with them). In the motion it is argued that the report concerning the Transaction was</p>	Approx, 1,240 in the first motion and 568 in the second motion

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						Amount of the claim (NIS millions)
Date	Parties	Court	Type of action	Description		
	of directors and former members of the Company's board of directors, and companies in Eurocom Group (the first motion against the former CEO of the Company and the former CEO of yes as well)			<p>misleading and/or deficient, and on account of which due to the opening of a public investigation into the Transaction by the ISA, the public has become aware of details concerning the Transaction and its implementation, which led to a drop in the Company's share price in the days following the disclosure and analysis of the new information. According to the applicant, the respondents acted in contrary to the Israel Securities Law and additional laws and caused holders of the Company's securities heavy financial losses, amounting to millions of shekels if not more.</p> <p>The second motion was filed on behalf of three sub-classes – anyone who acquired (1) shares of the Company; (2) shares of B Communications; and (3) shares of Internet Gold - Golden Lines Ltd. on the TASE between May 21, 2015 and June 19, 2017. The applicant claims that the public that invested in the aforementioned shares was seriously misled, and this was uncovered in the public investigation into the Transaction by the ISA on June 20, 2017, in that the increase in the cash flow of yes as reported in the Company's financial statements was allegedly artificially inflated, thereby misleading reasonable investors relying on the cash flow data of yes to estimate its worth, which led to over-valuation of these companies. The applicant also claims additional damage incurred by the classes of shareholders in B Communications and Internet Gold.</p> <p>In accordance with a procedural arrangement approved earlier by the court, the applicants agreed in the aforementioned motions to administer the motions jointly and they will file a consolidated motion. Further to the request of the Attorney General (who in 2017 announced his appearance in the proceedings in the matter of the stay of proceedings, and not on the merits of the case), the proceedings were stayed until May 8, 2025, in view of the investigation by the ISA and the related indictments subsequently were filed (see section 2.18.3). In May 2025, an update and request were submitted on behalf of the Attorney General, stating that a stay of proceedings is no longer being sought. At the same time, the court was petitioned to instruct that the Attorney General is notified prior to the investigation stage, to allow her to consider her position, at the appropriate time, of whether a stay of proceedings is required in view of developments in the criminal proceedings concerning related party transactions. Following the above and the agreements between the parties in view of the criminal proceedings, the stay of proceedings continues, at this stage, until June 2026.</p> <p>On May 23, 2023, in the consolidated procedure together with B Communications and Shaul and Or Elovitch (the "Elovitches"), the applicants filed a motion for approval of a settlement in the consolidated procedure, in which B Communications agreed to pay the equivalent of USD 4.35 million (USD 5.5 million including legal fees, compensation, and other expenses) as compensation for exhausting the claims against it and against the Elovitches (as officers/controllers in B Communications). In the motion, it was emphasized that the waiver made does not derogate from the allegations regarding the Elovitches in respect of the Company. Following the motion for certification of a partial settlement agreement in accordance with the court ruling (to which a draft consolidated motion for certification was also attached), on August 28, 2024, a partial judgment was handed down approving the amended partial settlement agreement.</p>		
D.	June - August 2017, June 2018, and February 2025	The Company's shareholders against a former controlling shareholder, former officers, Eurocom Holdings (1979) Ltd., Eurocom	Tel Aviv District Court	Motion for certification of a derivative claim	<p>It was alleged, among other things, that the process for approving the 2017 interested party transaction between yes and Spacecom for the lease of satellite space segments for the satellite broadcasts of yes (the "yes-Spacecom Transaction") was flawed, because the transaction and its approval should be subject to the conditions of the full fairness test, which were not met, and that the transaction was not lawfully approved. It was further alleged that the consideration paid by yes to Spacecom as part of the yes-Spacecom Transaction was NIS 67 million higher than the market price at the time. Accordingly, in the motion for certification, the court is petitioned to order the</p>	<p>More than NIS 2.5 million (according to the motion for certification, the damage is estimated at no</p>

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Date	Parties	Court	Type of action	Description	Amount of the claim (NIS millions)
	Communications Ltd., and B Communications (the "Respondents") and against the Company and yes as formal defendants			<p>respondents, jointly and severally, to compensate the Company for the damages incurred as a result of their breach of duty, estimated at no less than USD 67 million.</p> <p>According to the motion for certification, the motion was filed in connection with a motion for disclosure of documents prior to filing a derivative claim regarding the yes – Spacecom Transaction (the "Motion for Disclosure"). The proceedings for the Motion for Disclosure are currently on hold due to an ongoing criminal proceeding related, among other things, to the yes-Spacecom Transaction. This followed the court's dismissal of a motion filed by the applicants within the Motion for Disclosure to suspend the statute of limitations, with the court determining that a substantive claim must be filed for the statute of limitations to be addressed.</p> <p>It should be noted that the Motion for Disclosure was filed in 2018, petitioning the court to order the Company (and yes, as applicable) to provide the applicants with certain documents related to the yes-Space transaction.⁴⁶ In 2021, the Attorney General announced his appearance in the proceeding (in the matter of the stay of proceedings and not on the merits of the case) and following his request, the proceeding was stayed until May 8, 2025, due to the investigation by the ISA and the related indictments that were filed (see section 2.18.3). In May 2025, an update and request were submitted on behalf of the Attorney General, stating that a stay of proceedings is no longer being sought. At the same time, the court was petitioned to instruct that the Attorney General is notified prior to the investigation stage, to allow her to consider her position, at the appropriate time, of whether a stay of proceedings is required in view of developments in the criminal proceedings concerning related party transactions. Following the above and the agreements between the parties in view of the criminal proceedings, the stay of proceedings continues, at this stage, until June 2026.</p>	less than USD 67 million).
E. February 2018	Shareholders of the Company against the Company as a formal respondent, and against the Company's directors at the dates relevant to the motion and against the controlling shareholders of the Company, indirectly, at the dates relevant to the motion, Shaul Elovitch and Yosef Elovitch (the "Respondents").	Tel Aviv District Court – Economic Department	Motion for certification of a derivative claim	<p>In the motion, it was alleged that the assessment agreement between the Company and the Tax Authority, which was signed on September 15, 2016 (the "Assessment Agreement"), according to which the Company paid the Tax Authority taxes in the amount of NIS 462 million for financing income from loans to yes, when on the other hand, it was agreed, among other things, that the losses of yes for the financing expenses for the shareholders' loans of the Company to yes will be recognized in full for the Company after the merger between the Company and yes.</p> <p>The applicants claim that after signing the Assessment Agreement, the Company paid a total amount of NIS 660 million. Of this, a total amount of NIS 462 million was paid to the Tax Authority as stated, and an amount of approx. NIS 198 million was paid to the controlling shareholders of the Company as contingent consideration (the "Contingent Consideration") as set out in the agreement for the acquisition of all the holdings and shareholder loans of Eurocom DBS, a company indirectly owned by the Company's controlling shareholder, in yes (the "yes Transaction").</p> <p>According to the applicants, the Company's entry into the Assessment Agreement constituted an exceptional transaction of a public company in which the controlling shareholder has a personal interest, and it was unlawfully executed, since it was contrary to the Company's interests and because the approvals required by law to enter into the transaction were not obtained.</p> <p>According to the applicants, the damage incurred by the Company as a result of the Assessment Agreement is between a minimum of NIS 65 million (if the Company is permitted to offset the losses</p>	65 minimum 219 minimum

⁴⁶ It should be noted that in July 2017, a motion for certification of a class action in the amount of NIS 37 million was filed at the Tel Aviv District Court (Economic Department) against Spacecom, its controlling owners and officers, and against the Company's CEO and secretary on the dates relevant to the claim in connection with the yes-Spacecom transaction. The Company is not a party to the proceeding and has no information regarding its further conduct.

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	Date	Parties	Court	Type of action	Description	Amount of the claim (NIS millions)
					<p>of yes for the financing expenses) and a maximum of NIS 219 million (if the Company is not permitted to offset all of the losses of yes for financing expenses).</p> <p>The applicants claim that the Respondents who are directors breached, among other things, their duty of caution and fiduciary obligations (and regarding the respondents who are controlling shareholders of the Company, also their duty of fairness), and accordingly, the applicants filed a motion for certification of a derivative claim on behalf of the Company against the Respondents, and petitioned the court to order them to compensate the Company for the damage allegedly incurred by it due to the breach of their obligations towards the Company.</p> <p>On November 17, 2021, the Attorney General announced his appearance in the proceeding (in the matter of the stay of proceedings and not on the merits of the case) and following the requirement of the Attorney General, the proceeding was stayed until May 8, 2025, due to the investigation by the ISA and the related indictments that were filed (see section 2.18.3). The proceedings were stayed until May 8, 2025. In May 2025, an update and request were submitted on behalf of the Attorney General, stating that a stay of proceedings is no longer being sought. At the same time, the court was petitioned to instruct that the Attorney General is notified prior to the investigation stage, to allow her to consider her position, at the appropriate time, of whether a stay of proceedings is required in view of developments in the criminal proceedings concerning related party transactions. Following the above and the agreements between the parties in view of the criminal proceedings, the stay of proceedings continues, at this stage, until June 2026.</p>	
F.	June 2018 and April 2024	A shareholder against the Company, yes, Shaul Elovitch, and Or Elovitch	Tel Aviv District Court (Economic Department)	Motion for certification of a derivative claim	<p>This proceeding opened in June 2018 with a motion for disclosure and review of documents under Section 198A of the Company's Law, petitioning the court to order the Company, yes, and the former controlling shareholder of the Company, Shaul Elovitch, and his son, Or Elovitch (jointly below: "Shaul and Or Elovitch"), to submit to the applicant as a shareholder in the Company, various documents for review before filing a motion for certification of a derivative claim on behalf of the Company. According to the applicant, B Communications and Shaul and Or Elovitch breached their duties of loyalty and fairness towards the Company in the sale of 115 million Company shares on February 2, 2016 by B Communications, when B Communications and Shaul and Or Elovitch used inside information about the Company, and at a value significantly higher than the real value of the shares. The applicant claims that this sale generated unlawful profits for B Communications in the amount of approx. NIS 313 million. The inside information that was allegedly used is, among other things, that the financial statements of yes and the Company supposedly did not reflect the Company's de facto financial position, but rather a "free cash flow" that was allegedly inflated to increase the consideration in the transaction for the Company's acquisition of the shares of Eurocom Communications in yes (the "yes Transaction").</p> <p>On September 19, 2023, a judgment was handed down striking out the motion because it was filed more than five years ago and no hearing has been held due to a stay of proceedings in the case. The judgment further held that the dismissal does not toll the statute of limitations on the claims underlying the judgment and no claim will be heard in this matter for the period between the date of the judgment and the date a new claim is filed, if filed.</p> <p>In April 2024, the applicant in the proceedings filed a motion for certification of a derivative claim in the name of the Company and/or a double derivative claim in the name of yes against Shaul Elovitch and B Communications. The claims included in the motion for certification of a derivative claim are similar to those in the motion for disclosure as set out above.</p>	

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	Date	Parties	Court	Type of action	Description	Amount of the claim (NIS millions)
					In November 2025, B Communications, together with Shaul Elovitch, filed a motion with the court seeking approval of a mediation settlement reached between them and the applicant, with the aim of concluding the derivative action certification proceedings. Under the mediation settlement, and without admitting any of the allegations raised in the motion for certification of the derivative action, and solely for the purposes of compromise and to achieve the full resolution, waiver, dismissal, and termination of the proceedings, the parties agreed that, subject to the court's approval of the settlement in a final judgment, B Communications will pay a total, final, and fixed amount of NIS 11 million. Of this amount, NIS 8.75 million is expected to be paid to the Company. The Company informed the court that it agrees to the mediation settlement.	
G.	(1) September 2019	Customers against the Company	Tel Aviv District Court	Motion for certification of a class action	A motion filed following the Competition Commissioner's ruling of September 4, 2019 regarding abuse of the Company's status (the "Ruling") (for further information see section 1.1.1.99), alleging that the acts and omissions of the Company as described in the Ruling (blocking the migration of the Company's competitor from the Company's infrastructure to the building access segment, as well as refusing to thread cables continuously and the stipulation for deployment using an inferior, expensive, and problematic threading method, without any real justification) caused monetary damage to consumers. The class on whose behalf the class action will include is anyone who purchased fixed-line communications services in Israel between July 2015 and March 2018, regardless of whether or not they purchased these communication services from the Company. Damage was claimed for loss of the reduced rate in the communication bundles from which the class members would have benefited were it not for the Company's alleged actions or failures. For information about the motion to transfer this motion for certification to another court and to strike it out on the grounds that it is similar to a later motion for certification of a class action – see section 2.18.1B. On June 25, 2020, the court ruled that at the conclusion of the stay of proceedings in the motion for certification of a class action in March 2018, the parties will petition for appropriate instructions.	400
	(2) March 2020	Shareholders against the Company	Haifa District Court	Consolidated motion for disclosure of documents prior to a motion for certification of a derivative claim	Two motions (which were consolidated) were filed for disclosure under Section 198A of the Companies Law to review the motion for certification of a derivative claim regarding the exercise of the Company's rights against officers in connection with the ruling/ It was alleged that the findings and violations in the ruling confer on the Company grounds for a claim against the Company's officers and that the Company is entitled to compensation from the officers for the damages that it has incurred and will incur. On September 8, 2020, the Attorney General announced that he would appear in the proceeding and concurrently submitted his position that any decision on the filing of an appeal against the ruling which the applicants claim establishes the damage caused to the Company could render a derivative action unnecessary if the ruling is not final. On April 4, 2021, the applicants accepted the court's proposal to stay the proceeding until the Company's claims committee completes its work and the Company's board of directors makes a decision following the committee's recommendations. Subsequently, on October 13, 2021, the Company's board of directors resolved to adopt the recommendation of the claims committee of October 7, 2021, according to which, under the circumstances, the Company does not have solid grounds for a claim against officers and against other office holders who served in the relevant periods, and that legal proceedings in the matter will not be beneficial to the Company. The Committee came to this conclusion after assessing the significance, benefits, damages, costs, and profits involved in such legal proceedings, and concluded conducting them would harm the Company. The Company filed a notice on the matter with the court.	

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	Date	Parties	Court	Type of action	Description	Amount of the claim (NIS millions)
					<p>On June 4, 2023, the Haifa District Court handed down a judgment, in which it partially accepted the motions and ordered the disclosure and review of the appendixes to the report of the claims committee only and not the minutes of the committee's meeting.</p> <p>Following the mediation held in this case (together with another motion for certification of a derivative action concerning fines imposed on the Company by the Ministry of Communications in connection with the implementation of the wholesale-market reform – see footnote 36), on December 17, 2025, the court issued a judgment approving a settlement in these proceedings. Under the settlement, approx. NIS 3.4 million will be paid to the Company by the Company's officers' liability insurance, out of which the Company will bear the payment of the award, attorneys' fees, and the deductible. The settlement fully resolves all of the Company's causes of action relating to the sanctions imposed by the Ministry of Communications and the Antitrust Commissioner, and the compensation payment will constitute a full and final settlement of all claims and any damage allegedly caused to the Company, if any, arising from the events that led to the imposition of these sanctions.</p>	
H.	January 2021	Shareholders of the company against the Company and others	Tel Aviv District Court – Economic Department	Motion for certification of a class action	<p>A consolidated motion (filed instead of two similar motions on the same matter that were struck out) against the Company, B Communications, and another 90 respondents, including former and present officers of the Company, B Communications, and Bezeq International, as well as the independent auditors' firm (the "Respondents"). According to the motion, the applicants and the class members (as set out below) allegedly incurred damages due to the acts and omissions of the Respondents in contravention of the provisions of the law, among other things, by including misleading information in the financial statements of the Company and B Communications, and by failing to disclose to investors material information that they ostensibly were required to disclose by law, regarding the report of the Company and B Communications of November 9, 2020, according to which the financial statements of Bezeq International contain discrepancies amounting to hundreds of millions of NIS.⁴⁷ The classes are defined in the motion as: (a) anyone who acquired Company shares between March 9, 2003 (the publication date of the 2002 annual financial statements) and November 9, 2020, and who held them on November 9, 2020, with the exception of the Respondents or parties on their behalf; and (b) anyone who purchased shares of B Communications on the TASE between October 25, 2009 and November 9, 2020, and who held them on November 9, 2020, with the exception of the Respondents or parties on their behalf. According to the economic opinion that was attached to the motion, following the publication of the immediate report of November 9, 2020 by the Company and B Communications, the price of the Company's share fell by 5.26%-5.40% (it should be noted that it is further alleged in the motion that, based on another opinion that was attached to it, compared with the Company's benchmark indexes, the damage incurred by the Company's shareholders is greater than the decrease in the share value, reaching 7%), and the price of B Communications share fell by 9.07%-9.36%. Accordingly, it is contended that the damage caused to the Respondents is equal to the amount obtained from multiplying the number of shares held by the class members by the rate of decrease in the shares of the Company and B Communications. The case is in mediation</p> <p>In November 2025, the parties petitioned the court for approval of the settlement agreement in the case. In accordance with the settlement agreement, for settlement purposes only and without this constituting any admission on the part of the respondents, and in consideration of the full and final resolution of all claims relating to the subjects underlying the motion for certification (all terms, as</p>	More than NIS 2.5 million) for the purpose of subject matter jurisdiction

⁴⁷ As part of the preparation of the Company and Bezeq International for the publication of their financial statements for the period ended September 30, 2020, Bezeq International found unexplained net asset balances in its financial statements (receivables less payables). Subsequently, the financial statements were restated.

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	Date	Parties	Court	Type of action	Description	Amount of the claim (NIS millions)
					defined in the settlement agreement), a final, comprehensive, and absolute amount of NIS 75 million will be paid, including monetary compensation to the members of the plaintiff groups, as well as all expenses of any kind in connection with the settlement agreement, including remuneration and attorneys' fees for the applicants and their counsel, expenses, taxes, and court fees (the "Settlement Amount"). This will be subject to the court's approval of the settlement agreement and the judgment approving the settlement becoming final. Of the Settlement Amount, NIS 60 million will be paid directly by the Company's officers' liability insurance, and NIS 11.6 million will be paid by the Company.	
I.	April 2021	A customer against the Company	Central District Court	Motion for certification of a class action	<p>It was alleged that the Company caused monetary and non-monetary damages to the class members who paid an increased amount for a higher speed than they were actually able to use, following a modem upgrade that was intended to allow them to browse at that speed, and for harassment, inconvenience, mental distress, and breach of autonomy. According to the motion, the class of applicants should include anyone using the Company's internet infrastructure in the seven years prior to filing the motion for certification and up to the date of its certification as a class action, and who paid for a certain range of speeds, while the infrastructure in their home is capable of providing only a lower range of speeds.</p> <p>In April 2025, the court dismissed a significant part of the motion, approving it only in part. As a result, the class on whose behalf the class action would be conducted was narrowed to include only current customers of the Company who purchased a service package and relocated during the validity period of the internet package, where the infrastructure in their new residence is capable of providing a lower speed than the one they had paid for, from April 27, 2014 until the approval date of the motion to certify. The remedies claimed are restitution; compensation for non-monetary damages; and an injunction ordering the respondent to cease selling services that cannot be provided and to adjust its conduct for the future. In view of the partial approval of the motion, the claim ceased to be material to the Company's activities. On May 20, 2025, the plaintiff filed an appeal regarding the narrowing of the class definition.</p>	<p>*</p> <p>The amount of the class action cannot be estimated. It was noted that these are damages amounting to millions of NIS under the authority of the court.</p>
J.	June 2023	Customers against the Company	Tel Aviv District Court	Motion for certification of a class action	<p>It was alleged that the Company does not act in compliance with the law regarding sending notice on the termination of transactions for a fixed period, in that it fails to send a separate notice on the termination of the benefit period of the fixed-term transaction, and only notifies the customer of such in the monthly invoice and by sending a text message. This refers to two motions to consolidate into one motion approved by the court, which will be heard at the Tel Aviv District Court. Similar claims were also filed against Pelephone (see the update to section Error! Reference source not found.) and yes (see the update to section Error! Reference source not found.).</p>	<p>*</p> <p>The class action amounts to more than NIS 2.5 million, however an accurate estimate cannot be made.</p>
K.	September 2023	Customers against the Company	Lod Central District Court	Motion for certification of a class action	<p>It is claimed that (1) the Company made a misrepresentation regarding the price of the internet package, since it did not show, in addition to the cost of the internet package, the monthly charge of NIS 19.90 for the router. The claim refers to subscribers to a package that included the infrastructure of the Company and another ISP, who subsequently purchased a new package in which the Company provides ISP and infrastructure services (from April 2022) and they continued to be charged for the router they rented from the Company, without the Company clarifying that the price that was shown does not include the router; (2) the Company adds customers to an antivirus service at a default monthly payment of NIS 14.90 without receiving express consent, in violation of obligations approved in a settlement in an earlier class action against the Company.</p>	<p>*</p> <p>The amount of the class action cannot be accurately estimated and is estimated at more than NIS 2.5 million.</p>

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	Date	Parties	Court	Type of action	Description	Amount of the claim (NIS millions)
L.	January 2025	Customers against the Company	Lod Central District Court	Motion for certification of a class action	It was alleged that the Company requires customers who disconnected from the internet service and who have rented a router or other equipment to return the equipment in a way that imposes expenses, inconvenience, and loss of time, which is claimed to be unlawful, unfairly exploitative, unreasonable, and discriminatory, and contrary to the regulator's position. It was further alleged that the amount charged to customer who failed to return the equipment, the method of determining those charges, and the policy of issuing refunds at only nominal value to customers who were charged and subsequently returned the equipment, were unreasonable and unfair.	According to the motion, the class action amounts to more than NIS 2.5 million, based on an estimate.
M.	January 2026	Customers against the Company	Haifa District Court	Motion for certification of a class action	The motion concerns the allegation that the Company is violating the provisions of the law and its license with respect to telephone inquiries regarding termination of service, which, according to the applicant, are initially directed to a professional representative who is not authorized to complete the termination. The applicant quantified his personal damage at NIS 500.	The amount of the class action cannot be accurately estimated and is estimated at more than NIS 2.5 million.

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2.18.2 Legal proceedings which ended in the reporting period or by the publication date of the report

	Date	Parties	Court	Type of action	Description	Amount of the claim (NIS millions)
A.	November 2020	Shareholder against the Company, the Company's CEO, and members of the Company's board of directors at the times relevant to the motion	Tel Aviv District Court – Economic Department	Class action	Alleged damages due to the Company's alleged reporting and disclosure omissions regarding a public report on duplicate subscriptions in ISP services: on June 3, 2024, the court ruled to partially certify the claim as a class action. The court also ruled against certification of the class action against B Communications and the case against it was dismissed. In November 2025, the parties petitioned the court for approval of the settlement agreement in the case. In accordance with the settlement agreement, for settlement purposes only and without this constituting any admission on the part of the defendants, and in consideration of the full and final resolution of all claims relating to the subjects underlying the certification motion, a final, comprehensive, and absolute amount of NIS 8.55 million (the "Settlement Amount") will be paid. The Settlement Amount will be paid in full by the Company's officers' liability insurance, except for the remaining deductible (in a negligible amount of several hundred thousand NIS) which the Company will cover. On March 6, 2026, the court issued a judgment approving the settlement agreement.	24

2.18.3 Charges regarding transactions of the former controlling owner and former officers of the Company and Case 4000

Further to investigations of the Israel Securities Authority (the "ISA") in June 2017 and by the Israel Police in February 2018, into suspected offenses under the Israel Securities Law and the Penal Law, 1977 (the "Penal Law"), regarding transactions related to the Company's former controlling shareholder and former chairman of its board of directors, Shaul Elovitch ("Elovitch"), regarding the acquisition of shares of yes⁴⁸ and provision of satellite communication services to yes (the "yes Case"), and the conduct of the Ministry of Communications vis-à-vis the Company as well as suspicions of the exercise of authority by Prime Minister Benjamin Netanyahu to promote matters related to the business of Elovitch and to his economic interests and those of Bezeq Group ("Case 4000").

2.18.3.1 On January 28, 2020, an indictment was filed with the Jerusalem District Court in Case 4000, among others against Elovitch for various offenses, including bribery and misleading information in an immediate report, involving suspicions of the exercise of authority by Prime Minister Benjamin Netanyahu, to promote matters related to the business of Elovitch and to his economic interests and those of the Bezeq Group. The court case is still ongoing.

2.18.3.2 Further to the Company's summons for a hearing in Case 4000, involving suspicions of bribery (an offense under Section 291 of the Penal Law together with Section 23 of the Penal Law) and an offense of reporting with the intent to mislead a reasonable investor (an offense under Section 53(A)(4) of the Israel Securities Law) together with Section 23 of the Penal Law, on February 1, 2024, the Company and the State of Israel signed an agreement for a conditional termination of proceedings under the provisions in Section B of Chapter 9(1) of the Israel Securities Law (the "Settlement"). According to the Settlement, the State of Israel will not file an indictment against the Company regarding any of the suspicions investigated in the case, subject to payment of an amount of NIS 800 thousand (which was paid by the Company) and the Company's commitment to refrain from making any statement knowingly inconsistent with or contradicting the Settlement the facts admitted by the Company as part of the Settlement. As part of the Settlement, the State of Israel also informed the Company that it decided to close the investigation in the case of Walla!

It should be noted that the suspicions against the Company are due to the acts and/or omissions of Elovitch and Handler, who were involved in acts described in the Settlement and who no longer serve in the Company.

For further information see the Company's Immediate Report dated February 1, 2024, which is included in this report by way of reference.

2.18.3.3 On December 23, 2020, to the best of the Company's knowledge, the Prosecutor's Office published a notice, according to which, among other things, its Taxation and Economics Division had filed on the same day with the Economic Department of the Tel Aviv District Court an indictment against Elovitch, as well as against former senior officers in the Bezeq Group and in yes – Or Elovitch, Amikam Shorer, Linor Yochelman, and Ron Eilon, in the yes Case. According to the notice, the indictment attributes to the defendants offenses of receiving something fraudulently under aggravating circumstances, fraud and breach of trust in a corporation, and reporting violations under the Israel Securities Law, and refers

⁴⁸ As from June 24, 2015, the Company holds the entire share capital in yes after completing on that date the acquisition of the entire holdings of Eurocom DBS in yes (the "**Acquisition Transaction**"). Since the final amount of the second contingent consideration in the Acquisition Transaction was lower than the amount of the advances that the Company paid Eurocom DBS for the consideration, Eurocom DBS was required to return the difference to the Company. Attempts by the Company to collect the difference were unsuccessful due to the liquidation of Eurocom DBS and Eurocom Communications and the dismissal of proof of the debt submitted by the Company to the liquidator of Eurocom Communications. The liquidation process of Eurocom DBS is still ongoing.

to two cases: fraud with respect to the payment of the consideration for the acquisition of yes shares by the Company, and fraud with respect to the conduct of the independent committees set up in the Company to review the transactions of the Company in which Elovitch had a personal interest. In May 2025, a conditional arrangement was published to halt proceedings under Section B of Chapter 9.1 of the Israel Securities Law, between the state and Ron Eilon, under which Ron Eilon admitted to facts concerning the increase in the free cash flow of yes in 2016.

2.18.3.4 The Company does not have complete information about past investigations or proceedings currently underway against former officers of the Company (specifically regarding the yes case), their content, materials, and evidence held by law enforcement authorities in the matter. Accordingly, the Company is still unable to assess all the effects of the investigations, their findings, and their effect on the Company and its financial statements. For further information see Note 1.3 to the 2025 Financial Statements.

2.18.3.5 It should be noted that following the opening of the investigations, several civil legal proceedings were opened against the Company and yes, officers in the Company in the relevant period, and companies in the group of the former controlling shareholder in the Company, including motions for certification of class/derivative actions and petitions for disclosure prior to filing a motion for certification of a derivative claim. For further information about these proceedings, see section 2.18.1.

2.19 Business goals and strategies

2.19.1 Forward-looking information

The following review of Company strategy includes forward-looking information as defined in the Israel Securities Law and involves assessments about future developments in the economy in general relating to customer behavior and needs, the pace of adoption of new services, technological changes, regulatory policy, marketing strategies of competitors, and the effectiveness of the Company's marketing strategy.

The Company's strategy and the business objectives arising from it are based on internal research, secondary sources of information, and primarily – the reports of research companies, publications about the operations undertaken by similar communications operators in Israel and other countries, and the work of consultants who assist the Company.

Nevertheless, it is far from certain whether the strategy and the main operations described here will actually be implemented or implemented in the way described. The circumstances that could lead to non-implementation of the strategy or even its failure, lie in the general condition of the economy, frequent technological changes, regulatory constraints, the formation of a sustainable business model for new services that the Company intends to provide, and a superior marketing strategy by competitors, and significant difficulties that may prevent the implementation of the strategy, such as organizational and environmental difficulties. In addition, changes in the composition of the Company's board of directors or in the ownership of the Company that will result in a change in the composition of the board of directors could result in a change in its strategy and its business objectives.

2.19.2 Strategy summary and intentions for the future

2.19.2.1 Vision and purpose

The Company has set itself the goal of becoming Israel's leading telecommunications company, providing comprehensive and innovative telecommunications solutions for home and business customers.

The Company is working to maintain its competitive position and to continue being the customer's first choice for internet, ICT, and telephony, and to this end, has set several goals:

- A. To maintain leadership in an environment of competition (a leader in service and reinforcement of perceived values – innovative products, reliability, price perception) and in this context, leading the fiber optic market;
- B. To be the leading internet company in the amount of connected retail lines in the Israeli communications market.
- C. To encourage the acquisition of new customers and reinforce customer loyalty
- D. To create new sources of income by launching new and innovative services and products and entry into areas that are synergistic and complementary to the Company's operations
- E. To constantly adapt the organization to the competitive and technological environment and operational excellence.

2.19.2.2 Means

To implement this strategy and achieve these objectives, the Company operates a wide range of advanced communications networks operating on broad nationwide deployment of infrastructures, allowing it to provide the most advanced communications services in the world. The Company is taking steps to upgrade and develop the communication networks it operates, including the fiber infrastructure through wide fiber deployment. The Company also strives to constantly expand and improve the range of products and services it offers, and it operates a service system, including technical and commercial centers and an extensive system of service and installation technicians. Main projects planned or in progress

2.19.3 For information about the deployment of the Company's fiber optic network see section 2.7.2.

2.20 Risk factors

There are risk factors arising from the macroeconomic environment, the unique characteristics of the industry in which the Company operates, and Company-specific risk factors that are likely to have significant implications on the Company and that affect, among other things, its status, results, credit rating, and debt repayment capacity, as follows:

2.20.1 Competition

Competition in domestic fixed-line communication has intensified in recent years, both in the deployment of independent communication networks (see section 2.6) and in the services provided using the wholesale market, through which communication groups and other communication operators (holding a special or end-to-end license as well as authorized providers) compete with the Company for the sale of end-to-end internet service bundles, based on the Company's infrastructure at prices set by the regulator (see sections 1.7.5 and 2.16.5). A large number of customers receive wholesale internet services provided on the Company's network, while the Company has no relations with such customers. This has led to churn of some of the Company's customers and lowering of prices for part of the Company's services and to a rise in the costs of acquiring new customers and retaining existing ones. The companies that are currently competing with the Company or that are likely to compete with it in the future benefit from greater business flexibility than that of the Company, including the ability to cooperate with subsidiaries and related companies and to market service packages together with them (see sections 1.7.3 and 1.7.5). The ability of competitors to offer packages with flexible rates compared with the restrictions preventing the Company from doing the same as at the reporting date, impairs the Company's ability to compete.

2.20.2 Government supervision and regulation

The Company is subject to government control and regulation relating, among other things, to the licensing of operations, setting permitted operating segments, setting prices, operation, competition,

payment of royalties and depositing funds in the incentive fund, the duty to provide universal service, the option for holding its shares, relations between the Company and its subsidiaries, and a ban on discontinuing or limiting its services (which could require the Company to provide services under circumstances which are not economically worthwhile) – for further information see section 2.16. This control and regulation result at times in government intervention that the Company believes impedes its business operations. In this context, the Company is exposed to various sanctions by the Ministry of Communications, including financial sanctions (see section 1.7.6.5).

In addition, the Minister of Communications may revoke, limit, or suspend, as the case may be, the Company's license according to terms set out in the Telecommunications Law, and it is authorized to change the terms of the Company's license, intervene in existing prices and marketing offers, and give the Company instructions. Significant changes in the regulatory principles applicable to communications in general and to the Company in particular could require the Company to amend its strategic plans and impair its ability to plan its business operations for the long term. For potential changes due to the wholesale market reform, see section 2.16.5. For possible restrictions on the renewal of licenses and allocation of new licenses under the Market Concentration Law see section 1.7.6.6.

In addition, the Company's activities, as a corporation, are subject to securities laws, antitrust laws, and, as a provider of services to the public, are also subject, among other things, to consumer protection legislation and privacy and data security laws (see section 1.7.6.4).

2.20.3 Price control

The Company's tariffs for a significant portion of its services are subject to government supervision and regulatory intervention. The Minister of Communications is authorized to intervene in existing prices and marketing offers and impose instructions on the Company (see section 2.16.2). On average, the Company's controlled prices erode in real terms. Significant changes in controlled prices, if implemented, could have a materially adverse effect on the Company's business and results. For information about the control and adjustments of the Company's prices, see sections 2.16.2 and 2.16.5. In addition, the restrictions imposed on the Company for marketing alternative payment packages may make it difficult for the Company to provide an adequate competitive response to market changes and they have a significant effect compared with the competitors that also offer triple-play packages including television services. In the context of implementation of a wholesale market, the Ministry of Communications adjusts the terms and rates of the wholesale services according to which the Company sells its services to license holders. The adjustment of the rates results in lower prices in a manner that may impair the Company's revenues and profits (for information about the wholesale market see section 2.16.5).

2.20.4 Streamlining processes and labor relations

Implementation of human resources and organization plans (including retirement plans and restructuring) involves coordination with the employees and at significant costs, including compensation for early retirement. The processes for implementation of such plans could result in unrest in labor relations and may impair the Company operating activities – see also sections 2.9.3 and 2.17.3.

In addition, as described in section 1.8, the Company, like the other Group companies, is implementing streamlining processes that include restructuring and retrenching, alongside management of infrastructure and other significant projects. The streamlining processes, by nature, include the risk of loss of knowledge, employee churn, and shifting of management focus.

2.20.5 Restrictions on relations between the Company and companies in Bezeq Group – structural separation

The Company's domestic carrier license prohibits favoring the Group's main companies over their competitors. Separation between the managements of the Company and those companies is

required, as well as separation between the business, financial, and marketing systems, the assets and employees, which result in duplication, high overheads, and difficulties in managing strategy at the Group level. In addition, the Company is limited in its ability to offer joint service bundles with those companies (see section 1.7.3).

For information about the possibility that the Group will be granted a permit to provide service bundles that may not be unbundled and that the structural separation will be canceled in the future, and other possible changes due to the wholesale market, see sections 1.7.3 and 2.16.5.

2.20.6 Legal proceedings

The Company is a party to legal proceedings, including class actions, which could result in it being ordered to pay significant sums, most of which cannot be estimated, and therefore, no provisions have been made in the Company's financial statements for most of them. In addition, the Company's insurance policies are confined to defined cover limits and to certain causes, and might not cover claims for certain types of damages. In recent years, there have been numerous class actions against large commercial companies. By their very nature, class actions may reach substantial amounts. In addition, since the Company provides communication infrastructures as well as billing services to other licensees, other class actions against the license holders are also likely to also involve the Company as a party to such proceedings. For a description of the legal proceedings see section 2.18.

2.20.7 Exposure to changes in exchange rates, inflation, and interest rates

The Company measures exposure to changes in exchange rates and inflation based on the surplus or deficit of assets against liabilities and also based on the type of linkage. The Company's exposure to inflationary changes is high and its exposure to changes in currency exchange rates against the shekel is low. The Company hedges against part of its inflation and foreign currency exposure. The Company is also exposed to changes in the interest rates in relation to its borrowings. For further information see also Note 30 to the 2025 Financial Statements and section 1.5 of the Board of Directors' Report.

2.20.8 Company debt and debt repayment capacity

The Company is required to maintain an adequate cash flow to meet its obligations and long-term business plans. An insufficient cash flow may have an adverse effect on Company's business, including the inability to meet the Company's obligations, impairment of the Company's debt repayment capacity, , make investments, and address threats of competition. For further information about financing of the Company's activities, see section 2.13.

2.20.9 Electromagnetic radiation and licensing of broadcasting facilities

The subject of the electromagnetic radiation emitted from broadcast facilities is regulated mainly in the Non-Ionizing Radiation Law (see sections 2.15 and 2.16.11). The Company is working to obtain permits to set up and operate its various broadcasting installations; however, the difficulties it faces in this area, including difficulties arising from the change in policy by relevant entities and amendments to statutes and standards, could have an adverse effect on the infrastructure of these installations and on the regular provision of services using them, and as a result, on the Company's revenues from these services. The Company's third-party liability policy does not currently cover liability for electromagnetic radiation.

2.20.10 Frequent technological changes

In the communications sector, there are frequent technological changes and shortening of the economic life of new technologies – see section 2.1.4. This requires heavy investments in numerous resources in upgrading the Company's technology, lowering of entry barriers for new competitors, an increase in depreciation rates, and in certain cases, redundancy of technologies and networks owned by the Company, the cost of investment, which is still recorded on its financial statements.

The introduction of innovative technology that is not used by the Company or that the Company is prevented from using may impair its competitive position.

2.20.11 Dependence on macro-factors and on levels of business operations in the economy

Stability in the financial market and the strength of global economies have recently been subject to high volatility. The Company estimates that if the local economy slides into a slowdown and a deterioration in business operations, including due to external or internal events, including upheavals in the global economy, and political-security uncertainty, then its business results may be impaired, among other things, due to impairment in the Company's revenues (including revenues from investees) or due to an increase in the Group's financing costs.

2.20.12 Failure of the Company's systems and cyber risks

The Company provides services using various systems that include exchanges; transmission, data communication and access networks; cables; computer systems, physical infrastructure, and data centers (the "Systems"). The Systems have critical importance in operating the Company's business and fulfill a vital function in its ability to perform its operations successfully. Hacking, interference, damage, or collapse of the Systems, including due to power cuts, may impair the Company's business. Some of the Company's Systems are backed up, but nevertheless, damage to some or all of these Systems, whether due to a technical fault (including in the event of termination of a contract with a supplier on which the Company relies for support of the Systems), a natural disaster (such as earthquake or fire), damage to physical infrastructure by communications service providers using them, or malicious damage (including through cyber-attacks as set out below), could cause extreme difficulties and beyond in providing service, including if the Company is unable to repair the systems.

The Company faces a risk of activity intended to harm the use of a computer or the computer material stored in it ("Cyber Attack"). A Cyber Attack may result in disruption in business, theft of information/funds, damage to subscriber privacy, damage to reputation, damage to systems, leakage of information (including other than due to a cyber event) causing substantial damage to the Company's operations. As a leading communications company that provides diverse communications services in various segments, the Company is a target for Cyber Attack, which it addresses.

The Company is an entity overseen by Israel National Cyber Directorate and is obligated to comply with stringent information security standards. The Company is also subject to rules in this matter under its licenses. In this regard, the Company implements a protection policy that includes the most advanced security systems in the world, which combine effective security with the operational requirements of the Company and layers of security to protect its infrastructures and Systems, which are designed to prevent and reduce possible malicious or unintentional use of data of the Company's network by an internal or outside entity, and the possibility of an outside party taking control of and managing network components or abusing information about the Company's infrastructures and networks in any manner. In this context, adequate resources are invested, including technological resources for the purchase of information security solutions and products and resources for information security standards, and various actions are performed, including testing system alerts and logs, a periodic risk survey, drills according to an annual plan, and routine work in accordance with appropriate procedures. The Company received three ISO standards: ISO 27001, ISO 27017, and ISO 27018 related to information security (standards that define and test the principles of establishing, managing, and maintaining information security in the organization) and in the implementation of the requirements of the standards, the Company ensures the availability, integrity, reliability, and confidentiality of its databases.

The cyber risk management policy is approved by the Company's IT security steering committee with the participation of the Company's VP of Technologies and Network. The director of the information and cyber protection division is responsible for implementing the policy in the Company.

The Company oversees implementation of its protection policy, including testing its level of effectiveness and the Company's readiness, as part of which the Company conducts periodic tests and drills at different frequencies for different scenarios (including through external companies specializing in this field). In addition, the Company's board of directors is involved in and oversees cyber risk management in the Company, as part of the Company's enterprise risk management policy and ongoing updates. The Company believes that the risk management policy for addressing and reducing cyber risk is effective.

Notwithstanding the Company's investments in means to reduce these risks, it is unable to guarantee that these efforts will succeed in preventing harm and/or interference that could also be significant in the Systems and the information related to them.

2.20.13 Impairment of subsidiaries

In accordance with accounting standards, the Company prepares valuations of its subsidiaries to test for periodic impairment of goodwill and assets regarding which there are indications of impairment. Taking note of the business position of the subsidiaries and the discrepancy, if any, between the carrying amount in the Company's financial statements and the recoverable amount as a cash-generating unit, any impairment in the subsidiaries' operations could result in recognition of an impairment loss (writeoff) in the Company's financial statements. Additionally, a significant change in circumstances that leads to a change in estimates could occur due to a high-intensity isolated event and/or as the result of a sequence of small changes that occur over time, which have a significant cumulative effect in the long term and/or due to a change in estimates (even on a small scale) regarding the long term. Valuations rely on assumptions which are correct as at the reporting date, and these assumptions that might not materialize or could partially materialize and different perspectives affect, with varying degrees of intensity, the value of the operation, and assumptions for the long term have a relatively large weight compared with assumptions for the short term. These assumptions are sensitive, among other things, to values in the representative year, the discounting interest rate, and the permanent growth rate. For further information see also Note 10 to the 2025 Financial Statements and section 3.1 to the Board of Directors' Report.

2.20.14 Pandemic

The outbreak of diseases and pandemic events in general (for example, the outbreak of Covid-19 in 2020) may affect the Company's business operations, depending on the extent and severity of the outbreak and national and global measures that will be taken as a result. These effects may be reflected, among other things, in impairment to the Company's activities and its customer service system as well as impairment to the supply chain. Events of this type are changing events that are not under the Company's control, and their consequences are subject, among other things, to the decisions of countries and authorities in Israel and other countries, which may affect the Company accordingly.

2.20.15 Damage caused by natural disasters, war, catastrophe, and supply chain disruptions

Damage to the Company's infrastructure and services due to natural disasters, including earthquakes, and due to war or disaster, as well as damage to the supply chain, may have an adverse effect on the Company's business and results.

2.20.16 Damage to electricity supply

Damage to the supply of electricity to the Company's facilities for different reasons (some of which are described in section 2.20.15) may have an adverse effect on the Company's business and impair the Company's ability to provide services. Some of the Company's systems have power backup, however, damage to some or all of the systems could cause material difficulties in providing the Company's services, including if the Company is unable to repair the systems quickly.

Chapter A (Description of Company Operations) of the Periodic Report for 2025

It should be noted that a significant part of the Group's operations (consolidated) is in its subsidiaries. The risk factors of these companies and the assessment of their management in relation to the risk factors are described in sections 3.19, 4.15, and 5.18 and they are also relevant to the Group's operations and results.

Chapter A (Description of Company Operations) of the Periodic Report for 2025

The following table rates the effects of the risk factors described above on the Company's activities, in the estimation of its management. It should be noted that this assessment of the extent of the effect of a risk factor reflects its extent assuming it materializes and does not assess or give weight to the likelihood of its materialization. The order in which the risk factors appear above and below is not necessarily according to the rate of risk.

Summary of risk factors – domestic fixed-line communications⁴⁹

	Extent of the effect of the risk factor on the Company's operations		
	Major	Moderate	Minor
Macro risks			
Exposure to changes in exchange rates, inflation, and interest rates		X	
Company debt and debt repayment capacity	X		
Dependence on macro-factors and on levels of business operations in the economy		X	
Pandemic			X ⁵⁰
Damage caused by natural disasters, war, catastrophe, and supply chain disruptions	X		
Damage to electricity supply	X		
Sector-specific risks			
Competition	X		
Government supervision and regulation	X		
Price control	X		
Electromagnetic radiation / licensing of broadcasting facilities			X
Frequent technological changes		X	
Company-specific risks			
Exposure in legal proceedings		X	
Streamlining processes and labor relations		X	
Restrictions on relations between the Company and companies in Bezeq Group	X		
Failure of the Company's systems and cyber risks	X		
Impairment of subsidiaries			X

The information included in this section 2.20 and the Company's assessments of the effect of the risk factors on the Company's operations and business constitute forward-looking information as defined in the Israel Securities Law. The information and assessments rely on data published by the Ministry of Communications, the Company's assessments of the market situation, its competitive structure, and possible developments in this market and in the Israeli economy. Actual results may differ significantly from these assessments if a change occurs in one of the factors taken into account in making them.

⁴⁹ It should be clarified that the Group companies' assessments of the effect of the risk factors in the table (in this section and in sections 3.19, 4.14, and 5.18) did not fully estimate the probability of materialization of the risk factor but instead, the effect of the risk factor on the relevant company should it materialize. It should be noted that the Group companies estimate the probability of the materialization of some of the risk factors set out in these sections for certain internal needs of their own. Furthermore, in general, the extent of the risk of risk factor on the Company's operations also depends, in some cases, on the scope and duration of materialization of the risk, therefore it may differ from that indicated.

⁵⁰ The extent of the effect of this risk factor on the Company's operations was classified as low, assuming that the event will be limited in scope and time. Otherwise, the extent of the effect may be higher.

3. Telephone – Cellular

3.1 General information about the area of operations

3.1.1 Telephone's segment of operation

Telephone provides cellular communications services, and sale and repair of terminal equipment. Telephone's services are described more fully in Section 3.2. Telephone is wholly owned by the Company.

3.1.2 Major legislative and regulatory restrictions specific to the operating sector

3.1.2.1 Communications and mobile radio telephony (MRT) license laws

Telephone's operations are regulated and controlled under the Telecommunications Law and subsequent regulations, the Telegraph Ordinance, and the mobile telephone license that it holds. The mobile license prescribes conditions and guidelines that apply to Telephone's activities, (for details, see section 3.14.2).

3.1.2.2 Price control

The interconnect fees (supplementary call and text message (SMS) fees collected by Telephone from other operators) are fixed in the Interconnect Regulations. The other rates fall under certain regulatory control as regulated under the mobile telephony license and the Telecommunications Law (see sections 1.7.6.1, 3.14.1 and 3.14.2).

3.1.2.3 Environmental laws and planning and construction laws

The set-up and operation of a wireless communication infrastructure, including cellular communications, is subject to the provisions of the Non-Ionizing Radiation Law and the required Ministry of Environmental Protection permits, and the provisions of planning and construction laws (see section 3.1.3.1).

3.1.3 Changes in the volume of activity

For financial information regarding the scope of Telephone's operations, see sections 0 and 3.3.

3.1.3.1 Revenues from services

The mobile radio telephony segment is extremely competitive. Competition in this sector has led to high subscriber churn between the cellular operators with consistent erosion of the prices of base packages together with continued increase of browsing volumes included in the packages that has caused erosion of the average revenue per user (ARPU) (see Section 3.6). The growth in number of postpaid subscribers (subscribers who receive services for monthly payment) in recent years partly compensated for the price erosion, and as of the end of 2020, companies in the market began to offer 5G packages at higher prices than 4G packages, which contributed to increasing ARPU. As of 2025 onward, market participants have introduced 5G plans with priority browsing during peak load conditions, priced above regular 5G plans. The market continues to be highly competitive with low prices for non 5G packages, and in 2025 the scope of churn between the companies in the market increased for the second consecutive year, following 6 years during which the market experienced decline. As of the fourth quarter of 2023, revenues from roaming services were adversely affected as a result of the Swords of Iron war. In 2024 and 2025, roaming revenues showed signs of recovery, following the ceasefire and positive developments in certain combat arenas, which led to the return of some foreign airlines to Israel. This recovery trend was interrupted in June 2025 due to Operation Rising Lion, when flights were canceled and activity of foreign airlines were reduced. In the fourth quarter of 2025, this recovery trend resumed;

however, the current situation remains subject to significant uncertainty given the possibility of additional security related events in the future.

3.1.3.2 Revenues from sales of terminal equipment and electronic equipment

The terminal equipment market is also intensely competitive among the cellular operators and the numerous stores that sell terminal equipment, including by parallel import. In 2025, fierce competition in this area continued. To minimize impairment of revenues, Pelephone continues to increase the range of equipment it sells and also sells non-cellular electronic equipment.

Pelephone sells a significant part of the terminal equipment in installments.

3.1.4 Market developments and changes in customer characteristics

The cellular market growth rate is lower due to penetration rate saturation⁵¹. Market penetration rate as at September 30, 2025 was Approx. 117%.

3.1.5 Technological developments that may have a significant effect on the operating segment

The cellular telecommunications market is dynamic with frequent technological developments in all areas of operation (handsets, telecommunications network technologies, and value-added services).

Technology developments and the desire to widen the range and quality of services offered to the customer require cellular operators to periodically upgrade their network technologies. Cellular networks in Israel currently operate primarily on LTE technology, as well as 3G in a Non-Standalone 5G architecture.

Pelephone is also in the process of upgrading its core 5G network to standalone architecture. This process is being carried out according to stages where some of the key network components have been upgraded to the new core and are operable.

As at the reporting date, Pelephone's LTE network is usually deployed throughout most of the country and Pelephone is continuing to expand the network to improve coverage over 700 Mhz frequencies and 2600 Mhz to improve performance, and in addition to further deployment of the 5G network over 3500 Mhz frequencies, which is being executed according to a systematic deployment plan.

Furthermore, Pelephone operates additional network 5G features, including carrier aggregation and massive MIMO.

Pelephone offers a service based on Voice over WiFi technology (VoWiFi) as an enhanced solution for indoor coverage, eliminating the need to use cellular spectrum. The service enables seamless call continuity when moving between the cellular network and WiFi infrastructure, and back again, with a transparent, bidirectional handover that does not interrupt the call.

Pelephone constantly monitors and reviews new technologies that come onto the market and the need to upgrade its existing network technologies, based on the competition in the market and the financial viability of the investment in such technologies.

Expanding capacities and speeds with the LTE (4G) and New Radio (5G) technologies and the development of next cellular generations depends on the allocation of frequencies. For further information, see section 3.8.2.

⁵¹ Penetration rate – the ratio between the number of subscribers in the market and the total population of Israel (excluding foreign workers and Palestinians, although they are included in the number of subscribers).

After winning the frequencies tender, Pelephone operates frequencies in the 700 Mhz and 2600 MHZ ranges with the 4G technology, and at some of the sites, it also uses the 5G technology over the 3500 MHZ frequency (see section 3.8.2.4).

Embedded SIM (eSIM) technology – a technology that enables a mobile device to connect to a network via an embedded SIM that cannot be removed, unlike the traditional SIM cards that can be removed and swapped between devices. The eSIM technology enables flexible and easier use for operating and managing a number of lines on one device, simpler and faster switching between operators without the need for a new physical SIM card, and better accessibility to roaming packages of various operators (“primary” line solutions). The technology also allows adding other devices to the cellular line (“secondary” solution) such as smart watches and bands. On February 11, 2024, Pelephone launched the option of postpaid subscribers connecting to its services via eSIM as a main line (in 2024 the option was also opened for prepaid subscribers). Shortly afterwards other cellular operators also launched the eSim for their networks. With regard to the acquisition of Roamability, a company that specializes in providing solutions for Pelephone global roaming services, see section 3.2.1.2.

3.1.6 Critical success factors

- 3.1.6.1 Nationwide deployment of an advanced high-quality cellular network, regular maintenance of the high standard network and regular substantial investments in cellular infrastructure for both high quality country-wide coverage and for providing customers with the most advanced services using cutting edge infrastructures and technologies (also see section 3.7.1).
- 3.1.6.2 Subscriber base growth.
- 3.1.6.3 Growth in the number of subscribers to 5G plans, with higher data volumes, and growth in the number of subscribers to 5G MAX plans (plans that prioritize 5G browsing under network congestion conditions), which are priced higher than standard 5G plans.
- 3.1.6.4 Ability to offer competitive prices.
- 3.1.6.5 Extensive and varied distribution channels
- 3.1.6.6 Diverse range of service channels, including digital channels, allowing effective and quality support and service to a large range of customers.
- 3.1.6.7 Adapting the cost structure and streamlining operations allowing Pelephone to confront the increased competition.
- 3.1.6.8 A Brand that represents a high quality, reliable, and state-of-the-art network.
- 3.1.6.9 Top-notch and skilled work force.

3.1.7 Main entry and exit barriers⁵²

- 3.1.7.1 Main entry barriers to the operating segment are:
 - A. Market penetration rate saturation (see section 3.1.4).
 - B. The need for a mobile telephony license for operators that have frequencies (MVNO operators may operate under a permit only), allocation of frequencies that involve vast costs due to, among other things, the shortage of these resources (see section 3.8.2.1) and regulatory supervision (see section 3.14.2).
 - C. The need for significant financial resources for carrying out large-scale investments in infrastructures, which are affected by frequent technological developments (also see section 3.7.1.2).

⁵² Some of the foregoing entry and exit barriers also apply partially and to a limited extent to the virtual operators.

D. The difficulty involved in setting up radio sites due to regulatory restrictions and public opposition.

3.1.7.2 Main exit barriers are:

- A. The large investments required and the time needed to recoup them.
- B. The commitment to provide customers with services pursuant to the terms of the cellular license and agreements made in accordance with those terms.

3.1.8 Structure of competition in the sector and changes occurring in it

3.1.8.1 General

The cellular communications market in Israel is extremely competitive, which is reflected in the high subscriber churn between operators in recent years, substantial erosion of rates and profit margins.

As at the reporting date, there are five operators with a cellular license in the cellular telecommunications market in Israel (Pelephone, Cellcom, Partner, HOT Mobile and XFone) and Approx. 18 MVNO operators with cellular licenses/permits for hosting on another network (virtual operators).

3.1.8.2 Infrastructure sharing

- A. Infrastructure sharing allows consolidation of the cellular operators' sites and substantially reduces the operating and maintenance costs of the radio sites of each operator. To the best of Pelephone's knowledge, as at the reporting date, infrastructure sharing on the market are as follows:
- B. Partner and HOT Mobile operate under shared radio segment infrastructure through a joint company.
- C. Cellcom (which holds Golan Telecom) and Xfone operate under an infrastructure sharing arrangement in the 4G radio segment through a joint corporation and purchase of other domestic roaming services.

3.1.8.3 Virtual operators – MVNO

To date, several MVNO licenses have been granted to virtual operators. Only a few MVNO licenses are active on the market.

For additional information about the structure of competition, see section 3.6.

3.1.8.4 Hearing and regulation with regard to private networks

Further to the hearing held by the Ministry of Communications on the subject, on July 16, 2023, the Ministry published a policy document outlining the rules for allocation of a 26-GHz frequency band (and 2100 MHz narrowband) for use by entities other than cellular operators or domestic carriers, for the operation of local private networks (polygon area) per project. Implementation of the policy will require relevant regulatory adjustments and is not expected to have a significant effect on the business affairs of the Company and of Pelephone. As of January 4, 2026, regulations were amended to specify the regulatory framework applicable to such private networks, including provisions relating to receipt of a license (for a private network intended to provide service to third parties), the rules governing the establishment and operation of a private network, and fees for license application and allocation of designated frequencies (26 GHz, 3,500 MHz, 2,600 MHz, and a narrow band within the 2,100 MHz range).

3.2 Services and products

3.2.1 Services

Description of the services Pelephone provides for its subscribers:

3.2.1.1 Package services that include:

- A. **Basic telephony services (voice)** – basic voice services, call completion and auxiliary services such as call waiting, follow-me, voice mailbox, voice conference call and caller ID, among others.
- B. **Browsing and data communication services** – internet browsing services using 3G, 4G and 5G compatible terminal equipment. For information about the switching off of 3G services see section 3.7.1.1C.
- C. **SMS and MMS messaging service** – a service for sending and receiving text (SMS) messages and multimedia (video/voice/text) messages.

3.2.1.2 **Added value services** – Pelephone offers its customers added value and supplementary services such as antivirus and cyber security services, among others.

3.2.1.3 **Roaming services** – Pelephone provides its customers with broad roaming coverage in approx. 190 countries worldwide. Pelephone also provides incoming roaming services for the customers of foreign operators staying in Israel, including using eSIM technology. Regarding roaming services and the development of the use of eSIM technology for these services – as part of Pelephone's activity and its preparation for global trends in the roaming services market, which include more extensive use of eSIM technology in these services, on October 18, 2023, the board of directors of Pelephone approved the acquisition of full ownership in Roamability, which specializes in global roaming services solutions, 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 consideration for an amount that is immaterial for the Group.

3.2.1.4 **Private cellular network via LTE (long term evolution) or 5G technology** – Pelephone offers its business customers installation and maintenance of a private cellular network in the customer's premises. A private network provides the business customer various advantages, such as business continuity, bandwidth management between the customer's users, low latency, connection to IOT devices, contribution to the security of the customer's networks and systems, among others.

3.2.1.5 **Terminal equipment servicing and repair services** – Pelephone offers expanded repair and extended warranty services for a monthly fee entitling the customer to mobile handset repair and warranty services, or for a one-time payment at the time of repair.

3.2.1.6 Pelephone provides part of these services under hosting agreements to holders of cellular licenses on other networks that use Pelephone's network to provide services to their customers.

3.2.1.7 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, among others.
- B. **PTT (Push to Talk) services** – Pelephone offers its business customers the most advanced PTT services worldwide enabling fast and secure organizational communications at the push of a button.

3.2.2 Products

Terminal equipment – Pelephone offers various types of mobile phones, PTT devices, tablets, laptops, modems, smart watches, supported accessories such as speakers, headphones, and other electronic products.

3.3 Revenues from products and services

Breakdown of Pelephone's revenues from products and services (in NIS millions):

Products and services	2025	2024	2023
Revenues from services less interconnect fees	1,475	1,403	1,385
Percentage of total revenues	68.1%	62.2%	59.0%
Revenues from interconnect fees (*)	75	233	371
Percentage of total revenues	3.5%	10.4%	15.8%
Revenues from products (terminal equipment)	617	618	592
Percentage of total revenues	28.5%	27.4%	25.2%
Total revenues	2,167	2,254	2,348

(*) For information about the cancellation of interconnect charges for telephony calls terminated on cellular or domestic carrier networks, see section 1.7.6.1.

3.4 Customers

Breakdown of revenues from customers (in NIS million):

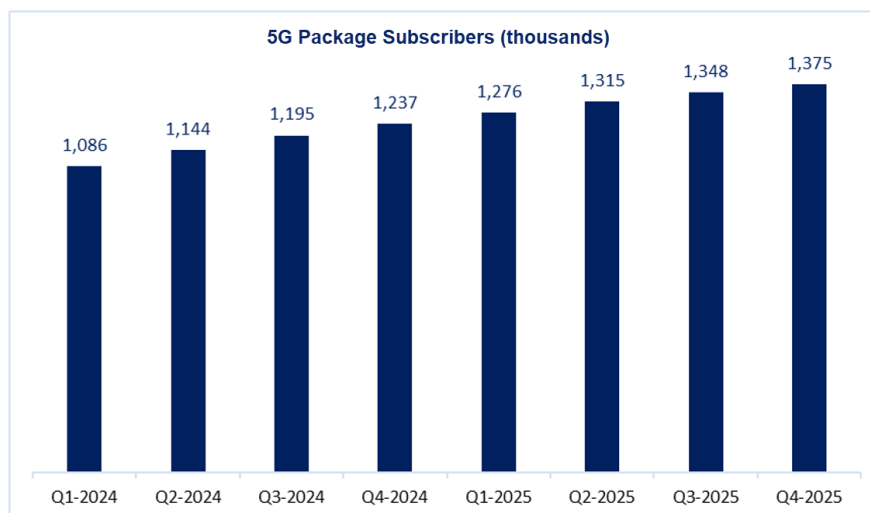
Products and services	2025	2024	2023
Revenues from private customers, net of interconnect fees	1,283	1,210	1,180
Revenues from private customers	1,323	1,333	1,375
Revenues from business customers ^(*) , net of interconnect fees	809	811	797
Revenues from business customers (*)	844	921	973
Total revenues,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

(*) Revenues from business customers also include revenues from hosting agreements (enabling provision of mobile telephony services of another licenses provider via Bezeq's network), mainly from Rami Levy.

At the end of 2025, Pelephone had approx. 2.677 million subscribers, including approx. 2.315 million postpaid subscribers (receiving service for monthly fee) and approx. 0.362 million prepaid subscribers (advance payment for services).

Pelephone markets bundles with an increased browsing volume that are also adapted for 5G requirements, and as of publication date of the report, Pelephone has approx. 1.407 subscribers for such bundles.

Below is a breakdown of Pelephone 5G package subscribers:



3.5 Marketing, distribution, and service

Pelephone's distribution network includes around 187 points of sale at which it is possible to join Pelephone's services. The point of sale network is diverse and includes stores and stalls operated by Pelephone, retail chains that market Pelephone products and approx. 42 customer service and sales centers deployed around the country that engage in sales, repair of devices and customer retention. Furthermore, Pelephone operates an internal and external telemarketing network. As a rule, these marketers are paid a commission on sales.

Pelephone's subscriber service network includes diverse online channels, including Pelephone's website, self-service apps, and call centers.

3.6 Competition

3.6.1 General

In recent years, the Ministry of Communications has adopted regulatory measures that are intended to increase competition in the cellular communications market. The proliferation of cellular operators in the market led to fierce competition in recent years, which is reflected in the high subscriber churn between operators and decline in prices of cellular packages, resulting in erosion of rates and profit margins, on the private customer market as well as the business customer market.

To compensate for the erosion of package prices, Pelephone adopted a strategy for increasing the number of subscribers together with streamlining measures and adjusted cost structure (see section 3.17).

Breakdown, to the best of Pelephone's knowledge, of the number of subscribers of Pelephone and of its competitors in 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 market
As at December 31, 2024	No. 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 at September 30, 2025	No. 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 other operators (including, among others, XFone) are private companies which do not publish figures regarding the number of their subscribers and these figures are based on Pelephone's estimates, using subscriber inter-company migration figures.
- (2) HOT Mobile subscriber data for the third quarter of 2025 are based on information published in reports of Altice, the controlling shareholder of HOT, and, to the best of Pelephone's knowledge, refer only to private subscribers and do not include business subscribers.
- (3) The number of subscribers as at September 30, 2025, are based on the public reports issued by Cellcom and Partner.

3.6.2 Infrastructure sharing agreements and providing right of use of networks

For further information concerning the existing infrastructure sharing agreements in the market as at the Reporting Date, see section 3.1.8.2. As aforesaid, infrastructure sharing allows consolidation of the cellular operators' sites and substantially reduces the operating and maintenance costs of the radio sites of each operator.

Pelephone is not party to a radio network sharing agreement, due to the Ministry of Communications' network sharing policy dated April 17, 2014, therefore it does not benefit from the savings of a shared radio network, but on the other hand it has exclusive control of its cellular network, maintenance of its technological channel and the scope of its investments.

3.6.3 Positive and negative factors that affect Pelephone's competitive status

3.6.3.1 Positive factors

- A. An extensively deployed high quality cellular network.
- B. Its positioning as an advanced high-speed cellular network, particularly due to the progress in deployment of the 5G network.
- C. The diverse and widespread distribution system operates through call centers and numerous points of sale that are operated by Pelephone, external resellers and through leading retail outlets.
- D. A broad service network and diverse customer service interfaces, including digital channels, enables a high level of service.
- E. Robust equity structure and positive cash flow.

3.6.3.2 Negative factors

- A. As a subsidiary of the Company, Pelephone is subject to regulatory restrictions for entering other areas of operation and expanding the service bundles it can offer its customers, which do not apply to its competitors.
- B. Restrictions on joint activities with the Company, including the marketing of joint service bundles.
- C. The establishment, operating and maintenance costs of Pelephone's cellular networks are expected to be much higher compared with the competitors that

operate through radio segment infrastructure sharing.

For information about negative factors, see also section 1.7.2.

3.7 Fixed assets

Pelephone's fixed assets include its core network infrastructure equipment, radio sites, electronic equipment, computers, motor vehicles, terminal equipment, office furniture and equipment and leasehold improvements.

3.7.1 Infrastructure

3.7.1.1 Pelephone currently operates communications networks using three main technologies:

- A. 5G – new radio technology that uses an ultra-broadband spectrum (100 MHz at Pelephone), enabling higher capacity and higher broadband speeds for the user. All the terminal devices that support this technology also support the 3G technologies and the transition between the technologies is seamless. Later on, the technology will enable IOT applications of a significantly larger scale than at present and at very high level of performance.
- B. 4G – LTE technology based on GSM standards. The advantages of this technology are larger data communication capacity and faster upload and download rates than the 3G technologies. All the terminal devices that support this technology also support the 3G technologies and the transition between the technologies is seamless.
- C. 3G – UMTS technology based on GSM standard. This technology is globally widespread and enables subscriber identification and services to be provided through a SIM card, which can be moved from one handset to another. The hearing held by the Ministry regarding future switch off of the mobile telephony networks that operate using old technologies (2G and 3G networks) adopted an outline plan for switching off these networks, which is expected to lead to their switch off on December 31, 2025 (or earlier, at the request of each operator with regard to its networks and on condition that they comply with the conditions that were set). The outline plan includes, among other things, milestones for discontinuing the import of handsets that do not support new technologies, informing the public, and discontinuation of connecting such devices to the network. It should be noted that Pelephone previously switched off its 2G network. Based on the foregoing decision, Pelephone is preparing for the switch-off of its 3G network in accordance with the timetables established in the decision.⁵³

On December 30, 2025, the Ministry of Communications published an amendment to its decision regarding the switch off of 3G networks, the main points of which are as follows 3G networks will not be switched off uniformly across all networks on January 31, 2026, as originally planned, but rather on dates determined independently by each operator for its own network, based on the following: (1) The 850 MHz frequency may be fully operated until 1 February 2026; (2) After this date, each operator may continue to operate this frequency at specific sites approved by the Ministry of Communications, until March 31, 2026, at which time use of this frequency will cease and the 3G network (if not yet switched off) will operate solely on the 2100 MHz frequency. In addition, it was determined that emergency calls from devices that do not support emergency calling over 4G will continue to be routed through 2G networks, and for this purpose the relevant operators (Pelephone is not

⁵³ On June 6, 2023, an updated decision was received by the Minister stating that a license holder will be permitted to continue providing service on the 2G network for M2M (machine-to-machine) purposes only until December 31, 2028, subject to the approval of the administration. In addition, a license holder will be permitted to contact the administration with an additional request to extend the 2G technology service period for M2M purposes only, until December 3, 2030.

among them) will be required to maintain a narrow frequency band within their 2G networks.

As at the reporting date, the infrastructures for Pelephone's networks are mainly based on two switch farms, which are connected to more than 2,500 sites. In 2026 the core network components will be moved from one of the server farms to a new facility.

3.7.1.2 Network investments

In recent years Pelephone has invested in deploying its 4G and 5G networks, including the integration of new technologies such as Massive, Beam Forming, Quam 256 and MIMO technologies, and Carrier Aggregation on the access network and IMS on the network core (see section 3.1.5).

As part of this, since 2020, Pelephone has been expanding the use of the access network spectrum in the 700 MHz range for the entire network, in the 2600 MHz range at over a 1,600 sites, and in the 5G 3500 MHz range at approx. 1000 sites, by installing and operating antennae and transmission reception equipment within these frequency ranges at various sites. It should be noted that of these, in the 700 Mhz range, the goal is nationwide deployment.

Pelephone's outline plan for deployment and application of advanced 5G data communication services requires vast investments and is currently integrated into existing infrastructures and systems, and operation of these advanced services will be based on the 5G technology that Pelephone continues to deploy as aforesaid, and will down the line be based on a new dedicated 5G core network (see sections 3.1.5 and 3.8.2.4).

In addition, as part of its ongoing investment, throughout the license period Pelephone will be required to invest for establishing new broadcasting sites, among other things to comply with the terms of its cellular license.

Pelephone's foregoing estimates concerning the scope of investments required are forward-looking information, as this term is defined in the Securities Law, and are based on Pelephone's forecasts and assessments, in part, regarding the speed of expanding and updating the network. Consequently, the information may not be fully or partially realized or may be realized in a different manner than that estimated, if these forecasts and estimates are not realized, or will be realized differently than expected.

3.7.2 Premises used by Pelephone

Pelephone does not own land, and leases premises from others, including the Company, for its operations. Below is a description of the main premises used by Pelephone:

3.7.2.1 The premises Pelephone uses for setting up its communications sites and network centers, as referred to in section 3.7.1, are located throughout the country and are leased for varying periods (in many cases, for 5 years with an option to extend for a further 5 years). For information about licensing of the sites, see section 3.14.3.

In 2023, the Company signed an agreement under which the Company will carry out an extensive renovation of the Company's Bezeq Ayalon facility to which Pelephone's core facility in Ramla will be moved. Once the renovation is completed at the beginning of 2026, Pelephone is expected to begin the gradual process of vacating its core facility in Ramla. The agreement also regulates the rental relations between the Company and Pelephone.

3.7.2.2 Pelephone's head office is located in Petah Tikva.

3.7.2.3 For its sales and service operations, Pelephone leases approx. 42 service centers and points of sale throughout the country.

- 3.7.2.4 Pelephone has other lease agreements for warehouses (including its main logistics center where the central laboratory for repairing customer devices is located), offices, call centers, and two switch farms that it uses for its operations.

3.8 Intangible assets

3.8.1 Licenses

For information about Pelephone's mobile telephony license and its license to operate in the Administered Territories, see section 3.14.2.

3.8.2 Frequency usage rights

3.8.2.1 Frequency shortage

There is a shortage of frequencies for public use in Israel (among other things, because of the designation of numerous frequencies for security uses). As a result, the government limits the number of licenses granted for using frequencies.

3.8.2.2 Pelephone's inventory of frequencies

Under its mobile telephony license and the Wireless Telegraph Ordinance, Pelephone has rights of use of frequencies in the 850 Mhz⁵⁴ (until January 31, 2026) and 2100 MHz spectrums for operating its UMTS/HSPA network, and in the 1800 Mhz, 700 Mhz and 2600 MHz spectrums for operating its LTE technology network (see also section 1.1.5), and in the 3500 Mhz spectrum for operating the 5G network. In 2017 Pelephone returned two bands of 1 Mhz each in the 850 Mhz spectrum to the national pool of frequencies and the remaining bands in this range will also be returned on January 31, 2026. Toward the end of April 2017, the Company received a temporary allocation of a 5 MHz band in the 1800 MHz spectrum. This allocation is limited in use and is for a fixed period.

The Ministry of Communications temporarily reallocated this band to Pelephone until December 31, 2025 under conditions and restrictions, to allow Pelephone to prepare for the expected changes involved in switching frequencies in the first giga spectrum (see section 3.8.2.3).

The 800 Mhz frequencies, which were planned for 2023, has not yet been distributed and activation of these frequencies is expected to take place partially in 2026.

3.8.2.3 Switching frequencies in the first giga spectrum

In July 2018, the Ministry of Communications informed Pelephone that it plans to adapt the cellular frequencies in Israel to European standards and to the region in which the State of Israel is located, so that Pelephone and another cellular operator will be required to switch the frequencies allotted to them in the 850 MHz spectrum to others in the first giga spectrum. On February 5, 2020, the Ministry of Communications informed Pelephone of its intention to execute the plan to replace the 850 MHz frequencies that Pelephone uses in view of the electromagnetic interference caused to neighboring countries due to non-compatibility of the allocation of cellular frequencies in Israel to frequency commissioning based on European standards and to the region in which the State of Israel is located. According to the plan, Pelephone will receive 800 MHz frequencies in place of the 850 MHz frequencies, where in the first stage and for dealing with the foregoing interferences, the number of 850 MHz frequencies used by Pelephone will be reduced to 5 MHz (instead of the current 10 MHz), as of May 31, 2020. Pelephone submitted, at the request of the Ministry of communications, its position on a number of issues, and on March 17, 2020, the Ministry announced its final decision regarding implementation of the outline according to its notice dated February 5, 2020. At the

⁵⁴ Pelephone has the option to demand a 5 mega allocation in the 800 Mhz spectrum due to the freeing of the 850 Mhz frequencies.

beginning of 2026, allocation of 850 MHz bandwidth will be completed, however it is still uncertain regarding when the 800 Mhz frequency will be allocated.

3.8.2.4 Tender for mobile radio telephony services over advanced bandwidths (the "Tender")

On August 12, 2020, Pelephone won an allocation of frequencies, further to its participation in a tender for mobile radio telephony services over advanced 5G bandwidths. Highlights of the Tender:

The Tender includes provisions concerning network coverage and quality requirements that will be formalized as part of an amendment to the cellular licenses of the existing operators (see amendments to Pelephone's license below).

The Tender includes the option of receiving the following incentives:

- Option of a discount on frequency fees in the first four years subject to the approval of the Ministries of Communications and of Finance;
- Option of receiving a performance-based bonus for deployment of 5G sites pursuant to the conditions set out in the Tender (such as compliance with scope of deployment, time schedules, duration, and timing of deployment compared to others, and additional conditions as set out in the Tender). This bonus was received in 2022.
- Pelephone complied with all of the foregoing conditions in full and accordingly received the discount and the grants.

For further information, see also section 3.19.2.1. For information about exposure to disruptions in the frequency ranges used by Pelephone, see section 3.19.3.8. For further information see also Note 10 to the 2025 Financial Statements.

On July 17, 2023, Pelephone was informed that its bid was accepted in the ongoing tender for 5G mobile telephony services in the 26 GHz frequency spectrum for the purpose of improving and consolidating the existing 5G cellular networks capacities and solutions (the "Tender"). Under the Tender, 25 bandwidths of 100 MHz each (total of 2500 MHz) were offered for pricing among the existing cellular carriers (existing cellular networks), where each network was eligible to obtain up to 1200 MHz (of the 2500 MHz).

Pelephone obtained a cluster of frequencies in this spectrum, as follows:

- 800 M in the 26 GHz range (for 10 years), while the license period as a cellular operator does not change as a result of the tender and it may be renewed under the provisions of the license.
- License fee payments in the amount of NIS 4.16 million were made by Pelephone in June 2024, following which Pelephone's license was amended accordingly. It is hereby clarified that to date no actual allocation of frequencies has yet been made to Pelephone.

Allocation of the Frequencies will allow Pelephone, among other things, to expand the range of advanced uses on the 5G cellular network, with emphasis on private networks and advanced services that require a particularly high broadband speed, such as hospitals. 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. Its primary trademark is "Pelephone".

3.8.4 Software, computer systems, and databases

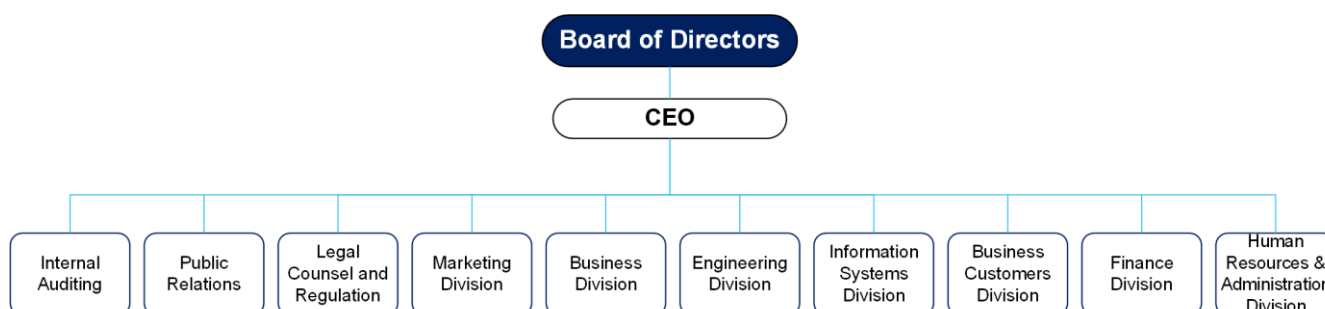
Pelephone uses software and computer systems, some under purchased licenses and others which were developed by Pelephone's IT department. Many of these licenses are limited in time and are periodically renewed. The primary systems used by Pelephone are Oracle Applications' ERP system

and Amdocs’s customer management and billing system. Pelephone is also upgrading its CRM (customer relations management) system on the state-of-the-art Salesforce cloud platform, together with yes. Pelephone is dependent on the Salesforce system and services, due to their importance for managing its customer relations. System malfunctions or discontinuation of the services by this provider are expected to cause operational difficulties until the matter is rectified or the system/provider is replaced, which could take a long time.

3.9 Human resources

3.9.1 Organizational structure

Pelephone’s organizational structure as at the reporting date:



As part of implementing synergy with the Group’s subsidiaries, Pelephone’s CEO, Ilan Sigal, also serves as CEO of yes. Most of Pelephone’s current VPs also serve as VPs at yes.

3.9.2 Headcount and positions

Breakdown of the number of employees at Pelephone, based on organizational structure.

Department	Number of employees	
	December 31, 2025	December 31, 2024
Management and HQ	196	196
Business and Private Customers Divisions	1,042	1,106
Engineering and information systems	364	370
Total	1,602	1,672

The number of employees in the above table includes those employed in part time positions. The total number of positions⁵⁵ at Pelephone at December 31, 2024 was 1,474, and at December 31, 2025 was 1,439.

3.9.3 Terms of employment

The majority of Pelephone’s employees are employed under monthly or annual contracts, based on the professions and positions in which they are employed. Most of the service and sales employees are shift workers who work part time and are employed on an hourly basis. The rest of Pelephone’s employees are employed under global monthly agreements. The main difference between the monthly and hourly agreements and the global monthly agreements is the structure of salaries.

Pelephone customarily awards its officers, managers and some of its employees annual bonuses based on attaining goals and performance assessment. For information about equity-based compensation components with respect to some of Pelephone managers see section 2.9.5.

⁵⁵ The number of "positions" at Pelephone is calculated as: total monthly work hours divided by the standard monthly work hours.

3.9.4 Collective agreement

The labor relations at Pelephone are regulated by the collective agreement signed between Pelephone and the Histadrut New General Federation of Labor in Israel (the "Histadrut"), Union of Cellular, Internet, and High-Tech Workers, and Pelephone's employees committee. The agreement applies to all Pelephone employees, with the exception of senior managers and certain employees in predefined positions, who are employed under personal agreements.

On December 6, 2022, the parties signed a renewal of the existing collective agreement. The agreement includes salary increments and bonuses, improved fringe benefits, voluntary retirement, and elimination of the labor disputes declared by the Histadrut and employees representative committees, while maintaining industrial peace during the validity period of the agreement with respect to the matters regulated in the agreement, starting from December 6, 2022 until December 31, 2025 (the "Agreement" and the "Term of the Agreement", respectively).

On February 25, 2026, the Board of Directors of Pelephone approved understandings reached between Pelephone's management and the workers' committee, which include, among other matters, arrangements for the retirement of up to 150 permanent employees and granting of related financial benefits. The collective agreement has been renewed for an additional three-year period beginning in January 2026 and is subject to the parties signing a detailed collective agreement, once drafted, based on the approved understandings. The Company and Pelephone estimate that the implementation of the collective agreement is not expected to have a material effect on the Group's results.

It is hereby clarified that the foregoing constitutes forward-looking information, as defined in the Israel Securities Law, and is based, among other things, on assumptions and assessments regarding the agreement that is expected to be signed. Such assessments may not materialize or may materialize in a manner different from what is currently anticipated.

The provisions of the collective agreement dated December 6, 2022, continue to apply to the parties, subject to applicable law.

For further information see also Note 16 to the 2025 Financial Statements.

3.9.5 Labor disputes

Under the collective agreement dated December 6, 2022, all labor disputes that had been pending at Pelephone were withdrawn, except for the demand of the workers' committee to appoint their representative to Pelephone's Board of Directors. This demand was not resolved, and the parties agreed that it would be discussed later. As part of the negotiations taking place between the parties, as at the date of publication of the report this demand is also being addressed.

3.10 Suppliers

3.10.1 Suppliers of terminal equipment

Pelephone purchases some of the terminal equipment and accessories from various vendors in Israel and imports others independently. In addition, Pelephone purchases terminal equipment and accessories by way of consignment purchase with the right to return terminal equipment to the suppliers. The agreements with some of the vendors are based on framework agreements that regulate, among other things, the vendor's technical support for the terminal equipment it supplies, availability of spare parts and repair turnaround, as well as the vendor's product warranty. Most of these agreements do not include a purchase commitment on Pelephone's part, purchases are made on a regular basis by means of purchase orders based on Pelephone's needs.

In the event of termination of an engagement with a supplier of certain terminal equipment, Pelephone can increase quantities of terminal equipment purchased from other suppliers or purchase terminal equipment from a new supplier.

Pelephone's material suppliers are Apple, with which it has an agreement with commitments for defined purchase targets and is in effect until March 2026, and Samsung, with which Pelephone does not have an agreement committing to purchase a minimum annual quantity, and purchases are made on the basis of orders that Pelephone places from time to time.

The rate of Pelephone's purchases from each Apple and Samsung in 2025 came to approx. 16.3% and approx. 11.9% (respectively) of Pelephone's total purchases from all suppliers⁵⁶. The division of terminal equipment purchases among suppliers does not create significant dependency on any one supplier or equipment model.

3.10.2 Infrastructure suppliers

The cellular infrastructure equipment (5G, UMTS, LTE) and microwave transmission equipment are supplied by LM Ericsson Israel Ltd. ("Ericsson"). Pelephone has multi-year agreements with Ericsson for the supply, maintenance, support, and software upgrading for the entire network, as well as for the core 5G network, and it believes that it could be dependent on it with regard to network support and expansion. In addition, the cellular network uses transmission, for which the Company is Pelephone's main supplier. Pelephone has a multi-year transmission agreement with the Company that includes use and maintenance.

3.11 Working capital

3.11.1 Credit policy

Credit in device sales transactions – Pelephone grants most of its customers who purchase terminal equipment an option to spread payment up to 36 equal installments. To reduce its possible exposure from providing its customers with credit, Pelephone acts in accordance with a credit policy that is reviewed from time to time. Pelephone also examines the financial stability of its customers (based on parameters that it sets).

Credit in monthly billing for cellular services – Pelephone customers are billed once a month in billing cycles on different days throughout the month, for service consumption during the previous month.

From most of its suppliers, Pelephone receives credit for periods ranging from 30 days to EOM + 92 days.

3.11.2 Breakdown of average customer and supplier credit in 2025:

	Credit (NIS millions)	Average credit days
Customers for sales of terminal equipment (*)	475	238
Customers for services (*)	147	29
Suppliers	248	58

(*) Net of doubtful debts.

3.12 Taxation

See Note 7 to the 2025 Financial Statements.

⁵⁶ All Pelephone suppliers, including vendors who are not suppliers of terminal equipment and electronic devices.

3.13 Environmental risks and means for their management

3.13.1 Statutory provisions relating to the environment applicable to Pelephone's operations

The broadcasting sites used by Pelephone are "radiation sources" as defined in the Non-Ionizing Radiation Law. The erection and operation of these sites, excluding those listed in the addendum to the law, requires a radiation permit.

The law prescribes a two-step licensing mechanism for obtaining a radiation source operating permit under which the applicant first applies for a permit to construct a radiation source (the "Erection Permit"), which will be in effect for no more than three months and may be extended by the Commissioner for up to nine months, then for a permit to operate the radiation source (the "Operating Permit"), which will be in effect for five years or as otherwise determined by the Minister for Environmental Protection.

With regard to the Erection Permit, by law provides that the permit is contingent upon assessment of the maximum radiation levels to which human beings and the environment are expected to be exposed from the radiation source when in operation, including in the event of a malfunction, and the required measures for limiting the levels of exposure of human beings and the environment to the expected radiation from the radiation source when operating, including implementation of technological means that are in use (the "Limiting Measures").

With regard to the Operating Permit, the law provides that the permit is contingent upon application of the Limiting Measures and to measuring the levels of exposure of human beings and the environment to the radiation generated while the radiation source is operating. The law further provides that the Operating Permit is contingent upon presentation of a license under the Telecommunications Law and in certain cases, also of a construction permit pursuant to the Building and Planning Law.

The law includes a punitive chapter under which, inter alia, the construction or operation of a source of radiation in contravention of the provisions of the permit and the construction or operation of a source of radiation without a permit, after having been warned in writing by the Commissioner, are strict liability offenses.

In January 2009, the Radiation Supervisor at the Ministry of Environmental Protection published guidelines regarding safety ranges and maximum permitted exposure levels with respect to radio frequency radiation, including cellular antennae.

It is also noted that the Ministry of Environmental Protection operates continuously to supervise and monitor the broadcasting sites to check that they comply with the provisions of the Law.

Cellular services are provided through a cellular phone which emits non-ionizing radiation (also known as electromagnetic radiation). Consumer Protection Regulations (Information regarding Non-Ionizing Radiation from a Cellular Telephone) 2002, specify the maximum permitted radiation level for a cellular phone which is measured in units of Specific Absorption Rate (SAR) and requires that Pelephone informs its customers accordingly. To the best of Pelephone knowledge, all the cellular phones that it markets comply with the relevant SAR standards. See also section 3.19.2.5.

3.13.2 Pelephone's environmental risk management policy

Pelephone conducts periodic radiation tests to ascertain its compliance with permitted operating and international standards. These tests are outsourced and carried out by companies authorized by the Ministry of Environmental Protection. Pelephone applies an internal enforcement procedure for monitoring implementation of the provisions of the Non-Ionizing Radiation Law, under the supervision of a senior manager. The purpose of the procedure is to assimilate the provisions of the law and limit the possibility of violation.

3.13.3 Transparency for consumers

Pelephone is subject to laws that prescribe duty to publicize and inform customers regarding the radiation sources that it operates and regarding radiation from the mobile handsets that it supplies. Pelephone publishes information on its website regarding the SAR levels emitted from cellular phones and Ministry of Health regulations regarding preventive caution to be taken when using cellular phones.

3.14 Restrictions on and control of Pelephone's operations

3.14.1 Statutory limitations

3.14.1.1 Telecommunications Law

The cellular services provided by Pelephone are subject to the provisions of the Telecommunications Law and its regulations. For details of the cellular permit granted to Pelephone under the Communications Law, see section 3.14.2.

The law authorizes the Director General of the Ministry of Communications to impose financial sanctions for various violations of the law, pursuant orders and directives, and the terms of the license.

3.14.1.2 Wireless Telegraph Ordinance

The Telegraph Ordinance regulates the use of the electromagnetic spectrum, and applies, inter alia, to the Pelephone's use of radio frequencies, as part of its infrastructure. Setting up and operating a system using radio frequencies is subject, under the Telegraph Ordinance, to receiving a license, and the use of radio frequencies is subject to designation and allocation of a suitable frequency. The Telegraph Ordinance imposes license fees and fees for the designation and allocation of frequencies. The Ordinance authorizes the Ministry of Communications to impose monetary sanctions due to various violations of its provisions.

For the allocation of radio frequencies to Pelephone, see section 3.8.2.

3.14.1.3 The Non Ionizing Radiation Law

For information about installations that emit electromagnetic radiation see section 3.13.

3.14.1.4 Consumer Legislation and Privacy and Information Security Laws

Pelephone's operations are subject to the Consumer Protection Law, and the Protection of Privacy and Information Security Laws, which regulates the obligations of an operator vis-à-vis consumers (see section 1.7.6.4).

3.14.1.5 Change in interconnect fees (call completion fees)

Interconnect rates are fixed by the regulator. For further information, see section 1.7.6.1.

3.14.2 Pelephone's cellular licenses

3.14.2.1 General

Pelephone's cellular license and its general license for providing cellular services in Judea and Samaria are valid until September 9, 2032⁵⁷.

Breakdown of the primary provisions of Pelephone's cellular license:

- A. Under certain circumstances, the Minister may modify the terms of the license, restrict or suspend it, and in certain instances even revoke it.

⁵⁷ The text of Pelephone's cellular license is published on the Ministry of Communications website at www.moc.gov.il. The provisions of the cellular license, with certain changes, apply to the Judea and Samaria license.

- B. The license is non-transferable and contains restrictions on the acquisition or transfer (including by way of a charge), directly or indirectly, of control or of 10% or more of any means of control in Pelephone, including a pledge on said means of control, unless the Minister has given prior consent.
- C. Pelephone is obliged to provide interconnect services to all other operators at equal terms and it must refrain from any discrimination in carrying out such interconnect service.
- D. Pelephone is required to refrain from granting infrastructure service priority to an affiliate licensee company (as defined in the license) over another licensee.
- E. The license sets out the mobile telephony services that Pelephone may provide and stipulates that it is not permitted to provide additional mobile telephony services that are not set in the license.
- F. Pelephone may not sell, lease, or mortgage any of the assets used for the implementation of the license without the consent of the Minister of Communications, other than certain exceptions as set out in the license.
- G. In times of emergency, whoever is statutorily competent shall have the authority to issue Pelephone with certain instructions on its mode of operation and/or manner of provision of services (see section 3.19.2.9).
- H. The license stipulates the types of payments Pelephone may bill its subscribers for with regard to cellular services, and the reports it is required to submit to the Ministry of Communications. The license also determines the Minister's power to intervene in tariffs, in certain cases.
- I. The license obligates Pelephone to a minimum standard of service.
- J. To secure Pelephone's undertakings and to compensate and indemnify the State of Israel for any damage that may be caused by acts committed by Pelephone, Pelephone provided the Ministry of Communications and the Civil Administration bank guarantees in a total amount of NIS 57.9 million.

3.14.2.2 Ministry of Communications decision regarding amendments to the license

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

3.14.3 Site construction licensing

Pelephone's cellular service is provided, inter alia, through cellular sites deployed throughout Israel in accordance with engineering requirements. The constant need to upgrade and improve the quality of cellular services necessitates setting up cellular sites, configuration changes, and changes in existing deployment of antennae.

Pelephone uses two main types of broadcasting sites along two tracks: macro sites that, in some cases, require a building permit from the Planning and Construction committees, and in other cases are exempt from such permits when the conditions for self-licensing are met (see below regarding NOP 36A) and installations that were exempt from a building permit under the Telecommunications Law and the Building and Planning Law (the "Exemption Provision"). wireless access installations ("Access installations") with regard to which regulations were issued in 2018 that regulate the self-licensing track based on compliance with the provisions of NOP 36/A and enables self-licensing for the establishment of certain broadcasting facilities. On January 1, 2022, a series of legislative amendments came into effect under the Arrangements Law, which defined the cellular infrastructure as national infrastructure and created the self-licensing track for certain cellular antennae and for adjustments in the various broadcasting facilities instead of establishing new access installations, as described below.

Furthermore, a few sites that were set up years ago at security facilities, for reasons specific to these facilities, require completing the necessary procedures for obtaining building permits, which are at this time being processed. Consequently, Pelephone operates several broadcasting sites that have not yet been granted the requisite building permits.

Pelephone's ability to maintain and preserve the quality of its cellular services as well as its coverage is based partly on its ability to construct cellular sites and install information equipment, including broadcasting sites. The difficulties encountered by Pelephone in obtaining the permits and approvals required may have an adverse effect on the existing infrastructure, network performance and on the construction of the additional cellular sites required by the network. There are also difficulties for deployment in Judea and Samaria, where a special system of laws applies.

Inability to resolve these issues in a timely manner is liable to prevent the achievement of the service quality targets laid down in the cellular license.

With regard to this, it is noted that an RFP was published by the Ministry of Finance Public Housing Administration in January 2025, which is intended to enable setting up of sites in the future on government housing buildings for a fixed and reduced rental fee, could somewhat ease the issue of finding suitable locations for setting up new sites.

Pelephone, similar to the other cellular carriers in Israel, established part of the cellular sites around the country on land administered by the Israel Lands Administration. This is, among other things, pursuant to a five-year umbrella agreement relating to the period from January 1, 2020, through December 31, 2024. It is noted that Pelephone, as well as other cellular operators, and the Israel Lands Administration are conducting negotiations with regard to extending the agreement.

3.14.3.1 Building permits for erecting a cellular broadcasting facility under NOP 36A:

Licensing for the construction of cellular broadcasting sites that require building permits is governed under NOP 36A, which came into force in 2002.

The licensing procedure under NOP 36A requires, among other things, that the following permits be obtained: A. An erection and operating permit from the Ministry of Environmental Protection, as set out in section 3.13.1; b. approval of the Civilian Aviation Administration in certain cases; c) IDF approval.

In addition, by law, as a condition for obtaining a permit for erecting a cellular communications broadcasting facility, a deed of indemnity must be submitted to the local committee for impairment compensation claims. As at the Reporting Date, Pelephone has deposited 660 such indemnity notes with various local councils.

Notwithstanding the current format of NOP 36A, Pelephone (and to the best of its knowledge, also its competitors) encounter difficulties in obtaining some of the required permits, and in particular permits from planning and construction authorities.

3.14.3.2 Facilities exempt from building permits:

The second track under which Pelephone sets up broadcasting sites is the access installations track. Access installations were required to obtain individual radiation permits but were exempt from building permits provided that they were erected in accordance with the conditions set out in the exemption provision (Section 266C(a) of the Planning and Construction Law (Installation of Wireless Access Facility for Cellular Communications) 2018, and its regulations. Nonetheless, due to the amendment of the Planning and Construction Law under the Arrangements Law and the new self-licensing track established thereunder (see below), the access installations track has become superfluous.

As at the reporting date, Pelephone operates 314 wireless access installations. Pelephone is converting dozens of these sites to self-licensing sites pursuant to the regulatory amendments of 2022.

It should be noted that in specific enforcement proceedings, which are adopted from time to time, additional arguments arise as to the manner in which the exemption may be used, including compliance with the regulating standards. If Pelephone facilities fail to comply with the conditions set out in the Regulations, there is a risk, with regard to those facilities, due to the need to dismantle or adjust these facilities.

The Planning and Construction Law was amended under the Arrangements Law that came into effect on January 1, 2022, including the lifting of regulatory barriers with regard to the construction of sites. The amendment mainly grants an exemption from licensing procedures for erecting and using installations of up to 6 meters on the roof of a building, an exemption for replacing a transmission installation, an exemption for adding an antenna to a transmission installation that was erected in accordance with the Planning and Construction Law and an exemption for replacing masts of up to a height of 18 meters. The amendment to the Planning and Construction Law also includes a new classification of "transmission installations for communications using the cellular method", as defined in Section 202B of the Planning and Construction Law, as a "national infrastructure", and a new classification of NOP 36A as a "detailed national master plan for national infrastructure". The amendment to the Planning and Construction Law also includes arrangements to facilitate the replacement of antennae, addition of an antenna to existing sites, and the strengthening of masts. All according to technical and practical conditions set out in the amendment. These installations will continue to comply with all the conditions of NOP36 and the expanded guidelines of the local planning committees, where the practical implications of the amendment is the self-licensing track option – in other words, the execution of a self-licensing and control process in the foregoing instances and retroactive submission of documents to the Planning and Construction Committee after completing erection of the sites. At the same time as this amendment, the definition of a "Wireless Access Facilities" in Section 27A of the Telecommunications Law was also amended. Under this amendment, the sentence "transmission installations for communications using the cellular method is defined in Section 202B of the Planning and Construction Law as a wireless access facility" was removed. This means that the wireless access facilities that were established with exemption from a permit continue to be legal, but it is no longer possible to establish new cellular sites by way of the "access facilities" track, as set out above.

The inter-ministerial committee report that served as the foundation for the amendments to the Arrangements Law also recommended revising NOP 36A that came into effect twenty years ago.

As a result of the amendments, Pelephone significantly expanded the establishment of new sites and as aforesaid, is converting access facilities to self-licensing sites in accordance with the foregoing amendment to the Arrangements Law, 2022. On November 14, 2021, Pelephone signed a framework agreement to expand the collaboration for the installation of passive infrastructure on cellular sites shared with Cellcom and PHI Networks (2015) Limited Partnership. In August 2022, the Ministry of Communications approved this agreement. This agreement helps Pelephone by allowing it to establish new shared sites and lower rental than before.

3.14.3.3 Establishment of sites by entities that are not cellular carriers

On July 17, 2023, the Ministry of Communications published a decision (and an amendment to the cellular operator license), regarding permitting entities that do not hold a cellular license to establish and lease cellular radio centers (communication sites) and to lease them to cellular operators. The sites will be operated and maintained by the cellular operators (operation and maintenance will be allowed by the parties as subcontractors of the cellular operators). Implementation of the decision requires legislative changes and the establishment of regulations for implementation and its limitations.

On September 29, 2024, the Ministry of Communications published the foregoing supplementary hearing, in which it reported that it is considering expanding the scope of the ruling – with emphasis on the following: (1) the developers may own and maintain the equipment to be installed at the sites; (2) the sites may be used to fulfill the coverage requirements imposed on the cellular carriers; (3) sharing may, under certain conditions, include active sharing and sharing of frequencies between the cellular operators hosted on the sites; (4) there is an option for the developers to use the sites to provide local/project cellular service (not as a public network) based on frequencies that they will be permitted to acquire in the future.

On September 10, 2025, the Ministry of Communications published an additional decision in this regard (including an amendment to the cellular operators' licenses), following a supplementary hearing published on September 24, 2024, in which it determined the following: (1) Developers may own and maintain the equipment installed at the sites; (2) The sites may be used to fulfill the coverage requirements imposed on cellular operators (up to a permitted threshold derived from overall network traffic); (3) The sharing arrangement will generally exclude frequency sharing (other than in specific areas); (4) Developers will be required to register in the supplier registry under the Telecommunications Law (and will be subject to the Ministry's licensing provisions), or alternatively, to obtain approval from the Ministry if they enter into agreements with a cellular operator involving more than 100 sites or for a term exceeding five years; (5) Government companies, mixed companies, local authorities, and municipal corporations seeking to act as developers will require approval from the Ministry of Communications, which will assess such requests based on criteria outlined in the decision. Agreements between a developer and any cellular operator, such as Pelephone, will be carried out based on the operator's business judgment and commercial considerations. At this stage, it is not possible to assess the expected effect of the decision, among other things, due to the rules set forth therein, the ability of the Developers to reach commercial agreements with cellular operators, the potential economic viability for developers and operators, and other related factors.

3.14.3.4 Other sites

A few sites that were set up years ago at security facilities, for reasons specific to these facilities, require completing the necessary procedures for obtaining a building permit. Consequently, Pelephone operates several broadcasting sites that have not yet been granted the requisite building permits.

Construction of a broadcasting site without a building permit constitutes a breach of the law and in some cases, it has led to the issuing of demolition orders of sites or the filing of indictments or instigation of civil proceedings against Pelephone and some of its officers.

At the reporting date Pelephone has succeeded in most of the above cases in refraining from demolition or delaying implementation of the demolition orders as part of arrangements made with the planning and building authorities in order to attempt to regulate the missing licensing. These understandings did not require admission of guilt and/or conviction of Pelephone's officers. Notwithstanding, there is no certainty that this situation will continue in future, or that there will be no further cases where demolition orders will be issued and indictments will be filed because of building permits, including against officers.

Like other cellular operators in Israel, Pelephone might be required to dismantle broadcasting sites before the requisite approvals and permits have been obtained, on the dates stipulated in the law. Pelephone uses permit-exempt access installations to provide coverage and capacity in densely populated areas. If legal grounds are established requiring the simultaneous demolition of sites in a given geographic area, service in that area may deteriorate until alternative broadcasting sites can be established.

3.14.4 Economic Competition Law

The terms of the merger between Pelephone and the Company include various restrictions regarding cooperation between the companies (see section 2.16.9.4).

3.15 Material agreements

3.15.1 For information regarding the agreements with Ericsson, see section 3.10.2.

3.15.2 In July 2016, an agreement was signed between Pelephone and the Ministry of Finance Accountant General (the "Accountant General"), under which Pelephone will provide mobile telephony services to State employees for an estimated 100,000 subscribers over three years. Under the agreement, Pelephone provides devices to some government sector subscribers.

The State decided to exercise its option to extend the agreement and as at date of publication of the report, it was extended until June 30, 2026.

On February 21, 2024, the Accountant General published a net RFB for providing cellular communications services and terminal equipment. On June 5, 2025, Pelephone was designated as the first-ranked candidate to serve as the primary supplier (for the provision of 60% of the services and equipment, instead of the exclusive supplier under the previous tender), in a tender conducted by the Accountant General at the Ministry of Finance for the supply of cellular communication services and communication equipment to government ministries, subordinate units, and affiliated bodies, in accordance with the defined scope defined therein (Package 1) (the "Tender"). On September 3, 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 success in previous tenders, participated in this Tender as well and was selected, as described below, as the first-ranked candidate to supply 60% of the services and equipment. Accordingly, Pelephone will continue to serve as the primary provider of cellular services and telecommunications equipment under the Tender to employees of government ministries, subordinate units, and related entities. Under the terms of the Tender, Pelephone will provide the foregoing cellular services for an estimated scope of at least 60 thousand subscribers, in addition to several tens of thousands of data (data communication) subscribers, over a period of 42 months (with an option for the State to extend the term, for a total period of up to 72 months beyond the initial 42-month period). Under the Tender, Pelephone will offer equipment to tens of thousands of subscribers under a leasing mechanism. Pelephone's renewed success in the Tender is expected to secure significant revenues for the Company, amounting to hundreds of millions of NIS over the term of the agreement.

These forecasts of Pelephone and the Company are forward-looking information, as defined in the Israel Securities Law. The forecasts are based on Pelephone's assessments, assumptions, and expectations regarding, among other things, the number of subscribers who will receive service from Pelephone, and the scope of services and equipment to be provided under the terms of the Tender, which may not materialize or may materialize in a different manner than that described above.

3.15.3 For information about the collective agreement between Pelephone and the Labor Union and the Pelephone Workers Committee, see section 3.9.4.

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3.16 Legal proceedings⁵⁸

Legal claims have been filed against Pelephone as part of the normal course of its business, including motions for certification as class action suits.

3.16.1 Pending legal proceedings

Breakdown of proceedings for claims in material amounts and claims which could have material implications for Pelephone's operations:

	Date	Parties	Court	Type of action	Description	Amount of the claim NIS million
A.	October 2017	Customer v. Pelephone and other mobile telephony companies.	Central District	A financial claim filed with a motion to certify as a class action.	The plaintiff claims that the defendants unlawfully use their customers' location data, thus violating the agreements with them, the operating licenses, and various laws, including the Protection of Privacy Law. It is noted that in December 2023, another claim was filed that includes the same causes of action and by the same representatives, according to them for reasons of caution On October 30, 2024, a decision was handed approving the motion against Pelephone, after the court determined that there is reasonable possibility that the questions underlying the claim will be adjudicated in favor of the Plaintiff class. At this stage, the amount of the claim cannot be estimated, among other things, because the ruling did not set the amount of the damages.	850
B.	June 2023	Customer v. Pelephone	Central District Court	Consolidated motion to certify a class action	Two similar motions were filed to certify a class action, which claim that Pelephone does not act in compliance with the law regarding sending notice of the upcoming termination of fixed-period transactions. On September 11, 2023, a consolidated motion was later filed for certification by the court. The consolidated motion notes that the similar motions to certify a class action were also filed against the Company (see the update to section Error! Reference source not found.) and yes (see section Error! Reference source not found.).	In excess of NIS 2.5 million Could not be estimated accurately.
C.	December 2023	Customer v. Pelephone and five other mobile telephony operators.	Central District Court	A financial claim filed with a motion to certify as a class action.	The motion claims that as part of blocking numbers for dialing by the subscribers to the Kosher plan (a feature of the Kosher plan), Pelephone and the other respondents unlawfully blocked numbers.	In excess of NIS 3 million, but cannot be accurately estimated until all the information is obtained.

⁵⁸ For information concerning reporting policies and materiality, see section 2.18.

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	Date	Parties	Court	Type of action	Description	Amount of the claim NIS million
D.	November 2024	Pelephone and other telecommunications companies	Haifa District Court	Claim and motion to certify as a class action	<p>Two motions to certify class actions with respect to the same issue:</p> <p>In one motion, it is claimed that Pelephone and the other communications companies charge their customers fees for payment of the cellular bill through a standing order, at rates that are unreasonable and unfair. In January 2025, following the court decision that the motion be split and refiled separately against each respondent, the motion was refiled separately against Pelephone.</p> <p>In the second motion filed by the Israel Consumer Council against Pelephone, it is claimed that Pelephone charges its customers fees for payment of the cellular bill through a standing order, without providing disclosure of this as required.</p> <p>In March 2025, the Court decided to consolidate the two motions with an additional motion filed on the same subject.</p>	The class action amounts to more than NIS 2.5 million, however it is not possible to assess an accurate estimate.
E.	January 2026	Pelephone and other companies	Central District Court	Claim and motion to certify as a class action	It was argued in the motion that, among other things, Pelephone and the other companies provide repair/maintenance services for terminal equipment, for payment, including without holding an insurer's license, in violation of the law and of their licenses.	At this stage, the amount of the class action against all the companies cannot be estimated and falls within the jurisdiction of the District Court.

3.16.2 Legal proceedings that ended in the reporting period

	Date	Parties	Court	Type of action	Description	Amount of the claim NIS million
A.	May 2012	Customer v. Pelephone	District (Tel Aviv)	Financial class action suit	The claimant alleges that Pelephone does not inform customers wishing to join its services using a handset that was not purchased from Pelephone, that if the handset does not support the 850 MHz frequency, they will only get partial reception over one frequency rather than two. In March 2014, the court certified the claim as a class action, and this subsequent to Pelephone announcing its agreement (for reasons of efficiency) to conduct the claim as a class action, while retaining its arguments. The proceeding was divided into two stages (first stage is clarification the responsibility and quantification of damages, if necessary, will be the second stage). On January 20, 2019, a ruling was handed in the case that Pelephone is responsible as alleged in the claim, on grounds of misleading conduct under the Consumer Protection Law and on grounds of bad faith in conducting negotiations, and this, with regard to the period up to the date of the certification of the claim as a class action (March 2014). On January 15, 2025, a judgment was handed certifying the settlement arrangement between the parties, which includes compensating by giving products to Pelephone customers who visit selected service centers and by donating products to non-profits, to a total value of NIS 12.5 million including VAT (customer value), payment of compensation and legal fees in a total amount of approx. NIS 1.75 million with added VAT, and payment to a fund for the financing of class actions an amount of NIS 1,137,500 with the addition of VAT.	124
B.	July 2014	Customer v. Pelephone	District (Tel Aviv)	Financial class action suit	The claimants allege that Pelephone, together with three other mobile telephony companies, registered subscribers for content services without obtaining their consent and in contravention of the law, and thereby creating a "platform" for iQtech Group to unlawfully charge tens of thousands of people for content services. On November 16, 2025, a ruling was handed approving the settlement agreement, the highlights of which include compensation in the amount of NIS 292,000, donation of products to soldiers, and a payment of approx. NIS 170,000 for attorneys' fees and compensation.	Approx. 100 with regard to the mobile telephony companies and approx. 300 against all the defendants.

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	Date	Parties	Court	Type of action	Description	Amount of the claim NIS million
C.	April 2019	Customer v. Pelephone, Bezeq International and 6 other companies	Central District Court	A financial claim filed with a motion to certify as a class action.	<p>The claimants claim that the respondents fail to inform their customers regarding the possible risks in using the internet and of the option for joining their free content screening service, contrary to the provisions of the Communications Law. Furthermore, the respondents provide screening services against abusive websites and content that they claim is not sufficiently effective. According to the claimants, this constitutes, among other things, a violation of the provisions of the Consumer Protection Law, violation of their duties under the Torts Ordinance, breach of contract and unjust and unjustified enrichment.</p> <p>On May 19, 2025, a ruling was handed approving a settlement agreement in this case, the highlights of which (with respect to Pelephone) include the granting of a data usage benefit to service subscribers (existing and new) for a limited period, and a payment of approx. NIS 350,000 for attorneys' fees and compensation.</p>	The amount of the claim is not stated but is estimated in the tens of millions of shekels.

3.17 Business goals and strategies

Pelephone's strategic goals are to continue increasing its customer base by promoting a range of integrated communication packages and customer solutions, to promote 5G based services as a basis for increasing revenues and ARPU, to continue development of network innovations and technologies, to provide excellent service and improve its cost structure.

3.18 Anticipated developments in the coming year

In 2026, a number of factors are expected to affect Pelephone's activities, the main ones being:

3.18.1 Continued competition and increase added value for the customer

Pelephone predicts that competition in 2026 will focus on increasing value and internet browsing volume for its customers.

3.18.2 Cellular network and product innovations

In 2026 Pelephone is expected to continue promoting services and products that will enable increasing revenues or its image advantage over the competitors: eSIM, private networks, cyber and IOT services, products offering priority and enhanced browsing quality, and focus on major launches of cellular device, alongside further implementing the 5G network deployment.

3.18.3 Increase in Pelephone subscribers' consumption of services

Pelephone anticipates that the increasing trend of data communication consumption over the network will continue, due to the increased browsing volume offered to customers, the increase in usage levels on social media and AI based applications, and increased marketing of service packages based on the 5G network.

3.18.4 Digital transformation

In 2026 Pelephone is expected to continue to develop and expand its online service and sales channels.

3.18.5 5G Network

In 2026, Pelephone is expected to continue deployment of the 5G network, building an independent core network and to further promote marketing and sales of services based on this technology.

3.18.6 Terminal equipment

Pelephone is expected to expand the range of products it markets by increasing the number of manufacturers and focusing on compatible categories. Pelephone is also expected to expand its shelf space by opening new stores and kiosks.

3.18.7 Synergistic growth Investments

Pelephone will examine opportunities to pursue synergistic growth investments in its operating sectors.

At the end of 2025 and beginning of 2026, Pelephone explored the possibility of acquiring ownership of HOT Mobile. In this context, Pelephone submitted non-binding letters of intent to Altice International for the cash acquisition of full ownership of HOT Mobile, and also signed a non-binding memorandum of principles with HOT Communication Ltd. for the acquisition of HOT Mobile (subject to approvals and preconditions) for consideration of NIS 2.1 billion, subject to adjustments (an amount later updated by Pelephone to NIS 2.3 billion, subject to adjustments). On January 22, 2026, the memorandum of principles expired, and therefore Pelephone's offer to acquire HOT Mobile is no longer valid.

3.19 Risk factors

Risk factors deriving from the macro-economic environment, the unique qualities of the sector in which Pelephone operates, and risk factors specific to Pelephone.

3.19.1 Macroeconomic risks

3.19.1.1 Exposure to exchange rate fluctuations and inflation.

Pelephone is exposed to exchange rate risks as most of its terminal equipment, accessories, spare parts, and infrastructure equipment are purchased in USD, whereas Pelephone's revenues are in NIS. Erosion of the NIS against the USD may affect Pelephone's profitability if it is unable to adjust selling prices (mainly of terminal equipment) at short notice. Furthermore, changes in the CPI could affect the rental costs of sites and offices, as well as frequency fees.

3.19.1.2 The pandemic and supply chain

The outbreak of diseases and pandemics in general (such as the outbreak of Covid in 2020) may have consequences on Pelephone's business activities based on the scope and severity of the spread, and the national and global measures that will be adopted as a result. Such consequences could be reflected by, among others, damage caused to Pelephone, and its customer service and supply chain. Events of this type are variable events that are out of Pelephone's control and their outcome are subject to, among other things, decisions of governments and authorities in Israel and worldwide, which could affect the Company.

3.19.1.3 Damage due to force majeure, war, disaster

Any damage to the switching and/or server farms used by Pelephone for its core activities (including damage to a large number of sites, for example as a result of an earthquake) could have an adverse effect on Pelephone's business and its results.

3.19.1.4 Damage to electricity supply

Disruption of the power supply to Pelephone's facilities for various reasons (some of which are described in section 3.19.1.3) may negatively affect its business and harm its ability to provide services. Some of Pelephone's systems have backup power, but lengthy disruption in some or all systems may lead to significant difficulties or even worse in providing Pelephone's services, including if Pelephone is unable to restore the systems quickly.

3.19.1.5 Recession / economic downturn / security situation

An economic downturn, increase in unemployment rates and decrease in disposable income might bring about a decrease in the number of Pelephone's subscribers, a decrease in Pelephone's revenues and harm its business results. Similarly, an ongoing unstable security situation in large areas of Israel, which disrupts the day-to-day lives of the residents, could have an adverse effect on Pelephone's business results.

3.19.2 Sector-specific risks

3.19.2.1 Investments in infrastructures and technological changes

The cellular market in Israel and globally requires substantial capital investments in technologies and the deployment of infrastructure. The frequent technological changes in infrastructure and terminal equipment and the fierce competition in various market segments impose a heavy financial burden on the companies operating in the market.

3.19.2.2 Competition

The cellular market in Israel is highly saturated and fiercely competitive with a large number of operators and is exposed to risks resulting from technological and regulatory developments. The costs of establishing, maintaining, and operating a cellular network

pro rata to the number of subscribers is expected to be higher for Pelephone due to the fact that it does not operate under a network sharing model. The terminal equipment market is also intensely competitive among the cellular carriers and the numerous stores that sell terminal equipment, including by parallel import.

3.19.2.3 Customer credit

A significant portion of terminal equipment sales are credit-based. Most of this credit, which is not covered by either insurance or sureties, is exposed to risk. Nonetheless, it is noted that the credit exposure is spread among a large number of customers and Pelephone has much experience in operating effective collection mechanism.

3.19.2.4 Regulatory developments

The industry in which Pelephone operates is subject to legislation and standardization relating to issues such as increasing competition, setting tariffs, operating cellular networks, environmental quality, liability for and ways of repairing products, regulation of interconnect rates, among others. Regulatory intervention in the industry may materially affect Pelephone's structure of competition and operating costs.

3.19.2.5 Electromagnetic radiation

Pelephone operates thousands of broadcasting facilities and sells terminal equipment that emits electromagnetic radiation (see Section 3.13). Pelephone adopts measures to ensure that the levels of radiation emitted by these broadcasting facilities and terminal equipment do not exceed the radiation levels permitted in the Ministry of Environmental Protection guidelines (the levels adopted are based on international standards). Pelephone operates in accordance with the Ministry of Environmental Protection guidelines, however, if it is determined that health risks exist or if the broadcasting sites or terminal equipment are found to emit radiation levels exceeding the permitted radiation standards, thereby constituting a health hazard, this may have an adverse effect on the operating segment due to reduced consumption of Pelephone's services, difficulty in renting sites, compensation claims for physical and property damages in substantial amounts and attempts to exercise the deeds of indemnity deposited with the planning authorities with respect to section 197 of the Building and Planning Law. Pelephone's third-party liability policies do not currently cover electromagnetic radiation.

3.19.2.6 Site licensing

Establishing and operating cellular antenna require building permits from the various planning and building committees, a process that involves, inter alia, obtaining a number of approvals from government entities and regulatory bodies. For further information regarding the difficulties Pelephone encounters when erecting and licensing sites, see section 3.14.3. These difficulties may adversely affect the quality of the existing network and especially the deployment of the new network.

3.19.2.7 Severe malfunctions in information and engineering systems

Pelephone provides its services through various infrastructure systems, including switches, data communications and access transmission networks, cables, computer systems, physical infrastructures, and others (the "Systems"). Pelephone's business is highly dependent on these Systems. Pelephone has backup systems for some of these Systems, however in the event of damage to some or all of the Systems, whether due to a large-scale technical malfunction, natural disaster (such as an earthquake and fire), or damage to physical infrastructures or malicious vandalism (such as the introduction of viruses and cyber-attacks as set out below), may cause significant difficulties in providing services, including in the event that Pelephone is not able to restore the Systems quickly.

3.19.2.8 Information security, customer data protection, and cyber risks

As a leading cellular carrier that provides service to hundreds of thousands of subscribers, Pelephone is a target for cyber-attacks aimed at impairing the use of information systems or the information itself ("Cyber Attacks"). Such types of attacks or hacking events are liable to cause disruption of business, theft of information/funds, damage to databases and subscriber information, impairment of goodwill, damage to systems and leaking of information, which could also be caused maliciously or accidentally by internal entities.

Pelephone is an organization that operates under the directives of the Prime Minister's Office National Cyber Directorate and by the Ministry of Communications and is committed to comply with strict information security standards. In this context, Pelephone implements a security policy that includes the most advanced security systems in the world, which are installed using the cyber security layering method and are operated through a configuration that combines effective security with Pelephone's operational needs and security layers for protecting Pelephone's infrastructure and systems, which are designed to prevent and reduce the possibility of malicious or accidental misuse of Pelephone data by an outside party or internal entity, as well as the possibility of an external party taking over and managing network components or adversely exploiting information about Pelephone's infrastructure and networks in any way. As part of this, various actions are executed, including review of alerts and logs in the systems, integration of various information security products according to a description of the threats, periodic risk surveys and drills carried out according to a yearly plan.

Pelephone complies with the Prime Minister's Office standard that defines a level of security against a cyber-attack by a hostile country linked to information security (standards that define a level of protection for the Company's systems against information security threats), and as part of implementing the requirements of the standards, Pelephone ensures the availability, integrity, reliability and confidentiality of the databases that it is responsible for.

Pelephone supervises the implementation of its security policy, which includes testing of the Company's effectiveness and readiness. as part of which, Pelephone conducts periodic tests and drills at different frequencies for different scenarios (including through external companies specializing in this field). Pelephone's board of directors is also involved and supervises cyber risk management at Pelephone as part of its involvement in Pelephone's overall risk management policy. The Company believes that its risk management policy for handling and minimizing cyber risks is effective.

The cyber risk management and its implementation is part of the responsibility of the Information Systems Department of the Infrastructure Division.

Notwithstanding Pelephone's investments in means for reducing such risks, it cannot guarantee that these measures will succeed in preventing damage and/or disruptions, which could also be significant, of the Systems and the information linked to them.

3.19.2.9 State of emergency

During an emergency, legislative provisions and certain provisions of the cellular license empower competent authorities to take necessary measures for ensuring the security of the State and/or public safety, including: obligating Pelephone (as a cellular license holder) to provide services to the defense forces, the appropriation of engineering equipment and facilities belonging to Pelephone, and even taking control of Pelephone's Systems.

3.19.2.10 Shortage of frequencies

For information regarding the shortage of frequencies, see section 3.8.2.1. In many cases, frequencies are allocated under tenders, in a way that could increase the costs of acquiring frequencies and place cellular operators that are not given allocations under the tender at the risk of competitive disadvantage.

3.19.3 Pelephone specific risk factors

3.19.3.1 Severe malfunctions in the communications network

Pelephone is exposed to various property risks and liabilities. Pelephone employs the services of an external professional insurance consultant specializing in this field. Pelephone has insurance policies that cover the regular risks to which it is exposed with restriction on the terms of the policies, such as various property insurances, various liability insurances, loss of profit cover, third-party cover, and officers' liability insurance. Nonetheless, Pelephone's insurance policies do not cover certain types of risk, including certain faults arising from negligence or human error, radiation risks, and terror.

3.19.3.2 Serious malfunctioning of the cellular network

Pelephone's cellular network is deployed throughout the country via core network sites, antenna sites, and other systems. Pelephone's business has absolute dependence on these systems, which are often, sometimes temporarily, in a state of partial survivability. Wide scale malicious damage or malfunction might adversely affect Pelephone's business and results.

3.19.3.3 Endemic malfunctioning of devices

Various risks arise from Pelephone's liability as an importer with respect to manufacturing defects in devices which are not supported by the manufacturers.

3.19.3.4 Legal proceedings

Pelephone is party to legal proceedings, including class actions, which are liable to result in it being ordered to pay material amounts that cannot presently be estimated, and with respect to part thereof, no provision has been made in Pelephone's financial statements. Class action suits may reach high amounts, since a major part of the residents of Israel are Pelephone consumers, and a claim relating to a small amount of damage to a single consumer could grow into a material claim against Pelephone if certified as a class action applicable to all or a large proportion of those consumers.

3.19.3.5 Material suppliers and customers

For information regarding agreements with material suppliers and customers, see sections 1.10 and 1.15. Some of Pelephone's agreements, including with its key customers, are limited in time. There is no certainty that these agreements will be renewed at the end of their term or that options granted to customers for their extension will be exercised.

3.19.3.6 Labor relations

Pelephone has a collective agreement with the Labor Union and with the employees' committee which applies to most of its employees. The collective agreement may reduce managerial flexibility and incur additional costs for Pelephone (see section 3.9.4). In addition, implementation of workforce programs may cause labor unrest and harm Pelephone's current operations. For information about labor disputes at Pelephone, see section 3.9.5.

3.19.3.7 Loss of knowledge and information

The changes taking place in the labor market in Israel and globally, together with the organizational changes, entail a risk of losing key employees, loss of knowledge due to employee churn, difficulties in recruiting workers, among others.

3.19.3.8 Frequency spectrums

Pelephone operates frequencies in the 700 MHz, 850 MHz, 1800 MHz, 2100 MHz, 2600 MHz, and 3500 MHz spectrums. The frequencies are exposed to interference that is liable to impair the quality of service of the networks operated by Pelephone. In particular, the Pelephone network experiences significant radio interference in the 2600 MHz range. The source of this disturbance is from beyond the borders of the country. Organized

inquiries on this issue have been submitted to the Ministry of Communications that is responsible for dealing with this matter, but to no avail. A solution to this problem is currently not expected. Furthermore, Jordanian networks also use the same 2100 MHz frequency spectrum used by Pelephone and in view of the limited cooperation between the Jordanian operators and Pelephone, this could have an adverse effect on part of Pelephone's services. Furthermore, Pelephone is required to avoid interference with satellite broadcasts over the 3500 Mhz frequencies at several points around the country, which restricts operation of 5G services close to such points.,

3.19.3.9 Cash flows

Pelephone is required to maintain sufficient cash flows to comply with its long-term business plan. The absence of sufficient cash flows may adversely affect Pelephone's business and its ability to make large-scale investments in the network and is liable to impair its ability to manage the competitive threats in the industry.

The chart below grades the effect of the foregoing risk factors on Pelephone's operations, as assessed by Pelephone's management. It should be noted that Pelephone's assessments of the extent of the effect of a risk factor reflect the scope of the effect of such risk factor, on the assumption that it the risk factor will be realized and the foregoing does not express an assessment or give weight to the chances of its realization as aforesaid. The order in which the risk factors appear above and below is not necessarily based on the extent of the risk.⁵⁹

Summary of risk factors – cellular telephony

	Effect of risk factors on Pelephone's activities as a whole		
	Major	Moderate	Minor
Macro risks			
Exposure to exchange rate fluctuations		X	
The Pandemic and Supply Chain		X	
Damage due to force majeure, war, disaster	X		
Damage to electricity supply	X		
Recession / economic downturn / security situation			X
Sector-specific risks			
Investments in infrastructures and technological changes	X		
Competition	X		
Customer credit			X
Regulatory developments	X		
Electromagnetic radiation			X
Site licensing			X
Severe malfunctions in information and engineering systems	X		
Information security, customer data protection, and cyber risks	X		
State of emergency	X		
Shortage of frequencies		X	
Pelephone specific risk factors			
Severe malfunctions in the communications network			X
Serious malfunctioning of the cellular network	X		
Endemic malfunctioning of devices			X
Legal proceedings			X
Material suppliers and customers		X	
Labor relations		X	
Loss of knowledge and information			X
Frequency spectrums	X		
Cash flows			X

The information contained in this section 3.19 and Pelephone's assessments regarding the effect of the risk factors on its operations and businesses is forward-looking information as defined in the Securities Law. The information and assessments rely on data published by the Ministry of Communications, Pelephone's assessments of the market situation and its competitive structure. Actual results may differ significantly from these assessments if a change occurs in any of the factors taken into account in the assessments.

⁵⁹ See footnote 49.

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

4.1 General

4.1.1 Operating segment structure and changes

Bezeq International operates in a number of key areas: ISP services, international data communication, international telephony, business communications, and IT services, including server farm hosting, cloud services, and cyber security services, as well as equipment supply, licensing, and business service contracts.

For information about regulatory changes in the internet services market to private subscribers, which materially affect Bezeq International's operations in this market, see section 4.11.5.

4.1.2 Legislative restrictions and special standards in the operating sector

Bezeq International's internet and international communications operations are regulated primarily by the Telecommunications Law and the pursuant regulations, as well as the terms of its consolidated general license (see section 4.11).

For key regulatory developments applicable to Bezeq International, see section 4.11.5.

4.1.3 Changes in the volume of activity and profit

For further information about the changes in the scope of the operations of yes and its profitability, see section 1.5.4.3 and 4.3.

4.1.4 Market developments and customer characteristics

Bezeq International operates primarily in the business internet services segment, which is fiercely competitive, with numerous providers offering similar services with no significant differentiation (see section 4.11.5).

The international data communication market recorded a growth in demand for services in Israel and worldwide. The increased use of information technologies, which is expected to intensify in the coming years due to the development of AI technology, requires increasing capacity. Positioning Israel as a communication and technology node creates demand for data communication services to Israel by global companies. Due to establishment of diplomatic ties with additional Eastern Mediterranean countries, a gradual increase in demand for communication services between the Eastern Mediterranean and Europe, some of which will go through Israel, is expected. During the Swords of Iron war, projects relating to investments and activities of international companies in Israel, and in the Middle East in general, were put on hold. However, following the ceasefire, recovery has been observed in projects and investments.

The number of call minutes (incoming and outgoing) in Israel's international call market is continuing to decline, inter alia, due increased use of applications that enable making free or low-cost VoIP calls.

In the cloud, hosting and computing services for businesses segment, in 2025 demand for server farm hosting services and public cloud services in the business cloud, hosting, and IT services segment continued to grow due to the trend of organizations relocating their server rooms and IT infrastructure to server farms that provide 24/7 maintenance and monitoring services and the high power capacity required for computing equipment, the ongoing shift to managed services as a Service, and the increasing use of artificial intelligence applications, which require ever-growing

computing capabilities. Various factors affect the demand for cloud services, such as digital transformation, entry of cloud companies such as AWS, Oracle, Google, and Microsoft into the Israeli market, and the transition of government services to cloud under the Nimbus project.

The integration solutions sector is affected by the economic situation in Israel and the world, as well as technological changes. IT expenditures of business organizations are volatile and are affected in the short term by geopolitical and economic events; however, an overall growth trend persists. There is a clear market trend of switching from purchasing equipment to cloud-based software products and services (such as PaaS, IaaS, SaaS, and reliance on public cloud resources such as AWS, Azure, and GCP). However, customers are expected to adopt a model that combines equipment purchasing and cloud services (hybrid model).

4.1.5 Main entry and exit barriers

4.1.5.1 The main entry barriers into the ISP and international communications sectors are investments in, among others, infrastructure and setting up service and support systems. Some operations also require a license pursuant to the Communications Law. The server farm segment requires investments in facilities and electromechanical systems

4.1.5.2 The main exit barriers for these markets are long-term agreements with infrastructure suppliers and long-term return on investments. In some operations, Bezeq International also undertakes to provide customer service throughout the term of the contract, which is not short.

4.1.6 Alternatives to Bezeq International's products and changes to them

The main alternative product in the international call market is the use of OTT technology that enables making international internet calls between users using software products (such as Teams, WhatsApp, or Zoom), as well as the services of communications providers overseas. These services have attractive user fees (including no user fees), and together with their availability, lead to an ongoing growth in the number of users, and as a result impairment of Bezeq International's revenue. At the same time, international operators with a license to provide international telecommunication services have been operating in Israel for more than a decade.

In the server farm market, alternative products include public cloud services (such as those offered by AWS (Amazon), Azure (Microsoft), or GCP (Google)), which are aimed at customers seeking to migrate computing environments from on-premises infrastructure to external environments.

4.1.7 Structure of competition in the sector and applicable changes

In the ISP segment, various ISP licenses have been granted so far, and there are also many licensed providers that provide ISP services under a general permit. Due to regulatory changes, the ISP market is switching to an end-to-end service format (bundles that includes ISP and infrastructure services from a single provider). This has led to a substantial reduction of Bezeq International's ISP customers, so that Bezeq International no longer sells internet services to private customers.

For further information regarding competition in the sector, see section 4.6.1.

4.1.8 Critical success factors

4.1.8.1 Hiring and employment of skilled human resources;

4.1.8.2 Streamlining, and reduction of costs and human resources;

4.1.8.3 The ability to maintain a high service level and customer satisfaction;

4.1.8.4 Technological innovation, identification of market needs and trends, and launching of solutions that meet such needs;

4.1.8.5 Investments in the infrastructure required to provide services;

4.1.8.6 Maintaining proper working relationships with leading manufacturers and suppliers.

4.2 Products and services

Description of the main products and services provided by Bezeq International.

4.2.1 Internet and data communication services

4.2.1.1 Internet services

In the internet services sector, Bezeq International provides DSL or cable-based ISP services to private and business customers, including the required terminal equipment and support based on DSL, transmissions, or cables. The ISP services provided by Bezeq International to businesses include high-speed symmetrical internet lines. The ISP services provided to private customers mainly include ISP service only or a combined deal that includes ISP service together with infrastructure service (as part of the wholesale market reform or bundles). It is clarified that Bezeq International does not work to add new private customers to its services but rather provides service to existing customers only.

It should be noted that since Bezeq International has stopped marketing ISP services to private customers, its revenues from internet services has been affected in recent years and is expected to continue to decrease substantially.

4.2.1.2 International data communication services

Providing international data communication solutions for business customers including customized global deployment. The services are provided through Bezeq International's submarine cable and submarine cables of other companies in which Bezeq International has the long-term user rights, as well as through business partnerships with ISPs that provide their customers with access to their global network services. In addition to the above services, Bezeq International also offers international telecommunication and ISP licensees international capacity (by leasing or purchasing indefeasible user rights) based on its submarine cable and user rights purchased in onshore infrastructure in Europe and other international networks.

4.2.2 International telephony services

In the international telephony services sector, Bezeq International provides international direct dialing (IDD) services to business and private customers, free IDD service to business customers, international hubbing services, i.e., transmission of international calls between foreign communications providers (world2world). Bezeq International also has partnerships with Microsoft and Cisco, under which it supplies domestic and international carrier services to the customers of these companies.

4.2.3 Business cloud, hosting, and IT services

4.2.3.1 Hosting services

Bezeq International operates several server farm facilities that offer server and equipment hosting (colocation) services, as well as related services such as backup and restore services, virtual servers, and DDoS protection services.

4.2.3.2 Public cloud services

Bezeq International serves as a (non-exclusive) Microsoft distributor by virtue of which it distributes this company's cloud products, such as Office 365 and Azure public cloud services. These operations includes direct sales to end customers and sales to indirect resellers. Part of the operations are performed through the subsidiary CloudEdge Ltd which offers integration solutions and professional services in this sector. Bezeq International, through its subsidiary CloudEdge Ltd., also operates as a partner of

Amazon (AWS) and sells licenses for AWS cloud products, as well as related professional services.

4.2.3.3 Cyber security services

Bezeq International provides various cyber and information security services to the business sector. The services offered by Bezeq International include: SIEM-SOC service, which monitors incidents and indications of cyber-attacks in the customer's systems; protection against distributed denial-of-service (DDoS) attacks; and endpoint security. The services are provided using Trend Micro and Cisco cloud-based cyber security solutions.

4.2.4 Integration solutions

Bezeq International is a non-exclusive distributor of global manufacturers, and therefore provides integration services, including communications and telephony hardware and software sales, installation, integration and maintenance (such as physical or cloud PBXs, WiFi networks, communications networks to server rooms and user environments, and networking systems), IT infrastructure (such as servers, various software licenses, inter alia, in the storage and system sectors), and information security (such as firewalls, endpoint protection services, web application firewall (WAF), file sterilization (content disarm and reconstruct – CDR), and network event identification and monitoring). In this context, Bezeq International also provides integration project management services.

4.3 Breakdown of product and service revenues

Breakdown of Bezeq International's revenues (NIS millions):

	2025	2024	2023
Internet and data communication services	370	435	538
% of total revenues	35%	39%	44%
International telephony services	150	153	185
% of total revenues	14%	14%	15%
Business cloud, hosting, and IT services	284	254	224
% of total revenues	26%	23%	19%
Integration solutions	276	263	265
% of total revenues	25%	24%	22%
Total revenues	1,080	1,105	1,212

4.4 Customers

Bezeq International is not dependent on any single customer and does not have a customer that provides 10% or more of its total revenue.

Breakdown of revenues from private and business customers (NIS millions)⁶⁰:

	2025	2024	2023
Revenues from private customers	122	167	253
Revenues from business customers	958	938	959
Total revenues	1,080	1,105	1,212

Regarding Bezeq International customers and their attributes, due to the diverse consumption characteristics associated with the purchase of internet bundles by the public, a certain percentage of customers purchased ISP services from more than one ISP, while in practice using the services of one ISP only.

⁶⁰ The figures are following reclassification of small office/home office (SOHO) customers from business to private customers in 2023.

4.5 Marketing, distribution, and service

Bezeq International operates sales channels for the business market, including a sales center and business customer managers. It also has technical service and support centers at the customers' disposal. Bezeq International operates technical service and support centers for the private market. It also maintains a team of field technicians to provide a solution to malfunctions at the customers' 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 business customers and does not carry out any competitive or marketing activities in connection with the provision of ISP services to the private customer sector.

4.6.1.2 The market is saturated with competitors, mainly Cellcom, Partner, and HOTnet. There are also dozens of licensed providers that operate under a general permit, some of which focus on the business sector, such as Gilat and ITC. Due to the lack of public information on the market share of competitors in the business internet market, it is impossible to assess Bezeq International's market share in this sector.

4.6.1.3 In 2025, competition was mainly over prices. ISP services to the business sector is perceived as a commodity with no importance to the supplier's identity and many customers attach decisive weight to price. This naturally leads to price erosion.

4.6.2 International telephony services

4.6.2.1 As at the end of 2025, there are ten companies operating in the market (including Cellcom, Partner, Golan Telecom and HOT Mobile).

4.6.2.2 In 2025, the number of call minutes via international telephony continued to decrease, partly due to increased use of various call applications and the service bundles offered by the cellular companies, which include international call minutes. Many organizations continued to increase the use of services that enable online calls and meetings, while reducing the use of international telephony services.

4.6.3 International data communication services

The different ISPs such as Partner, Cellcom, HOT, and owners of submarine cables such as Accelera (formerly Tamares Telecom) and Telecom Italia compete in the international data communication services sector. Bezeq International, which owns a submarine cable, has a competitive edge over ISPs that do not own international infrastructure. Due to the lack of public information on the market shares of competitors in this market, it is impossible to assess Bezeq International's market share in this sector.

4.6.4 Business cloud, hosting, and IT services

4.6.4.1 Hosting services

Typically, the hosting services sector has numerous competitors, including Binat, Partner, and MedOne. In recent years, real estate groups such as Azrieli, Melisron, and others have entered this sector, by starting to engage in the construction of server farms. In 2025, there was demand for server farm hosting services, due to the trend in the business market of migrating to as a Service and services in a cloud environment and purchasing solutions that guarantee disaster recovery. Due to the lack of public information on the market shares of competitors in this market, it is impossible to assess Bezeq International's market share in this sector.

4.6.4.2 Public cloud services

Many companies compete in the cloud services sector by marketing and integrating the services of leading cloud companies. The demand for public cloud services offered by cloud service providers such as Amazon, Microsoft, Google, and Oracle has been growing recently. These companies operate through numerous distributors and resellers that compete 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 independently and through its subsidiary CloudEdge Ltd.) and Amazon (through CloudEdge Ltd.). By virtue of these partnerships, it provides its customers with cloud service licenses of these companies, as well as integration, support, and related professional services. Some of the operations are performed through resellers that purchase the services from Bezeq International for their customers. Due to the lack of public information on the market share of competitors in this market, it is impossible to assess Bezeq International's market share in this sector.

4.6.4.3 Cyber security services

The cyber security sector typically has many competitors and a range of different solutions. Demand for cyber security services continues to grow due to the increasing threat of cyber-attacks; a risk expected to intensify in the coming years, particularly in Israel, which experiences an exceptionally high rate of cyber-attacks. Due to the lack of public information on the market shares of competitors in this market, it is impossible to assess Bezeq International's market share in this sector.

4.6.5 Integration solutions

There are numerous competitors in the supply of hardware and software solutions to businesses, and competition is fierce. Bezeq International faces many competitors such as Binat, One-Taldor Group, Malam Group, Cellcom, Partner, Matrix, and others. Most manufacturers are not distributed solely by Bezeq International. The fierce competition in the sector has led to price erosion. Due to the lack of public information on the market shares of competitors in this market, it is impossible to assess Bezeq International's market share in this sector.

4.6.6 Special characteristics

4.6.6.1 Positive factors that affect Bezeq International's competitive status

- A. Strong and familiar brand.
- B. Technological innovation.
- C. Professional, experienced, and skilled human resources.
- D. Presence in many businesses.
- E. Ownership of a submarine cable that enables Bezeq International to provide quality international internet and data communication services.
- F. Engagement in various sectors allows providing a comprehensive service package to business customers, such as communication services, hosting and cloud services, the supply of IT and communications equipment, and licensing.

4.6.6.2 Negative factors that affect Bezeq International's competitive status

The fact that Bezeq International does not own domestic access infrastructure is a competitive disadvantage in the business internet and data communication market over competitors that own such infrastructure.

4.7 Fixed assets

Bezeq International's fixed assets include switching, internet and domestic and international call equipment, submarine cable, office equipment, computers, software licenses, leasehold improvements, and an inventory of equipment for sale.

The switches, which are used to route internet traffic, and domestic and international calls, are deployed at several sites in and outside Israel for survivability purposes.

The submarine cable is between Israel and Italy and includes communication equipment installed in the submarine cable's landing points.

The CRM system is based on Peoplesoft software, which is not supported by the manufacturer but rather maintained by Bezeq International. Bezeq International is in the process of migrating to Oracle cloud-based CRM and ERP systems to replace its old systems. The new ERP system went live in January 2025. The CRM system is expected to go live during 2026.

Bezeq International has a lease for the building that houses its offices. The lease term is until March 2029 with an extension option for another term until 2034.

Bezeq International has a lease for the building that houses a server farm. The term of the lease is until August 2026, with two more equal extension options until 2036.

Bezeq International has other leases in connection with warehouses (including a logistics center).

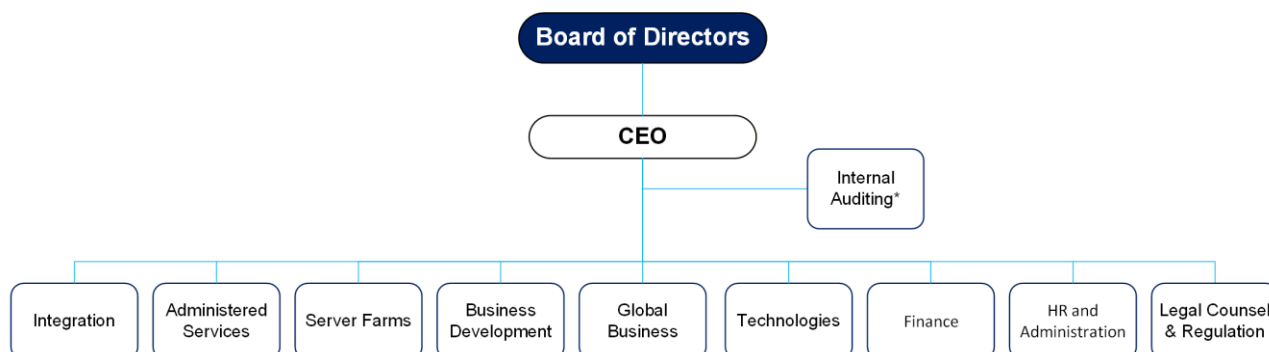
4.8 Human resources

Breakdown of Bezeq International's workforce in 2024 and 2025⁶¹:

	December 31, 2025	December 31, 2024
Head office employees	501	543
Sales and service representatives	34	54
Total	535	597

The number of employees in the table includes those employed in part-time positions. The total number of positions⁶² at Bezeq International as at December 31, 2025, was 542 compared and 599 as at December 31, 2024.

The following chart presents the organizational structure of Bezeq International:



(*) The Internal Auditor is a Pelephone employee

⁶¹ In addition, 124 employees are employed by Bezeq International's subsidiaries.

⁶² The total monthly work hours divided by the standard monthly work hours.

On December 26, 2024, Bezeq International signed a collective agreement with the Histadrut New Federation of Labor and the employee representatives as from January 1, 2025 until December 31, 2027 (the “Agreement” and “Term of the Agreement”, respectively). Among other things, the Agreement sets out a retirement plan of up to 140 Bezeq International employees in 2025-2027, and voluntary retirement of up to 10 of its employees in 2027. The total estimated employee retirement cost is NIS 71 million and another NIS 5 million in respect of one-time bonuses, including a bonus that is subject to a specific change in holding rate of the current control permit holders of the Company.

For further information see also Note 16 to the 2025 Financial Statements.

It is clarified that estimated cost of the retirement plan is forward-looking information as defined in the Israel Securities Law, based, among other things, on assumptions and estimates regarding realization of the retirement plan. These assessments may not materialize or may materialize differently than expected, partly depending on the manner and extent to which the agreements and retirement plan are implemented, with attention to Bezeq International’s needs and ability to implement its plans, and compliance with other terms of the agreements.

Bezeq International has an open labor dispute regarding the employee representatives’ demand to appoint a director on behalf of the employees. Furthermore, a labor dispute declared in November 2025 regarding changes in the work-from-home arrangement was canceled (later that same month) after Bezeq International reached an agreement with the Workers’ Committee concerning the modification of the work-from-home format.

Bezeq International customarily awards its officers, managers and some of its employees annual bonuses based on attaining goals and performance assessment. For information about equity-based compensation components with respect to some of Bezeq International managers see section 2.9.5.

4.9 Suppliers

4.9.1 Foreign operators

Bezeq International has collaboration agreements with approx. 100 foreign carriers under which it transfers and receives international telephone calls to and from them (including outgoing calls from Israel, incoming calls to Israel and calls between different destinations outside Israel) to approx. 260 destinations worldwide.

4.9.2 Capacity providers

Bezeq International is dependent upon the Company for domestic capacity to provide its services.

Most of the international capacity that Bezeq International uses is transmitted via its wholly owned submarine cable. As backup, Bezeq International uses capacity purchased from Telecom Italia (formerly Med Nautilus) and the Cyprus Telecommunications Authority (CYTA).

Under the agreement with Telecom Italia, Bezeq International purchased indefeasible right of use in an unspecified and unattributable part of the communication capacity transmitted by the submarine cable system operated by Telecom Italia between Israel and Europe, as well as continuation capacity in the company’s ground infrastructure to several communication nodes in Europe. Some of the periods of use were extended to July 2030 and others to May 2032. Bezeq International paid one-time fees for these rights of use shortly before starting to use the capacity.

Under the agreement with CYTA, Bezeq International purchased indefeasible right of use in an unspecified and unattributable part of the communication capacity transmitted by the submarine cable system operated by CTYA between Cyprus and Europe. The period of use was extended until May 2030.

Bezeq International is dependent on Telecom Italia and CYTA for backup of the submarine cable.

Bezeq International also purchased indefeasible right of use in an unspecified and unattributable part of the communication capacity transmitted by ground infrastructure in Europe from EXA Infrastructure to bridge Bezeq International's submarine cable to communication nodes in Europe. The term of use is at least until 2026 with an extension option.

4.9.3 Hosting service providers

Bezeq International purchases hosting services under long-term agreements with several operators of server farm facilities, mainly to provide hosting services to business customers:

Under an agreement signed in 2011, Bezeq International purchases hosting services from the Company in its server farm facility. These services are mostly used to provide hosting services to business customers. The agreement is effective until the end of 2030.

Under an agreement signed in 2019 with Adgar Investments and Development Ltd., Bezeq International purchases hosting services in this company's server farm facility. The agreement is valid until 2041 with an early termination option in 2034. These services are used to provide hosting services to business customers.

Under an agreement signed in 2021 with Serverfarm IIF Bnei Zion Limited Partnership, Bezeq International purchases hosting services in a server farm facility of this partnership as from 2023. The agreement is valid until 2039 with an extension option until 2047. These services are used to provide hosting services to business customers.

Bezeq International is dependent on each of the foregoing hosting service providers with respect to the hosting services provided in each provider's server farm.

4.9.4 Microsoft

Bezeq International and its subsidiary CloudEdge Ltd. have agreements with Microsoft under which they may sell licenses for Microsoft cloud products to both end customers and/or indirect resellers. The agreement is extended automatically, and each party may terminate it. Bezeq International's and CloudEdge's public cloud operations rely exclusively on Microsoft products, resulting in dependency on Microsoft. Termination of the agreement with Microsoft could materially impair this operation and may even lead to its discontinuation.

4.9.5 Main supplier

The Company is Bezeq International's main supplier and provides it with telecommunications and hosting services as specified in this section above. Bezeq International's purchases from the Company in 2025 amounted to approx. 18%. Bezeq International is dependent on the Company with respect to these services.

4.10 Taxation

See Note 7 to the 2025 Financial Statements.

4.11 Restrictions and supervision of Bezeq International's operations

4.11.1 Legislative restrictions

Under the Communications Law, telecommunications operations, and provision of telecommunications services, including international telecommunications services and internet access services, require licenses from the Minister of Communications or registration in the authorized suppliers registry. The Minister is authorized to amend the terms of the license, add to them or detract from them, while taking into consideration, inter alia, the government's telecommunications policy, interests of the public, compliance of the licensee to provision of services, contribution of the license to competition in the telecommunications industry, and the level of service therein

The law authorizes the Director General of the Ministry of Communications to impose financial sanctions for various violations of the law, pursuant orders and directives, and the terms of the license.

4.11.2 Licenses

Bezeq International has a consolidated general license to provide telecommunication services (“Consolidated License”) that is valid until February 4, 2036.

Main provisions of the Consolidated License:

- 4.11.2.1 Under certain circumstances, the Minister may modify, add to or detract from the terms of the license, and in other instances even revoke it.
- 4.11.2.2 The license is non-transferable and includes restrictions on direct or indirect acquisition or transfer (including by means of a lien) of control or 10% or more of any means of control of Bezeq International, including a lien on such means of control, unless the Minister provides advance consent.
- 4.11.2.3 Bezeq International must provide interconnect services to all other carriers under equal terms and must refrain from any discrimination in providing such interconnect service.
- 4.11.2.4 Bezeq International must refrain from granting infrastructure service priority to an affiliated licensee company (as defined in the license) over another licensee.
- 4.11.2.5 Bezeq International may not sell, lease, or mortgage any of the assets used to exercise the license without the Minister of Communications’ consent, other than specific exceptions set out in the license.
- 4.11.2.6 In emergencies, whoever is statutorily competent will have the authority to issue various instructions to Bezeq International on its mode of operation and/or manner of provision of services.
- 4.11.2.7 The license specifies the types of payments Bezeq International may charge its subscribers for telecommunication services and the reports it must submit to the Ministry of Communications. The license also determines the Minister’s power to intervene in tariffs, in certain cases.
- 4.11.2.8 The license binds Bezeq International to a minimum service level.
- 4.11.2.9 Pursuant to Ministry of Communications requirements, Bezeq International provided a bank guarantee of NIS 2 million in compliance with the terms of the Unified License.

4.11.3 Land powers

On July 9, 2014, the Minister of Communications granted Bezeq International the powers pertaining to land that are listed in Chapter 6 of the Communications Law, including access to land for the purpose of laying and maintaining a network (see section 2.16.6).

4.11.4 Interconnect payments

For information about interconnect fees paid to domestic carriers and mobile telephony operators, see section 1.7.6.1.

4.11.5 Key regulatory developments

For information about the Ministry of Communications’ decision in the hearing of June 20, 2021 to eliminate the separation between broadband infrastructure service and ISP service, see section 1.7.3.2. The communications market changes resulting from this decision led to material impairment of Bezeq International’s internet subscriber base and revenue. The impairment is expected to continue and deepen in 2026.

4.12 Legal proceedings⁶³

Lawsuits are filed against Bezeq International in the normal course of business, including motions to certify class actions.

4.12.1 Pending legal proceedings

	Date	Parties	Court	Type of action	Descriptions	Amount of the claim NIS million
A.	October 2020	Customer v. Bezeq International	District (Central)	A financial claim filed with a motion to certify it as a class action.	It is alleged, inter alia, that Bezeq International charges customers for services it does not actually provide to them, allegedly knowing that the customer has switched to another ISP and disconnected from Bezeq International. On November 5, 2020, Bezeq International was served another motion to certify a class action in the same matter. On June 23, 2025, a court ruling was handed dismissing the motion and dismissing the cause of action relating to the associated internet services. It should be noted that the additional motion noted in this section continues to be litigated. The additional motion concerns the claim that Bezeq International charges customers for services while allegedly knowing that the customer did not activate the services and does not use them.	Not noted.

4.12.2 Legal proceedings that ended in the reporting period

	Date	Parties	Court	Type of action	Descriptions	Amount of the claim NIS million
A.	March 2016	Customer v. Bezeq International and other communications companies	District (Central)	A financial claim filed with a motion to certify it as a class action.	It is alleged, inter alia, that Bezeq International sells its customers broadband speed even though the infrastructure where they live does not enable this speed. In January 2021, the court certified the claim as a class action. On December 2, 2025, a court ruling was handed approving a settlement that includes compensation of NIS 1,950,000, which will be paid into the Class Action Fund.	Not noted.
B.	April 2019	Customer v. Bezeq International and other communications companies	District (Central)	A financial claim filed with a motion to certify it as a class action.	It is alleged that Bezeq International fails to inform its customers as required of the possible risks involved in using the internet and the option of joining a free filtering service, in contradiction to the provisions of the Communications Law. Bezeq International also provides abusive website and content filtering services which, the applicants argue, are not sufficiently effective. On April 29, 2025, a court ruling was handed approving a non-compensatory withdrawal, under which the motion for certification of the class action was dismissed and the claim against Bezeq International was dismissed.	Not noted.

⁶³For information concerning reporting policies and materiality, see section 2.18.

	Date	Parties	Court	Type of action	Descriptions	Amount of the claim NIS million
C.	November 2020	Customer v. Bezeq International	District (Central)	A financial claim filed with a motion to certify it as a class action.	<p>It is alleged, inter alia, that Bezeq International charges for the provision of anti-virus and backup services without actually providing them. It is also alleged that Bezeq International does not inform customers at the time of concluding the contract that using the services requires them to first perform preparatory actions on their own, such as installing special software; nor does it apprise them that they are billed for such services as of the contract conclusion date and not from the actual service provision date.</p> <p>On January 12, 2026, a court ruling was handed approving a compensatory settlement in the amount of NIS 6,250,000 to the class members, and an amount of NIS 1,500,000 plus VAT as an award to the representative plaintiffs and as attorneys' fees.</p>	Not noted.

4.13 Goals, business strategy, and expected development

Bezeq International has set a goal of continuing to be one of the leading companies in Israel in the ICT, international communications, public cloud, and business cyber services sectors. Bezeq International promotes growth in the areas which it defined as primary growth engines: Integration, international data communication, cyber, public cloud, and data center. Bezeq International will develop these growth engines, among other things, by launching new products and solutions, including AI applications in these areas. Part of the growth is planned to be done through development of companies controlled by Bezeq International, and acquisition of new companies in areas that are related or synergistic to its areas of operation. Bezeq International strives to make its services accessible to a wide range of business customers, from very small and small businesses through to enterprise, government, and international customers. At the same time, Bezeq International is working to streamline its sales and service divisions, with emphasis on establishing a platform that enables fully or partially automated online and digital purchasing and self-service.

The above is forward-looking information, as defined in the Israel Securities Law, based on Bezeq International's assessments and assumptions. Bezeq International is unable to assess if and when the above goals will be fully or partially realized. The goals may be affected by changes and developments in the relevant markets, due to regulatory changes that could affect Bezeq International's ability to provide a solution to existing or changing market requirements, as well as all other risk factors described below.

4.14 Risk factors

Description of the risk factors arising from the macroeconomic environment, the specific characteristics of the industry in which Bezeq International operates, and the risk factors specific to Bezeq International:

4.14.1 Competition

For information about the effect of competition on Bezeq International's areas of business, see sections 4.6 and 4.13.

4.14.2 Frequent technological developments and infrastructure investments

The ICT and communication market for businesses is marked by rapid and ongoing technological developments. Bezeq International's long-term success depends, to a large extent, on its ability to adjust the arsenal of solutions that it offers to the variable and evolving needs of its customers. There is no certainty that Bezeq International will succeed in adjusting, improving, and launching solutions that keep up with technological changes. If Bezeq International fails to anticipate and prepare in advance for market development directions, to know how to adjust its services to these developments, and to keep technologically up-to-date, its revenues could be affected.

4.14.3 Exposure to exchange rate fluctuations

Bezeq International is exposed to risks due to currency exchange rate fluctuations, particularly in connection with equipment sales and integration, as well as international data services, because most purchases of equipment and services from providers in these sectors are made in USD, whereas Bezeq International's revenues is in NIS. Erosion of the NIS against the USD could affect Bezeq International's profits if it is unable to adjust the selling prices at short notice.

4.14.4 Government supervision and regulation

Bezeq International's area of operation is subject to legislation and standards related to various issues such as competition, consumer protection, and privacy protection. Communication services are also subject to special regulation in this sector. Specific regulatory changes or burdensome regulations applicable to Bezeq International could adversely affect its results and operations.

4.14.5 Pandemic

The outbreak of diseases and pandemics in general (such as COVID-19 in 2020) could have consequences for Bezeq International's business operations, depending on the extent of the spread, the severity, and national and global measures taken as a result. These consequences may be expressed in harm to Bezeq International's operations, customer service system, and supply chain. Such events are evolving and beyond Bezeq International's control, and their consequences are subject to the decisions of countries and authorities in Israel and the world, which could affect Bezeq International accordingly.

4.14.6 Severe malfunctions in information and engineering systems

Bezeq International provides its services through various infrastructure systems, including switches; transmission, data communication and access networks; cables; IT systems; and physical infrastructure (the "Systems"). Bezeq International's business is highly dependent on these systems. Some of Bezeq International's Systems have backup, but in the event of damage to some or all of these Systems, whether due to an extensive technical malfunction, natural disaster (such as earthquake, fire), damage to physical infrastructure, or malicious damage (such as virus infection and cyber-attacks as set out below), it may be extremely difficult to provide services, including if Bezeq International is unable to restore the Systems quickly. Regarding information systems, it should be noted that those currently used by Bezeq International are old and not supported by the manufacturer (see section 4.7). This involves a risk of malfunctions in these systems. Migration to cloud-based information systems (as specified in section 4.7) involves the risk of Bezeq International's information, including personal information about its customers, being in the possession of a third party.

4.14.7 Information security, customer data protection, and cyber risks

Bezeq International is a target for cyber-attacks aimed at harming the use of its information systems and/or the actual information. Such attacks or hacking may cause interruption of business, theft of information/money, damage to reputation, damage to systems and information leakage. Another risk posed is accidental or malicious leakage of information from the organization by Bezeq International employees.

Bezeq International's cyber security management strategy is built on three pillars: Information confidentiality, integrity, and availability. It takes numerous technological and organizational measures to deal with such risks.

Bezeq International allocates many resources to deal with cyber risks. Bezeq International has an information security department that engages in information security and cyber risk management. Bezeq International dedicates substantial budgets to purchasing technological information security systems and means. Detailed procedures have been established to address both routine handling of information, and courses of action and method of management of information security incidents. Bezeq International employees undergo periodic information security training. Monthly notices, guidelines, and updates are sent to Bezeq International employees to increase awareness to cyber risks and correct handling of information.

Bezeq International overseas implementation of its defense policy, including testing its effectiveness and readiness level. In this context, risk surveys, penetration testing, and periodic controls are conducted by both internal auditing and external auditors hired by Bezeq International for this purpose. Bezeq International also periodically performs security attack testing (SAT) and drills for different scenarios (including through external companies specializing in this area). Bezeq International believes its information security policy is effective.

Bezeq International is an entity directed by the National Information Security Authority (NISA). Bezeq International is also obligated to implement the information security requirements set in the consolidated general license granted by the Ministry of Communications. Bezeq International is also certified in various information security standards, such as SOC-2 and ISO27001.

Information security policy, defense measures, security events, and conclusions drawn are discussed monthly by Bezeq International management and submitted to its board of directors annually for examination and approval. The party responsible for implementation of Bezeq International's policy is the head of the technology divisions' information security department.

Notwithstanding Bezeq International's investments in means of reducing such risks, it cannot guarantee that such measures will succeed in preventing damage and/or disruption of the systems and the related information.

4.14.8 Damage due to force majeure, war, disaster

Damage to Bezeq International assets, including server farms, in which it focuses its core operations, and which are used to provide hosting services to its customers, or damage to the submarine cable used to provide international communication services could adversely affect its business and results.

4.14.9 Damage to electricity supply

Damage to the supply of electricity to Bezeq International's facilities for various reasons (some of which are described in section 4.14.8) may negatively affect its business and impair its ability to provide services. Some of Bezeq International's systems have backup power, but lengthy disruption in some or all systems may lead to significant difficulties or even worse in providing Bezeq International services, including if Bezeq International is unable to restore the systems quickly. Prolonged power supply disruptions may have an adverse effect on Bezeq International's hosting services sector in particular.

4.14.10 Legal proceedings

Bezeq International is a party to legal proceedings, including class actions, which could result in it being required to pay substantial amounts that cannot be estimated, and for some of which no provision has been made in its financial statements. These class actions could reach high amounts. Furthermore, in specific contracts, mainly in the government and public sector, Bezeq International sometimes enters into service contracts subject to a partial liability limit, or no liability limit at all. Considering the sensitivity of the services provided by Bezeq International to these customers, if the customer is harmed by such contract, this may lead to legal proceedings in large amounts. For information about legal proceedings to which Bezeq International is party, see section 4.12.

4.14.11 Labor relations and streamlining measures

Bezeq International has a collective agreement with the New General Federation of Workers and with the employees' committee which applies to most of its employees. Implementation of the collective agreement could affect the operating activities of Bezeq International. Implementation of human resources programs may also lead to unrest and harm Bezeq International's current operations. As described in section 1.8, Bezeq International implements streamlining plans that involve sharing management resources, organizational changes, and reduction of human resources, while managing significant infrastructure and other projects. The streamlining processes, by nature, include the risk of loss of knowledge, employee churn, and shifting of management focus. For information about labor disputes at Bezeq International, see section 4.8.

4.14.12 Loss of knowledge and information

Labor market changes in Israel and worldwide together with organizational changes involve the risk of loss of key employees, loss of information due to employee turnover, and employee recruitment difficulties.

4.14.13 Impairment of the assets of Bezeq International

In accordance with generally accepted accounting principles, Bezeq International conducts periodic impairment testing of assets regarding which signs of impairment have been identified. For further

information about the risk factor relating to reported impairment losses, see section 2.20.13. Regulatory changes in the internet services market (see section 4.11.5) has and is expected to continue to affect Bezeq International's result and/or impairment of its assets. For information about the effect of dealing with Bezeq International's customers who do not use ISP services on the value of its assets, see section 4.4

4.14.14 Cash flows

Bezeq International must maintain an adequate cash flow to comply with its long-term business plan. Cash flow may be affected in cases of planning gaps, business model revision and payment collection difficulties from customers or communications operators. A lack of sufficient cash flow could adversely affect Bezeq International's business and hinder its ability to deal with competitive threats.

The table below demonstrates the effects of the foregoing risk factors on Bezeq International's operations, as assessed by its management. It should be noted that Bezeq International's assessments with regard to the extent of the effect of a risk factor reflect the extent of effect of such risk factor, based on the assumption that the risk factor will be realized and the foregoing does not express an assessment or give weight to the chances of its realization as aforesaid. The order in which the risk factors appear above and below is not necessarily based on the extent of the risk.⁶⁴

Summary of risk factors – international communications, internet services, and ICT solutions

	Effect of risk factor on Bezeq International's operation		
	Major	Moderate	Minor
Macro risks			
Exposure to exchange rate fluctuations		X	
Pandemic		X ⁶⁵	
Damage due to force majeure, war, disaster	X		
Power supply disruptions	X		
Sector-specific risks			
Competition	X		
Investments in infrastructure and technological changes		X	
Government supervision and regulation	X		
Severe malfunctions in information and engineering systems	X		
Information security, customer data protection, and cyber risks	X		
Risks specific to Bezeq International			
Legal proceedings		X	
Labor relations and streamlining measures		X	
Loss of knowledge and information	X		
Impairment of the assets of Bezeq International		X	
Cash flows		X	

The information contained in this section 4.14 and Bezeq International's assessments regarding the effect of the risk factors on its operations and businesses is forward-looking information as defined in the Securities Law. The information and assessments rely on data published by the Ministry of Communications, Bezeq International's assessments regarding the market situation and the structure of competition in it, and possible developments in the market and in the Israeli economy. Actual results may differ significantly from these assessments if a change occurs in any of the factors taken into account in the assessments.

⁶⁴ See footnote 49.

⁶⁵ The extent of the effect of this risk factor on Bezeq International's operations was classified as moderate, assuming that the event would be limited in scope and time. Otherwise, the extent of the effect could be major.

5. yes – Television and Communication Services

yes is a wholly owned subsidiary of the Company, which provides multi-channel television services via online television transmissions (OTT), and via satellite and internet access services.

5.1 General information about the area of operations

5.1.1 Structure and changes to area of operations

5.1.1.1 Several operators in the subscriber TV broadcasting sector operate in a number of key categories:

- A. OTT (over the top) internet content providers – There are several local and international audio-visual content providers operating in Israel via the internet, which can be viewed on various types of terminal devices (including mobile devices). The main domestic providers that operate services which include linear channels and VOD services are yes (through yes+ and STING+ services, for details see sections 5.2.1.1 and 5.2.1.1), Cellcom, Partner, HOT and freeTV (for information about freeTV operations, see section 5.5.1). In addition, various channel operators, including the commercial broadcast channels operating under the Second Authority Law and the Israel Broadcasting Corporation, enable viewing of their content through dedicated apps. The key international providers operating in Israel are Netflix, Disney, Amazon, Apple, and HBO, which provide options for viewing VOD content without linear channels. To the best of the knowledge of yes, most of the subscribers of the international providers in Israel also subscribe to services provided by the domestic providers. Usually, the OTT content providers market their services in a scope and at a price lower than those common in the satellite and cable broadcasting sector (see subsection B)).
- B. Broadcasting licensees under the Telecommunications Law that provide multi-channel television services (linear TV channel broadcasts and VOD⁶⁶ services) via satellite and cable are yes and HOT⁶⁷ (“Satellite and Cable Broadcasting Sector”). This is together with the provision of multichannel television streaming services (see sub-section a). For further information about regulation applicable to such broadcasting licensees see section.

Some of the domestic licensees and suppliers collaborate with some of the international suppliers. yes conducts several such collaborations including with Netflix, Disney, and HBO, which include, among other things, distribution of their services for a fee.

- C. DTT network

A digital terrestrial television broadcasting network (DTT) known as Idan+ through which certain channels are broadcast to the public, free of charge⁶⁸. As at the reporting date, the system is operated by the Second Authority.

⁶⁶ For information concerning the issue of regulation of yes VOD services, see section 5.14.1.

⁶⁷ A cable television services provider that has been pronounced as a monopoly in the multichannel television broadcasting sector under the Economic Competition Law

⁶⁸ As at the reporting date, to the best of the knowledge of yes, television broadcasting licensees under the Second Authority Law, the Knesset Channel (Channel 99) and several radio stations are distributed as part of the Broadcasting Corporation’s television channels (Kan 11, Kan Educational and Channel 33). The DTT operator is also required to distribute thematic channels (whose primary broadcasting hours are dedicated to the subject matter prescribed by law). The Ministers of Communications and of Finance may appoint a private operator to operate it, to which the Council

The channels are broadcast for a broadcasting fees, however the Ministers of Communications and Finance may decide that the State will subsidize broadcasting fees applicable for subject-based channels and niche channels⁶⁹.

As at the reporting date, the DTT partially constitutes an alternative product to the multi-channel television broadcasts.

D. Parties that offer content without permission of the rights holders (piracy)⁷⁰.

5.1.1.2 The multi-channel TV providers, including yes, offer their services together with additional communication services that they provide (such as bundles that include internet and television services). For information pertaining to additional communication services provided by these telecommunication groups, see section 1.7.2. For information regarding communication service bundles offered by yes and related restrictions see section 1.7.3.2).

In the reporting year, the fierce competition in this sector continued, particularly due to the entry of the operations of the foregoing domestic and international online content providers, which operate at relatively low prices. These providers operate via the internet without the need to set up special infrastructure and as at the reporting date, also without any regulatory supervision. For further information about competition in the sector and the changes that occurred in the reporting year, including the mode of operations of yes, see section 5.5. For the potential regulatory framework applicable to streaming broadcasts over the internet (OTT), see section 5.14.1.

For changes in the number of yes subscribers see section 5.5.1.

5.1.2 Legislation, restrictions, and special constraints in the segment of operations

As at the reporting date, providing television services by non-licensed broadcasters is not subject to any specific regulation.

Operations of the broadcasting licensees are subject to extensive communications regulation, particularly the Communications Law, a strict licensing and monitoring regime and Ministry of Communications policy decisions. These operations are also under the ongoing supervision of the Council, which sets policy, makes rules and monitors many areas of the sector, including broadcasting content, compliance regarding original Israeli productions, broadcasting ethics, consumer protection, and approval of the channels broadcast.

In November 2025, the Knesset approved on first reading the Communications (Broadcasting) Bill, 2025, which includes the text of the proposed law (the "Bill")⁷¹.

In accordance with the provisions of the Bill and its explanatory notes, the Bill is intended to amend the legislation based on the recommendations of various committees over the years (the most recent

may also grant a general license for broadcasts financed from subscription fees or advertising. Under the Broadcasting Law, a broadcasting entity whose broadcasts are part of the "free-to-air broadcasts" (i.e., television broadcasts via the DTT platform referred to in subsection C) above) will provide each registered content provider consent to transmit its linear broadcasts via the internet free of charge, subject to and in accordance with the provisions of the law. As at the reporting date, yes has agreements with such broadcasting entities, which also include VOD services. A registered content provider is defined in the Broadcasting Law as a content provider registered in the registry; a content provider is defined in the Broadcasting Law as an entity whose main activity is broadcasting a variety of content to the public in Israel, provided that the content is broadcast on its own initiative, via interfacing equipment that it controls, and that the content can be viewed in real time, simultaneously by the public, and that the content can be viewed at a time and place of the viewer's choice. yes is a registered content provider.

⁶⁹ Pursuant to a temporary provision under the Broadcasting Law, from October 7, 2023 through June 15, 2025, holders of television broadcasting licenses (SD technology) and holders of radio broadcasting concessions were exempt from paying distribution fees.

⁷⁰ yes is a shareholder of Zira Ltd., which acts to prevent infringement of video content copyrights over the internet.

⁷¹ It is noted that Bill has not received approval from the Attorney General as required under Attorney General Directive 2.3005: Treatment of Government Bills.

of which was the Volkman Committee) and to revise the obligations and rights applicable to all players operating in the audiovisual content market, irrespective of the technology used to deliver the content, in several ways, including as set out below:

1. A new authority will be established to replace the Cable and Satellite Broadcasting Council and the Second Authority for Television and Radio. This authority will regulate the audiovisual content market in a way that will disregard the method and technology used for content distribution. The Authority will be responsible for competition in the audiovisual content market and will be authorized to issue directives aimed at preventing impairment of competition.
2. A limited and targeted set of obligations will apply to the major players in this market, including registration requirements (in this matter, it was proposed to set up a news providers registry and a content providers registry)⁷², investment in local productions (see subsection 6 below), distribution obligations for content from the Israel Broadcasting Corporation and the Knesset channel, obligations relating to sports, consumerism, and ethics. In addition, provisions have been established regarding a commercially significant provider (a registered content provider whose revenues exceeds a threshold to be determined by the Council), including an obligation to make its content available to other registered content providers on non-discriminatory terms, and an unbundling obligation that will apply to a registered content provider that is either a commercially significant provider or affiliated with such a provider.
3. As part of the effort to remove existing restrictions on economic models in the audiovisual content market (while retaining certain provisions regarding cross-ownership) – the prohibitions currently applicable to licensed broadcasters (including yes), regarding the broadcasting of advertisements and the production of news content will be lifted. Additionally, in view of the commencement and applicability dates set out in the Bill, the transmission arrangements set out in the Telecommunications Law and the Broadcast Distribution Law are expected to remain in effect for additional periods after the law enters into force,
4. Specific regulation will be established regarding the public broadcasting of news content, including a registered content provider's obligation to broadcast, free-of-charge, linear broadcasts of up to ten registered news providers, subject to the conditions set out in the Bill. In addition, regulations will be established concerning the continuous broadcasting of the channels of such registered news providers, as well as paid-for broadcasts of registered news providers.
5. Arrangements will be established regarding the provision of sports content to the public, including arrangements designed to preserve competition among content providers and prevent cross-subsidization in subscriber pricing. Among other things, it is proposed that a sports content provider⁷³ be required to supply its content to another registered content provider on a non-discriminatory basis, and that it be subject to an unbundling obligation (if it provides sports content to subscribers).
6. Investment obligations will be established for high-quality local productions, applying, with necessary modifications, to all major players in Israel's audiovisual content supply market. The investment obligation will be set at 6.5% of the content provider's revenues and will be applied gradually. The 6.5% investment obligation will also apply to international content providers with a significant scope of activity in Israel.
7. The Bill includes additional provisions, such as measures regarding the transfer of the Idan+ platform to an application and the establishment of related arrangements; provisions regarding the Council's authority to issue directives, in the cases set out in the Bill, regarding service unbundling and the manner in which content is made accessible to viewers, including rules

⁷² Under the definition set out in the Bill, yes would be considered a registered content provider.

⁷³ The Bill defines a 'sports content provider' broadly, to include both registered content providers and international content providers.

related to the use of remote controls, subscriber-owned equipment, and the user interface; provisions regarding the Council's authority to establish rules concerning the publication of viewership data by registered content providers; provisions regarding the obligation to provide community content; provisions addressing pirated content; and provisions regarding administrative enforcement procedures.

As at the reporting date, the Bill is under discussion in the special committee for drafting of the Communications (Broadcasting) Bill, for its second and third readings.

At this stage, it is unclear which provisions of the Bill, if any, will be enacted into a binding law, nor what its content and regulatory arrangements will be, and therefore at this stage, it is difficult to assess the effect of such legislation on the business operations of yes (if any).

5.1.3 Changes in the volume and profitability of operations

For further information about the changes in the scope of the operations of yes and its profitability, see section 1.5.4.4.

5.1.4 Critical success factors in the area of operations and applicable changes

- 5.1.4.1 Quality, differentiation, innovation and originality in the content, variety, branding, and packaging of its broadcasts
- 5.1.4.2 Value offers applicable for various target audiences
- 5.1.4.3 Provision of advanced VOD services and use of advanced technologies (with regard to broadcasting technologies, terminal devices, and user interface)
- 5.1.4.4 Provision of television services via the internet
- 5.1.4.5 Offering communication service bundles that include television and other services such as internet services (see section 4.14.3)
- 5.1.4.6 Collaboration with international content providers and access to apps operated by them
- 5.1.4.7 High level customer services, appropriate for the type of service
- 5.1.4.8 Brand strength and its identification with quality, innovation and industry-leading content and services
- 5.1.4.9 Attractive price

5.1.5 Main entry and exit barriers for the segment of operation

- 5.1.5.1 The main sector entry barriers are: (a) cable and satellite broadcasting – the need for cable and satellite broadcasting licenses and compliance with the applicable regulatory requirements, and the establishment of designated infrastructure; (b) the investments required of carriers in the sector, including for acquisition and production of content; (c) the limited volume and the characteristics of the Israeli market; The scope and level of entry barriers with regard to OTT television services are low, especially for international providers for which Israel constitutes another market for existing operations, and this is reflected in the increase in the number and variety of OTT services offered
- 5.1.5.2 The main exit barriers are: (a) with regard to licensed broadcasters there are regulatory barriers – termination of operations under the Broadcasting License depends on a decision of the Minister of Communications to cancel the license prior to the end of the license term, under the conditions set out in the license, including arrangements (which could be imposed on the licensee) for ensuring the continuation of broadcasts and services and minimization of harm to subscribers; (b) long-term contracts with significant customers and suppliers.

5.1.6 Alternatives for products in the sector and changes therein

yes considers the option of receiving multiple foreign channels via inexpensive terminal equipment as an alternative to its services for certain sectors.

5.1.7 Structure of and changes in competition

Competition in the television sector is fierce with a relatively large number of players, the majority of which operate at relatively low prices (see section 5.1), and via advanced internet customer interfaces in a way that increases competition in the sector. Increasing the number of subscribers in the current state of competition is mainly possible by recruiting new subscribers from the competitors, requiring substantial resources to be invested in retention of existing subscribers and recruitment of new subscribers.

As at the reporting date, yes does not have data regarding the number of subscribers of the international content providers operating in the market, nor regarding the number of viewers of the DTT platform. According to the assessment of yes, most subscribers of the international providers are also subscribers of one of the local television providers operating in the market. According to the assessment of yes, the change in the overall market share (of all players) is not material.

For further information regarding competition and changes in the segment, see section 5.5.

5.2 Products and services

yes offers television services via OTT services and satellite, in bundles of varying values, differentiating between them by the scope of content, scope of services included in them, the interfaces through which they are offered and price. The OTT services are offered as part of the trend to gradually migrate its services from satellite TV to OTT services. For information about the migration process see section 5.17.1.

In recent years, there has been an increasing trend of demand for 'discount' services, which relates to the scope of services and lower prices than customary in the satellite and cable broadcasting sector. Accordingly, the increase in the percentage of customers subscribing for STING+ services out of all yes customers has resulted in a decrease in the average income per customer.

5.2.1 yes television services

5.2.1.1 OTT Services

yes offers several OTT services:

A. yes+ Services

A service that includes linear television channels, as well as VOD services, including VOD content, offered in several packages. The service is provided via compatible streamers and other suitable terminal devices, including mobile phones. The services can be used independently or in parallel with the satellite service.

B. STING+ Service

A service that includes linear television channels, as well as VOD services, including VOD content. The service is offered in several viewing bundles that do not include the full range of content available under yes services, and at relatively low prices. The service is provided via compatible streamers and other suitable terminal devices, including mobile phones.

5.2.1.2 Satellite broadcasts

The satellite broadcasts of yes include linear television channels and, depending on the end-user equipment, as well as VOD services, including VOD content.

To allow reception of yes satellite services, dish antennas are installed on buildings and several types of decoders with various features are installed in the subscriber's home enabling receipt of a range of services depending on the decoder features (recording of broadcasts at various resolutions, recording of content, and VOD).

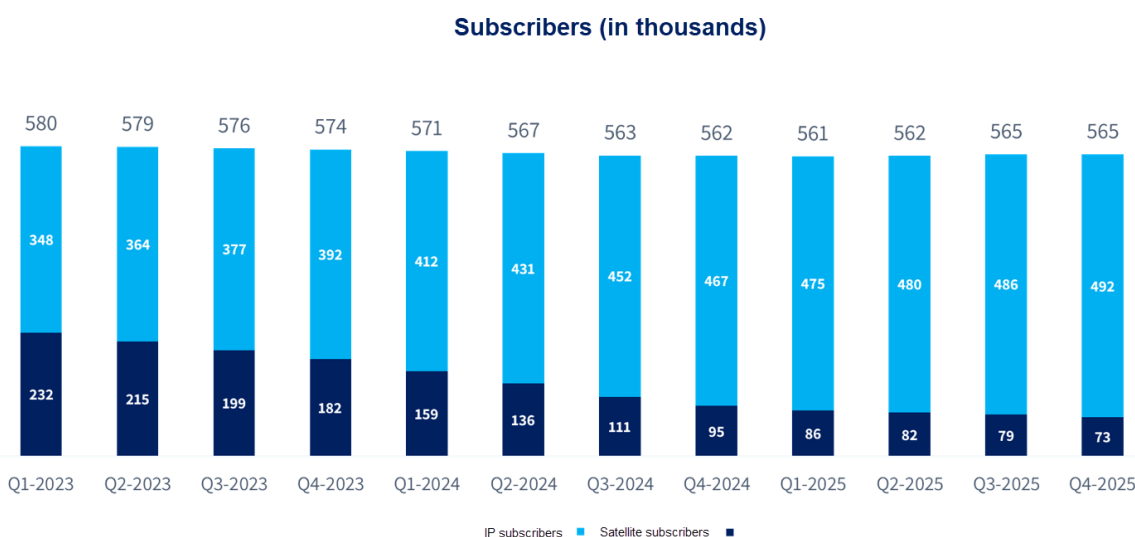
Pursuant to the broadcasting license of yes and the Council's decisions, the satellite broadcasts of yes include a basic package of linear channels that every subscriber is required to purchase (along with additional basic packages that yes is permitted to offer), and additional channels that the subscribers can select, either as packages or as individual channels.

yes provides subscribers to its satellite broadcasts ("Satellite Subscribers") online (OTT) VOD services.

For information about the regulation of yes VOD services to its Satellite Subscribers, see section 5.14.2.

For information about the reduced format of the broadcast of satellite broadcasts, see section 5.17.1.

Below is a breakdown of the number of yes subscribers according to Satellite Subscribers and OTT subscribers⁷⁴:



5.2.2 Internet access services

yes also provides internet access services with focus on selling combined internet and television bundles to its customers⁷⁵. These services are provided via services yes receives from the Company.

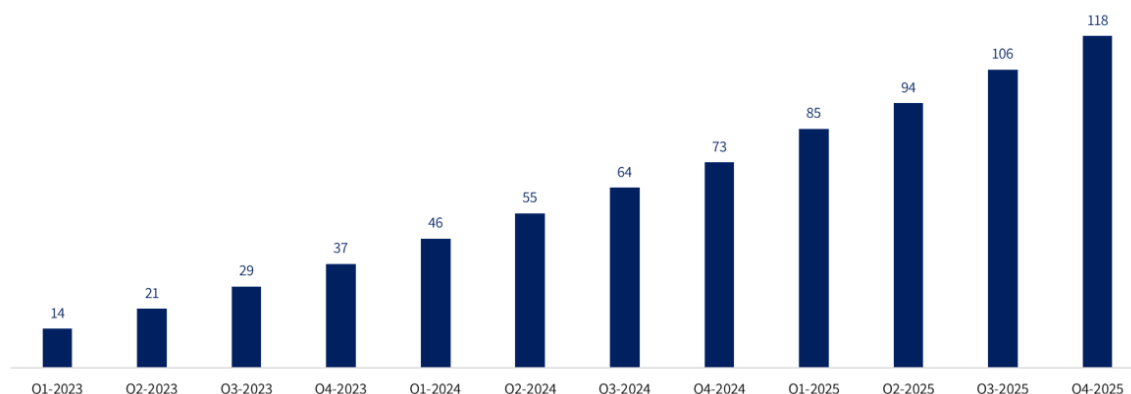
For information about the decision regarding the public hearing published by the Ministry of Communications on July 29, 2025 regarding determination of maximum wholesale market charges, see section 2.16.5.

Below is a breakdown of the number of fiber optics subscribers of yes:

⁷⁴ The number of IP subscribers includes subscribers that also use satellite services (also see section 1.5.4.4).

⁷⁵ The services are provided under a general permit pursuant to the provisions of the General Permit Regulations, and in the Judea and Samaria area – under a permit granted pursuant to the General Permit for the Provision of Telecommunications Services (Judea and Samaria) Regulations, 2024.

Fiber Optics Subscribers (in thousands)



5.3 Customers

The vast majority of yes subscribers are private customers. yes usually engages with its subscribers in subscriber agreements which regulate the rights and obligations of subscribers in their relations with yes. The subscriber agreement for satellite subscriptions requires approval of the Council, which was obtained⁷⁶.

5.4 Marketing and distribution

yes markets its services by way of publication in the various media. yes sales to existing and new subscribers are carried out primarily through telephone call centers, digital channels, and field sales representatives (some by yes employees and some by external resellers).

5.5 Competition

5.5.1 Competitors in the market

As at the reporting date there are several competing groups on the market (see section 5.1).

The main competitors of yes are HOT, Cellcom, Partner, freeTV⁷⁷ and Netflix.

Breakdown of yes subscriber numbers and market shares⁷⁸, to the best of its knowledge, as at December 31, 2024 and 2025⁷⁹:

⁷⁶ According to the broadcasting license, court approval is also required for uniform contracts for subscriptions (approval that was given in the past and has since expired). In view of a legislative amendment in this regard, yes applied to the Council in the past requesting cancellation of the provision in the license requiring the court approval for standard contracts. As at the reporting date, the Council's position has not yet been received.

⁷⁷ freeTV is multi-channel internet-based broadcasting platform owned by Keshet Broadcasting Ltd., which also operates, among other things, a commercial television channel broadcast as part of yes broadcasts ('Keshet'). To the best of the knowledge of yes, in the reporting year RGE Group Ltd. ('RGE') sold its holdings in freeTV to Keshet.

⁷⁸ The market shares were calculated out of the foregoing total number of subscribers of yes, HOT, Partner, Cellcom and freeTV, as specified below (and not out of the total number of viewers and subscribers in the market, due to lack of actual figures in this regard). The estimate of the market share of yes in 2024 and 2025 is based on the number of subscribers of yes, Cellcom and Partner (based on their reports of the number of their subscribers at the end of the third quarter of 2025), and of HOT and freeTV, that does not publish the number of their subscribers, and therefore yes estimates the figures relating to them. Nonetheless, there is no certainty that the figures assumed for HOT and freeTV are accurate, and therefore it is possible that the actual market share may be different from that estimated.

⁷⁹ The number of subscribers is approximate, and the market share is rounded. Subscriber – one household or small business customer. in the case of a business customer with more than a certain number of decoders (such as a hotel or gym), the number of subscribers is standardized. The number of business customers who are not small business

2025		2024	
Subscribers (thousands)	Market share	Subscribers (thousands)	Market share
565	33%	562	32%

5.5.2 Nature of competition today

Competition in the sector focuses on the variety and content of the broadcasts, the price of the services, the quality of service, the performance of the broadcasting applications, and advanced user interfaces.

Competition also involves offering additional communications services together with TV content (for information regarding service bundles offered by HOT, Cellcom and Partner see section 1.7.1 and regarding the service bundles offered by yes, see also section 1.7.3.2), regarding accessibility and connectivity to international content providers and collaboration with them, and regarding the increase in the number of competitors and the foothold they gained (see section 5.1).

5.5.3 Positive and negative factors that affect the competitive status of yes

5.5.3.1 The management of yes estimates that yes has competitive advantages, the key advantages being:

- A. The quality and variety of content that yes broadcasts to its subscribers.
- B. The level, quality, and availability of yes customer service.
- C. Using the most advanced cutting-edge technology for providing advanced services and better user experience.
- D. Fostering and promoting the yes brand as a preferred, popular brand with a high level of loyalty.
- E. Marketing of several agreement formats, with different prices, offering different content, using different broadcasting methods, via various technological interfaces and various customer service formats.
- F. Collaboration with international content providers.
- G. Sale of bundles combining television and internet services.

5.5.3.2 The competitive operations of yes in the broadcasting sector is adversely affected by several disadvantages or adverse factors in several areas, the most significant of which is the regulatory asymmetry among the Israeli players and between the Israeli players and international players.

5.5.4 Main methods for coping with competition

Below are the main methods used by yes for dealing with competition:

- 5.5.4.1 Content – yes purchases, produces and broadcasts high-quality, innovative, and diverse content, creating differentiation, by focusing on branding and obtaining licenses for the content it broadcasts;
- 5.5.4.2 Pricing policy – offering a variety of services at various price levels.
- 5.5.4.3 Offering OTT services and migration (see sections 5.2.1.1 and 5.17.1).
- 5.5.4.4 Service – yes places emphasis on its customer service system;

customers is calculated by dividing the total payment received from all non-small business customers by the average revenue from a small business customer, as is determined periodically.

- 5.5.4.5 Technology – yes invests in expanding its technological capacities by focusing on providing innovative and advanced services.
- 5.5.4.6 Branding – yes cultivates, promotes, and differentiates the yes brand;
- 5.5.4.7 Collaboration with international content providers and accessibility of content applications (see section 5.1.1.1B).
- 5.5.4.8 Sale of bundles combining television and internet services.

5.6 Production capacity

With respect to the satellite broadcasts, the number of channels that yes is capable of broadcasting to its subscribers depends on the number of satellite space segments available to it, its ability to compress content and the bandwidth required for transmission of each type of channel. As at the reporting date, yes utilizes all the space segments available to it. Space segments are provided to yes by Space Communications Ltd. (see section 5.15). For information about the reduced format of the broadcast of satellite broadcasts, see section 5.17.1.

5.7 Fixed assets

Below are the main components of the fixed assets of yes:

5.7.1 Real estate

yes leases several real estate assets for its operations. The head office and main broadcasting center of yes are located in rented premises in Kfar Saba, for which the lease term ends in October 2029 (with options granted to yes for extension of the lease, subject to the terms of the agreement, until 2034). The remaining lease terms for the other premises leased by yes (including additional offices in Kfar Saba) range between three months and three years (these terms are based on the assumption that yes will exercise the options granted to extend the leases).

5.7.2 Terminal satellite equipment

Receiving the satellite broadcasts requires the installation of reception dishes and other terminal equipment in subscribers' homes, including decoders enabling reception of broadcasts and smart cards for decoding the encrypted broadcasts. The decoders are leased to subscribers for a fixed leasing fee paid during the entire period the services are received or are lent to subscribers.

5.7.3 OTT terminal equipment

yes+ and Sting+ services are provided to viewers via a range of terminal equipment, including streamers, various smart televisions, and mobile devices. The streamers are leased to subscribers for a fixed leasing fee paid during the entire period the services are received or are lent to subscribers.

5.7.4 Broadcasting equipment and computer and communications systems

The central broadcasting center of yes is located in Kfar Saba and a secondary broadcasting center is located in the Ella Valley from where it transmits its broadcasts via the OTT and satellite systems. The broadcasting centers contain reception and broadcasting equipment, as well as computer and communications systems. The secondary broadcasting center is operated from the premises of a third party which provides yes with operating and maintenance services for the secondary broadcasting center under a contract which is valid until 2029.

5.7.5 Operating and encryption systems

yes purchases development, assimilation, encryption, maintenance, and warranty services from Synamedia Group ("Synamedia") for the operating systems of its OTT and satellite platforms, under a framework agreement between yes and Synamedia. Such services are provided for various yes

systems, terminal equipment and for viewing cards and other hardware components required for receiving these services and yes is given relevant user licenses for the systems and terminal equipment.

The term of the agreement with Synamedia with regard to the satellite platform is until February 2028, with yes having an option to extend it until December 2028, subject to the terms of the agreement, and yes is entitled to early termination of the agreement in the event of the discontinuation of the satellite broadcasts.

The term of the agreement with regard to the OTT platform is until December 2029 (with yes having an option to extend it for an additional 24 months).

With regard to the services and products provided under these agreements, yes pays monthly installments where the agreement stipulates a minimum monthly amount for a set volume of services provided, as well as possible additional amounts that may vary depending on the types and scope of use of services and equipment provided to yes, including development services that yes is entitled to order under the agreements.

yes is dependent on the ongoing provision of these services, for both the OTT platform and the satellite system.

5.7.6 Computerized billing system

yes uses software and computer systems for managing its subscriber agreements, including its billing and collection system. In this context, yes engaged in agreements for licenses, development services and technical support with NetCracker Technology Solutions Ltd and NetCracker Technology EMEA Limited (jointly – “NetCracker”); yes also uses Salesforce software, together with Pelephone and Bezeq International, under Pelephone's agreement with Salesforce (for further information see section 3.8.4).

yes is dependent on the NetCracker and Salesforce systems and services due to their importance for yes to manage and monitor services and content purchased by subscribers and for subscriber billing and collection. System malfunctions or discontinuation of the services provided to yes (including its dependence on the engagement with Salesforce) could cause operational difficulties until such matter is rectified or the system or provider is replaced, which could take a long time. As at the reporting date, part of the components of the agreement with NetCracker are renewed annually and some are valid until the end of 2027 and some until September 2029. The agreement with Salesforce is until March 2027.

5.8 Intangible assets

5.8.1 Licenses

yes holds the following key licenses:

- 5.8.1.1 Broadcasting license valid through February 2027 – this license is material for the operations of yes and is the main regulatory permit for its operations (for the terms of this license, see section 5.14)⁸⁰.

⁸⁰ This license grants yes the right to notify the Ministry of an additional extension of the license term, under the conditions set out in the license, following the exercise of the first extension option, which was carried out in February 2026.

5.8.1.2 A satellite television license for broadcasting in the Judea and Samaria region, valid through February 2027⁸¹, the terms of which are similar to those of the main broadcasting license of yes, as set out in section 5.8.1.1⁸².

5.8.1.3 License to perform uplink operations (transfer of broadcasts from the yes broadcasting center to the broadcasting satellite and carrying out set up and supplementary operating actions) that is valid through January 2027. This license is essential for the operations of yes and constitutes the regulatory permit for transmitting broadcasting messages from the broadcasting center to the broadcasting satellites and from them to the subscribers' homes.

5.8.2 Trademarks

yes owns registered trademarks with the main ones designed to protect its trade name and the key brands that it uses (yes, yes+, STING+).

5.9 Broadcasting rights

5.9.1 yes has the broadcasting rights of two types of content:

Content for which the broadcasting rights are purchased from third parties, including discrete content and channels. yes is working to adapt, as far as is possible, the broadcasting rights it purchases in a way that will allow broadcasting over the various media and formats which it operates.

Content production that yes invests in (in full or in part), where in addition to the actual right to include the content in its broadcasts yes generally also has rights in such content, at rates specified in agreements with the producers. In most instances, yes is also entitled to issue authorizations to use the rights and share the revenues from additional use of content, in addition to yes broadcasting thereof.

The broadcasting and distribution of content by yes over various media involves payment of royalties to the owners of copyrights and performance rights to music, sound recordings, scripts and directing of content, and for secondary broadcasting, included under the Copyright Law, 2007 and the Performers and Broadcasters Rights Law, 1984. Such royalties are paid to several organizations, for collecting royalties on behalf of the owners of the intellectual property rights, under blanket licenses.

5.9.2 Dependence on content providers

Given the many content providers from which yes purchases broadcasting rights, yes does not have a main content provider and is not materially dependent on any single content provider. Nonetheless, as at the reporting date, the Israeli sports broadcasting sector is dependent on acquiring broadcasting rights for local sports channels from Sport Channel Ltd. and Charlton Ltd. This dependence is due to them being exclusive providers of Israeli sports broadcasts and in view of the high demand for such services among a significant part of yes customers. The fees paid under these agreements are based on regular monthly payments by the number of subscribers to yes broadcasts (other than the exceptions stipulated in these agreements).

As at the publication date of the report, yes is negotiating to extend the agreements with the local sports channel providers and yes believes that such agreements will be extended.

⁸¹ The Civil Administration informed yes that the validity of its license for satellite television broadcasting in the Judea and Samaria area will be extended until February 2027; however, as at the reporting date, yes has not yet received the formal extension document.

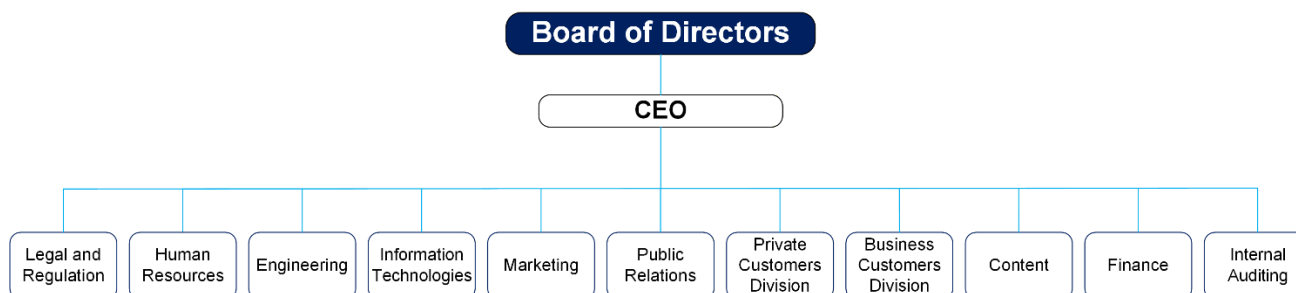
⁸² The extension of the license for satellite television broadcasting in the Judea and Samaria area, in the event of an extension of the broadcasting license, requires application to be submitted to the Civil Administration. It should be noted that also in the past, the validity of the license for satellite television broadcasting in the Judea and Samaria area was adjusted from time to time to align with the validity of the broadcasting license.

The assessment of yes is forward-looking information as defined in the Israel Securities Law, and it may not materialize, or it may materialize in a way that is materially different than anticipated, among other things, depending on whether the relevant parties reach the agreements for that purpose.

5.10 Human resources

5.10.1 Organizational structure

yes management is made up of divisions, each headed by a VP who is a member of yes management.



The CEO of yes also serves as the CEO of Pelephone. Furthermore, the majority of the VPs who serve in yes also serve as VPs of Pelephone, including the internal auditor (who also serves at Bezeq International).

5.10.2 yes employees:

	Number of employees	
	December 31, 2025	December 31, 2024
Head office employees	345	374
Customer division	606	669
Total	951	1,043

The number of employees in the above table includes those employed in part time positions. The total number of positions⁸³ at yes, as at December 31, 2025, was 909 (compared with 994 as at December 31, 2024).

5.10.3 Bonuses and nature of employment agreements

The terms of employment at yes are regulated, among other things, under collective agreements and a collective arrangement, as set out below, which apply to the majority of employees (they do not apply to some of the management levels or to all the employees in positions of special trust). The representative workers union of yes is the Histadrut General Federation of Workers. The collective agreements applicable to yes employees regulate, among other things, the time spans after which yes employees will become permanent employees, mechanisms for involving the employees committee in decision making concerning hiring and termination of employment of permanent employees, as well as annual wage increments and other general benefits yes will grant to its employees during the term of the agreement.

Furthermore, yes employees are employed under personal employment agreements, on a monthly salary or at an hourly wage, where some of the employees are also eligible for performance-based compensation. The employment agreements are usually for an indefinite term and either party may terminate the agreement with prior notice as set out in the personal agreement and according to the law, and subject to the provisions of the collective agreement, if applicable.

⁸³ Calculated as the total monthly work hours divided by the standard monthly work-hours quota

In April 2025, a collective agreement was signed between yes, the Histadrut General Federation of Workers, and the yes Workers' Committee, which extended, with minor amendments, the validity of the previous collective agreement (from 2021) until December 31, 2025. Furthermore, this agreement formalized further understandings between the parties (which had previously been set out in a new memorandum of principles dated February 2025).

Among other things, it was agreed that, with respect to the Company's activities relating to the cancellation of the structural separation, the yes Workers' Committee will cooperate fully on the matter and agrees to the request of yes to support the process, including reaching mutual understandings between the parties, which include the sharing and informing the yes Workers' Committee regarding the Company's activities in this regard, including: notifying and consulting with the yes Workers' Committee prior to taking any step constituting a structural change as part of the process; regulating the implications of such steps on yes employees in a collective agreement (or by another mutually agreed mechanism), whereby no step with such implications will be implemented unilaterally before being regulated reasonably and fairly between the parties, and such negotiations will also include demands to regulate economic benefits for the employees.

With respect to holdings of a controlling shareholder in the Company and the possibility of a future change of control, it was agreed that yes employees will receive a grant under the terms and timelines agreed upon, subject to a change in the rate of holdings of the current holders of the control permit in the Company (or the expiration, cancellation, or transfer of the control permit). For information about the change of control in the Company, see section 1.1.2.

The collective agreement signed in April 2025 provides that its term will automatically be extended for a period of 12 months each time if neither party gives notice, at least 90 days prior to the termination date, their desire to make changes. In September 2025, yes notified the employees' representatives of its intention to introduce changes to the agreement. A new collective agreement has not yet been signed.

With respect to the labor dispute declared at yes and the Company in December 2024 regarding the Company's activities relating to the cancellation of the structural separation between it and its subsidiaries, see section 2.9.6.

5.10.4 Employee compensation schemes

yes customarily awards its officers, managers and some of its employees annual bonuses based on attaining goals and performance assessment. For information about equity-based compensation components with respect to some of yes managers see section 2.9.5.

5.11 Suppliers

5.11.1 Rate of purchases from key suppliers and agreements with them

With regard to section 23 of the First Schedule to the Prospectus Details Regulations, yes considers a key supplier to be a supplier from which the annual purchases of yes exceed 10% of the total annual purchases of the yes. In 2025 yes did not have a key supplier, as defined above.

5.11.2 Dependence on suppliers

yes assumes that it could be dependent on the following suppliers:

Space, for further information regarding the agreement see section 5.15.

Synamedia, for further information regarding the agreement see section 5.7.5.

NetCracker and Salesforce, for further information regarding the agreement see section 5.7.6.

For further information about the acquisition of broadcasting rights from the local sports channels see section 5.9.2.

5.12 Financing

The main source of the financing of yes is from its independent sources; however it may require investments or credit from the Company, based on the needs of yes.

The assessment of yes is forward-looking information as defined in the Securities Law. It is not at all certain that yes will require financing from the Company or that the Company will always finance the operations of yes beyond as aforesaid and for which periods, and it depends, among other things, on the situation of yes, developments in the sectors in which it operates, and the state of competition in these sectors and the future financing needs of yes.

In March 2026, the Company approved a credit facility or investment in the capital of yes in the total amount of up to NIS 250 million, until December 31, 2026. This approval replaces a similar approval (for a total amount of NIS 100 million) given in November 2025 (and not in addition thereto).

5.13 Taxation

For further information, see Note 7 to the 2025 Financial Statements.

5.14 Restrictions and supervision applicable to yes

5.14.1 Regulation of OTT services

OTT services (such as those offered by yes and other domestic and international providers operating in Israel) are not subject to the current regulation applicable to multi-channel satellite TV broadcasts or other regulation under the Communications Law. yes assumes that the VOD services it provides via the internet to satellite subscribers (see section 5.2.1) are also not subject to such regulation. Nonetheless, from the Council's various decisions (also see section 5.2.1) it appears that the Council believes it is authorized to also regulate VOD services to yes satellite subscribers.

For information about the law for regulating OTT services, see section 5.1.2.

If regulation is applied to broadcasting of OTT content as aforesaid, it is expected to impose restrictions on yes for providing such services, however such regulation may reduce the existing gap in the regulation regime between broadcasting licensees and other entities operating in the OTT market.

The assessments of yes regarding the regulation of OTT services as described above are forward-looking information, as defined in the Securities Law, based, among other things, on the wording of the proposed legislation. There is no certainty that this matter will be regulated by legislation and regulation in general, and in the manner recommended in particular. These estimates may not materialize, or they materialize in a way that is significantly different than that expected, among other things, depending on the outcome of the legislation.

5.14.2 Regulation of satellite broadcasts

The operations of yes, as a holder of a broadcasting license, are regulated by and are subject to an extensive system of laws that apply to the satellite and cable broadcasting sector, including primary legislation (and specifically the Telecommunications Law and subsequent regulations), secondary legislation (including the Communications Rules), as well as Council decisions, among others.

Moreover, the satellite operations of yes are subject to the provisions of its licenses, and particularly the broadcasting license.

The law authorizes the Director General of the Ministry of Communications and the chairman of the Council to impose financial sanctions for various violations of the provisions of the law and of orders and directives issued thereunder, and for violation of the terms of the broadcasting license.

5.14.2.1 Eligibility requirements for satellite broadcasts licensee, cross-ownership restrictions

The regulations of the satellite broadcasting license place various restrictions on a licensee, including eligibility requirements that relate to the holdings, direct and indirect, by the license holder and its interested parties in licensees under the Second Authority Law⁸⁴ and in daily newspapers, as well as requiring yes officers to be Israeli and minimum 26% holdings therein by Israeli shareholders, pursuant to the provisions set out in the Regulations.

5.14.2.2 Price control

The broadcasting license provides provisions regarding the types of fees the licensee may charge its subscribers for services provided under the license, and those fixed in the yes price list as approved by the Council. The majority of the Satellite Subscribers subscribe to special offers for the services of yes, including various combinations of content packages, related services, and receipt and installation of terminal equipment, at prices below the listed prices.

yes is required to inform the chairman of the Council of any changes to the price list immediately it is published and the chairman may, in certain cases, prohibit the change to the price list. The Council chairman may intervene in campaigns or reductions offered by yes if he/she finds that they are misleading to the public or discriminate between subscribers.

Under the Telecommunications Law, the license may stipulate maximum prices that can be charged to subscribers. At the date of this report, no such prices had been set.

5.14.2.3 Obligation to invest in local productions

Under the provisions of the broadcasting license and the Council's decisions, in 2025 and 2026, yes is required to invest an amount no less than 8% of its revenues from satellite subscription fees⁸⁵ in local productions, and according to the Telecommunications Regulations and the decisions of the Council, yes is required to invest various amounts of such investments in different genres of local productions.

In December 2025, the Council decided to defer until 2027 applicability of its previous decision according to which the obligation to invest in local productions would increase to 9%.

For information about the obligation to invest in local productions, also see section 5.1.2.

5.14.2.4 Requirement to transmit channels

yes is required to transmit mandatory channels in its satellite broadcasts as determined by the Minister and in the broadcasting license⁸⁶.

Furthermore, yes is required to allow the producers of channels as set out in the law to use its infrastructures to transmit broadcasts to its subscribers, and this in exchange for payment ("Transmission Fee") to be determined in an agreement, and in the absence of an agreement, in exchange for a fee to be determined by the Minister, after consulting with the Council. In addition, the Minister may require the transmission of broadcasts by small channel licensees pursuant to the Second Authority Law (that were not holders of

⁸⁴ As at the reporting date, the operations of these entities (in the cable broadcasting sector and under the Second Authority Law) are regulated through licenses and not franchises.

⁸⁵ Based on the annual revenues of yes from satellite subscriptions, including revenues from terminal equipment and installation. According to Council's position according to which investments are actually made, and which yes opposes, these revenues include revenues from VOD services provided to satellite subscribers.

⁸⁶ Pursuant to the provisions of the Communications Law, yes is exempt from paying for the commercial channels that are included in the mandatory channels, which it transmits in its broadcasts. For information concerning the broadcasting of commercial channels as part of the OTT broadcasts, see section 5.1.1.1.

special licenses prior to the amendment to the Law), taking into account yes satellite capacity. According to the amendment to the Second Authority Law, 2018, holders of small and niche channel licenses that were holders of niche licenses under the Telecommunications Law are exempt from paying transmission fees to HOT and yes during the transition period, following the extension under the amendment to the Second Authority Law in February 2026.

5.14.2.5 Content of the broadcasts and obligations with respect to subscription

The broadcasting license sets out provisions that relate to the content of yes broadcasts, including the Council's supervision of the channels broadcast by yes. The Telecommunications Law forbids holders of broadcasting licenses to broadcast commercials, other than a few exceptions.

The broadcasting license also includes provisions regarding the subscriber service terms, including discrimination prohibition.

Under the broadcasting license, as of February 28, 2025, yes is entitled to refrain from connecting new satellite service subscribers under the license, and accordingly to refuse subscription requests in the subscription agreement, without discriminating between the applicants for subscription.

5.14.2.6 Ownership of broadcast channels

Pursuant with the Communications Rules, yes, including its affiliates as defined in the Communications Rules, may own up to 30% of the domestic channels it broadcasts (compared with the 20% applicable to HOT.) yes is restricted under the Telecommunications Law from owning a new program 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 cancel or postpone the broadcasting license for causes set out in the Telecommunications Law and the broadcasting license. The Telecommunications Law and broadcasting license stipulate restrictions on the transfer, attachment, and encumbrance of the broadcasting license and any of the assets of the broadcasting license. The broadcasting license requires receipt of the approval of the Minister for specific changes in holdings of the means of control in yes and imposes a duty to report regarding the holders of the means of control; prohibition on impairment of competition by way of an agreement, arrangement or understanding with a third party with regard to providing broadcasts and services, unless approved in advance and in writing by the Council; a duty to submit reports to the Ministry of Communications was defined as well as conditions regarding supervision of the licensees' operations; the duty to provide bank guarantees to the Ministry of Communications in the amount of NIS 30 million (principal) (as at the reporting Date, in the amount of approx. NIS 50 million)⁸⁷.

5.14.3 Offering service bundles

yes markets combination bundles of the television and IP services that it provides.

With respect to bundled packages of satellite television and internet services, under the broadcasting license, yes may offer joint service bundles that include service provided by the Company and service by yes, subject to obtaining Ministry of Communications approval (and if no objections are raised within the period specified in the license, such approval will be deemed granted) and subject to conditions, the most important of which are the "unbundling" obligation, and the existence of a corresponding bundle marketed by a licensee that is unrelated to the Company (see section 1.7.3.2). A joint service bundle marketed by yes that includes the Company's internet infrastructure service

⁸⁷ The amount includes the guarantee given under the Administered Territories license.

only, does not require Ministry of Communications approval and the unbundling obligation does not apply.

For information about conditions published by the Commissioner with regard to the merger of the Company and yes, and their amendment, see section 2.16.9.3.

5.15 Material agreements

Following is a brief description of the main points of the agreements likely to be considered as material agreements outside the ordinary course of the business of yes, which were signed and/or were in effect in the reporting period:

5.15.1 Space segment leasing agreements⁸⁸

Under the 2013 agreement with Spacecom, as amended (including in January 2023), yes leases space segments on the Amos 3 satellite ("Spacecom Agreement"). Until February 2025, yes leased satellite space segments on the Amos 7 satellite.⁸⁹

The term of the Spacecom agreement is until the end of the operational life of the Amos 3 satellite⁹⁰, which occurred in early 2026. As of the reporting date, an arrangement was reached with Spacecom for the continued use of part of the Amos 3 space segments, until the end of March 2026.

Space segments used by yes — under the Spacecom agreement, yes leased 12 space segments from Spacecom, allocated among the relevant Amos satellites as specified in the Spacecom agreement for the various periods, and as of February 2025 yes utilized ten space segments on Amos 3. As at the reporting date, yes is using three space segments on a new satellite (as defined below), as part of the transition to a minimized and focused satellite configuration (see below), and until the end of March 2026 it will also have access to two space segments on Amos 3 as noted above.

The new satellite agreement – In June 2025, yes decided to continue satellite broadcasting until the end of 2028, while gradually transitioning to a minimized and focused satellite-broadcasting format for relevant customers, including institutional customers. This format is based, among other things, on the use of a new satellite (the "New Satellite"), which Spacecom operates on behalf of its rights holder. The New Satellite's space segments are used under an agreement between yes and Spacecom⁹¹, which will remain in effect until the end of 2028 or until the end of the New Satellite's life⁹², whichever is first (the "New Satellite Agreement"). The agreement is based, among other things, on the following key principles:

⁸⁸ The estimates in this section, including its footnotes, concerning the satellite operations and end of their useful life, the number of segments leased and the effects of these aspects are forward-looking information, as defined in the Securities Law, are based among other things on the information given by Spacecom to yes and which, in part, is not in the control of Spacecom, and is dependent on its engagements with third parties and on regulatory approvals. Consequently, these estimates may not materialize or may materialize in a manner significantly different from that expected, inter alia, depending on conditions relating to satellite operation, conditions required for their proper operation and the end of useful life of existing satellites, other external factors and events (including third parties, among them the holder of rights in the Amos 7 satellite) that affect their operation and the operations of Spacecom and the state of its business and finances.

⁸⁹ In this matter see the Company's immediate report dated February 27, 2023, which is included in this report by way of reference.

⁹⁰ The end of life is defined in the Spacecom agreement as the date on which the final north-south position correction is performed. After this date it will be possible to continue using the satellite for a limited period, until its orbital deviation no longer allows for operational use.

⁹¹ In this matter see the Company's immediate report dated March 8, 2026, included in this report by way of reference.

⁹² Defined in the New Satellite Agreement as failure to meet certain specified parameters.

- yes will lease three (3) space segments from Spacecom on the New Satellite, for consideration that is not material to the Company.
- Spacecom has the right to terminate the New Satellite Agreement (not due to breach) at the request of the holder of rights in the New Satellite, without compensation.
- yes has the right to terminate the New Satellite Agreement prior to its expiration, and may also use less space segments, subject to a minimum aggregate consideration payable to Spacecom and to an agreed compensation⁹³.

Cost — the average annual cost until the end of the Amos 7 lease was approx. USD 25 million, as of February 2025 the cost is approx. USD 18 million, and from March 2026 it is expected to be immaterial to the Company.

yes has material dependence on Spacecom, as the sole provider of space segments used by yes, and is also responsible for operating the space segments. For information about exposure to risks in the event of malfunction of the satellite used by yes, non-availability of the space segments that yes uses and absence of redundancy of the satellite, see section 5.18.3.3. For information about the dependence on Spacecom, see section 5.18.3.4.

5.15.2 Agreement with Partner Communication Ltd.

In July 2024, yes engaged in an agreement with Partner Communications Company Ltd. ('Partner'), which will be amended from time to time⁹⁴ (in this section: the 'Agreement'). Under the Agreement, yes granted Partner a license to use a dedicated audiovisual content app based on the Sting+ service; joint content acquisition will be carried out through yes, which granted Partner a license to broadcast content as specified in the Agreement (Partner is entitled to broadcast all or part of the content and to add channels at its discretion), and to provide various services related to the app. Under the Agreement, yes is entitled to monthly payment based on the number of Partner subscribers to the service, which will not be less than approx. NIS 5 million (plus duly added VAT), as well as a fixed payment for app related services, all linked to the index in accordance with the terms of the Agreement.

The term of the Agreement is until the lapse of 5 years from the date of commercial launch (which occurred in September 2025), and Partner has two options to extend the term of the Agreement, each for an additional period of one year. Furthermore, Partner has the right to terminate the Agreement prematurely, for any reason, with six months' notice, which will not be given before 36 months have passed from the commercial launch. At the end of the term of Agreement (including if one or both of the extension options are exercised), Partner will have the right to continue providing the service under the terms and conditions of the Agreement for a transitional period of no more than 18 months.

The Company and yes estimate that the agreement is not expected to have a material contribution to the business activity of Bezeq Group. It should also be noted that a material nonrecurring positive

⁹³ It is estimated that such continuation of satellite broadcasting in the minimized and focused format as described above after March 2026 (via the New Satellite), constitutes forward-looking information as defined in the Securities Law, based, among other things, on the execution and actual implementation of the New Satellite Agreement, the proper operation of the New Satellite, the regulatory and licensing arrangements applicable to yes, and the exercise of rights by the holder of rights in the New Satellite. Nonetheless, assessments regarding the continuation of satellite broadcasting in general, and in the format described above in particular, may not materialize, or may materialize in a materially different manner, in view of the possibility that the New Satellite Agreement will not be implemented in practice in the manner described by Spacecom or by the rights holder of the satellite, as well as due to the factors set out in Note 88 above.

⁹⁴ The Agreement came into force in April 2025; some of the amendments were made following inquiries by the Commissioner of Competition, concerns raised by the Commissioner, and discussions held with the Israel Competition Authority, see the Company's immediate reports dated April 23, 2025 and May 11, 2025, included herein by way of reference.

effect was recorded in the Company's financial statements for the second quarter of 2025. For further information see also Note 10.4 to the 2025 Financial Statements.

The foregoing information regarding the assessments and expected contribution of the Agreement to the business operations of Bezeq Group constitutes forward-looking information, as this term is defined in the Israel Securities Law, which may not materialize or may materialize in a materially different manner than anticipated, depending, among other things, on the variables set out above, including due to factors beyond the control of yes, including factors beyond the control of yes, and how the Agreement is implemented by the parties.

5.15.3 Agreement with RGE and Taboola

In September 2025, yes engaged in an agreement with RGE and Taboola.com Ltd. ("Taboola") (the "Agreement"), under which, among other things, RGE and Taboola will engage with advertisers and operate viewed advertising on yes multi-channel television services via the internet, in accordance with rules set by yes, on advertising space that yes will allocate exclusively to RGE and Taboola (subject to exceptions as set out in the Agreement).

According to the Agreement, the commercial launch will take place following the implementation of a suitable technological system and, in any case, not before January 2026. The term of the Agreement is three years after the commercial launch date and yes has the right to extend the Agreement for two additional one-year periods. If yes extends the Agreement for an additional period (one year or more), RGE and Taboola will have the right to terminate the Agreement prematurely with six months' prior notice (such that the total term of the Agreement will be no less than 3.5 years from the commercial launch date). Additionally, subject to yes providing advertising space in the volume specified in the Agreement, yes will be entitled to payment based on the rates set out in the Agreement, which will be no less than the minimum consideration set out therein. If yes provides less advertising space than agreed, the minimum consideration will be reduced accordingly.

The foregoing information regarding the expected timing of the commercial launch and the assessments concerning the expected payment to yes constitutes forward-looking information, as this term is defined in the Israel Securities Law, which may not materialize or may materialize in a materially different manner than anticipated, depending, among other things, on the scope of advertising space to be made available by yes, on engagements with advertisers, on factors beyond the control of yes and on the manner by which the Agreement is implemented by the parties.

Chapter A (Description of Company Operations) of the Periodic Report for 2025

5.16 Legal proceedings⁹⁵

5.16.1 Pending legal proceedings

	Date	Parties	Court	Type of action	Description	Amount of the claim
A.	December 2020		Tel Aviv District Court		For further information about an indictment filed in December 2020 by the State Attorney's Office (in the wake of an overt investigation initiated in June 2017) <i>inter alia</i> , against the former CEO yes (Ron Ayalon), see section 2.18.3.	
B.	June 2017	Shareholders of the Company v. the Company, the Chairman of the Company's Board of Directors, members of the Company's Board of Directors, CEO of the Company, the CEO and CFO of yes and companies in the Eurocom Group and against the CEO of the Company and the (former) CEO and (former) CFO of yes.	Tel Aviv District Court (Economic Department)	Motion to certify a class action	For further information about the motion for certification that was filed, <i>inter alia</i> , against the former CEO and former CFO of yes, with respect to a transaction from 2015, under which the Company acquired from Eurocom D.B.S. Ltd. the balance of yes shares held by it, see section 2.18.1.	

⁹⁵ For information about the reporting policy and materiality threshold, see section 2.18.

Chapter A (Description of Company Operations) of the Periodic Report for 2025

	Date	Parties	Court	Type of action	Description	Amount of the claim
C.	July - August 2017	Shareholders of the Company vs shareholders of the Company, a former controlling shareholder of the Company, former officers of the Company, Eurocom Holdings (1979) Ltd., Eurocom Communications Ltd., and B Communications, as well as against the Company and yes as formal respondents.	Tel Aviv District Court	Motion to certify a derivative claim	For information about a motion to approve a derivative action filed together with a motion for discovery of documents prior to filing a motion for certification of a derivative claim under Section 198A of the Companies Law, against the Company and yes, and to disclose certain documents relating to an interested party transaction between yes and Spacecom from 2013, as amended in 2017 (the Spacecom Agreement), see section 2.18.1 subsection D.	
D.	June 2023	Customers v. yes	Lod-Central District Court	Motion to certify a class action	The claim refers to the allegation that yes does not act in compliance with the law regarding sending notice on the upcoming termination of fixed-period transactions, in that it does not send a separate and independent notice on the termination date of the benefit period, in addition to informing the customer of such in the monthly invoice and by sending a text message. It should be noted that similar motions on the same subject (failure to provide notice as required on the termination of a fixed-term transaction) were filed against the Company (see section 2.18.1 (K)) and Pelephone (see the update to section 3.16.1).	In excess of NIS 2.5 million
E.	June 2018	Shareholders of the Company v. former shareholders of the Company	District Court (Economic Department) in Tel Aviv	Motion to certify a derivative claim	For information about the motion for approval of a derivative action on behalf of the Company and/or a double derivative action on behalf of yes against Mr. Shaul Elovitch and B Communications, which was filed in April 2024, following a motion for disclosure and review of documents under Section 198 of the Companies Law (which was withdrawn), on the matter of the sale of the Company's shares in 2016 by B Communications, see section 2.18.1F.	

Chapter A (Description of Company Operations) of the Periodic Report for 2025

	Date	Parties	Court	Type of action	Description	Amount of the claim
F.	November 2025		Lod-Central District Court		According to the allegations set out in the motion, yes is violating the provisions of the law with respect to the cancellation of its service agreements, by making the cancellation process difficult, including requiring customers who wish to disconnect from its services to conduct a telephone call for that purpose; by failing to disclose the disconnecting methods as required by law; and by charging customers who request disconnection for a period longer than three business days from the date of the disconnection request, in violation of the law, the service agreement, and the license.	In excess of NIS 2.5 million

5.16.2 Legal proceedings that ended in the reporting period

	Date of filing of the action	Parties	Court	Type of action	Description	Amount of the original claim NIS million
A.	August 2023	Customers v. yes	Lod-Central District Court	Motion to certify a class action	In April 2025, a judgment was handed down approving the applicant's withdrawal from the motion for certification as a class action, resulting in its dismissal, and awarding compensation and attorneys' fees to the applicant and his counsel. The motion dealt with allegations of breaches by yes of its obligations toward yes Unlimited subscribers, including charges for channels and converters, contrary to what had been promised. Based on the assessment of yes, the compensation and attorneys' fees awarded are not material to the Company.	

5.17 Goals and business strategy

5.17.1 The objectives of yes are to maintain its television market share while preserving the ARPU (average revenue per user), as well as to achieve growth in the number of subscribers of television and internet bundles by identifying growth engines, diversifying revenue sources, and maintaining its business and competitive position in the sector and the yes brand's status as a leading communications and television brand.

Since 2019, yes has been implementing a long-term, gradual migration plan from satellite broadcasting to internet based (OTT) broadcasting. For information regarding the transition of yes to a minimized and focused broadcasting format for relevant audiences, including institutional customers, see section 5.15.1.

yes estimates that continuing its satellite broadcasts in a reduced and time-limited configuration, as will be decided, is expected to enable optimization between alternatives, such that, on the one hand, yes will save significant costs from such reduced satellite-broadcasting amounting to tens of millions of shekels per year (relative to the current period), and on the other hand, migration related investments can be spread over a longer period, while retaining customers through tailored solutions for relevant sectors.

Extending the migration plan is expected to have a positive effect on yes results.

the assessments of yes regarding the possibility of continuing satellite broadcasts in a reduced configuration, and the economic and other implications of transitioning to such a configuration, constitute forward-looking information, as defined in the Israel Securities Law, based, among other things, on assumptions, assessments, and forecasts by the management of yes regarding current trends in the broadcasting market, competition, business developments, consumer habits, the technological environment, the regulatory environment and applicable regulation, as well as the resources and inputs required for such continuation, including satellite space segment capacity. Nonetheless, it is possible that the forecasts, preparations, objectives, and the configuration described above will not materialize, or will materialize in a materially different manner, in view of changes or limitations relating to the inputs required for its implementation, regulatory constraints imposed or that may be imposed on yes, changes in demand for this configuration, and other or additional developments in the sector.

As at date of approval of the financial statements, all of yes subscribers that use yes+ and STING+ OTT services (as set out in sections 5.2.1.1A and 5.2.1.1B) account for 88%⁹⁶ of total yes subscribers. For information in this regard, also see section 1.5.4.4 (footnote 3).

5.17.2 To achieve these goals, along with cost-reduction measures, yes invests considerable effort in marketing and sales, and in appropriate marketing strategies designed to continue to attract new subscribers and to retain existing customers; to continually improve the range of services to subscribers; improve the added value offers to customers; create differentiation and innovation in its broadcasting content; offer diversified products (low cost and premium) to increase the amount of content purchased by each subscriber and expand yes value-added services; to market ISP services by focusing on the sale of internet and television bundles to its customers; to collaborate with international content providers and accessibility of content applications, and to engage in collaborations with international content providers and make content apps accessible; to collaborate with Partner; enter the advertising sector as part of its OTT services; and to invest in the development and deployment of advanced technologies, advanced customer interfaces, and new services. As part of adapting its operations to technological developments, yes is incorporating artificial intelligence based tools, including for supporting sales processes, improving internal operational processes, data analysis, and customer service activities, all in accordance with business, regulatory, and technological considerations.

5.17.3 The goals of yes, including with respect to the migration plan described above, are forward-looking information, as defined in the Securities Law, based among other things on assumptions,

⁹⁶ This rate includes subscribers that also use satellite services.

assessments and forecasts by yes management concerning the current trends in the broadcasting market, regarding the competition, business developments, consumer behavior, technological environment, regulatory environment and method of regulation (on yes and other entities) in the satellite TV broadcasting sector as well as the OTT market, taking into account the restrictions that apply and will apply to the Company, and that affect yes. Nonetheless, the forecasts of yes management, its preparations, goals and the foregoing outline plan may not materialize, or may materialize in a significantly different manner, due to changes in broadcasting market demand, fiercer competition in these sectors, due to the entry of additional providers to the sector or alternative sectors, due to technological developments and changes in viewing habits, due to the rate of development of internet speeds, and due to the regulatory restrictions which are or will be imposed on yes or on its partnerships with the Company and other entities in the sectors, and due to how the sectors are regulated.

5.18 Risk factors

Following is a list of the threats, weaknesses, and other risk factors of yes (the "Risks") attributable to the general environment, industry, and special nature of its operations.

5.18.1 Macro risks

5.18.1.1 Financial risks

yes is exposed to various market risks such as exchange rate, index, and interest risks. The main market risk is the NIS-USD exchange rate, due to the fact that a significant part of yes expenses and investments are in USD (primarily content, satellite segments, purchase of terminal equipment and other logistics equipment). Consequently, sharp fluctuations in the exchange rate will have an effect on the business results of yes.

5.18.1.2 Recession / economic downturn / security situation

An economic downturn, increase in unemployment rates and decrease in disposable income might bring about a decrease in the number of yes subscribers, a decrease in yes revenues and harm its business results. Similarly, an ongoing unstable security situation in large areas of Israel, which disrupts the day-to-day lives of the residents, could have an adverse effect on the business results of yes.

5.18.1.3 The Pandemic and Supply Chain

The outbreak of diseases and pandemics in general (such as the outbreak of Covid in 2020) may have consequences on the business activities of yes based on the scope and severity of the spread, and the national and global measures that will be adopted as a result. Such consequences could be reflected by, among others, damage caused to yes, and its customer service and supply chain. Events of this type are variable events that are not under the control of yes and their outcome is subject to, among other things, decisions of governments and authorities in Israel and worldwide, which could affect yes. For information about this issue also see section 5.18.1.2 and the Company's position in sections 2.20.11 and 2.20.14.

5.18.1.4 Damage due to force majeure, war, disaster

Damage caused to yes infrastructure and services as a result of a force majeure, including earthquakes, and caused by war or disaster, could have an adverse effect on its business and results.

5.18.1.5 Damage to electricity supply

Disruption of the power supply to yes facilities for various reasons (some of which are described in section 5.18.1.4) may negatively affect its business and harm its ability to provide services. Some yes systems have backup power, but prolonged disruption in some or all systems may lead to significant difficulties or even worse in providing yes services, including if yes is unable to restore the systems quickly.

5.18.2 Sector-specific risks

5.18.2.1 Dependence on licenses

yes provides multi-channel television broadcasts under a broadcasting license and other licenses and is therefore dependent on these licenses and on their extension from time to time. Violation of the provisions of the licenses and of the law under which the licenses are issued could bring about, subject to the license conditions, revoking, amendment or suspension of the licenses and consequently material harm to the ability of yes to continue operating.

5.18.2.2 Regulation

The provision of satellite television broadcasts is subject to obligations and restrictions set out in legislation and to a system of licensing, oversight and approvals from various regulatory bodies, and consequently may be affected and restricted due to policy considerations dictated by these entities and by their decisions and changes in telecommunications legislation (see section 5.14). Regulatory changes may affect the operations of yes and may have an adverse effect on its financial results. OTT services, including those provided by yes are not supervised as at the reporting Date (for information regarding the possibility of regulation of these services, see section 5.1.2). The continuing operations of online content providers (and the entry of additional providers), as set out in section 5.1.1 above, without applicable regulation of their operations and/or without amending the regulations applicable to broadcasting licensees, may significantly affect the financial results of yes. In addition, as a provider of public services, the operations of yes are subject, among others, to consumer and privacy protection regulation and information security laws (see Section 1.7.6.4).

5.18.2.3 Competition

The sector is fiercely competitive with diverse competitors (see Section 5.1.7), which are expected to grow in the future with the entry of additional local and international entities, and with the changing consumer preferences, requiring yes to regularly and continuously invest in attracting and retaining customers, and dealing with high rates of subscriber migration between the companies and may even require a change in the business model of yes. For details regarding facets of the competition, see section 5.5.

The assessment of yes as set out in this section above concerning the possibility of other local and international entities entering the market is forward-looking information as defined in the Securities Law. This assessment is based on the assessments of yes of the state of the sector and possible changes therein, which may not materialize or may materialize partially or otherwise taking into account the realization or non-realization of the plans of various entities to enter the market, how this will actually be implemented and the prevailing competition.

5.18.2.4 Technological developments and improvements

Technological improvements and the development of innovative technologies that render existing technology inferior could force yes to invest large amounts to retain its competitive edge (see section 5.1.1).

5.18.2.5 Alternative multi-channel broadcasting infrastructures

The DTT system, and particularly its expansion or transition to internet infrastructure, and the expanding penetration of OTT operators, could have an adverse effect on the financial results of yes (see section 5.1.1)

5.18.2.6 Unlawful viewing

The broadcasting sector is exposed to pirate connections by viewers for receiving broadcasts without paying subscription fees and is exposed to public access to content to which the broadcasting providers have rights.

5.18.2.7 Legal proceedings

yes is party to legal proceedings, including motions for certification as class actions, which are liable to result in it being ordered to pay material amounts that cannot presently be estimated, and with respect to part thereof, no provision has been made in its financial statements. Class action suits may reach high amounts, since a major part of the residents of Israel are yes subscribers, and a claim relating to a small amount of damage to a single subscriber could grow into a material claim against yes if certified as a class action applicable to all or a substantial proportion of those subscribers.

5.18.3 yes specific risks

5.18.3.1 Restrictions due to eligibility conditions

Cross-holdings, direct or indirect, of yes shareholders, and a decrease in the rate of holdings of Israeli citizens or residents in yes may result in failure to comply with the eligibility conditions of its broadcast license (including due to the minimum requirement for Israeli held holdings, see section 5.14.2.1).

5.18.3.2 Cash flows

yes is required to maintain sufficient cash flows to comply with its long-term business plan. The absence of sufficient cash flows, including through investment or financing from the Company, may adversely affect the business of yes and make it more difficult for it to face the competitive threats in view of technological developments and changes in consumption patterns in the sector.

The Company believes that, although it is expected to achieve operating and cash-flow profitability as of 2026, it may continue to incur operating and cash-flow losses during certain periods in subsequent years. According to the Company's assessment, the financing sources available to it, including, among others, its cash balances, working capital, and the credit facility provided by the Company as described in section 5.12, which to date has not been utilized, will be sufficient to meet the Company's operational needs for the coming year.

5.18.3.3 Satellite malfunction, damage, unavailability, or termination of satellite services

The satellite broadcasts of yes are carried out via space segments on a single satellite. A malfunction in the satellite's operation, damage to the satellite, or unavailability of its space segment capacity, including the termination of leased space segments, may significantly disrupt and materially diminish the scope of yes satellite broadcasts. In the event that all space segment capacity on the satellite becomes unavailable, yes satellite broadcasts may cease entirely unless an alternative source of satellite capacity is secured, taking into account the time required to implement such an alternative. yes is not insured against loss of revenues caused by satellite malfunction.

Termination of receipt of satellite services, for any reason (including due to expiration of the agreement), so long as a significant part of yes subscribers are still satellite subscribers, may result in material impairment of yes revenues.

Progress in or acceleration of the migration to OTT broadcasting may reduce the foregoing adverse effects arising from malfunction, damage, non-availability, or termination of the satellite services

The assessment of yes in this section is forward-looking information as defined in the Securities Law. This assessment is based on Spacecom continued provision of space

segments and Spacecom's use of backup mechanisms, and on Spacecom's estimates with regard to the remaining useful life of the satellite, the end of its operational service and exercise of the agreements with regard thereto, and possible termination of the option of leasing space segments from Spacecom. This estimate may not materialize or may materialize partially or differently if there are changes in the life expectancy of the satellite or exercising the option of leasing it or if Spacecom does not provide yes with alternative segments due to unavailability or malfunction of the space segments.

5.18.3.4 Dependence on the rights holder of the space segments

yes has material dependence on Spacecom, as the exclusive holder of the rights and the sole provider of space segments used by yes, and is also responsible for operating the space segments (see section 5.15.1).

5.18.3.5 Dependence on suppliers of software, equipment, content, infrastructure, and services

yes is dependent on certain vendors of software and equipment, and providers of certain content (see sections 5.7.2, 5.9.2 and 5.15.1), including broadcast encryption services (see Section 5.7.5). Failure to receive the products or services they provide could harm the ability of yes to function and its results. Furthermore, inability to purchase streamers or to receive support services from the current supplier is expected to involve a period of preparation that will require alternative agreements and modifications in the supply chain and their support.

5.18.3.6 Damage to broadcasting centers and the logistic center

Damage to operations of broadcasting centers may cause a significant difficulty for continuing broadcasts, however, splitting of broadcasts into two broadcasting centers (Kfar Saba and Ella Valley) reduces the risk involved if one sustains damage and improves the survivability of some of the broadcasts. yes would be able, in the event of damage to one of its broadcasting centers, to continue broadcasting part of its linear channels as well as its VOD service from the other broadcasting center, other than regarding VOD services provided to OTT subscribers if the damage occurs at the primary broadcast center. All the broadcasting centers have identical encryption systems and therefore full backup is also available for the encryption system in the event of damage to one of the broadcasting centers. Damage to the yes logistics center could also be a cause of disruption of its operations and particularly the installation and maintenance of terminal equipment.

The assessment of yes in this section above is forward-looking information as defined in the Securities Law. This assessment is based on the provision of services from the supplier that operates the secondary broadcasting site in the event of damage to the Kfar Saba broadcasting center. Malfunction of yes computer systems – A significant malfunction in the central computer systems of yes is liable to wreak havoc with its operational capability.

5.18.3.7 Malfunction of yes IT systems

A significant malfunction in the central computer systems of yes is liable to significantly affect its operational capability. However, yes has a remote backup site designated primarily for storing information and providing limited internal computing service in the event of malfunction so that in the event of a failure in the IT systems of the yes site in Kfar Saba, it will be possible to reactivate the central systems through the backup site.

The assessment of yes concerning the foregoing backup capacity in this section is forward-looking information as defined in the Securities Law. This estimate is based on the functioning of the remote backup site. This assessment might not be realized or might be realized to some or other extent if this functioning is not enabled.

5.18.3.8 Cyber risks

yes is exposed to the risk of actions that are intended to harm the use of computers or material stored on the computers ("Cyber Attack"). Such types of attacks are liable to cause disruption of business, theft of information/funds, damage to databases and subscriber information, impairment of goodwill, damage to systems and leaking of information and/or content, which could also be caused maliciously or accidentally by internal entities. As a company operating in the subscriber television broadcasting sector, yes is the target of cyber-attacks that are handled by its information security and cyber protection teams.

yes defined a cyber risk management policy that sets out guiding criteria for implementing cyber protection, which relate, among other things, to information confidentiality, reliability and availability with regard to the implementation of cyber protection from the following aspects: organizational structure, cloud computing, human and security resources, physical and logical cyber protection for processes, systems and infrastructures. The person responsible for implementing policies at yes is the information security officer. yes implements a cyber risk management and information security standards, as well as a protection policy that contains layers of protection, from a layer of procedures and policies to a physical layer of security systems in a configuration that effectively integrates with the operational needs of yes in order to protect its infrastructures and systems and to reduce the possibility of illegal exploitation of its resources. It also applies attack and detection tools for information security weaknesses, which run automatically and help in detecting information security loopholes and weaknesses.

yes has an annual work plan for minimizing exposure due to cyber risk by implementing control and monitoring actual implementation.

yes also conducts periodic information security surveys, risk surveys, hacking tests, attack drills, and additional actions to test the effectiveness of its risk management policy for dealing with and minimizing cyber risk, and controls for testing how cyber risks are managed by internal audit. yes also allocated resources for cyber risk management by establishing an information security system that is made up of professionals in this area.

The board of directors of yes is also involved and supervises cyber risk management at yes as part of its involvement in the overall risk management policy of yes.

Notwithstanding yes investments and efforts in various means for reducing such risks, it is unable to guarantee that these measures will actually succeed in preventing a cyber-attack and/or damage and/or disruption of the systems and the information linked to them.

5.18.3.9 Malfunction or circumvention of the encryption system

The satellite and OTT broadcasts of yes are based on broadcast encryption and encoded satellite broadcasts via smart cards that are installed in the decoders in subscribers' homes. Defects in the encryption system or its enforcement or a breach thereof could make it possible to view broadcasts without payment to yes, thereby causing a reduction in revenues and a breach of the agreements between yes and its content suppliers.

5.18.3.10 Lack of exclusivity on frequencies

The spectrum of frequencies used by yes to transmit its broadcasts from the broadcasting satellites to the satellite dishes installed in subscriber homes, and which is allocated in accordance with the license from the Ministry of Communications, is defined as a frequency spectrum with a secondary allocation, such that an Israeli party that is allowed to make authorized primary use the frequency spectrum. If the foregoing holder of the primary allocation uses the frequency spectrum, this may cause adverse effect on the quality and/or availability of yes satellite broadcasts to its subscribers, which may adversely affect the financial results of yes. As at the reporting date, to the best of the

knowledge of yes, the primary allocation holder has not made use of said frequencies in a manner that caused any real and/or lengthy disruptions to yes broadcasts.

5.18.3.11 Disturbances in broadcasts

Broadcast disturbances – As yes satellite broadcasts are wireless transmissions from broadcasting centers to broadcasting satellites and from them to the receiver dishes in subscriber homes, the broadcast of wireless signals in the same frequency spectrum, whether or not they originate in Israel, and extreme weather conditions of heavy rain, hail or snow could cause disruptions to the quality and/or availability of the broadcasts provided by yes to its subscribers and may cause material harm to its financial results. With regard to OTT broadcasts, there may be disruptions in the quality and availability of the broadcasts due to disruptions or unavailability of the internet infrastructure.

5.18.3.12 Labor relations

yes is party to a collective agreement with the Histadrut General Federation of Workers and the employees' committee that could minimize its managerial flexibility (see section 5.10.3). Furthermore, labor disputes at yes, including such disputes at the Company's subsidiaries, could cause damage to the ongoing operations of yes.

5.18.3.13 Loss of knowledge and information

The changes taking place in the labor market in Israel and globally, together with the organizational changes, entail a risk of losing key employees, loss of knowledge due to employee churn, difficulties in recruiting workers, among others.

Breakdown of risk factors ranked according to their effect, in the opinion of yes management. It should be noted that the assessments of yes of the effect of a risk factor reflect the scope of the effect on yes of such risk factor, on the assumption that it the risk factor will be realized and the foregoing does not express an assessment or give weight to the chances of its realization as aforesaid. Likewise, the order of appearance of the risk factors above and below is not necessarily based on the risk involved in each risk factor, or the probability of its occurrence⁹⁷:

⁹⁷ See footnote 49.

Summary of risk factors – multi-channel television

	Extent of effect		
	Major	Moderate	Minor
Macro risk			
Financial risks		X	
Recession / economic downturn / security situation			X
The Pandemic and Supply Chain		X ⁹⁸	
Damage due to force majeure, war, disaster	X		
Damage to electricity supply		X	
Sector-specific risk			
Dependence on licenses	X		
Regulation	X		
Competition	X		
Technological developments and changes		X	
Alternative infrastructures		X	
Unlawful viewing			X
Legal proceedings			X
Company-specific risk			
Restrictions due to eligibility conditions	X		
Cash flows		X	
Satellite malfunction and damage	X		
Dependence on space segment supplier	X		
Dependence on suppliers of content, equipment, and infrastructure	X		
Damage to broadcasting centers	X		
Malfunction of computer systems	X		
Cyber failures	X		
Malfunction or circumvention of the encryption system	X		
Lack of exclusivity on frequencies		X	
Disturbances in broadcasts		X	
Labor relations		X	
Loss of knowledge and information			X

The information included in this section 5.18 and the assessments of yes regarding the effect of the risk factors on the operations and business of yes, in particular though not exclusively, to matters relating to competition and the use of satellite capacity, constitute forward-looking information as defined in the Securities Law. The information and estimates are based on data published by regulatory agencies, yes assessments of the market situation and the structure of competition, possible developments in the market and the Israeli economy, and the factors mentioned above in this section. Actual results may differ significantly from these assessments if a change occurs in any of the factors taken into account in the assessments.

March 8, 2026

Date

Bezeq The Israeli Telecommunications Corp. Ltd.

Names and titles of signatories:

Tomer Ravad, Chairman of Board of Directors

Nir David, CEO

⁹⁸ The extent of the effect of this risk on the operations of yes was classified as moderate on the assumption that the event would be limited in scope and time. Otherwise, the extent of the effect could be major.

6. Appendix A – List of Terms

A. Names of laws in the report

Companies Law	-	Companies Law, 1999
Consumer Protection Law	-	Consumer Protection Law, 1981
Economic Competition Law	-	Economic Competition Law, 1988
General Permit Regulations	-	Telecommunications Regulations (Telecommunications and Broadcasts) (General Permit for the Provision of Telecommunications Services), 2022
Interconnect Regulations	-	Telecommunications Regulations (Telecommunications and Broadcasts) (Interconnect Fees), 2000
Israel Securities Law	-	Israel Securities Law, 1968
Market Concentration Law	-	Law to Promote Competition and Reduce Concentration, 2013
Non-Ionizing Radiation Law	-	Non-Ionizing Radiation Law, 2006
Planning and Building Law	-	Planning and Building Law, 1965
Privacy Protection Law	-	Privacy Protection Law, 1981
Prospectus Details Regulations	-	Securities Regulations (Details, Structure, and Form of a Prospectus and a Draft Prospectus) (Amendment), 1969
Satellite Broadcasting License Regulations	-	Telecommunications Regulations (Telecommunications and Broadcasts) (Proceedings and Conditions for Granting a Satellite Broadcasts License), 1998
Second Authority Law	-	Second Authority for Television and Radio Law, 1990
Telecommunications Law	-	Telecommunications Law (Telecommunications and Broadcasts), 1982
Telecommunications Rules	-	Telecommunications Rules (Broadcasting Licensee), 1987
Telegraph Ordinance	-	Wireless Telegraph Ordinance [New Version], 1972
The Telecommunications Order	-	Telecommunications Order (Telecommunications and Broadcasts) (Determination of Essential Service Provided by Bezeq The Israeli Telecommunications Corp. Ltd), 1997
Usage Regulations	-	Telecommunications Regulations (Telecommunications and Broadcasts) (Use of a Domestic Carrier's Public Network), 2014

B. Technological terms and other key terms in the report⁹⁹

2025 Financial Statements	-	the Company's consolidated financial statements for the year ended December 31, 2025
Authorized provider	-	a holder of a telecommunications license or a registered entity operating in accordance with Section 4A1 of the Telecommunications Law
B Communications	-	B Communications Ltd.
Bezeq International	-	Bezeq International Ltd.
Bezeq Online	-	Bezeq Online Ltd.
BezeqGen	-	BezeqGen Ltd.
Bitstream Access (BSA)	-	managed broadband access allowing service providers to connect to the network of the infrastructure owner and offer broadband services to subscribers
Broadcasting license	-	license for satellite television broadcasting
Catchup services	-	services for viewing content, other than when it is broadcast, including VOD, Catch Up (watching previously aired shows or events within a specific timeframe), Start Over (restarting an in-progress show from the beginning) recording, and saving content on the cloud
Cellcom	-	Cellcom Israel Ltd. and corporations under its control
Cellular license	-	general license for providing MRT services by the cellular method
Council	-	Cable and Satellite Broadcasting Council
Data transmission service	-	transmission of signals over a telecommunications network other than through the Internet, for another person, including the transmission of electromagnetic signals between facilities of authorized providers or holders of broadcast licenses or between terminal equipment
Domestic carrier	-	an entity providing domestic fixed-line telephony services under a general or special domestic carrier license
Domestic carrier license	-	a general license or a special general license for providing domestic fixed-line telecommunications services
DTT	-	digital terrestrial television – wireless digital transmission of television channels using terrestrial relay stations
Eurocom Communications	-	Eurocom Communications Ltd.
Eurocom DBS	-	Eurocom DBS Ltd.

⁹⁹ It should be noted that the definitions are for reader convenience only and are not necessarily identical to the definitions in the Telecommunications Law or its Regulations.

2025 Financial Statements	-	the Company's consolidated financial statements for the year ended December 31, 2025
Fiber network	-	an advanced network based on fiber optic infrastructure reaching a network termination point at the end user's apartment, or an equivalent network in terms of the level of service that can be provided on it according to standards prescribed by the Minister and published on the website of the Ministry of Communications; for this purpose, "apartment" – a room or unit, or a set of rooms or units intended for use as a complete and separate unit for residence, for a business, or for any other purpose, including a private house
Gilat		Gilat Telecom Ltd.
Golan Telecom	-	Golan Telecom Ltd.
GSM	-	global system for mobile communications – international standard for cellular communications (second generation)
HD	-	High definition TV – high resolution (separate) TV broadcasts
Histadrut	-	The Israel National Labor Federation
HOT	-	HOT Communications Systems Ltd. and other broadcasting (multichannel television) corporations under its control
HOT Mobile	-	HOT Mobile Ltd. (formerly Mirs Communications Ltd.) and corporations under its control
HOT Telecom	-	HOT Telecom Limited Partnership
HSPA	-	high speed packet access – cellular technology succeeding the UMTS standard, enabling data transfer at high speeds (3.5G)
IBC	-	IBC Israel Broadband Company (2013) Ltd.
ICT	-	information and communications technology
ILA	-	Israel Land Authority
Interconnect	-	allows the transmission of telecommunications messages between subscribers of different license holders, or services provided by one license holder to the subscribers of another license holder; interconnection is made possible by means of a connection between a public telecommunications network of one license holder (for example, the Company) and a public network of another license holder (for example, a cellular operator); see also the definition of interconnect fees.
Interconnect fees	-	interconnect fees (also called "connectivity fees" or "call completion fees") are paid by one carrier to another for interconnection (see definition below)
Internet access service	-	a service provided to subscribers for consideration, in cash or cash equivalent to money, which allows them a connection to the endpoints of the internet network accessible to the general public
Internet Gold	-	Internet Gold Golden Lines

Chapter A (Description of Company Operations) of the Periodic Report for 2025

2025 Financial Statements	- the Company's consolidated financial statements for the year ended December 31, 2025
IP	- internet protocol allowing unity between voice, data, and video services using the same network
IPVPN	- virtual private network based on internet protocol (IP) located the public internet, through which it is possible to: (a) connect to the enterprise network by remote access, and (b) connect between the branches of the enterprise (intranet)
ISP	- internet service provider – a holder of a special license to provide internet access services; the internet access provider is the entity allowing the end user to connect to a TCP/IP protocol linking to the global internet
LTE	- long term evolution – a standard for wireless communication of high-speed data for mobile devices such as a cellphone
Mpbs	- Megabits per second – a unit of measure for the speed of data transfer
MRT or cellular	- mobile radio-telephone; cellular telephony
MVNO	- mobile virtual network operator – a virtual cellular operator using the existing communication infrastructure of cellular carriers without the need for its own infrastructure
NEP	- network end point – the physical point where a telecommunications network ends and from which it can be accessed by a telecommunications network user
NGN	- next generation network – the Company's communications network, based on IP architecture
Partner	- Partner Communications Ltd. and corporations under its control
Passive infrastructure	- the passive components of the public telecommunications network at all levels, including ducts, sub-ducts, pit covers, overhead niches, boxes, and poles.
Pelephone	- Pelephone Communications Ltd.
Rami Levy	- Rami Levy Cellular Communications Ltd.
Reporting period	- 12 months ended December 31, 2025
Roaming	- services allowing customers of one communications network to receive services from another communications network that is not their home network (the network of the license holder to which they are subscribed), based on roaming agreements between the home network and the host network
Second Authority	- the Second Authority for Television and Radio
Spacecom	- Space Communications Ltd.
Statistical area	- a continuous area formed from a geo-statistical division, as instructed by the Minister under Section 14F of the Telecommunications Law;

2025 Financial Statements	<ul style="list-style-type: none"> - the Company's consolidated financial statements for the year ended December 31, 2025 the division into statistical areas is based on the Central Bureau of Statistics.
Subsidiaries	<ul style="list-style-type: none"> - the Company's wholly-owned subsidiaries: Pelephone, Bezeq International, and yes
Switching	<ul style="list-style-type: none"> - in the context of a communications network – a telephony system supporting the connection of equipment for passing calls between end units
Telecommunications service	<ul style="list-style-type: none"> - a service provided to the general public or to part of it through a telecommunications network, which is one of the following: <ul style="list-style-type: none"> (1) telephony service (2) internet access service (3) data transmission service (4) another service listed in the first addendum
Telephony service	<ul style="list-style-type: none"> - a service for sending or receiving a telecommunications message based on a number according to the numbering plan
Traditional network	<ul style="list-style-type: none"> - a telecommunications network that is not a fiber network
UMTS	<ul style="list-style-type: none"> - universal mobile telecommunications system – international standard for cellular communications developed from the GSM standard (3G)
Usage Regulations	<ul style="list-style-type: none"> - Telecommunications Regulations (Telecommunications and Broadcasts) (Use of a Domestic Carrier's Public Network), 2014
VoB	<ul style="list-style-type: none"> - voice over broadband – telephony and associated services in IP technology using fixed-line broadband access services
VoD	<ul style="list-style-type: none"> - video on demand – television services according to subscriber demand
VoIP	<ul style="list-style-type: none"> - voice over internet protocol – technology allowing the transfer of voice messages (telephony services) by means of IP
Walla	<ul style="list-style-type: none"> - Walla! Communications Ltd. and corporations under its control
Wi-Fi	<ul style="list-style-type: none"> - wireless fidelity – wireless access to the internet within the local space
xDSL	<ul style="list-style-type: none"> - digital subscriber line technology using copper telephone lines for faster data transmission by frequencies that are higher than the voice frequency, therefore allowing simultaneous call and data communication.
yes	<ul style="list-style-type: none"> - yes Television and Communication Services Ltd.

7. Appendix B – Financial Indicators and Key Performance Indicators¹⁰⁰

7.1 General

The following indicators, which are noted in the chapters of the Company's Periodic Report, are undefined financial indicators or set out in generally accepted accounting principles included in the financial statements. The definition and/or calculation method of the indicators may change from time to time, they do not replace indicators based on generally accepted accounting principles, and they may not be calculated in the same way as parallel indicators in other companies.

Below are details of these indicators, including according to the revised Israel Securities Authority Resolution 99-6 regarding the use of financial indicators that are not based on generally accepted accounting principles.

7.2 Financial indicators

7.2.1 EBITDA

EBITDA is defined as earnings before interest, taxes, depreciation, and amortization. The EBITDA indicator is generally accepted in the Company's area of operations that counteracts aspects arising from the modified capital structure, various taxation aspects and methods, and the depreciation period for fixed and intangible assets. The Company's EBITDA is calculated as operating profit before depreciation, amortization, and impairment (ongoing losses from the impairment of fixed assets and intangible assets). As from January 1, 2019, and for the proper presentation of economic activity, the Company presents ongoing losses / reversal of losses from the impairment of fixed assets and intangible assets in yes and Bezeq International under the item depreciation and amortization, and ongoing losses from the impairment of broadcasting rights under the item operating and general expenses (in the statement of income).

7.2.2 Free cash flow (FCF)

The Company's free cash flow is defined as cash from operating activities less cash for the purchase/sale of fixed assets and intangible assets, net, and from 2018, with the application of IFRS 16, lease payments are also deducted. The FCF indicator is a generally accepted indicator in the Company's area of operation in general and presents the cash that the Company is able to generate after the investment required to maintain or expand its asset base.

7.3 Key performance indicators

7.3.1 Average revenue per user (ARPU)

The ARPU indicator reflects the monthly average revenue per line/subscriber/household and is calculated as a division of the relevant average total monthly revenues for a period by the average number of active lines/subscribers/households in the same period, as the case may be. It should be clarified that the Group has four principal areas of operation, which are parallel to the corporate division between the Group companies and the definition of an active subscriber differs between areas of operation.

¹⁰⁰ For this matter, see also the section Non-GAAP Financial Measures in the Board of Directors' Report.

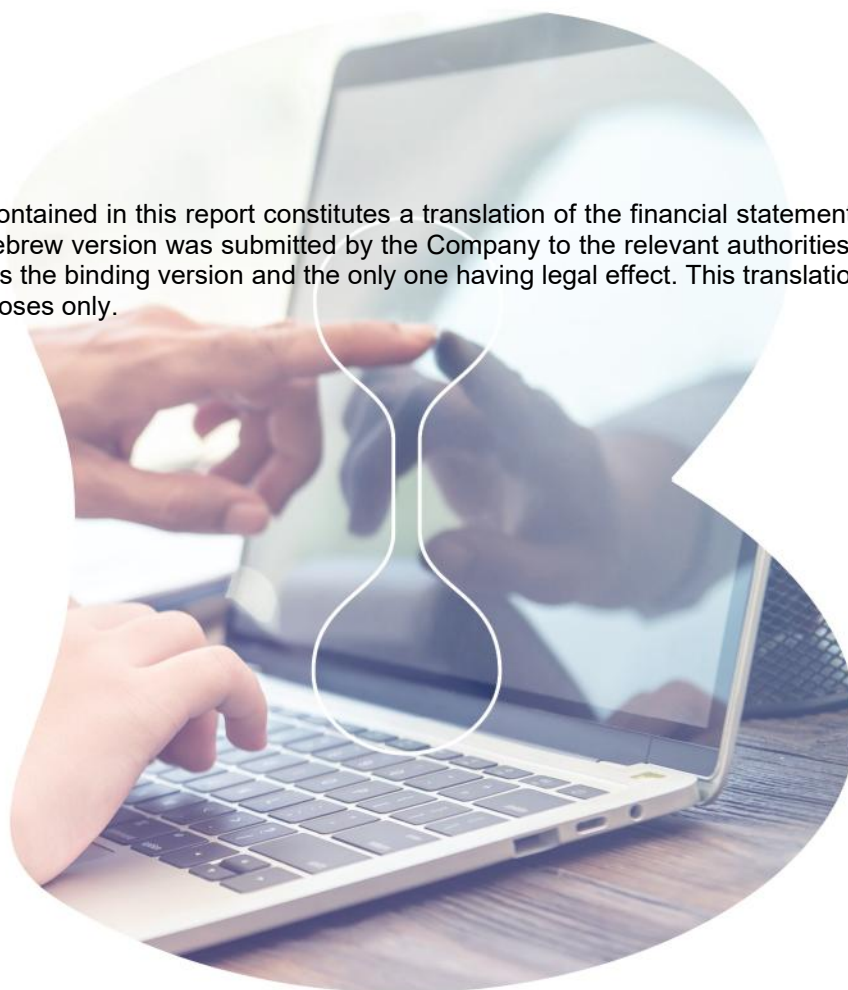
7.3.2 Churn rate

The churn rate reflects the Company's ability to maintain its customer base and is calculated by dividing the number of lines/subscribers/ households disconnected from the Company's services in a period by the average number of active lines/subscribers/households in the same period, as the case may be. It should be clarified that the Group has four main areas of operation, which are parallel to the corporate division between the Group companies and the definition of an active subscriber differs between areas of operation.

Chapter B -

Board of Directors' Report on the State of the Company's Affairs for the Year Ended December 31, 2025

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



Chapter B – Board of Directors' Report on the State of the Company's Affairs for the Year ended December 31, 2025

We hereby present the Board of Directors' Report on the state of affairs of Bezeq The Israeli Telecommunications Corp. Ltd. (the "Company") and the consolidated Group companies (the Company and the consolidated companies, jointly – the "Group") for the year ended December 31, 2025.

Bezeq Group is a key provider of communication services in Israel, providing a broad range of telecommunication services and other services, including domestic fixed-line, internet infrastructure and access services, cellular (MRT) services, international communications services, multichannel television broadcasts over the internet (OTT) and via satellite, maintenance and development of communications infrastructures, communications services to other communications providers (including wholesale market services), television and radio broadcasts, supply and maintenance of equipment, and services on customer premises (network end point – NEP – services). With regard to the Company entering the electricity supply sector see Note 12.6 to the financial statements.

The telecommunications market is fiercely competitive, primarily among telecommunications groups (Bezeq Group, HOT Group, Cellcom Group and Partner Group) operating concurrently in several sectors of the communications market.

In its financial statements, the Group reports on the following four main operating segments:

1. Domestic fixed-line communications
2. Cellular communications
3. ISP, international telecommunications, and ICT solutions ("Bezeq International Services")
4. Television and communication services

For information regarding the Company's transition to a company without a controlling core, see Note 1.2 to the financial statements.

For information about the investigation by the Israel Securities Authority and Israel Police, see Note 1.3 to the financial statements. The independent auditors have drawn attention to the matter in their opinion on the financial statements.

For further information concerning the Company's operations, including in the reported year, see Chapter 1 in Part A (Description of the Company's Business) of the Periodic Report for 2025.

Breakdown of the Group's results:

	2025	2024	Change	
	NIS million		NIS million	%
Net profit	1,417	1,073	344	32.1
Adjusted net profit¹	1,656	1,265	391	30.9
Comparable net profit¹	1,086	1,110	(24)	(2.2)
EBITDA¹	3,704	3,496	208	6.0
Adjusted EBITDA¹	4,005	3,716	289	7.8
Comparable EBITDA¹	3,740	3,683	57	1.6
Free cash flow¹	1,133	1,271	(138)	(10.9)

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

The increase in profitability indices (excluding comparable indices) is mainly due to the reversal of an impairment loss related to assets of yes Television and Communication Services Ltd. ("yes"). See Note 10.4 to the financial statements; for additional information, see section 1.2 below.

Non-GAAP based financial indices

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

Breakdown of the indices:

Index	Calculation and objectives of the index
Adjusted net profit	Net profit less other operating expenses/income, net after tax, and non-recurring losses/gains from impairment/appreciation after tax, and equity compensation plan expenses. The index allows comparison of performance of various periods by adjusting the effects of irregular non-recurring expenses/income.
EBITDA (Earnings before interest, taxes, depreciation and amortization)	Earnings before financing expenses/income, taxes, depreciation and amortization. The EBITDA index is a generally accepted measure used in the Group's area of operations, which offsets effects arising from the variance in the capital structure, various taxation aspects, and the depreciation method and period for fixed and intangible assets. The Group's EBITDA is calculated as operating profit before depreciation, amortization and impairment (including ongoing losses from impairment of fixed and intangible assets, as described in Notes 3.6, 10.4 and 10.5 to the financial statements).
Adjusted EBITDA	EBITDA net of other operating expenses/income, one-time losses/gains from impairment/appreciation, and equity compensation plan expenses. The index allows comparison of operating performance of various periods by adjusting the effects of irregular non-recurring expenses/income.
Comparable EBITDA Comparable net profit	The Company's adjusted EBITDA and adjusted net profit, excluding the overall effect of appreciation/impairment in value.
Free cash flow	Cash from operating activities less cash for the purchase/sale of fixed assets and intangible assets, net, and from 2018, with the application of IFRS 16, lease payments are also deducted. Free cash flow serves as an index for assessing its business results and cash flows, since the Group believes that free cash flow is an important indicator of liquidity that reflects cash resulting from the Group's operating activities after cash investments in infrastructure and other fixed assets and intangible assets.

Chapter B – Board of Directors' Report on the State of the Company's Affairs for the Year ended December 31, 2025

Breakdown of the calculation of these indices:

	2025	2024
	NIS million	
Adjusted net profit and comparable net profit		
Net profit	1,417	1,073
Net of other operating expenses, net after tax	217	171
Net of expenses for equity based compensation	22	21
Adjusted net profit	1,656	1,265
Excluding the overall effect of impairment / reversal of impairment in yes	(543)	(132)
Excluding the overall effect of impairment in Bezeq International	(27)	(23)
Comparable net profit	1,086	1,110
EBITDA, adjusted EBITDA and comparable EBITDA		
Operating profit	2,017	1,652
Net of depreciation, amortization and impairment	1,687	1,844
EBITDA	3,704	3,496
Net of other operating expenses, net	279	199
Net of expenses for equity based compensation	22	21
Adjusted EBITDA	4,005	3,716
Excluding the overall effect of impairment / reversal of impairment on operating assets (primarily broadcasting rights of yes)	(265)	(33)
Comparable EBITDA	3,740	3,683
Free cash flow		
Net cash from operating activities	3,262	3,446
Net of cash for purchase/sale of fixed assets and intangible assets, net	1,638	1,726
Net of lease payments	491	449
Free cash flow	1,133	1,271

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

1.1 Financial position – Assets

	December	December	Change		Explanation
	31, 2025	31, 2024		%	
	NIS million				
Cash and current investments	2,830	2,701	129	4.8	For further information see section 1.4 below.
Current and non-current trade and other receivables	2,052	1,977	75	3.8	The increase is mainly due to the balance of an insurance indemnification with respect to provisions for claims in the domestic fixed-line communications segment.
Inventory	98	162	(64)	(39.5)	The decrease is mainly due to the cellular communications segment, due to a reduction in the procurement of new device inventory compared with the corresponding period.
Assets of a held for sale disposal group	-	83	(83)	(100)	The decrease is due to the sale of the subsidiary, Bezeq Online, in the second quarter of 2025, see Note 12.5 to the financial statements.
Right-of-use assets	1,754	1,762	(8)	(0.5)	
Fixed assets	7,469	7,160	309	(4.3)	The increase is mainly due to the domestic fixed line communications segment, among other things, due to the progress made in the fiber network deployment project, and from yes, due to investments and reversal of an impairment loss on assets, see Note 10.4 to the financial statements.
Intangible assets	1,084	948	136	14.3	The increase is attributable to yes, due to capital investments and the reversal of an impairment loss on assets, as well as the recognition of recovered value for brand-related surplus cost. See Note 10.4.1 to the financial statements.
Broadcasting rights	400	116	284	244.8	The increase is attributable to yes, mainly due to the reversal of an impairment loss on the asset.
Deferred expenses and non-current investments	251	252	(1)	(0.4)	
Total assets	15,938	15,161	777	5.1	

Chapter B – Board of Directors' Report on the State of the Company's Affairs for the Year ended December 31, 2025

1.1 Financial position (contd.) - Liabilities and equity

	December	December	Change		Explanation
	31, 2025	31, 2024			
	NIS million		%		
Debt to financial institutions and debenture holders	7,810	7,646	164	2.1	The increase in debt is due to the issuance of debentures through the expansion of Series 13 and 14 in December 2025, as well as the receipt of loans, offset by the final repayment of debentures Series 9 and 10 and scheduled loan repayments in the domestic fixed-line communications segment.
Lease liabilities	1,955	1,968	(13)	(0.7)	
Trade and other payables	1,901	1,935	(34)	(1.8)	The decrease is mainly due to a decrease in current tax liabilities, offsetting an increase in trade and other payables in the domestic fixed-line communications segment, and in the television and communication services segment. For further information, see Note 14 to the financial statements.
Employee benefits	761	700	61	8.7	The increase is mainly due to increased provisions relating to termination of employer-employee relations for early retirement in the domestic fixed-line communications segment, offset by employee retirement payments across the Group and by the special grant paid to Company employees as part of the amendment to the collective agreement following the sale of the holdings of the former controlling shareholders in the Company. For further information, see Note 16 to the financial statements.
Provisions	208	114	94	82.5	The increase is mainly due to an increase in provisions in the domestic fixed-line communications segment, most of which was recorded against a receivables asset with respect to an insurer obligation for indemnification coverage. For further information, see Notes 15 and 17 to the financial statements.
Liabilities of a held for sale disposal group	-	34	(34)	(100)	The decrease is due to the sale of the subsidiary, Bezeq Online, in the second quarter of 2025
Deferred tax liabilities	56	46	10	21.7	
Derivatives and other non-current liabilities	292	214	78	36.4	The increase is due to an increase in long-term prepaid revenues in the domestic fixed-line communications segment mainly due to a long-term agreement for the provision of indefeasible right of use (IRU) for BSA fiber (wholesale market) with Partner Communications Ltd.
Total liabilities	12,983	12,657	326	2.6	
Total equity	2,955	2,504	451	18.0	Equity constitutes 18.5% of the total balance sheet compared to 16.5% of the total balance sheet as at December 31, 2024. The increase in equity is due to accumulated profits, net of dividend distributions, see Note 20 to the financial statements.
Total liabilities and equity	15,938	15,161	777	5.1	

Chapter B – Board of Directors' Report on the State of the Company's Affairs for the Year ended December 31, 2025

1.2 Operating results

1.2.1 Highlights

	2025	2024	Change		Explanation
	NIS million			%	
Revenues	8,702	8,884	(182)	(2.0)	The decrease is mainly due to the decrease in interconnect rates as of June 2024, and cancellation of most interconnect fees in June 2025, as well as the sale of the subsidiary, Bezeq Online, and its deconsolidation as of the second quarter of 2025, as set out in Note 12.5 to the financial statements. The decrease was partially offset by an increase in revenues in the domestic fixed-line communications segment and the television and communications services segment. For further information see section 1.2.2 below.
General operating expenses	2,860	3,257	(397)	(12.2)	The decrease is mainly due to the reversal of an impairment loss on a broadcasting rights asset in yes, as well as a decrease in interconnect payments to communications operators due to the cancellation of most of the rates as stated above, mainly in the cellular communications segment. For further information, see Notes 10.4 and 22 to the financial statements and section 1.2.2 below.
Salaries	1,859	1,932	(73)	(3.8)	The decrease is due to the sale of the subsidiary, Bezeq Online, and its deconsolidation in the second quarter of 2025.
Depreciation, amortization, impairment and reversal of impairment loss	1,687	1,844	(157)	(8.5)	The decrease is mainly due to the reversal of an impairment loss on assets of yes, see Note 10.4 to the financial statements.
Other operating expenses, net	279	199	80	40.2	The increase is mainly due to an increase in expenses for termination of employer-employee relations for early retirement in the domestic fixed-line communications segment, offset by the recognition of expenses related to voluntary redundancy in the corresponding year in the Bezeq International services segment, see Note 16.5 to the financial statements. For further information, see Note 24 to the financial statements.
Operating profit	2,017	1,652	365	22.1	
Financing expenses, net	307	250	57	22.8	The increase is mainly due to a reduction in the value of forward transactions resulting from the depreciation of the USD exchange rate in 2025, in the domestic fixed-line communications segment and the television and communications services segment. For further information, see Note 25 to the financial statements.
Share in loss of an investee	19	8	11	137.5	As of the second quarter of 2024 the Company records its share in the net operating results of BezeqGen in its financial statements.
Profit before income tax	1,691	1,394	297	21.3	
Income tax	274	321	(47)	(14.6)	For further information, see Note 7 to the financial statements.
Net profit for the year	1,417	1,073	344	32.1	

1.2.2 Operating segments

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

	2025		2024	
	NIS million	% of total revenue	NIS million	% of total revenue
Revenues by operating segment				
Domestic fixed-line communications	4,428	50.9	4,342	48.9
Cellular communications	2,167	24.9	2,254	25.4
Bezeq International services	1,080	12.4	1,105	12.4
Television and communication services	1,300	14.9	1,265	14.2
Others and adjustments	(273)	(3.1)	(82)	(0.9)
Total	8,702	100	8,884	100

	2025		2024	
	NIS million	% of Segment revenue	NIS million	% of Segment revenue
Operating profit (loss) by operating segment				
Domestic fixed-line communications	1,242	28.0	1,438	33.1
Cellular communications	186	8.6	189	8.4
Bezeq International services	43	4.0	(16)	(1.4)
Television and communication services (Proforma) ²	(33)	(2.5)	(92)	(7.3)
Others and adjustments	579 ³	-	133	-
Consolidated operating profit / % of the Group's revenues	2,017	23.2	1,652	18.6

- (2) Results of the television and communications services segment are presented excluding the total impact of impairment losses and reversals recognized since 2018. This is in accordance with the manner in which the Group's chief operating decision maker evaluates the performance of the segment and makes decisions regarding the allocation of resources to the segment. In addition, see Note 31.3 for selected condensed information from the financial statements of yes.
- (3) Mainly reconciliation of the difference between the operating loss of the television and communications segment (proforma) and the accounting operating profit of yes, mainly due to reversal of an impairment loss, see Note 10.4 and section 1.2.2E below.

Chapter B – Board of Directors' Report on the State of the Company's Affairs for the Year ended December 31, 2025

1.2.2. Operating segments (contd.)

B. Domestic Fixed-Line Communications Segment

	2025	2024	Change		Explanation
	NIS million			%	
Revenues from internet services	2,032	1,999	33	1.7	The increase is due to an increase in the retail ARPU, which is mainly due to an increase in the number of fiber network subscribers, offset by a decrease in wholesale market revenues, which is due, among other things, to the decrease in duct access (passive infrastructure) rates as of April 1, 2024.
Fixed line telephony revenues	488	544	(56)	(10.3)	The decrease is due to lower average revenue per telephone line (ARPL), mainly as a result of the reduction of interconnect rates since June 2024 and cancellation of most of the interconnect fees since June 2025, as well as a decrease in traffic volume. There has also been a decrease in the number of lines.
Revenues from data and other transmission and communications	1,543	1,451	92	6.3	The increase is mainly due to an increase in data transmission and communication services, sales of end-user equipment to business customers, and revenues from fee-based projects, offset by a decline in revenues from ISP transmission due to subscriber migration to the Company following the ISP reform.
Revenues from cloud and digital services	365	348	17	4.9	The increase is due to cloud services and virtual-PBX services, offset by a decrease in revenues from the business directory (B144).
Total revenue	4,428	4,342	86	2.0	
General operating expenses	750	738	12	1.6	The increase is mainly due to an increase in subcontractor, marketing and general expenses, offset by a decrease in interconnect payments to communications operators following the forgoing reduction in rates.
Salaries	1,089	1,037	52	5.0	The increase is mainly due to salary updates and higher provision for bonuses, offset by employee retirements.
Depreciation and amortization	1,060	1,023	37	3.6	
Other operating expenses, net	287	106	181	170.8	The increase is mainly due to an increase in expenses for termination of employer-employee relations for early retirement, see Note 16.5.1 to the financial statements, as well as an increase in the provision for legal claims.
Operating profit	1,242	1,438	(196)	(13.6)	
Financing expenses, net	279	250	29	11.6	The increase is mainly due to a reduction in the value of forward transactions resulting from the USD exchange rate depreciation in 2025. The increase is mainly offset by a decrease in expenses relating to linkage differences on debentures, due to a lower rise in the CPI in 2025 compared with 2024.
Share in loss of an investee	19	8	11	137.5	As of the second quarter of 2024 the Company records its share in the net operating results of BezeqGen in its financial statements.
Income tax	224	274	(50)	(18.2)	
Segment profit	720	906	(186)	(20.5)	

Chapter B – Board of Directors' Report on the State of the Company's Affairs for the Year ended December 31, 2025

1.2.2 Operating segments (contd.)

C. Cellular communications

	2025	2024	Change		Explanation
	NIS million			%	
Revenues from services less interconnect fees ⁴	1,475	1,403	72	5.1	The increase is mainly due to an increase in postpaid revenues resulting from growth in the number of subscribers (including subscriber of 5G packages), an increase in content revenues and an increase in revenues from roaming services as a result of recovery from the effects of the war.
Interconnect revenues ⁴	75	233	(158)	(67.8)	The decrease in interconnect revenues is mainly due to a decrease in interconnect fees, most of which were canceled in June 2025.
Revenues from the sale of terminal equipment	617	618	(1)	(0.2)	
Total revenue	2,167	2,254	(87)	(3.9)	
General operating expenses	1,061	1,178	(117)	(9.9)	The decrease is mainly due to a decrease in interconnect revenues expenses (parallel to the decrease in revenues). This decrease is partially offset mainly by an increase in frequency fee costs due to the cancellation of discounts granted in the corresponding period.
Salaries	329	321	8	2.5	The increase is mainly due to the effect of salary increases following the collective agreement. This increase is partially offset by a decrease in the number of employees.
Depreciation and amortization	576	552	24	4.3	The increase is mainly due to an increase in new investments.
Other operating expenses, net	15	14	1	7.1	
Operating profit	186	189	(3)	(1.6)	
Financing income (expenses), net	1	(7)	8	-	The change is mainly due to a decrease in expenses for interest and linkage differences following the closure of income-tax assessments for prior years, partially offset by an increase in financing expenses on lease liabilities.
Income tax expenses	41	44	(3)	(6.8)	
Segment profit	146	138	8	5.8	

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

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1.2.2 Operating segments (contd.)

 D. Bezeq International services

	2025	2024	Change		Explanation
	NIS million			%	
Revenues	1,080	1,105	(25)	(2.3)	The decrease is mainly due to a decrease in revenues from ISP services in the private sector due to a decrease in the number of subscribers as a result of the ISP regulatory reform, and a decrease in revenues from internet services in the business sector and international data communication services. The decrease in revenues was also affected by the decline in the USD exchange rate. This decrease was partially offset mainly by an increase in revenues from cloud operations and from sales of equipment, licensing, and service contracts.
Operating and general expenses and impairment	720	722	(2)	(0.3)	The decrease is mainly due to a reduction in expenses for the use of internet infrastructure in the private and business sectors, in view of a decline in operations in this segment, as well as a decrease in the cost of international data communication services. The decrease in expenses was also affected by the decline in the USD exchange rate. This decrease was partially offset mainly by an increase in expenses in cloud operations, including in subsidiaries.
Salaries	214	211	3	1.4	The increase is mainly due to an increase in salary expenses of Bezeq International subsidiaries, offset by a decrease in salary expenses of Bezeq International resulting from the ongoing reduction in its workforce.
Depreciation, amortization, and impairment	103	118	(15)	(12.7)	The decrease is due to a decrease in current depreciation, a decrease in amortization of right-of-use assets, and a decrease in impairment losses, simultaneous to a decline in investments.
Other operating expenses, net	-	70	(70)	(100)	The corresponding period included a provision for voluntary redundancy following the signing of a collective agreement.
Operating profit (loss)	43	(16)	59	-	
Financing expenses, net	7	5	2	40.0	The increase is due to exchange rate differences and financing costs with respect to the capitalization of the streamlining provision, offset by an increase in interest revenues.
Income tax	-	1	(1)	(100)	
Segment profit (loss)	36	(22)	58	-	

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1.2.2 Operating segments (contd.)

 E. Television and communication services (pro forma) ⁵

	2025	2024	Change		Explanation
	NIS million			%	
Revenues	1,300	1,265	35	2.8	The increase is mainly due to an increase in revenues from combined television and fiber bundles, and from revenues from the collaboration for providing content services to Partner.
General operating expenses	908	911	(3)	(0.3)	The decrease is mainly due to a decrease in expenses for satellite, content, engineering, and contractors, offset mainly by an increase in costs of fiber operations and costs related to the collaboration for providing content services to Partner.
Salaries	178	184	(6)	(3.3)	The decrease is mainly due to headcount streamlining and an increase in salary capitalization, offset by the effects of salary increases under the collective agreement.
Depreciation and amortization	235	254	(19)	(7.5)	The decrease is mainly due to a revision in the estimated useful life of assets, as well as fully depreciated assets.
Other operating expenses	12	8	4	50.0	The increase is mainly due to the recognition of income from the sale of assets in the corresponding period last year.
Operating loss	(33)	(92)	59	(64.1)	
Financing expenses (income), net	24	(10)	34	-	The change is mainly due to a decline in the value of forward transactions resulting from the depreciation of the USD exchange rate in 2025.
Income tax	1	1	-	-	
Segment loss	(58)	(83)	25	(30.1)	

- (5) Results of the television and communications services segment are presented excluding the total impact of impairment losses and reversals recognized since 2018. This is in accordance with the manner by which the Group's chief operating decision maker evaluates the segment's performance and makes decisions regarding the allocation of resources to the segment. For further information, see Notes 10.4 and 28 to the financial statements. In addition, see Note 31.3 for selected condensed information from the financial statements of yes.

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

	2025		2024	
	Accounting profit or loss	Proforma profit or loss	Accounting profit or loss	Proforma profit or loss
NIS million				
Revenues	1,300	1,300	1,265	1,265
General operating expenses	637	908	870	911
Salaries	184	178	192	184
Depreciation and amortization	(43)	235	155	254
Other operating expenses	12	12	8	8
Operating profit (loss)	510	(33)	40	(92)
Financing expenses (income), net	24	24	(10)	(10)
Income tax	1	1	1	1
Profit (loss) for the year	485	(58)	49	(83)

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1.3 Key data from the Group's consolidated quarterly statements of income (NIS millions)

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2025	Explanation
Revenues	2,235	2,136	2,145	2,186	8,702	As of the second quarter, the subsidiary Bezeq Online was sold and deconsolidated; see Note 12.5 to the financial statements. In addition, as of June 2025, most interconnect tariffs were cancelled.
Operating expenses	1,794	1,505	1,529	1,857	6,685	<u>Second quarter</u> – see above. In addition, as of the second quarter, the impairment loss on assets in yes was reversed; See Note 10.4 to the financial statements. <u>Fourth quarter</u> – a provision was recognized for early retirement in the fixed-line domestic communications segment in the amount of NIS 244 million; see Note 16.5.1 to the financial statements. Furthermore, in the fourth quarter, expenses related to the incentive fund for fiber deployment were canceled following a temporary order stipulating that in 2025 the payment rate of obligated entities to the incentive fund would be 0% instead of 0.5% of their relevant revenues.
Operating profit	441	631	616	329	2,017	
Financing expenses, net	45	127	82	53	307	Financing expenses in the second quarter were affected by a decline in the value of forward transactions resulting from the depreciation of the USD exchange rate.
Profit after financing expenses, net	396	504	534	276	1,710	
Share in loss (gain) of an investee	3	1	16	(1)	19	
Income tax	90	77	72	35	274	
Profit for the period	303	426	446	242	1,417	
Total profit for the period	299	422	442	241	1,404	

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1.4 Cash flows

	2025	2024	Change		Explanation
	NIS million			%	
Net cash flow from operating activities	3,262	3,446	(184)	(5.3)	The decrease in net cash flows from current operation is mainly due to an increase in income tax paid in the domestic fixed-line communications segment.
Net cash used in investing activities	(1,800)	(2,302)	502	(21.8)	The decrease in net cash used for investing activities is mainly due to an increase in net proceeds from redemption of bank deposits and other financial investments in the fixed-line domestic communications segment, as well as a decrease in the purchase of fixed assets.
Net cash used in financing activities	(1,631)	(895)	(736)	82.2	The increase in net cash flows used for financing activities is mainly due to a decrease in proceeds from the issue of debentures and an increase in dividends paid and in repayment of loans and debentures in the fixed-line domestic communications segment.
Net increase (decrease) in cash	(169)	249	(418)	-	

Average volume in the reporting year

Long-term liabilities (including current maturities) to financial institutions and debenture holders: NIS 7,605 million.

Supplier credit: NIS 960 million. Short-term customer credit: NIS 1,419 million. Long-term customer credit: NIS 234 million.

Working capital

As at December 31, 2025, the Group has surplus working capital (current assets less current liabilities) of NIS 548 million compared with surplus working capital in the amount of NIS 499 million as at December 31, 2024.

The Company has (based on its standalone financial information) surplus working capital in the amount of NIS 631 million as at December 31, 2025, compared with surplus working capital in the amount of NIS 677 million as at December 31, 2024.

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

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

In 2025 the CPI increase resulted in recognition of financing expenses with respect to the Group's financial debt in an amount of NIS 59 million (NIS 57 million after hedging), a decrease of NIS 28 million (a decrease of NIS 17 million after hedging) compared with the corresponding period last year.

It is noted that the effect of the CPI increase on the Group's operating results was immaterial. Furthermore, it should be noted that there was no substantial change in the Bank of Israel interest rate in this year.

Based on the volume of the Group's CPI linked debt as at December 31, 2025, every 1% increment in the CPI is expected to cause an increase of NIS 24 million in the Group's financing expenses (NIS 14 million after hedging).

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

2. Aspects of Corporate Governance

2.1 Community involvement and donations by Group companies

Bezeq views its contribution to the community as a central component of its corporate responsibility and its commitment to Israeli society. The Company's activities focus on supporting IDF soldiers, reserve forces, those wounded in the Swords of Iron war, and spouses of reservists, reflecting deep appreciation for their contribution to the security and resilience of the State.

The community contribution policy, approved by the Company's board of directors, guides Bezeq to invest in long-term impact initiatives that address significant social needs and align with the Company's values and business activities. As part of this policy, the Company promotes projects related to the rehabilitation of wounded IDF soldiers, support for reservists and their spouses, and adoption of military brigades.

In 2025, Bezeq Group contributed a total amount of NIS 10 million, including:

- A monetary contribution of NIS 4.3 million
- A contribution of communication services and infrastructure to nonprofit organizations amounting to NIS 5.3 million
- A contribution of salary costs of employee volunteering amounting to NIS 440 thousand

Bezeq continues to work toward creating meaningful social impact and to invest resources, capabilities, and partnerships to strengthen those who serve, their families, and the communities that support them. The Company will continue to stand alongside those who bear the burden and to remain an active partner in strengthening Israeli society.

Below is a breakdown of the Group's donations in the reporting year to recipient organizations that are affiliated to the Company, a director, the CEO, the controlling shareholder or a relative, where the amount of the donation exceeds NIS 50 thousand:

Donation recipient	Total amount of the Group's donation in NIS	Nature of the relationship between the recipient of the donation and the Company, director, CEO, controlling shareholder or relative
Friends of Sheba Medical Center, Tel Hashomer (Registered Association)	150,000	Based on information provided to the Company, during the reporting period corporations owned by Mr. David Forer and Ms. Michal Forer, who were among the holders of the control permit in the Company until November 2025, made contributions to the Sheba – Tel HaShomer Medical Center. Ms. Orit Ulster Ben Tzvi, a director of the Company, serves as a director at Sheba Negev (Public Benefit Company) Ltd., a company indirectly related to the donation recipient.
Association of Friends of the Tel Aviv Sourasky Medical Center (Registered Association)	150,000	Based on information provided to the Company, during the reporting period corporations owned by Mr. David Forer and Ms. Michal Forer, who were among the holders of the control permit in the Company until November 2025, made contributions to the Tel Aviv Sourasky Medical Center.
Reichman University (Public Benefit Company).	60,000	Based on information provided to the Company, during the reporting period corporations owned by Mr. David Forer and Ms. Michal Forer, who were among the holders of the control permit in the Company until November 2025, to Reichman University (Public Benefit Company).
Maala – Business for Social Responsibility (Registered Association)	50,000	Based on information provided to the Company, during the reporting period corporations owned by Mr. David Forer and Ms. Michal Forer, who were among the holders of the control permit in the Company until November 2025, made contributions to Maala – Business for Social Responsibility.
Access Israel (Registered Association).	50,000	In reporting period, business relations existed between the Company and the donation recipient in the ordinary course of business and in immaterial amounts.

2.2 Disclosure concerning independent auditor's fees

Below are the audit fees paid to the auditors of the Group's principal consolidated companies for audit services and audit related services (in NIS thousands):

Company name	Auditors	Details	2025	2024
Bezeq The Israeli Telecommunications Corp. Ltd.	Somekh Chaikin	Audit and audit related services, including tax services related to the audit.	1,873	1,815
		Other services ⁶	874	1,070
Pelephone Communications Ltd.	Somekh Chaikin	Audit and audit related services, including tax services related to the audit.	738	715
		Other services ⁶	957	278
Bezeq International Ltd.	Somekh Chaikin	Audit and audit related services, including tax services related to the audit.	396	384
		Other services ⁶	270	348
yes Television and Communication Services Ltd.	Somekh Chaikin	Audit and audit related services, including tax services related to the audit.	749	726
		Other services ⁶	157	107
Total			6,014	5,443

The independent auditor's fees are discussed by the board of directors' committee for reviewing the financial statements and are approved by the Board of Directors of the Company and the boards of directors of each of the Group's companies. The audit fees were set taking into account the scope of work hours and the hourly rate derived therefrom.

- (6) Other services provided to the Group's key companies in 2024 and 2025 included, among others, tax consultancy and accounting services that are not audit related, and special permits

2.3 Directors with accounting and financial expertise and independent directors

Information concerning directors with accounting and financial expertise and independent directors is included in sections 2 and 9 of the corporate governance questionnaire and section 14 of Chapter D of the periodic report.

2.4 Disclosure concerning the internal auditor of a reporting company

Details	
Name of internal auditor	Lior Segal
Date of commencement of term of office:	January 24, 2011
Compliance with statutory requirements	The internal auditor complies with the conditions as set out in Sections 3(a) and 8 of the Internal Audit Law, and the provisions of section 146(b) of the Companies Law.
Method of Employment	Company employee
Manner of appointment	<p><u>Manner of appointment and summary of reasons for approving the appointment</u></p> <p>The appointment was approved by the Board of Directors on January 24, 2011, following the Audit Committee's recommendation. Prior to his appointment, the internal auditor served as manager of internal processes and controls and as corporate governance compliance officer. The appointment was based on his qualifications and professional experience.</p> <p><u>Duties, powers, and tasks of the internal auditor</u></p> <p>The powers and responsibilities of the Company's internal auditor are set out in the Company's internal audit procedure that is approved by the Company's Audit Committee. According to the procedure, the internal auditor's responsibilities and powers are as follows:</p> <p>To examine propriety of actions carried out by the Company, its officers and personnel, to examine the integrity of financial and operating information, and of financial and liability management, the Company's IT systems and its information security set-up. The internal auditor is also charged with investigating employee complaints according to the arrangements set out by the Audit Committee, pursuant to Section 117(6) to the Companies Law, 1999. The internal auditor is authorized to receive any information, explanation, and document required for the performance of his duties; he has right of access to all regular or computerized data bank, database, and automated or non-automated data processing work plan of the Company and its units; and to be granted entry to all Company property. The internal auditor is also entitled to be invited to all management, Board of Directors and committee meetings</p>
The organizational supervisor of the internal auditor.	Chairman of the Board of Directors
Work Plan	<p>The annual work plan for 2025 was taken from the work plan for 2025-2027.</p> <p><u>Considerations for determining the internal audit work plan</u></p> <p>The guiding principle underlying the internal audit work plan is the inherent risk in the Company's processes and operations. To assess these risks, the internal audit referred to the risk survey conducted by the Company, and to other sources that affected the risk assessment of those processes, such as talks with management, findings from previous audits, and other relevant actions.</p> <p>The key considerations taken into account in formulating the work plan are: reasonable coverage of most of the Company's operating segments based on exposure to material risks, considering existing controls in the Company's operating segments and previous audit findings.</p> <p><u>Parties involved in formulating the work plan</u></p> <p>The internal auditor, management, CEO, the Board of Directors' Audit Committee and Chairman of the Board of Directors.</p>

2.4. Disclosure concerning the internal auditor of a reporting company (cont.)

Details	
Work Plan (cont.)	<p><u>The party accepting and approving the work plan</u> The Board of Directors' Audit Committee, after discussion on the matter with the Chairman of the Board of Directors.</p> <p><u>The auditor's discretion to deviate from the work plan</u> The Chairman of the Board of Directors or the Chairman of the Audit Committee may propose issues that raise the need for conducting an urgent audit and may recommend narrowing the scope or terminating an audit on a matter that was 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> The internal auditor attends discussions at Board of Directors' meetings where material transactions are approved, and reviews the relevant material sent in preparation for these discussions.</p>
Audit review of material investees	<p>The work plan for the Company's internal audit unit does not include an audit of material investees.</p> <p>A single internal auditor is employed to oversee the material investees (as an employee of Pelephone and also provides services to yes and Bezeq International), and three additional employees as part of the efforts to consolidate the internal auditing activities of these investees. The audit reports of the investees are discussed by the boards of directors of those corporations in which directors who serve in the Company also hold office, and since June 2024 a preliminary discussion of these reports has also been conducted. The internal auditor may, under the Company's internal audit policy and at his discretion, obtain the audit reports of these subsidiaries and he is required to meet with the internal auditor at least once a year to discuss the audit plan and its implementation in the subsidiary. The internal auditor routinely conducts these meetings and receives audit reports from the subsidiaries' auditor.</p>
Scope of employment	<p>In 2025, the scope of the internal auditor's employment was 8,100 hours, which includes the work hours of the audit unit employees, including the internal auditor, and by external third parties.</p> <p>The internal audit's internal resources in 2025 included three full-time internal auditors and one auditor employed for part of the year, in addition to the internal auditor and outsourced services. The scope of employment is based on the audit work plan, which is formulated in accordance with the scope and complexity of the various operations of the Company.</p> <p><u>Scope of internal audit activities in material investees of the Company (as described above) in 2025:</u> Pelephone – 2,600 hours; Bezeq International – 2,600 hours; yes - 2,600 hours.</p>
Conducting of the audit	<p>The internal audit is conducted in accordance with the Companies Law, 1999, and the Internal Audit Law, 1992, and complies with global internal-audit standards set by the international Institute of Internal Auditors (IIA) (the 'Professional Standards').</p> <p>The internal auditor is certified as a lawyer and CPA, as an Internal Audit Quality Assessment Reviewer (QAR) and Certified Internal Auditor (CIA), and is certified in Risk Management Assurance (CRMA) from the international Institute of Internal Auditors (IIA), and is certified as a Certified Information Systems Auditor (CISA), Certified Information Systems Manager (CISM), Certified Data Privacy Solutions Engineer (CDPSE) and has Certification in Risk and Information Systems Control (CRISC) from the Information Systems Audit and Control Association (ISACA), and has in-depth knowledge of internal audit standards.</p> <p>Periodic assessments are also conducted to evaluate the internal audit's compliance with the Professional Standards.</p> <p>The internal auditor has updated the Audit Committee and the Board of Directors regarding the standards used in the internal audit activities</p>
Access to information	<p>The internal auditor was provided with documents and information as set out in Section 9 of the Internal Audit Law, and was granted ongoing and direct access to the Company's information systems, including financial data.</p>

2.4. Disclosure concerning the internal auditor of a reporting company (cont.)

Details	
Internal auditor's report	<p>The internal auditor regularly submits written audit reports throughout the reporting year to the Chairman of the Board, the CEO, and the chairman and members of the Audit Committee. Reports are submitted close to the date of discussion by the Committee (usually three days before this date).</p> <p>The Audit Committee discussed the reports, follow-up reviews, and audits carried out by the internal auditor on the following dates: March 4, 2025; April 2, 2025; April 28, 2025; May 14, 2025; June 16, 2025; July 22, 2025; August 1, 2025; September 3, 2025; October 28, 2025; December 3, 2025; and December 30, 2025.</p> <p>In addition to the audit reports, the auditor submitted reviews and reports to the Audit Committee on various matters as requested by the Committee, and briefed the Committee on the implementation of the decisions in the audit reports that were discussed by the Committee (partly in meetings held in addition to the ones noted above).</p> <p>For information concerning the key issues reviewed by the internal auditor see the Corporate Governance Questionnaire.</p>
The Board of Directors' assessment of the internal auditor's work	<p>The Board of Directors believes that the scope of the Company's audits, the nature and continuity of the internal auditor's activities as well as the audit work plan, are reasonable under the circumstances and can achieve the goals of the audit.</p>
Remuneration	<p>On March 5, 2024 and on March 12, 2024, the terms of employment of the internal auditor were discussed and approved by the Audit Committee and the Company's Board of Directors, respectively, and were updated as follows:</p> <p>An overall monthly salary of NIS 57 thousand, linked to the CPI, all other employment terms remained unchanged, including an annual bonus based on predefined targets to be set by the Audit Committee and approved by the Board of Directors, in accordance with the Group's compensations policy.</p> <p>On March 8, 2026, the Company's Board of Directors approved the annual bonus for the internal auditor for 2025 in the amount of approximately NIS 501 thousand (71% of his annual salary).</p>

3. Disclosure concerning the Company's financial reporting

3.1 Disclosure concerning valuations

Below is a breakdown concerning very material valuations and material valuations pursuant to Regulation 8B(9) of the Securities Regulations (Periodic and Immediate Reports), 1970.

A very material valuation of the Company as at December 31, 2025 is not attached to the financial statements as the Company is satisfied that underlying any reasonable change in the key assumptions used to determine the recoverable value of a cash-generating unit, no very material impairment was recognized.

	The Company (Bezeq) Very material valuation as at December 31, 2025	Telephone Communications Ltd. Material valuation as at December 31, 2025	yes Television and Communication Services Ltd. ("yes") Very material valuation as at December 31, 2025 is attached to the financial statements as at December 31, 2025 See sections 3.1.1 and 3.1.3 below	Bezeq International Ltd. Material valuation as at December 31, 2025 See section 3.1.3 below
Subject of the valuation	Value in use of Bezeq to test for impairment of goodwill recognized in the Company's financial statements pursuant to IAS 36.	Value in use of Telephone to test for impairment of goodwill recognized in the Company's financial statements pursuant to IAS 36.	Review of impairment of yes assets as at December 31, 2025	Review of impairment of Bezeq International assets as at December 31, 2025
Date of the valuation	December 31, 2025 The valuation was signed on March 8, 2026	December 31, 2025 The valuation was signed on March 5, 2026	December 31, 2025 The valuation was signed on March 5, 2026	December 31, 2025 The valuation was signed on March 5, 2026
Value shortly before the valuation date if reevaluation based on the valuation had not been required under GAAP, including depreciation and amortization	Carrying amount of NIS 6,147 million for Bezeq's net operating assets (*) (NIS 265 million - goodwill)	Carrying amount of NIS 972 million for Telephone's net operating assets (NIS 76 million - goodwill) ⁷	The carrying amount prior to adjustment of value as at December 31, 2025, is positive amounting to NIS 484 million.	The carrying amount prior to impairment as at December 31, 2025, is negative in the amount of NIS 53 million

(7) Telephone's net operating assets are not included under trade receivables due to the sales of terminal equipment in installments that are presented at present value

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3.1 Disclosure concerning valuations (cont.)

	The Company (Bezeq) Very material valuation as at December 31, 2025	Pelephone Communications Ltd. Material valuation as at December 31, 2025	yes Television and Communication Services Ltd. ("yes") Very material valuation as at December 31, 2025 is attached to the financial statements as at December 31, 2025 See sections 3.1.1 and 3.1.3 below	Bezeq International Ltd. Material valuation as at December 31, 2025 See section 3.1.3 below
Value based on the valuation	<p>NIS 21,759 million.</p> <p>The Company concluded that there is no impairment that requires a write-down of goodwill recognized in the Company's books.</p>	<p>NIS 3,213 million.</p> <p>The Company concluded that there is no impairment that requires a write-down of goodwill recognized in the Company's books.</p>	<p>The value in use of yes assets, under the income capitalization approach (value in use) at a positive value of NIS 762 million. In accordance with IAS 36, the recoverable amount of the yes assets was calculated as NIS 762 million. See Note 10.4 to the financial statements.</p> <p>Based on the valuation, in 2025 the Group recognized a reversal of an impairment loss in the amount of NIS 387 million.</p>	<p>The total value of Bezeq International's operations under the discounted cash flow (DCF) method is negative, in the amount of NIS 93 million. Given the negative value of operations, the net value of Bezeq International Ltd. assets and liabilities was set at the higher of their fair value less sales costs, or zero. Accordingly, the recoverable amount of Bezeq International, which is obtained by stating the balance sheet items at fair value, net of selling costs, in accordance with IAS 36 requirements, amounted to a negative amount of NIS 79 million.</p> <p>Based on the valuation, in 2025 the Group recognized an impairment loss in the amount of NIS 73 million.</p>
Valuator's identity and profile	<p>The valuation was prepared by Guy Feiwisch, Partner, Valuations and Economic Modeling in the Economic Department at Ernst Young (Israel) Ltd. CPA Feiwisch has a BA in Economics, specializing in Accounting, from Ben Gurion University in Beer Sheva, and is a certified public accountant in Israel.</p> <p>As part of his position, CPA Feiwisch heads projects with leading private and public companies in their fields in Israel and worldwide, and provides assistance for transactions in Israel and abroad. He guides complex valuations for diverse purposes, including for financial reporting, taxation, regulatory compliance and raising of capital in various sectors including the real estate, retail, industry, energy and communications sectors. Furthermore, as part of his duties, he assists companies in planning and implementing strategy and business processes. CPA Feiwisch also has experience in providing financial opinions for legal proceedings and/or commercial disputes.</p> <p>The valuator is not dependent on the Company. The Company undertook to indemnify the valuator for any damages in excess of three times the valuator's fee, other than if the valuator acted with malicious intent or gross negligence.</p>			

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3.1 Disclosure concerning valuations (cont.)

	The Company (Bezeq) Very material valuation as at December 31, 2025	Telephone Communications Ltd. Material valuation as at December 31, 2025	yes Television and Communication Services Ltd. ("yes") Very material valuation as at December 31, 2025 is attached to the financial statements as at December 31, 2025 See sections 3.1.1 and 3.1.3 below	Bezeq International Ltd. Material valuation as at December 31, 2025 See section 3.1.3 below
Valuation model	Discounted Cash Flow (DCF) method.	Discounted cash flow (DCF) method	Discounted cash flow (DCF) method	First stage - the value in use is calculated using the DCF method Second stage - the net fair value was established of the net assets and liabilities of Bezeq International, less selling costs as at December 31, 2025.
Assumptions used by the valuator in the valuation	Discount rate – 8% (after tax) Permanent growth rate - 2%	Discount rate – 9% (after tax) Permanent growth rate - 2.5%	Discount rate – 9.25% (after tax) Permanent growth rate - 1%	Discount rate – 9.9% (after tax) Permanent growth rate - 0%
	Scrap value percentage of total value set in the valuation - 78.6%	Scrap value percentage of total value set in the valuation - 84.1%	Scrap value percentage of total value set in the valuation – 75.4%.	Scrap value percentage of total value set in the valuation - N/A In addition, assumptions were made concerning the fair value, net of selling costs, of Bezeq International assets.

3.1. Disclosure concerning valuations (cont.)

3.1.1 The Company supports yes by approving credit facilities or investing in the equity of yes (see Note 12.2.2 to the financial statements). The Company's support of yes, as described above, derives, among other things, from the current and expected contribution of the television and communications services segment to the overall operations of the Bezeq Group.

3.1.2 In the Company's consolidated financial statements as at December 31, 2025, the value of Bezeq - The Israel Telecommunications Corporation Ltd. segment, Telephone Communications Ltd., yes Television and Communication Services Ltd., and Bezeq International Ltd., exceeded 25% of the Company's assets. Accordingly, the valuator constitutes a very material valuator pursuant to the position of the Israel Securities Authority's legal staff 30-105 ("Legal Staff Position"). For disclosure concerning the valuator as required under the Legal Staff Position, see the valuation attached to the financial statements.

3.1.3 Information pursuant to Regulation 10(b)(8) of the Securities Regulations (Periodic and Immediate Reports), 1970

A. With regard to the valuation of yes as of December 31, 2024, which was attached to the 2024 financial statements, the Company studied actual free cash flow data for 2025 compared to the free cash flow forecast for 2025 as included in the foregoing valuation and found that yes's free cash flows, based on the 2025 financial statements, are significantly higher than the forecast in the foregoing valuation. The difference is mainly attributable to a positive deviation in EBITDA and to timing difference in working capital. For further information see Appendix G to the attached valuation of yes as at December 31, 2025.

B. With regard to the valuation of Bezeq International as of December 31, 2024, which was attached to the 2024 financial statements, the Company studied actual free cash flow data for 2025 regarding Bezeq International's free cash flows compared to the forecast for 2025 as included in the foregoing valuation and found that Bezeq International's free cash flows, based on the 2025 financial statements, are higher than the forecast in the foregoing valuation. The difference is mainly attributable to the timing of retirement payments, changes in working capital, and an improvement in EBITDA, mainly due to a slowdown in the churn rate of subscribers in the private ISP segment.

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

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

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

For further information about material events in the reporting period and subsequent to the date of the financial statements, see Note 32 to the financial statements.

4. Information about a debenture series

On December 1, 2025, Debentures Series 9 and Series 10 were fully redeemed.

Breakdown of data concerning the Company's outstanding debentures as at December 31, 2025:

		Debentures (Series 11)	Debentures (Series 12)	Debentures (Series 13)	Debentures (Series 14)
A.	Date of issue (excluding expansions)	July 10, 2019	July 10, 2019	December 23, 2021	December 23, 2021
B.	Total par value at issue date (including expansions) in NIS	1,402,643,000	1,269,240,000	2,308,255,000	802,574,000
C.	Par value in NIS	1,402,643,000	1,269,240,000	2,308,255,000	802,574,000
D.	The par value revalued to reporting date (CPI linked) in NIS	1,402,643,000	1,474,971,112	2,308,255,000	924,419,982
E.	Accrued interest revalued to reporting date in NIS	3,740,381	2,089,542	5,366,693	446,803
F.	Fair value as included in financial statements in NIS	1,376,413,576	1,458,991,380	2,073,967,118	811,803,601
G.	Stock exchange value in NIS	1,376,413,576	1,458,991,380	2,073,967,118	811,803,601
H.	Type of interest	Fixed 3.2%	Fixed 1.7%	Fixed 2.79%	Fixed 0.58%
I.	Principal repayment dates	June 1 of each year 2026 through 2030	June 1 of each year 2026 through 2030	December 1 of each year 2031 through 2035	June 1 of each year 2031 through 2035
J.	Interest payment dates	Jun 1 and Dec 1 of each year from Dec 1, 2019 through Jun 1, 2030	Jun 1 and Dec 1 of each year from Dec 1, 2019 through Jun 1, 2030	Jun 1 and Dec 1 of each year from Jun 1, 2022 through Dec 1, 2035	Jun 1 and Dec 1 of each year from Jun 1, 2022 through Jun 1, 2035

4. Information concerning debenture series (cont.)

		Debentures (Series 11)	Debentures (Series 12)	Debentures (Series 13)	Debentures (Series 14)
K.	Linkage	Unlinked	Principal and interest linked to CPI increases (base index - May 2019)	Unlinked	Principal and interest linked to CPI increases (base index - Nov 2021)
L.	Total liability compared to Company's total liabilities	Material	Material	Material	Material
M.	Trustee	Trustee - Reznik Paz Nevo Trusts Ltd. Contact - Yossi Reznik, CPI email - yossi@rpn.co.il, Tel: 03-6389200, Fax: 03-6389222 Address - 14 Yad Harutzim St., Tel Avi			
N.	Rating	On May 5, 2025, Maalot rating agency ratified the iIAA rating of the Company with stable outlook and the iIAA rating for the Company's debentures (see the immediate report dated May 5, 2025). Similarly, on May 7, 2025, Midroog rating agency ratified the Aa2.il rating for the Company and for its debentures, with stable outlook (see the immediate report dated May 7, 2025). Furthermore, on December 1, 2025 and on December 2, 2025, S&P Maalot announced a rating of iIAA (see immediate reports), and Midroog announced a rating of Aa2.il with a stable outlook (see immediate reports), for the debentures to be issued by the Company through the expansion of Series 13 and Series 14. The rating reports are attached to this Board of Directors' Report by way of reference.			
O.	Compliance with terms of deeds of trust	On December 31, 2025, the Company issued to the trustee of Debentures (Series 11, 12, 13 and 14) confirmation of its compliance with the terms of the deeds of trust in 2025.			
P.	Pledges	With regard to all the debenture series, the Company undertook not to create additional pledges on its assets unless the Company simultaneously creates pledges in favor of the debenture holders and lending banks (negative pledges), subject to exceptions as set out in Note 13.3.1 to the financial statements.			

5. Miscellaneous

For further information about the liabilities of the Company and the companies consolidated in its financial statements as at December 31, 2025, see the reporting form to be posted by the Company on the MAGNA system on March 9, 2026.

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

Tomer Raved
Chairman of the Board of Directors

Nir David
CEO

Signed: March 8, 2026

Chapter C

Consolidated Financial Statements for the Year Ended December 31, 2025

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



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INDEPENDENT AUDITORS' REPORT
To the Shareholders of Bezeq The Israeli Telecommunication Corp. Ltd.

Opinion

We have audited the consolidated financial statements of Bezeq The Israeli Telecommunication Corp. Ltd. (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2025, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies.

In our opinion, the accompanying consolidated financial 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 with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Basis for Opinion

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries, in accordance with the applicable legal provisions in Israel regarding independence and conflict of interest of auditors. Additionally, we have fulfilled our other ethical responsibilities in accordance with the Auditors' Law, 1955 and the regulations thereunder. We believe that the audit evidence we have obtained is appropriate and sufficient to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1.3 in the financial statements regarding the Israel Securities Authority's (ISA) and the Israel Police investigation. As noted in the aforementioned note, the Company is unable to assess the effects of the investigations, their findings, and their results on the Company, as well as on the financial statements and on the estimates used in their preparation, if any.

In addition, we draw attention to lawsuits filed against the Company which cannot yet be assessed or the exposure in respect thereof cannot yet be calculated, as set forth in Note 17. Our opinion is not modified in respect of these matters.

Key Audit Matters

The key audit matters described below are those matters that were communicated, or were required to be communicated, to the board of directors of the Company, and that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, among others, any matter that (1) relates, or may relate, to significant accounts or disclosures in the consolidated financial statements; and (2) involved our professional judgment that was challenging, subjective or especially complex. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of these matters below does not change our opinion on the consolidated financial statements as a whole, nor do we provide through such communication a separate opinion on these matters or on the accounts or disclosures to which they relate.

Measurement of the Recoverable Amount (Impairment / Reversal of Impairment) of Cash-Generating Units – Yes Television and Communications Ltd. and Bezeq International Ltd.

Why was this matter determined to be a Key Audit Matter in the audit



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As described in Notes 3.6, 10.4 and 10.5 to the consolidated financial statements, as of December 31, 2025, the recoverable amount of the cash-generating units, Yes Television and Communications Ltd. (yes) and Bezeq International Ltd. (hereinafter: the "Units"), is negative in the amount of 762 million and (79) million NIS, respectively, and the total reversal of the loss or (loss) from the reversal (impairment) in the value of these units for the year ended December 31, 2025 amounted to NIS 423 million and (73) million, respectively.

In accordance with International Accounting Standard 36 (IAS 36), the recoverable amount is the greater of the value in use of a cash-generating unit, which is measured by the company's future cash flow forecast measurement method (DCF), and the fair value less costs of disposal. Allocation of the reversal of impairment or impairment loss to the Company's assets is carried out in accordance with the fair value less costs of disposal of each of the unit's assets.

The audit of the reversal of impairment (impairment) of the units required us to use judgement when assessing the reasonableness of the assumptions and estimates used by the management and external experts on its behalf for the purpose of recoverable amount measurement and impairment allocation. Accordingly, we have identified the impairment measurement of the units as a key audit matter.

The Response to the Key Matter in the Audit

The main procedures we carried out in connection with this key matter as part of our audit included, among others: checking the completeness and accuracy of the databases used to calculate the fair value less the realization costs of the company's assets, checking the reasonableness of the significant assumptions and estimates used in creating the forecasted cash flows by comparing them to historical results, multi-year plans and updated market data.

We also checked the adequacy of the information presented in notes 3.6, 10.4 and 10.5 to the consolidated financial statements, we made inquiries of the relevant parties in the company involved in the process and checked the design, implementation and operating effectiveness of certain internal controls related to the assessment of the recoverable amount of the units.

For carrying out these procedures, we used experts with skills and knowledge in fair value evaluations in order to assist in assessing the adequacy of the evaluation method, assessing the reasonableness of the discount rate and the growth rate, as well as in performing arithmetic tests for calculating the value in use of the units and fair value less costs of disposal of the units' assets.

Responsibilities of Board of Directors and Management for the Consolidated Financial Statements

The board of directors and management are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and with the provisions of the Securities Regulations (Annual Financial Statements), 2010, and for such internal control as the board of directors and management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that



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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 can 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 financial 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. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is appropriate and sufficient 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.
- 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 use by the board of directors and management 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 financial 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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the safeguards applied to eliminate identified threats to our independence.

From the matters communicated or required to be communicated to the board of directors and management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter.

Reference Paragraph



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We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2025, and our report dated March 8, 2026 included an unqualified opinion on the effective maintenance of those components.

The engagement partner on the audit resulting in this independent auditors' report is Katia Hakmon.

Somekh Chaikin
Certified Public Accountants (Isr.)
Tel Aviv
March 8, 2026



Somekh Chaikin

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Auditors' Report to the Shareholders of Bezeq – The Israel Telecommunication Corporation Ltd. regarding the Audit of Components of Internal Control over Financial Reporting in accordance with paragraph 9B(c) of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of Bezeq – The Israel Telecommunication Corporation Ltd. and its subsidiaries (hereinafter “the Company”) as of December 31, 2025. These control components were determined as explained in the following paragraph. The Company's Board of Directors and Management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of the Company's internal control components over financial reporting accompanying the periodic report as of the above date. Our responsibility is to express an opinion on the Company's internal control components over financial reporting based on our audit.

Audited Internal control components over financial reporting were determined in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel: “Audit of Internal Control Components over Financial Reporting”, and its amendments (hereinafter “Auditing Standard (Israel) 911”). These components are:

- (1) Entity level controls, including controls over the financial reporting preparation and closing financial reporting process and general information technology controls;
- (2) Controls over the revenue process;
- (3) Controls over the salary process;
- (4) Controls over the fixed assets process;
- (5) Controls over the procurement process;

We conducted our audit in accordance with Auditing Standard (Israel) 911. This standard requires us to plan and perform the audit to identify the audited control components and to obtain reasonable assurance about whether these control components were effective in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists in the audited control components, and testing and evaluating the design and operating effectiveness of those control components based on the assessed risk. Our audit regarding those control components, also included performing such other procedures as we considered necessary in the circumstances. Our audit referred only to the audited control components, as opposed to internal control over all significant processes related to financial reporting, therefore our opinion refers to the audited control components only. Our audit also did not refer to mutual effects between audited control components and non-audited control components, therefore our opinion refers to the audited control components only. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and internal control components in particular, may not prevent or detect misstatements. Also, projections of any current evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective audited control components as of December 31, 2025.

As described in the report on the effectiveness of internal controls over financial reporting and disclosure for the year ended December 31, 2025 of Bezeq – The Israel Telecommunication Corporation Ltd. (“the Company”), regarding investigations conducted by the Israel Securities



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Authority and the Israel Police as detailed in section 1.1.5 of Chapter A, Description of the Company Operations of this report, the Company does not have complete information concerning these investigations, their content, the materials and evidence in the possession of the legal authorities on this matter. Accordingly, the Company is unable to assess the impact of the investigations, their findings and their results on the Company, and on the financial statements of the Company and the estimates used in preparing these statements, if at all.

We have also audited, in accordance with generally accepted auditing standards in Israel, the Company's consolidated financial statements as of December 31, 2025 and for the year then ended, and our report, dated March 08, 2026, expressed an unqualified opinion on those financial statements, Said report also drew attention to Note 1.3 in the financial statements regarding the Israel Securities Authority's (ISA) and the Israel Police investigation of suspected offenses under the Securities Law and Penal Law, involving inter alia transactions related to the former controlling shareholder, as well as that stated in said note regarding the filing of an indictment against the Company's former controlling shareholder on various offenses, among others, bribery and causing a misleading particular to be included in an immediate report, and regarding the filing of an indictment against the Company's former controlling shareholder and former senior officers in the Bezeq Group, charging the defendants with receiving something fraudulently and reporting violations under the Securities Law. Additionally, further to the institution of the above investigation, several civil actions were filed against the Company, against former officers of the Company, and against companies from the group of the Company's former controlling shareholder, including motions to certify class action lawsuits. Attention was also drawn to that stated in Note 17 regarding lawsuits filed against the Company which cannot yet be assessed or the exposure in respect thereof cannot yet be calculated.

Somekh Chaikin
Certified Public Accountants (Isr.)
Tel Aviv
March 8, 2026

Consolidated Statements of Financial Position as at December 31

		2025	2024
Assets	Note	NIS million	NIS million
Cash and cash equivalents	4,3.2	643	784
Investments	5,3.2	2,187	1,917
Trade receivables	6,3.2	1,443	1,395
Other receivables	6,3.2	211	172
Inventory		98	162
Assets of a held for sale disposal group	12.5	-	83
Total current assets		4,582	4,513
Trade and other receivables	6,3.2	398	410
Right-of-use assets	8,3.5	1,754	1,762
Fixed assets	9,3.3	7,469	7,160
Broadcasting rights	11.2	400	116
Intangible assets	10,3.4	1,084	948
Deferred expenses and non-current investments	11	251	252
Total non-current assets		11,356	10,648
Total assets		15,938	15,161

Consolidated Financial Statements as at December 31, 2025

Consolidated Statements of Financial Position as at December 31 (Contd.)			
		2025	2024
	Note	NIS million	NIS million
Debentures, loans, and borrowings	13,3.2	992	1,123
Current maturities of lease liabilities	8,3.5	425	438
Trade and other payables	14	1,901	1,935
Employee benefits	16,3.7	542	400
Provisions	15,3.8	174	84
Liabilities of a held for sale disposal group	12.5	-	34
Total current liabilities		4,034	4,014
Loans and debentures	13,3.2	6,818	6,523
Lease liabilities	8,3.5	1,530	1,530
Employee benefits	16,3.7	219	300
Derivatives and other liabilities	14	292	214
Deferred tax liabilities	7,3.11	56	46
Provisions	15,3.8	34	30
Total non-current liabilities		8,949	8,643
Total liabilities		12,983	12,657
Equity attributable to shareholders of the Company			
Share capital		3,887	3,882
Share premium		398	393
Reserves		410	407
Deficit		(1,742)	(2,180)
Total equity attributable to shareholders of the Company		2,953	2,502
Non-controlling interests		2	2
Total equity	20	2,955	2,504
Total liabilities and equity		15,938	15,161

Tomer Raved
Chairman of the board of directors

Nir David
CEO

Yohai Benita
CFO Bezeq Group

Date of approval of the financial statements: March 8, 2026

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Financial Statements as at December 31, 2025

Consolidated Statements of Income for the Year Ended December 31

		2025	2024	2023
	Note	NIS million	NIS million	NIS million
Revenues	3.9,21	8,702	8,884	9,103
Operating expenses				
General operating expenses*	22	2,860	3,257	3,374
Salaries	23	1,859	1,932	1,922
Depreciation, amortization, impairment, and reversal of impairment loss*	8,9,10,11	1,687	1,844	1,867
Other operating expenses, net	24	279	199	161
Total operating expenses		6,685	7,232	7,324
Operating profit		2,017	1,652	1,779
Financing expenses (income)	3.10,25			
Financing expenses		498	446	408
Financing income		(191)	(196)	(164)
Financing expenses, net		307	250	244
Profit after financing expenses, net		1,710	1,402	1,535
Share in loss of an investee		19	8	-
Profit before income tax		1,691	1,394	1,535
Income tax	3.11,7	274	321	346
Total profit for the year		1,417	1,073	1,189
Profit for the year attributable to shareholders of the Company		1,417	1,072	1,189
Profit for the year attributable to holders of non-controlling interests		-	1	-
Earnings per share (NIS)	27			
Basic and diluted earnings per share in NIS		0.51	0.39	0.43

* For information about the reversal of the impairment loss (the loss) recognized in the reporting period, see Note 10.

Consolidated Statements of Comprehensive Income for the Year Ended December 31

	2025	2024	2023
	NIS million	NIS million	NIS million
Profit for the year	1,417	1,073	1,189
Remeasurement of a defined benefit plan, net of tax – not to be reclassified to profit or loss	(4)	(5)	18
Additional items of other comprehensive loss for hedging, net of tax – to be reclassified to profit or loss	(9)	(1)	(6)
Total comprehensive income for the year	1,404	1,067	1,201
Comprehensive income for the year attributable to shareholders of the Company	1,404	1,066	-
Comprehensive income for the year attributable to holders of non-controlling interests	-	1	-

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Financial Statements as at December 31, 2025

Consolidated Statements of Changes in Equity for the Year Ended December 31

	Share capital	Share premium	Capital reserve for transactions between a corporation and a controlling shareholder	Capital reserve for employee options	Other reserves	Deficit	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Attributable to shareholders of the Company									
Balance as at December 31, 2022	3,878	384	390	38	(32)	(3,035)	1,623	1	1,624
Profit for 2023	-	-	-	-	-	1,189	1,189	-	1,189
Other comprehensive income (loss) for the year, net of tax	-	-	-	-	(6)	18	12	-	12
Total comprehensive income (loss) for 2023	-	-	-	-	(6)	1,207	1,201	-	1,201
Transactions with shareholders recognized directly in equity									
Dividend for shareholders of the Company (Note 20.2)	-	-	-	-	-	(638)	(638)	-	(638)
Share-based payment (Note 26)	-	-	-	10	-	-	10	-	10
Exercise of options	1	3	-	(4)	-	-	-	-	-
Balance as at December 31, 2023	3,879	387	390	44	(38)	(2,466)	2,196	1	2,197
Profit for 2024	-	-	-	-	-	1,072	1,072	1	1,073
Other comprehensive loss for the year, net of tax	-	-	-	-	(1)	(5)	(6)	-	(6)
Total comprehensive income (loss) for 2024	-	-	-	-	(1)	1,067	1,066	1	1,067
Transactions with shareholders recognized directly in equity									
Dividend for shareholders of the Company (Note 20.2)	-	-	-	-	-	(781)	(781)	-	(781)
Share-based payment (Note 26)	-	-	-	21	-	-	21	-	21
Exercise of options for shares	3	6	-	(9)	-	-	-	-	-
Balance as at December 31, 2024	3,882	393	390	56	(39)	(2,180)	2,502	2	2,504

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Financial Statements as at December 31, 2025

Consolidated Statements of Changes in Equity for the Year Ended December 31 (contd.)

	Share capital	Share premium	Capital reserve for transactions between a corporation and a controlling shareholder	Capital reserve for employee options	Other reserves	Deficit	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Attributable to shareholders of the Company									
Balance as at December 31, 2024	3,882	393	390	56	(39)	(2,180)	2,502	2	2,504
Profit for 2025	-	-	-	-	-	1,417	1,417	-	1,417
Other comprehensive loss for the year, net of tax	-	-	-	-	(9)	(4)	(13)	-	(13)
Total comprehensive income (loss) for 2025	-	-	-	-	(9)	1,413	1,404	-	1,404
Transactions with shareholders recognized directly in equity									
Dividend for shareholders of the Company (Note 20.2)	-	-	-	-	-	(975)	(975)	-	(975)
Share-based payment (Note 26)	-	-	-	22	-	-	22	-	22
Exercise of options for shares	5	5	-	(10)	-	-	-	-	-
Balance as at December 31, 2025	3,887	398	390	68	(48)	(1,742)	2,953	2	2,955

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Cash Flows for the Year Ended December 31

		2025	2024	2023
	Note	NIS million	NIS million	NIS million
Cash flow from operating activities				
Profit for the year		1,417	1,073	1,189
Adjustments:				
Depreciation, amortization, and reversal of impairment loss (loss)	8,9,10,11	1,687	1,844	1,867
Capital gain, net	24	(7)	(17)	(2)
Financing expenses, net		342	269	258
Recovery of excess cost (see Note 10.4.1)		(36)	-	-
Share in loss of an investee		19	8	-
Impairment loss of a held for sale disposal group	12.5	2	9	-
Share-based payment	26	22	21	10
Income tax expenses	7	274	321	346
Change in trade and other receivables	6	(39)	67	(7)
Change in inventory		54	(109)	(15)
Change in trade and other payables	14	129	147	63
Change in provisions	15	22	(5)	(2)
Change in employee benefits	16	112	115	(3)
Change in broadcasting rights (including reversal of impairment loss)		(283)	(57)	(3)
Miscellaneous		(16)	4	23
Net income tax paid		(437)	(244)	(269)
Net cash from operating activities		3,262	3,446	3,455
Cash flow used in investing activities				
Purchase of fixed assets	9	(1,265)	(1,356)	(1,333)
Investment in intangible assets and deferred expenses	10,11	(413)	(390)	(375)
Investment in bank deposits and other financial investments		(2,335)	(2,045)	(1,419)
Proceeds from repayment of bank deposits and other financial investments		2,110	1,381	1,134
Proceeds from the sale of fixed assets		40	16	39
Government grant for frequencies		-	4	-
Interest received from bank deposits		80	90	72
Acquisition of a subsidiary net of cash acquired		-	-	(14)
Investment in an investee		(31)	(10)	-
Proceeds from the sale of a subsidiary net of cash sold		28	-	-
Miscellaneous		(14)	8	17
Net cash used in investing activities		(1,800)	(2,302)	(1,879)

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Cash Flows for the Year Ended December 31 (contd.)				
		2025	2024	2023
	Note	NIS million	NIS million	NIS million
Cash flow for financing activities				
Issue of debentures and receipt of loans	13	1,190	1,648	515
Repayment of debentures and loans	13	(1,123)	(1,071)	(912)
Payments of principal and interest for leases	8	(491)	(449)	(484)
Interest paid	13	(238)	(249)	(236)
Dividend paid	20	(975)	(781)	(638)
Proceeds for expired hedging transactions		6	7	4
Miscellaneous		-	-	(3)
Net cash used in financing activities		(1,631)	(895)	(1,754)
Net increase (decrease) in cash and cash equivalents				
		(169)	249	(178)
Cash and cash equivalents as at January 1		784	563	741
Change in cash balance of a subsidiary sold		28	(28)	-
Cash and cash equivalents as at the end of the year		643	784	563

The accompanying notes are an integral part of the consolidated financial statements

1. General

1.1 Reporting entity

Bezeq The Israeli Telecommunications Corporation Limited ("the Company") is a company registered in Israel whose shares are traded on the Tel Aviv Stock Exchange. The consolidated financial statements of the Group as at December 31, 2025 include the statements of the Company and its subsidiaries (the "Group") and the Group's interests in an investee. The Group is a principal provider of telecommunications services in Israel (see also Note 28 – Segment Reporting).

1.2 Control in the Company

As from April 14, 2010, the holder of the control permit for the Company was B Communications Ltd. ("B Communications"), which was under the indirect control of Eurocom Communications Ltd. until 2019. On December 2, 2019, B Communications informed the Company of completion of the transaction with Searchlight II BZQ LP and a company controlled by the Fuhrer family (TNR Investments Ltd.), in which control of B Communications and the Company was transferred to these entities, following the liquidation of Eurocom Communications Ltd, under which the holdings in its subsidiary Internet Gold – Golden Lines Ltd. in B Communications were sold.

B Communications is an Israeli public company whose shares are traded on the Tel Aviv Stock Exchange Ltd.

In addition, further to the amendment to the Telecommunications Order, which allows, among other things, an Israeli institutional investor to increase its holding to up to 7.5% in a certain type of means of control in the Company without the approval of the ministers, in September-October 2023, Clal Insurance Enterprises Holdings Ltd., Harel Insurance Investments & Financial Services Ltd., and Migdal Insurance & Financial Holdings Ltd. reported to the Company that they became interested parties in the Company after the rate of their holdings exceeded 5% of the Company's shares, thus becoming a company without a holder of a control permit.

On November 18, 2025, B Communications informed the Company that it had sold, in an off-floor transaction, 441,135,157 ordinary shares of the Company with a par value of NIS 1 each (the "Sold Bezeq Shares"), representing the entire holdings of B Communications in the Company, to several institutional investors for NIS 6.20 per Company share. The total consideration for the Sold Bezeq Shares amounted to NIS 2,735 million (the "Consideration"). On November 21, 2025, the transaction for the sale of the shares was completed; B Communications no longer held Company shares, and the directors Ran Fuhrer and Darren Glatt ended their service in the Company. As a result, the Company became a company without a controlling shareholder.

1.3 Investigation by the Israel Securities Authority and the Israel Police

1.3.1 In 2017 and 2018, the Israel Securities Authority (the "ISA") and the Israel Police conducted investigations into suspected offenses under the Israel Securities Law and the Penal Law, 1977 (the "Penal Law"), regarding transactions related to the Company's former controlling shareholder and former chairman of its board of directors, Shaul Elovitch ("Elovitch"), involving the acquisition of shares of yes Television and Communication Services Ltd. ("yes") and provision of satellite communication services to yes, the conduct of the Ministry of Communications opposite the Company (the "yes Case"), and suspicions of the exercise of authority by Prime Minister Benjamin Netanyahu, to promote matters related to the business of Elovitch and to his economic interests and those of Bezeq Group ("Case 4000"). Further to the investigations, indictments were filed and notices were received as follows:

1.3.1.1 On January 28, 2020, an indictment was filed with the Jerusalem District Court in Case 4000, among others against Elovitch for various offenses, including bribery and misleading information in an immediate report, involving suspicions of the exercise of authority by Prime Minister Benjamin Netanyahu, to promote matters related to the business of Elovitch and to his economic interests and those of the Bezeq Group. The court case is still ongoing.

1.3.1.2 Further to the Company's summons for a hearing in Case 4000, involving suspicions of bribery (an offense under Section 291 of the Penal Law together with Section 23 of the Penal Law) and an offense of reporting with the intent to mislead a reasonable investor (an offense under Section 53(A)(4) of the Israel Securities Law) together with Section 23 of the Penal Law, on February 1, 2024, the Company and the State of Israel signed an

agreement for a conditional termination of proceedings under the provisions in Section B of Chapter 9(1) of the Israel Securities Law (the "Settlement"). According to the Settlement, the State of Israel will not file an indictment against the Company regarding any of the suspicions investigated in the case, subject to payment of an amount of NIS 800 thousand (which was paid by the Company) and the Company's commitment to refrain from making any statement knowingly inconsistent with or contradicting the Settlement the facts admitted by the Company as part of the Settlement.

As part of the Settlement, the State of Israel also informed the Company that it decided to close the investigation in the case of Walla!

It should be noted that the suspicions against the Company are due to the acts and/or omissions of Elovitch and Handler, who were involved in acts described in the Settlement and who no longer serve in the Company.

1.3.2 On December 23, 2020, to the best of the Company's knowledge, the Prosecutor's Office announced, among other things, that its Taxation and Economic Division had filed an indictment that same day with the Economic Division of the Tel Aviv District Court against Shaul Elovitch and former senior officers from Bezeq Group and yes, including Or Elovitch, Amikam Shorer, Linor Yochelman, and Ron Eilon in the yes case. According to the announcement, the defendants are accused of offenses such as aggravated fraud, fraud, and breach of trust in a corporation, and reporting offenses under the Israel Securities Law, and refers to two cases: fraud with respect to the payment of the consideration for the acquisition of yes shares by the Company, and fraud with respect to the conduct of the independent committees set up in the Company to review the transactions of the Company in which Elovitch had a personal interest. In May 2025, a conditional arrangement was published to halt proceedings under Section B of Chapter 9.1 of the Israel Securities Law, between the state and Ron Eilon, under which Ron Eilon admitted to facts concerning the increase in the free cash flow of yes in 2016.

1.3.3 It should be noted that following the opening of the investigations, several civil legal proceedings were opened against the Company and yes, officers in the Company in the relevant period, and companies in the group of the former controlling shareholder in the Company, including motions for certification of class actions and motions for disclosure prior to filing a motion for certification of a derivative claim. For further information about these proceedings, see Note 17.

1.3.4 The Company does not have complete information about past investigations or proceedings currently underway against former officers of the Company (specifically regarding the yes case), their content, materials, and evidence held by law enforcement authorities in the matter. Accordingly, the Company is still unable to assess all the effects of the investigations, their findings, and their effect on the Company and its financial statements.

1.4 Definitions

In these financial statements:

The Company: Bezeq The Israeli Telecommunications Corporation Limited

The Group: Bezeq The Israeli Telecommunications Corporation Limited and its subsidiaries, as follows:

Subsidiaries: Companies, the financial statements of which are fully consolidated, directly or indirectly, with the financial statements of the Company, as set out in Note 12

Associates: Companies, in which the Group's investment is included, directly or indirectly, in the consolidated financial statements at equity

Investees: Subsidiaries or associates

Related parties: As defined in IAS 24, Related Party Disclosures

Interested parties: As defined in paragraph (1) of the definition of an "interested party" in a corporation in section 1 of the Israel Securities Law, 1968

2. Basis of Preparation

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with the Israel Securities Regulations (Annual Financial Statements), 2010.

The consolidated financial statements were approved by the Board of Directors on March 08, 2026.

2.2 Functional currency and presentation currency

The consolidated financial statements are presented in NIS, which is the Group's functional currency, and have been rounded to the nearest million. NIS is the currency that represents the principal economic environment in which the Group operates.

2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items:

- * Derivative financial instruments, including financial derivatives and investments in securities at fair value through profit or loss
- * Inventories measured at the lower of cost and net realizable value
- * Deferred tax assets and liabilities
- * Provisions
- * Assets and liabilities for employee benefits

For further information about the measurement of these assets and liabilities see Note 3, Significant Accounting Policies.

2.4 Operating cycle

The Group's operating cycle is up to one year. As a result, current assets and current liabilities include items the realization of which is intended and anticipated to take place within one year from the date of the financial statements.

2.5 Classification of expenses recognized in the statement of income

Costs and expenses in the statement of income are presented and analyzed on the basis of the function of the expenses. The classification is compatible with the understanding of the Group's businesses, which include a wide range of services using common infrastructure. All of the costs and expenses are used to provide services.

2.6 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the Group's management to make judgments and use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant estimates and judgments, for which changes in the assessments and assumptions could potentially have a material effect on the financial statements of the next fiscal year:

Subject	Key assumptions	Possible effects	Reference
Measurement of recoverable amounts of cash-generating units	Assumptions used in estimating the expected cash flows from cash-generating units	Recognition of impairment loss or impairment reversal	Note 10
Provisions and contingent liabilities, including levies	Assessment of the likelihood of claims against Group companies and measuring potential liabilities attributable to claims	Reversal or creation of a provision for a claim, recognition of income/expenses and recognition of profit or loss for such change, respectively	Note 15 and Note 17
	The Company's assessments of the estimated payment to the authorities for the levies on the real estate asset in the Sakia property	Change in capital gain for the sale of a real estate asset in the Sakia property.	Note 6.6
Employee benefits	Actuarial assumptions such as discount rate, future salary increases and churn rate	An increase or decrease in liabilities for employee benefits and a liability for early retirement	Note 16
Deferred taxes	Assumption of anticipated future realization of the tax benefit, including assumption that it is more likely than not that the carryforward losses in yes will not be utilized.	Recognition of a deferred tax asset and effect on income tax expenses	Note 7

2.7 Determining fair value

When preparing the financial statements, the Group is required to determine the fair value of certain assets and liabilities. Further information about the assumptions made in determining fair values is disclosed in Note 30.7 regarding fair value.

3. Significant Accounting Policy

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

In this Note, where the Group has chosen accounting alternatives permitted in accounting standards and/or in accounting policy where there is no explicit provision in accounting standards, such disclosure is presented in bold and italics. This does not attribute greater importance compared to other accounting policies that are not presented in bold and italics.

3.1 Foreign currency transactions

From time to time, the Group enters into transactions with suppliers abroad, mainly in USD and EUR. Transactions in foreign currency are translated into the functional currency of the Group at the exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate at that date.

3.2 Financial instruments

3.2.1 Non-derivative financial assets

Non-derivative financial assets in the Group comprise mainly investments in NIS bank deposits, investment in monetary funds, trade and other receivables, and cash and cash equivalents.

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost; or fair value through profit or loss.

The Group's debt instruments that are held in the context of a business model with the objective of collecting contractual cash flows in accordance with IFRS 9 mainly include cash and cash equivalents and short- and long-term trade receivables (see Note 6).

The contractual cash flows of these financial assets represent solely payments of principal and interest that reflect consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

Financial assets at amortized cost are measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Group has elected to measure the provision for expected credit losses in respect of trade receivables at an amount equal to the full lifetime credit losses of the instrument.

In addition, the Company holds investments in financial reserves measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss.

3.2.2 Derivative financial instruments including hedge accounting

The Group holds derivative financial instruments to hedge cash flows for risks to future changes in the CPI in respect of the debentures issued by the Group.

At the inception of the hedging relationship, the Group documents its risk management objective and its hedging strategy. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and the hedging instrument are expected to offset each other.

Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and the effective portion of changes in fair value of the hedging instrument is recognized in a hedge reserve under other comprehensive income. The effective portion of changes in fair value of a derivative, recognized in other comprehensive income, is limited to the cumulative change in fair value of the hedged item (based on present value), from inception of the hedge.

In addition, the Group holds derivative financial instruments to hedge cash flows for foreign currency risks. The Group has begun applying hedge accounting for these instruments. In such cases, the Group performs economic hedging, and financial instruments are recognized at fair value; changes in fair value are recognized in profit or loss as incurred, as financing income or expense.

3.2.3 Non-derivative financial liabilities

Non-derivative financial liabilities in the Group include debentures issued by the Group, loans and borrowings from banks and other credit providers (see Note 13), and trade and other payables (see Note 14).

Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or canceled.

The value of CPI-linked financial liabilities, which are not measured at fair value, is revaluated in each period according to the actual increase in the CPI.

3.3 Fixed assets

The Group elected to measure items of fixed assets at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor wages, contractors' costs and financing costs that were capitalized, as well as any other cost directly attributable to bringing the asset to the condition for its use intended by the management, and the estimated costs of dismantling and removing the items and restoring the site on which they are located when the Group has an obligation to vacate and restore the site.

Most of the spare parts, servicing equipment, and backup equipment are classified as fixed assets and meet the definition of fixed assets in IAS 16, since their useful life is more than one year.

When major parts of the fixed assets have different useful lives, they are accounted for as separate items (major components) of the fixed assets.

Gain or loss from the sale of fixed assets is recognized under other income or other expenses, as the case may be, in the statement of income

Depreciation is recognized in the statement of income on a straight-line basis over the estimated useful lives of each part of a fixed asset item.

Leasehold improvements are generally depreciated over the shorter of the lease term (including the extension option held by the Group, which the Group assesses as more likely than not to be exercised) and the useful life of the leasehold improvements.

The estimated useful lives for the current period are as follows:

Asset	Years
Fixed line and international network equipment (switches, transmission, and power)	2-25
Fixed-line network	9-40
Equipment and infrastructure for multichannel television	1-8
Subscriber equipment and installations	1-8
Vehicles	6-7
Office and general equipment	3-14
Electronic equipment, computers and internal communication systems	3-7
Cellular network	4-10
Passive radio equipment at cellular network sites	Up to December 31, 2042
Buildings	25
Submarine cable	10-25

Depreciation methods, useful lives and residual values are reviewed at least in each reporting year and adjusted as required.

3.4 Intangible assets and goodwill

3.4.1 The Group's intangible assets mainly include software and computer licenses and rights of use in cellular communication frequencies (see Note 10).

Rights to frequencies refer to frequencies assigned to Pelephone for cellular activities, after it won the dedicated tenders of the Ministry of Communications. Depreciation of the asset is recognized depreciation and amortization in the statement of income based on the straight line method and is amortized over the term of the allocation of frequencies, starting from use of the frequencies. 3G frequencies (UMTS/HSEA) are amortized until the end of 2030. 4G frequencies (LTE) and 5G frequencies will be amortized until the end of August 2032.

Amortization of intangible assets is recognized in the statement of income on a straight-line basis over the estimated useful life of the intangible assets, from the date on which the assets are available for use.

Estimated useful lives for the current period are as follows:

Type of asset	Amortization period
Frequency usage right	3G frequencies – until December 2030 4G frequencies and 5G frequencies – until August 31, 2032
Computer programs and software licenses	1-7 years depending on the term of the license or over the estimated time of use of the software

Amortization methods and useful lives are reviewed at least at each reporting year and adjusted if appropriate.

3.4.2 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses and is not routinely amortized. Goodwill is measured at least once a year to assess impairment. See also Note 10.

3.5 Leases

The Group's lease agreements include mainly leases for cellular communication sites, buildings, and vehicles.

For lease contracts that include non-lease components, such as services or maintenance, which are related to a lease component, the Group elected to account for the contract as a single lease component without separating the components.

Since the interest rate implicit in the lease is not readily determinable, the incremental interest rate of the Group is used.

Subsequent to initial recognition, the asset is accounted for using the cost model and it is amortized over the lease term or the useful life of the asset (whichever is earlier).

3.5.1 The lease term

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the Group will exercise or not exercise the option.

3.5.2 Variable lease payments

Most of the Group's lease agreements include lease payments that are linked to the CPI. These payments are initially measured using the index or currency rate at the inception of the lease and are included in the measurement of the lease liability. When there is a change in the cash flows of the future lease payments arising from a change in the index, the liability is adjusted (using the original discount rate) against the right-of-use asset.

3.5.3 Depreciation of a right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier.

Below is a weighted average of the remaining duration of the lease agreements as at December 31, 2025:

Type of asset	Years
Cellular communications sites	6.1
Buildings	14.3
Vehicles	2.5

3.6 Impairment and reversal of an impairment loss for non-financial assets

The Company tests its cash generating units for impairment or indications of impairment once a year (see Note 10).

3.6.1 Measurement of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash generating unit (for which future cash flows were not adjusted).

3.6.2 Allocation of goodwill to cash-generating units

For purposes of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes, but in any event is not larger than an operating segment. Goodwill acquired in a business combination is allocated for the purpose of impairment testing to cash-generating units that are expected to generate benefits from the synergies of the combination.

3.6.3 Recognition of impairment loss (loss)

An impairment loss of cash generating units is recognized when the carrying amount of the cash generating unit, including goodwill, where relevant, exceeds its recoverable amount and is recognized in the statement of income. An impairment loss recognized in respect of a cash-

generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amounts of the other assets in the cash-generating unit. To allocate an impairment loss, the assets are not impaired below the higher of their fair value less costs of disposal and their value in use (if determinable) or zero.

An impairment loss arising from a non-recurring adjustment of forecasts for the coming years is classified in the statement of income under Other expenses (impairment loss). On the other hand, an impairment loss of assets arising from the continuous adjustment of non-current assets of the Group companies to their fair value, less costs of disposal (arising due to the expected negative cash flow and negative operating value of those companies) is classified in the statement of income under the same items as the current expenses for these assets. This classification is more consistent with the presentation method based on the nature of the expense and is more suitable for understanding the Group's business.

Accordingly, in the statement of income, the continuing impairment of the broadcasting rights is presented under "general operating expenses", while the continuing impairment of fixed assets, intangible assets and rights of use of capacities is presented under "depreciation, amortization and impairment."

3.6.4 Reversal of impairment loss

Impairment loss for goodwill is not reversed. For other assets, the Group assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset, after the 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 income in the same line item in which the original impairment loss for that asset was recorded.

3.7 Employee benefits

3.7.1 Post-employment benefits

The Group has a number of post-employment benefit plans. The plans are usually financed by deposits with insurance companies and they are classified as defined contribution plans and defined benefit plans.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

The Group's obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of income in the periods during which services are rendered by employees.

Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. This benefit is presented at its present value, and the fair value of any plan assets is deducted. The calculation is performed annually by a qualified actuary. The discount rate is the yield on high-quality corporate debentures at the reporting date, denominated in or linked to the currency of the paid benefit, with maturity dates approximating the terms of the Group's obligations.

Net interest costs on a defined benefit plan are calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability.

The Group elected to recognize the interest costs that were recognized in profit or loss under financing expenses.

Remeasurement of the net defined benefit liability comprises actuarial gains and losses and the return on plan assets (excluding interest). Remeasurements are recognized immediately directly in retained earnings through other comprehensive income.

When the benefits of a plan are improved or curtailed, the portion of the increased or curtailed benefit relating to past service by employees is recognized immediately in profit or loss when the plan improvement or curtailment occurs.

3.7.2 Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits (such as an obligation for accumulated vacation days and sick leave) other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The amount of these benefits is stated at its present value. The discount rate is the yield at the reporting date on high-quality linked corporate debentures denominated in NIS, with maturity dates approximating the terms of the Group's obligations. Actuarial changes are recognized in the statement of income in the period in which they arise. **Any actuarial changes arising from a change in the discount rate are recognized in the financing expenses item, while the other differences are recognized in salary expenses.**

3.7.3 Early retirement and termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy and the offer has been accepted or the Company is no longer able to withdraw the offer.

Expenses for early retirement and termination recognized in the statement of income are presented under other operating expenses (income). The actuarial changes arising from a change in the discount rate, long-term benefits for early retirement and termination, are recognized under financing expenses, while the other actuarial changes are recognized under other operating expenses (income).

3.8 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.8.1 Legal claims

Contingent liabilities are accounted for according to IAS 37 and its related provisions. Accordingly, the claims are classified by likelihood of realization of the exposure to risk, as follows:

Expected – probability above 50%

Likely – probability higher than unlikely and less than or equal to 50%

Unlikely – probability of 5% or less

For claims which the Group has a legal obligation as a result of a past event, which are more likely than not to be realized, the financial statements include provisions which, in the opinion of the Group, based, among other things, on the opinions of its legal advisers retained in respect of those claims, are appropriate to the circumstances of each case, despite the claims being denied by the Group companies. There are also a small number of legal proceedings for which the risks cannot be assessed at this stage, therefore no provisions have been made.

Note 17 describes the amount of additional exposure due to contingent liabilities that are likely to be realized.

The Group recognizes a reimbursement asset if, and only if, it is virtually certain that the reimbursement will be received if the Company settles the obligation. The amount recognized in respect of the reimbursement does not exceed the amount of the provision.

3.9 Revenues

The Group's revenues are divided into the following operating segments (Note 21):

- Domestic fixed-line communication – mainly internet services, telephony services, transmission and data communication services, and others
- Cellular communication – cellular services and sale of terminal equipment
- Multichannel television
- Internet services (ISP, international communications, and ICT services)

3.9.1 The Group recognizes revenues when the customer gains control over the promised goods or services. The income is measured according to the amount of the consideration to which the Group

expects to be entitled in exchange for the transfer of goods or services promised to the customer, other than amounts collected in favor of third parties.

When the contract contains a significant financing component, **the Group recognizes the amount of the consideration using the discount rate that would be reflected in a separate financing transaction between it and the customer on the inception date of the contract.** The financing component is recognized as interest income or expenses over the period, which are calculated according to the effective interest method.

In cases where the difference between the time of receiving payment and the time of transferring the goods or services to the customer is one year or less, **the Group applies the practical expedient included in the standard and does not separate a significant financing component.**

Measuring the existence of performance obligations

In most types of revenues, the Group recognizes revenues over time by measuring the progress towards complete fulfillment of the performance obligation in a manner that reflects the Group's performance in transferring to the customer control over promised goods or services.

3.9.2 Contract costs

The Group has agreements that include incremental costs of obtaining a contract with a customer, such as sales fees to agents and salespeople employed by the Group for sales and upgrades. These costs are recognized as an asset when the Group is likely to recover these costs.

Capitalized costs are amortized in the statement of income on a systematic basis that is consistent with the expected average duration of subscribers and with their average projected churn rate based on the type of subscriber and the service received (mainly over a period of one to four years).

In each reporting period, the Group assesses whether the carrying amount of the asset recognized as aforesaid exceeds the consideration the Group expects to receive in exchange for the goods or services to which the asset relates, less the costs directly attributable to the provision of these goods or services that were not recognized as expenses, and if necessary an impairment loss is recognized in profit or loss

3.10 **Financing income and expenses**

Financing income comprises mainly interest income accrued using the effective interest method in respect of the sale of terminal equipment in installments, interest income from deposits and changes in the fair value of financial instruments at fair value through profit or loss.

Financing expenses include mainly interest and linkage expenses on borrowings received and debentures issued, fair value changes of financial instruments, and financing expenses for employee benefits.

In the statements of cash flows, **interest received is presented as part of cash flows from investing activities. The Group elected to present interest and linkage differences paid for loans and debentures under cash flows used for financing activities.**

3.11 **Income tax expenses**

Income tax expenses include current and deferred taxes and are recognized in the statement of income or in other comprehensive income to the extent that the expenses relate to items recognized in other comprehensive income.

3.11.1 Current taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Current taxes also include taxes in respect of prior years.

3.11.2 Offsetting of current tax assets and liabilities

The Group offsets current tax assets and liabilities are offset if there is a legally enforceable 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 simultaneously.

3.11.3 Uncertain tax positions

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more likely than not that the Group will have to use its economic resources to pay the obligation.

3.11.4 **Deferred taxes**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation 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 an associate, if it is probable that they will not reverse in the foreseeable future and if the Group controls the date of reversal.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for carryforward losses, tax benefits and deductible temporary differences, to the extent that it is probable that there will be future taxable profits against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced if it is no longer probable that the related tax benefit will be realized (see also Note 7).

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized if it is probable that there will be future taxable profits against which they can be utilized.

3.11.5 **Offsetting deferred tax assets and liabilities**

The Group offsets deferred tax assets and liabilities when there is a legally enforceable right to offset current tax assets and liabilities, and these are attributable to the same taxable income that is taxed by the same tax authority in the same taxable entity, or in different tax entities and there is an intention to settle current tax assets and liabilities on a net basis or simultaneously.

3.11.6 **Presentation of tax expenses in the statement of cash flows**

Cash flows arising from taxes on income are classified in the statement of cash flows as cash flows from operating activities, unless they can be specifically identified with investing and financing activities.

3.12 **Dividends**

An obligation relating to a dividend proposed or declared subsequent to the reporting date is recognized only in the period in which the declaration was made (approval of the general meeting). In the statements of cash flows, **a dividend that has been paid is recognized under financing activities.**

3.13 **New standards not yet adopted**

3.13.1 **IFRS 18, Presentation and Disclosure in Financial Statements**

IFRS 18 replaces IAS 1, Presentation of Financial Statements. The Standard provides guidance for improving the structure and content of the financial statements, particularly the income statement. The Standard includes new disclosure and presentation requirements as well as requirements that were taken from IAS 1, Presentation of Financial Statements. As part of the new disclosure requirements, companies are required to present two subtotals in the statement of income: operating profit and profit before financing and taxes. Furthermore, the results in the income statement will be classified into three new categories: an operating category, an investing category and a financing category. In addition to the changes in the structure of the income statements, the standard also includes a requirement to provide separate disclosure in the financial statements regarding the use of management-defined performance measures (MPM). Furthermore, the Standard adds specific guidance for aggregation and disaggregation of items in the financial statements and in the notes. IFRS 18 will apply for annual periods beginning on or after January 1, 2027, with an option for early application. In accordance with the decision of the Israel Securities Authority, initial application of the Standard is only permitted from January 1, 2025. Application of the amendment is expected to have an effect on the presentation and disclosure of information in the Group's financial statements, particularly on the statement of income. The Group is assessing the effects of application of the standard on the financial statements.

4. Cash and Cash Equivalents

As at December 31, 2025, cash and cash equivalents include mainly bank deposits for an average period of 90 days and current account balances.

5. Investments

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Bank deposits in NIS (1)	1,612	873
Investment in securities at fair value through profit or loss	570	1,035
Derivatives	5	9
	2,187	1,917

(1) Bank deposits in NIS are repayable until December 2026.

6. Trade and Other Receivables**6.1 Composition of trade and other receivables**

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Trade receivables*		
Open accounts and checks receivable	732	691
Credit cards	197	177
Revenues receivable	237	211
Current maturities of long-term receivables	277	315
Related and interested parties	-	1
	1,443	1,395
Other receivables and current tax assets		
Current tax assets	36	18
Other receivables	117	90
Related and interested parties	3	8
Prepaid expenses	55	56
	211	172
Long-term trade and other receivables		
Trade receivables – open accounts*	232	244
Long-term other receivables and government authorities (for real estate sales)**	166	166
	398	410
	2,052	1,977

* Trade receivables are stated net of the provision for forecast credit losses.

** See Note 6.6 below.

6.2 Discount interest rates for long-term trade receivables are based on the estimated credit risk of the trade receivables. The discount interest rates used by the Group in 2025 are 5.16%-5.52% (in 2024, 5.17%-5.68%).

6.3 Expected payment dates for long-term trade and other receivables:

Expected payment dates	December 31, 2025
	NIS million
2027	164
2028	65
2029 onwards	169
	398

6.4 Aging of trade receivables at the reporting date:

	December 31, 2025		December 31, 2024	
	Trade receivables, gross	Provision for expected credit losses	Trade receivables, gross	Provision for expected credit losses
	NIS million	NIS million	NIS million	NIS million
Not past due	1,494	(2)	1,459	(7)
Past due up to one year	181	(36)	188	(29)
Past due one to two years	38	(18)	38	(22)
Past due more than two years	57	(39)	42	(30)
	1,770	(95)	1,727	(88)

6.5 Change in provision for forecast credit losses in the year:

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Balance as at January 1	88	70
Impairment loss recognized	32	43
Bad debts	(25)	(25)
Balance as at December 31	95	88

6.6 Long-term other receivables and authorities include receivables in the amount of NIS 106 million for the permit fees and betterment tax paid by the Company to the Israel Land Administration and the Or Yehuda local authority for the sale of the Sakia property in 2019. In addition, the Company provided CPI-linked guarantees in the amount of NIS 50 million in accordance with the requirements of the Israel Land Authority for payment of the balance of permit fees and betterment tax. In accordance with the decision of a decisive appraiser, the Company paid an amount of NIS 56 million in 2024 as an additional betterment levy, and at the same time, the Company recognized an indemnification asset for the same amount, reflecting the ILA's obligation to fully indemnify the Company for the levy.

The Company recognized a capital gain before tax of NIS 403 million on the sale of the Sakia property in its financial statements for 2019. Recognition of the capital gain is based on the Company's estimates of the final amount to be paid to the authorities. It should be noted that if the Company's estimates do not materialize, the final amount of the capital gain before tax will be between NIS 250 million and NIS 450 million.

A legal proceeding has been underway between the parties since 2021.

7. Income Tax**7.1 Corporate tax rate**

Current taxes for the reporting periods and deferred tax balances as at December 31, 2025 are calculated at the tax rate applicable to the Group, which is 23%.

7.2 Final tax assessments

7.2.1 The Company has final tax assessments up to and including 2022.

On September 15, 2016, parallel to signing the assessment agreement ending the dispute between the Company and the tax assessor regarding the financing income for the shareholder loans to yes, the Tax Authority granted approval for tax purposes for the merger of yes with and into the Company, in accordance with section 103(B) of the Income Tax Ordinance. According to the approval, the losses of yes as at the merger date may be offset against the profits of the absorbing company, provided that in each tax year, it will not be permitted to offset an amount exceeding 12.5% (spread over eight years) of the total losses of the transferring company and the absorbing company, or 50% of the taxable income of the absorbing company in that tax year prior to offsetting the loss from previous years, whichever is lower.

The approval was granted in accordance with the applicable tax laws in effect at the time. Without derogating from the amount of the losses set out in the assessment agreement, if there is any change in the applicable tax laws, the Income Tax Authority will reconsider the tax ruling in accordance with the tax laws applicable at the merger date. However, it should be clarified that the approval is effective until December 31, 2019. The Tax Authority will extend the validity of the approval each year by an additional year, subject to the declaration of the Company and yes that there has been no material change in their business affairs and in the terms of the tax ruling, and subject to the interpretation given to the tax laws, provided that such interpretation is published in writing. Any change in the tax laws that does not require a change in the approval will not result in any such change. The tax ruling is extended several times since then every year.

On December 14, 2025, the Company received a letter from the Tax Authority, which, at the Company's request, extends the validity of the tax ruling for one more year, that is, until December 31, 2026. It should be noted that the Tax Authority's letter states, as it already has in its previous letter from prior years, that since no material developments had occurred regarding cancellation of the structural separation between the Company and yes from the date of the tax ruling until the date the extension was granted, and in view of the length of time since the tax ruling was issued, and following an examination of all the Company's arguments on this issue, the Tax Authority will consider not extending the validity of the tax ruling beyond December 31, 2026, insofar as there are no material developments in 2026 regarding cancellation of the structural separation between the Company and yes.

The position of the Company, which it submitted to the Israel Tax Authority, is that it is entitled to an extension of the approval in accordance with the terms of the Tax Ruling, and in any event, even if the validity of the Tax Ruling is not extended, this does not prevent the Company from applying to the Israel Tax Authority at any relevant time in the future for a new tax ruling in place of the Tax Ruling. It is further noted that the Company is continuing to work with the regulatory entities to cancel the structural separation.

The tax losses of yes as at December 31, 2025 amount to NIS 5.3 billion. See Note 7.6 below regarding unrecognized deferred taxes for carryforward losses.

7.2.2 Pelephone has received final tax assessments up to and including 2023.

7.2.3 Bezeq International has received final tax assessments up to and including 2019.

7.2.4 yes has received final tax assessments up to and including 2019.

7.3 Components of Income Tax Expenses

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Current tax expenses			
Expenses for the current year	249	316	337
Adjustments for prior years under the assessment agreement	-	32	-
Adjustments for prior years	10	(1)	1
Total current tax expenses	259	347	338
Deferred tax expenses			
Creation and reversal of temporary differences	15	(3)	8
Adjustments for prior years under the assessment agreement	-	(32)	-
Reversal of temporary differences according to an assessment agreement	-	9	-
Total deferred tax expenses (income)	15	(26)	8
Income tax expenses	274	321	346

7.4 Reconciliation between theoretical tax on pre-tax profit and tax expenses

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Profit before income tax	1,691	1,394	1,535
Statutory tax rate	23%	23%	23%
Income tax at the statutory tax rate	389	321	353
Reversal of amortization and impairment losses	(89)	-	-
Expenses not recognized for tax purposes and other expenses and losses for which no deferred taxes were created, net	(26)	-	(7)
Income tax expenses	274	321	346

7.5 Recognized deferred tax assets and liabilities and their changes

	Deferred tax assets for employee benefit plans	Deferred tax liabilities for fixed assets and intangible assets	Other deferred taxes	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2024	237	(284)	(17)	(64)
Changes recognized in the statement of income:				
Creation and reversal of temporary differences	6	(18)	38	26
Changes recognized in other comprehensive income	(3)	-	(5)	(8)
Balance as at December 31, 2024	240	(302)	16	(46)
Changes recognized in the statement of income:				
Creation and reversal of temporary differences	16	(19)	(4)	(7)
Creation of a tax provision for the recovery of excess cost (see Note 10.4.1)	-	(8)	-	(8)
Changes recognized in other comprehensive income	2	-	3	5
Balance as at December 31, 2025	258	(329)	15	(56)

7.6 Unrecognized deferred tax assets and liabilities

The Company has approval from the Tax Authority for the utilization of carryforward tax losses when it merges with yes. The approval is subject, among other things, to approval from the Ministry of Communications for the cancellation of the structural separation between the two companies. The approval requires an extension by the Tax Authority for an additional year every year until the actual merger, as set out in Note 7.2.1 above.

As at the date of the financial statements, deferred taxes for carryforward tax losses of yes in the amount of NIS 5.3 billion were not recognized, and deferred taxes for an impairment loss of assets in Bezeq International were not recognized (see Note 10), since they are not expected to be utilized, according to the Company's assessment as at the date of the financial statements.

In addition, in the calculation of deferred taxes, the taxes that would be applicable in the case of disposal of investments in subsidiaries were not recognized, since the Group intends and is able to retain these investments. Additionally, deferred taxes for distribution of profits in subsidiaries were not recognized, since inter-company dividends are not taxable.

8. Leases

Under the lease agreements, the Group leases mainly cellular communications sites, structures (including offices, data centers, warehouses, communication rooms, and points of sale), and vehicles.

8.1 Right of use assets

	Cellular communications sites	Buildings	Vehicles	Total
	NIS million	NIS million	NIS million	NIS million
Amortized cost				
Balance as at January 1, 2024	655	1,056	159	1,870
Additions and changes*	175	167	185	527
Amortization for the year	(170)	(111)	(137)	(418)
Derecognition for expired or terminated agreements	(12)	(200)	(5)	(217)
Balance as at December 31, 2024	648	912	202	1,762
Additions and changes*	188	91	137	416
Amortization for the year	(167)	(109)	(133)	(409)
Derecognition for expired or terminated agreements	(7)	(5)	(3)	(15)
Balance as at December 31, 2025	662	889	203	1,754

* Additions for new agreements, linkage differences, and amendments to existing agreements

8.2 Lease liabilities

	Cellular communications sites	Buildings	Vehicles	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2024	727	1,127	187	2,041
Additions and changes*	176	173	184	533
Disposals	(12)	(212)	(5)	(229)
Financing expenses for lease liabilities	26	37	9	72
Lease payment	(177)	(130)	(142)	(449)
Balance as at December 31, 2024	740	995	233	1,968
Additions and changes*	188	91	137	416
Disposals	(7)	(5)	(3)	(15)
Financing expenses for lease liabilities	31	35	11	77
Lease payment	(198)	(147)	(146)	(491)
Balance as at December 31, 2025	754	969	232	1,955
Carrying amount as at December 31, 2024				
Current maturities of a lease liability	214	113	111	438
Long-term liabilities for a lease	526	882	122	1,530
Total balance as at December 31, 2024	740	995	233	1,968
Carrying amount as at December 31, 2025				
Current maturities of a lease liability	218	96	111	425
Long-term liabilities for a lease	536	873	121	1,530
Total balance as at December 31, 2025	754	969	232	1,955

* Additions for new agreements, linkage differences, and amendments to existing agreements

8.3 Analysis of repayment dates of liabilities for the Group's lease (including principal and interest to be paid)

Expected payment dates	December 31, 2025
	NIS million
Up to one year	491
1-5 years	1,033
More than five years	842
Total	2,366

8.4 Options to terminate or extend a lease

In most of the lease agreements, the Group assumed that it is more likely than not that the extension option in the agreements will be exercised, therefore there are no material liabilities in respect of leases that were not presented in the financial statements. Most of the lease agreements include an option to cancel the agreement with notice and/or payment of a penalty as set out in the agreements. The Group assumed that it is more likely than not that the cancellation options will not be exercised.

9. Fixed Assets

	Land and buildings	Fixed line and international network equipment (switches, transmission, power)	Cables and fixed line and international network communication infrastructure	Cellular network	Equipment and infrastructure for multichannel television	Subscriber equipment	Office equipment, computers, and vehicles	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Cost								
Balance as at January 1, 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
Disposals	(137)	(119)	-	(5)	(113)	(399)	(46)	(819)
Classification to assets held for sale	(62)	-	-	-	-	-	(19)	(81)
Balance as at 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
Disposals	(11)	(114)	(42)	-	(157)	(331)	(76)	(731)
Balance as at December 31, 2025	1,223	3,131	13,834	4,131	1,252	1,704	619	25,894
Depreciation and impairment losses								
Balance as at January 1, 2024	1,105	1,529	9,633	3,083	1,205	1,017	369	17,941
Depreciation for the year	31	207	198	162	36	327	56	1,017
Disposals	(135)	(119)	-	(3)	(108)	(392)	(45)	(802)
Impairment (reversal of impairment)	6	3	3	-	29	(1)	11	51
Classification to assets held for sale	(52)	-	-	-	-	-	(16)	(68)
Balance as at December 31, 2024	955	1,620	9,834	3,242	1,162	951	375	18,139
Depreciation for the year	25	229	213	169	58	328	53	1,075
Disposals	(9)	(114)	(42)	-	(155)	(323)	(74)	(717)
Impairment (reversal of impairment)*	(1)	2	-	-	(55)	(2)	(16)	(72)
Balance as at December 31, 2025	970	1,737	10,005	3,411	1,010	954	338	18,425
Carrying amount								
January 1, 2024	255	1,262	3,520	652	136	778	225	6,828
December 31, 2024	260	1,335	3,698	678	177	771	241	7,160
December 31, 2025	253	1,394	3,829	720	242	750	281	7,469

* Depreciation expenses include the reversal of an impairment loss in the television and communication services segment in the amount of NIS (84) million and as an impairment loss in the Bezeq International in the amount of NIS 12 million.

- 9.1** The residual value of the Group's copper cables is assessed at the end of each quarter. The residual value amounted to NIS 214 million as at December 31, 2025 and NIS 255 million as at December 31, 2024.
- 9.2** The Group companies reviewed the useful life of the fixed assets through depreciations committee, in order to determine the estimated useful life of their equipment. Following the findings of the depreciation committees, minor changes were made in the estimated useful life of certain assets. The change had no material effect on the depreciation expenses of the Group.
- 9.3** Most of the real estate assets used by the Company are leased under a capitalized lease from the Israel Lands Administration as from 1993 for 49 years, with an option for an extension of another 49 years. Lease rights are amortized over the term of the lease period.
- 9.4** On September 14, 2020, the Company's board of directors approved the launch of the Company's plan for deployment of the fiber optic network. Further to the board of directors' decision, the Company began deploying optic fibers to buildings, including the deployment of vertical equipment in buildings, and on March 14, 2021, it announced the roll out of services to its customers on the fiber optic network. On May 25, 2021, the Company's board of directors approved the Company's plan for fiber deployment and the submission of the plan to the Ministry of Communications in accordance with the Telecommunications Law. As part of the plan, the Company was expected to deploy and operate an ultra-fast fiber network that will cover 76% of the country's population (the Company estimates that this is 80% of households in Israel). On the following dates, the Ministry of Communications approved the Company's applications to add service areas for deploying a fiber network and providing services: October 3, 2022; August 14, 2023; July 7, 2024; February 13, 2025; July 20, 2025; and December 30, 2025. The approved areas include "returned areas" that the interministerial tenders committee permitted certain winners of the incentive tenders to cancel their right to deploy a fiber network for various reasons. The updated proportion of households in the Company's deployment areas will be 88.63%. See also Note 18.7 regarding the commitment of the Group companies to pay into the incentive fund.
- 9.5** In accordance with the Telecommunications Order (Telecommunications and Broadcasts) (Determination of Essential Service Provided by Bezeq The Israeli Telecommunications Corp. Ltd.), 1997, approval from the Prime Minister and Minister of Communications is required to confer rights in some of the Company's assets (including switches, cable network, transmission network, and information and databases).
- 9.6** For information about liens for loans and borrowings, see Note 13. For information about other liens, see Note 19.
- 9.7** For information about agreements for the purchase of fixed assets, see Note 18.
- 9.8** In 2025, the Group derecognized fully depreciated fixed assets that are not used by the Group in the amount of NIS 677 million.

10. Intangible Assets

	Goodwill NIS million	Software and licenses NIS million	Right of use of cellular communications frequencies NIS million	Brand – television and communications services NIS million	Other NIS million	Total NIS million
Cost						
Balance as at January 1, 2024	1,430	2,882	570	347	35	5,264
Acquisitions or additions from in-house development	-	262	-	-	-	262
Allocation of excess cost and retroactive adjustment	23	3	-	-	(22)	4
Classification to assets held for sale	-	(37)	-	-	-	(37)
Disposals	-	(359)	-	-	-	(359)
Balance as at December 31, 2024	1,453	2,751	570	347	13	5,134
Acquisitions or additions from in-house development	-	249	-	-	-	249
Allocation of excess cost and retroactive adjustment	4	-	-	-	-	4
Disposals	-	(58)	-	-	-	(58)
Balance as at December 31, 2025	1,457	2,942	570	347	13	5,329
Amortization and impairment losses						
Balance as at January 1, 2024	1,080	2,501	395	347	-	4,323
Amortization for the year	-	144	21	-	2	167
Impairment	-	86	-	-	-	86
Disposals	-	(359)	-	-	-	(359)
Classification to assets held for sale	-	(31)	-	-	-	(31)
Balance as at December 31, 2024	1,080	2,341	416	347	2	4,186
Amortization for the year	-	177	23	-	2	202
Impairment (reversal of impairment loss) (see Note 10.4-10.5 below)*	-	(49)	-	-	-	(49)
Recovery of excess cost (see Note 10.4.1)	-	-	-	(36)	-	(36)
Disposals	-	(58)	-	-	-	(58)
Balance as at December 31, 2025	1,080	2,411	439	311	4	4,245
Carrying amount						
January 1, 2024	350	381	175	-	35	941
December 31, 2024	373	410	154	-	11	948
December 31, 2025	377	531	131	36	9	1,084

* Depreciation expenses include the reversal of an impairment loss in the television and communication services segment in the amount of NIS (80) million and as an impairment loss in the Bezeq International in the amount of NIS 31 million.

10.1 Assessment of impairment of cash-generating units**10.1.1 Carrying amount of goodwill attributed to each cash-generating unit:**

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Domestic fixed-line communications (Bezeq) (Note 10.3)	265	265
Cellular communications (Pelephone) (Note 10.2)	76	76
Others *	36	32
	377	373

* See Note 12.4 and Note 12.3.3.

10.2 Assessment of goodwill impairment in cellular communications (Pelephone)

The balance of goodwill attributable to the cash-generating cellular communications unit is NIS 76 million. Accordingly, the Company assessed the recoverable amount of the cash-generating cellular communications unit as at December 31, 2025.

The value in use of the cellular communications cash-generating unit for Bezeq Group as at December 31, 2025 was calculated by discounting future cash flows (DCF method) based on a five year cash flow forecast as at the end of the current period with the addition of the salvage value (representative year). The cash flow forecast is based, among other things, on Pelephone's performance in recent years and assessments regarding the expected trends in the cellular market in the coming years (the level of competition, price level, regulation, and technological developments).

A key assumption underlying the forecast is that competition in the market will stabilize and there will be a certain increase in price levels in the medium-long term. The revenues forecast is based on assumptions regarding the Company's subscriber base, average revenue per user, and sales of terminal equipment. The operating expenses and investments were adjusted to the projected volume of the operations of Pelephone.

The nominal discount rate taken into account for the valuation is 9% after tax (11.1% before tax). In 2024, the capitalization rate was 10.5% after tax (12.9% before tax). In addition, a terminal growth rate of 2.5% was assumed (in 2024, 2%).

The valuation is sensitive to changes in the terminal growth rate and the discount rate. In addition, the valuation is sensitive to the net cash flow in the representative year in general, and to the ARPU and number of users at the end of the range of the forecast (and in the terminal year) in particular (a change of NIS 1 in ARPU throughout the forecast years results in a change in the enterprise value amounting to NIS 390 million; a change of 2.5% in the number of subscribers throughout the forecast years (and in the terminal year) results in a change in the enterprise value amounting to NIS 484 million).

The valuation was prepared by an external appraiser. Based on the valuation as explained above, the enterprise value of Pelephone amounted to NIS 3,213 million, compared with a carrying amount of NIS 896 million. Accordingly, the Group was not required to record amortization for impairment of the cellular communications cash-generating unit.

10.3 Assessment of goodwill impairment in domestic fixed-line communications (Bezeq)

The balance of goodwill attributable to the domestic fixed line cash-generating unit is NIS 265 million. Accordingly, the Company assessed the recoverable amount of the domestic fixed-line cash-generating unit as at December 31, 2025.

The value in use of the domestic fixed line cash-generating unit for Bezeq Group was calculated by discounting future cash flows (DCF) based on a five year cash flow forecast as at the end of the current period with the addition of the salvage value (representative year).

The cash flow forecast is based, among other things, on the Company's performance in recent years and assessments regarding the expected trends in the fixed-line market in the coming years (the level of competition, retail and wholesale price levels, regulation aspects, and technological developments).

Main assumptions underlying the forecast: decrease in revenues from telephony (due to a decrease in the number of lines, erosion in call minutes used per line, and the effect of the Ministry of Communication's decision regarding the setting of maximum rates for the Company's retail telephony services); growth in internet revenues (supported by market growth), introduction of internet services

over the fiber network, and the cancellation of the separation between broadband infrastructure service and internet access service); erosion in revenues from data communication and transmission (due to an expected decline in transmission revenues from ISPs, and despite expectations for consistent growth in revenues from data communication services), and moderate growth in cloud and digital revenues. Operating expenses, selling and marketing expenses and investments were adjusted to the scope of activity in the segment, with the forecasts including assumptions regarding the Company's workforce and the resulting salary and retirement expenses and assumptions regarding the deployment rate of the fiber infrastructure.

The nominal discount rate taken into account for the valuation is 8% after tax (9.93% before tax). In 2024, the capitalization rate was 8.75% after tax (10.13% before tax). In addition, a terminal growth rate of 2% was assumed (in 2024, 1%).

The valuation was prepared by an external appraiser. Based on the valuation as explained above, the enterprise value of the Company amounted to NIS 21,759 million, compared with a carrying amount of NIS 6,147 million. Therefore, the Group was not required to record amortization for impairment of a cash-generating unit of the domestic fixed-line communications segment.

10.4 Reversal of impairment (impairment loss) in the television and communication services segment (yes)

At the end of 2025, yes revised its forecasts for the coming years, taking into consideration the trends and changes in its operational environment. The value in use of the television and communication services cash-generating unit for Bezeq Group as at December 31, 2025, was calculated by discounting future cash flows (DCF) based on the cash flow forecast of yes up to and including 2030 with the addition of the salvage value (representative year). The nominal discount rate taken into account for the valuation is 9.25% after tax (11.3% before tax). In 2024, 11% after tax and 12.4% before tax. In addition, a terminal growth rate of 1% was assumed (in 2024, 1%).

The cash flow forecast was based, among other things, on the performance of yes in recent years and assessments of the expected trends in the television and fiber market for the years ahead, including technology development, consumer preferences, competitors and the level of competition, price levels and regulatory obligations.

The forecast is based on the key assumption that by the end of the first quarter of 2026, yes will reduce its satellite broadcasting operations to a limited format, while continuing its transition from satellite broadcasting to OTT distribution. As a result, there will be a significant decrease in satellite broadcasting costs.

The forecast also includes expansion of the operations of yes in sales of television and internet bundles and entry into the television advertising market, as well as assumptions regarding expenses for fiber service, wholesale market prices, and efficiency in operating expenses.

Additionally, the forecast assumes the continued high level of competition in the market and a shift of customers from premium to discount plans.

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

Enterprise value and the net fair value of assets and liabilities of yes, as determined by an external appraiser, and recognized impairment losses:

	Enterprise value of yes (based on the DCF method)	Net fair value of assets and liabilities of yes	Net carrying amount of assets and liabilities of yes, before reversal loss / impairment recognition	Reversal of impairment loss (loss)
	NIS million	NIS million	NIS million	NIS million
As at December 31, 2025 and for the three months then ended (audited)	762	*	484	92**
As at September 30, 2025 and for the three months then ended (unaudited)	480	*	295	185
As at June 30, 2025 and for the three months then ended (unaudited)	274	(49)	127	147
As at March 31, 2025 and for the three months then ended (unaudited)	61	(75)	98	(37)
Total reversal of impairment loss recognized in 2025				387
As at December 31, 2024 and for the year then ended (audited)	86	(34)	84	(151)

* As at September 30 and December 31, 2025, the enterprise value under the DCF approach is positive, while the fair value of the Company's assets and liabilities, net, remains negative. Therefore, the Company does not present enterprise value under this approach in its financial statements.

** The maximum recoverable amount permitted under IAS 36 is NIS 92 million, based on the depreciated cost of the assets, net of the depreciation that would have accumulated had no impairment been recognized, as at the valuation date.

The recoverable amount of the operating assets of yes in each period is based on value in use, calculated using the discounted cash flow approach.

It should be noted that the calculation of the value in use is sensitive to the net cash flow in the representative year in general, and to the ARPU and number of users at the end of the forecast period in particular. An increase/decrease of NIS 1 in ARPU throughout the forecast years (and in the terminal year) results in a change in the enterprise value amounting to NIS 64-(63) million, and an increase/decrease of 5 thousand users throughout the forecast years (and in the terminal year) results in a change in the enterprise value amounting to NIS 80-(79) million.

Attribution of reversal of impairment loss to the Group assets:

	2025	2024	2023
	NIS million	NIS million	NIS million
Broadcasting rights, net of rights exercised *	214	(64)	(103)
Fixed assets **	84	(41)	(62)
Intangible assets **	80	(39)	(37)
Rights of use for leased assets **	1	-	1
Other receivables (prepaid expenses) *	8	(7)	(3)
Reversal of impairment loss or (loss) from impairment recognized	387	(151)	(204)

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

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

10.4.1 In addition to the reversal of impairment losses in the television and communications services segment, the Group recognized an impairment reversal of NIS 36 million relating to the excess cost of the brand under other revenues (expenses). See Note 24 below.

10.4.2 Significant events that affected the valuation in the reporting period:

10.4.2.1 On April 23, 2025, yes and Partner Communications Ltd. signed an agreement. Under the agreement, yes will grant Partner a license to use a dedicated content app based on the Sting+ service, provide related services, and grant a license to broadcast content. The commercial launch date was set for four to six months from the signing date. In May

and July 2025, additional amendments to the agreement were signed, which regulated the terms for the purchase of shared content, the license to use the app, and the payment format for it. In September 2025, the commercial service was launched. The agreement has a significant non-recurring positive effect of NIS 120 million, reflected in the reversal of impairment.

10.4.2.2 On July 29, 2025, the Company received a hearing document published by the Ministry of Communications regarding the determination of maximum payments in the wholesale market. According to the hearing, the Ministry believes it is necessary to update the cost model underlying the wholesale rates and set lower rates for the Company. The Company and yes believe that the proposed rate reduction will be approved, even if the final rates differ from the rates published at the hearing. Accordingly, and as set out in Note 10.4 above and the valuation report, yes updated the forecast used for the revised valuation and recorded a one-time material positive effect of NIS 70 million due to the reversal of asset impairments.

10.4.2.3 In September 2025, yes entered into an agreement with RGE Group Ltd. ("RGE") and Taboola.com Ltd. ("Taboola") (the "Agreement"), under which, among other terms, RGE and Taboola will engage with advertisers and manage advertising activities within yes's OTT multichannel television services, in accordance with the guidelines established by yes, utilizing advertising space allocated to RGE and Taboola on an exclusive basis, subject to specific exceptions outlined in the Agreement. The agreement has a significant one-time positive accounting effect of NIS 72 million for the reversal of impairment.

10.5 Impairment in internet services, international communications, and ICT solutions (Bezeq International)

At the end of 2025, Bezeq International revised its forecasts for the coming years, taking into account trends and changes in its operating environment. The value in use for Bezeq Group of the Bezeq International services cash-generating unit as at December 31, 2025 was calculated by discounting future cash flows (DCF method) based on a five-year forecast of cash flows from operations from the end of 2025, with the addition of the salvage value (representative year). The discount rate taken into account for the valuation is 9.9% (after and before tax) (in 2024, 11.4%). In addition, a terminal growth rate of 3% was assumed (in 2024, 3%).

The cash flow forecast was based, among other things, on Bezeq International's performance in recent years and assessments regarding the future trends in the markets in which it operates (competition, price levels, regulation, and technological developments).

The revenue forecast is based on assumptions that the internet subscriber base of Bezeq International, and its revenues from these subscribers, would be significantly adversely affected by the decision of the Ministry of Communication to cancel the separation between broadband internet service and ISP service, as set out in Note 12.3 below, including assumptions regarding subscribers that do not use ISP services, assumptions regarding activity in the business telecommunications services market, which includes public cloud activity, and assumptions regarding international telecommunications operations.

Operating, selling, marketing, and investment costs were adjusted for the scope of activity in the sector and in general, this includes discount forecasts for the scope of decrease in the number of Bezeq International employees and the resulting salary expenses. See Note 16.5.3 below.

The significant changes in the internet activity of Bezeq International led to projections of operating losses and negative cash flows in the coming years, which are expected to decrease with growth in cloud services, hosting, and business computing.

The valuation is sensitive to the net cash flow in the representative year in general, and to the extent of changes in the telecommunications services sector, including activities of the subsidiary Cloudojo and internet services for the private sector in particular.

The valuation was prepared as at December 31, 2025 by an external appraiser. Based on the valuation as described above, the enterprise value of Bezeq International services as at December 31, 2025, is a negative amount of NIS 93 million, using the revenue discount approach (as at December 31, 2024, the enterprise value was a negative amount of NIS 89 million). Given the negative enterprise value, the value of the non-current assets of Bezeq International as at December 31, 2025 was set as the higher of their fair value net of costs to sell and zero. The fair value of the assets of Bezeq International net of costs to sell as at December 31, 2025 is a negative amount of

NIS 79 million. Accordingly, in 2025, the Group recognized an impairment loss amounting to NIS 73 million.

Enterprise value and the net fair value of the assets and liabilities of Bezeq International, as determined by an external appraiser, and recognized impairment losses:

	Enterprise value of Bezeq International (based on the DCF method)	Net fair value of assets and liabilities of Bezeq International	Net carrying amount of assets and liabilities of Bezeq International before impairment recognition	Impairment loss
	NIS million	NIS million	NIS million	NIS million
As at December 31, 2025 and for the three months then ended (audited)	(93)	(79)	(53)	(26)
As at September 30, 2025 and for the three months then ended (unaudited)	(89)	(56)	(42)	(14)
As at June 30, 2025 and for the three months then ended (unaudited)	(89)	(59)	(38)	(21)
As at March 31, 2025 and for the three months then ended (unaudited)	(89)	(57)	(45)	(12)
Total impairment recognized in 2025				(73)
As at December 31, 2024 and for the year then ended (audited)	(89)	(51)		(91)

The recoverable amount of the assets of Bezeq International in each period is determined as the higher of: the value of the activity based on the discounted cash flow (DCF) approach and the net fair value of assets and liabilities of Bezeq International.

Attribution of impairment loss to assets of Bezeq International:

	2025	2024	2023
	NIS million	NIS million	NIS million
Fixed assets and intangible assets **	(43)	(57)	(57)
Short-term and long-term prepaid expenses *	(21)	(21)	(17)
Rights of use of leased vehicle assets **	-	-	(1)
Long-term prepaid expenses for capacities **	(9)	(13)	(12)
Total impairment recognized	(73)	(91)	(87)

* The expense was presented under general and operating expenses

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

From 2021, impairments are considered ongoing and are accordingly classified under depreciation, amortization, and impairment expenses and under operating and general expenses and impairment, based on the type of asset for which the impairment was recorded.

Bezeq International allocated the impairment loss to its assets based on their relative carrying amount, limiting the allocation to the fair value of each asset. The fair value was determined in the valuation using the net asset value method, as set out above.

Below is information about the method used by Bezeq International for measuring the fair value (Level 3) of the assets, net of costs to sell.

Fixed assets – The fair value of fixed assets that are available for sale to a market participant was based on the cost approach, which takes into account the cost of replacement with new equipment less costs of physical wear and tear and technological obsolescence less costs for making the sale. The value of the fixed assets was assessed by an external equipment appraiser.

Intangible assets – Material fair value was not attributed to intangible assets, since most of the software and licenses of Bezeq International were specially adapted to Bezeq International, and therefore they have no material value in a transaction between a willing buyer and a willing seller.

International capacity – In view of the terms of the agreements that were signed, which allow the assignment of these rights only to the Company or to a fellow subsidiary of Bezeq International,

which are not considered a market participant (third party) for the purpose of calculating fair value according to IFRS 13, these right have no fair value.

Short- and long-term prepaid expenses – Material fair value was not attributed to prepaid expenses for maintenance of Bezeq International's systems, as the majority of the maintenance agreements were specially adapted to Bezeq International, and therefore they have no material value in a transaction between a willing buyer and a willing seller.

Rights of use of leased assets: The fair value of right-of-use assets is affected by the ability to lease the asset underlying the lease to a third party, the lease fees of the asset on the market, and the exit penalties in the lease contract.

11. Deferred Expenses and Non-current Investments

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Net subscriber acquisition asset (see 11.1 below)	184	171
Deferred expenses (see 11.3 below)	8	17
Bank deposit for loans to Company employees (see 11.4 below)	26	29
Derivatives	19	27
Investment in an investee (see Note 12.6 below)	14	8
	251	252

11.1 Subscriber acquisition assets

	Subscriber acquisition assets
	NIS million
Cost	
Balance as at January 1, 2024	351
Additions	132
Disposals	(85)
Balance as at December 31, 2024	398
Additions	158
Disposals	(120)
Balance as at December 31, 2025	436
Amortization and impairment losses	
Balance as at January 1, 2024	185
Depreciation	127
Disposals	(85)
Balance as at December 31, 2024	227
Depreciation	145
Disposals	(120)
Balance as at December 31, 2025	252
Carrying amount	
January 1, 2024	166
December 31, 2024	171
December 31, 2025	184

11.2 Broadcasting rights

	Broadcasting rights
	NIS million
Cost	
Balance as at January 1, 2024	1,212
Additions	142
Disposals	(64)
Balance as at December 31, 2024	1,290
Additions	132
Disposals	(75)
Balance as at December 31, 2025	1,347
Amortization and impairment losses	
Balance as at January 1, 2024	1,152
Depreciation	21
Disposals	(63)
Impairment loss	64
Balance as at December 31, 2024	1,174
Depreciation	62
Disposals	(75)
Reversal of impairment loss	(214)
Balance as at December 31, 2025	947
Carrying amount	
January 1, 2024	60
December 31, 2024	116
December 31, 2025	400

The balance of deferred expenses is presented net of impairment loss. * See Note 10.6 for information about impairment of assets of Bezeq International.

Bank deposit for loans to Company employees without a repayment date

12. Investees**12.1 Subsidiaries/investees**

The place of incorporation of the companies held directly by the Company is Israel. Information about subsidiaries held directly by the Company:

yes Telephone and Communication Services Ltd. (see Note 12.2 below)

Bezeq International Ltd. (see Note 12.3 below)

Pelephone Communications Ltd. (see Note 12.4)

Bezeq Online Ltd. (sold in 2025 – see Note 12.5)

BezeqGen (see Note 12.6) – a jointly controlled company

As at December 31, 2025 and December 31, 2024, the Company holds 100% of the interests in the capital of the subsidiaries listed above, other than BezeqGen. The Company's subsidiaries have investments in other subsidiaries that are not material.

12.2 yes Television and Communication Services Ltd. (yes)**12.2.1** yes is a wholly-owned (100%) subsidiary of the Company. The Company consolidates the financial statements of yes as from March 23, 2015.

The Company has an assessment agreement and taxation decision from the Tax Authority regarding financing income, shareholder loans, the losses of yes, and its merger (see also Note 7.2.1).

12.2.2 As at December 31, 2025, yes has negative retained earnings of NIS 7,599 million, equity of NIS 614 million, and a working capital deficit of NIS 286 million. In addition, as at December 31, 2025, yes has off-balance sheet liabilities in a cumulative amount of NIS 899 million for the acquisition of space segments, content, fixed assets, and other assets, up to 2029 and thereafter (see Note 18).

12.2.3 Based on the valuation as at December 31, 2025, the total enterprise value of yes is a positive value of NIS 762 million (compared with a positive enterprise value of NIS 86 million as at December 31, 2024) (see Note 10.4). According to the forecasts of yes, it expects to transition from operating losses to low operating profits in the coming year and it may be unable to meet its obligations and continue as a going concern without the Company's support.

On March 8, 2026, the Company's board of directors approved a credit facility or capital investment for yes in the amount of NIS 50 million, up to December 31, 2026, replacing previous commitments, the most recent of which was provided in November 2025 (in the amount of NIS 100 million). It should be noted that in 2025, yes did not utilize the credit facilities provided by the Company.

The management of yes believes that the financial resources at its disposal, which include the continuation of the existing policy of a working capital deficit and the credit facility, and the capital investments by the Company, will be adequate for the operational needs of yes until December 31, 2026.

12.2.4 See Note 10.4 for information about the impairment of assets recognized by yes in the financial statements as at December 31, 2025.

12.3 Bezeq International Ltd.

12.3.1 Cancellation of the separation of broadband infrastructure services and internet access (ISP) services

On June 20, 2021, the Company received the ruling of the Minister of Communications regarding the separation of broadband infrastructure service and internet access (ISP) service, including with respect to private customers. According to the ruling, as from the determining date, the prohibition on infrastructure owners offering ISP services to private customers will be lifted. In addition, it will be prohibited to sell services in a split format, but customers who currently receive service in a split/semi-split configuration may continue using internet services in this way. It should be noted that cancellation of the separation resulted in a decrease in the number of subscribers who do not use ISP services and it is expected to lead to a further decrease in the coming years.

The process, which is expected to continue to adversely affect the results of Bezeq International, was taken into account in the cash flow forecast used to assess impairment as described in Note 10.5 above.

12.3.2 See Note 10.5 for information about the impairment of assets recognized by Bezeq International in the financial statements as at December 31, 2025.

12.3.3 In February 2022, Bezeq International acquired 77% of the shares of CloudEdge Ltd., which specializes in providing public cloud computing solutions for Microsoft products. The goodwill created by the acquisition was fully attributed to CloudEdge operations.

12.3.4 See Note 16.5.3 for information about the voluntary retirement plan at Bezeq International, which was approved by the board of directors of Bezeq International.

12.4 Pelephone Communications Ltd.

As part of Pelephone's activity and its preparation for global trends in the roaming services market, which include more extensive use of eSIM technology in these services, on October 18, 2023, the acquisition was completed of 100% of control and ownership rights in Roamability (an Israeli and US company), which specializes in global roaming services solutions, including wholesale, and including providing a platform for the management and sale of these services.

12.5 Bezeq Online Ltd.

On November 7, 2024, the Company signed an agreement with One Software Technologies Ltd., for the sale of all of the Company's holdings in its subsidiary Bezeq Online Ltd. On April 17, 2025, the transaction was completed after the fulfillment of all the preconditions in the agreement. Under the agreement, ownership was transferred to the buyer and the full net cash consideration of NIS 34 million was received, less the cash balance in the amount of NIS 6 million of the sold entity.

12.6 BezeqGen Ltd.

On April 9, 2024, the Company's board of directors approved the engagement between the Company and Powergen in a detailed shareholder agreement based on the principles set out in the MoU (the "Agreement"). The engagement was also approved by Powergen's board of directors and the Agreement was signed on May 15, 2024. The project allows consumers to shift their electricity supply from the IEC in several discount tracks through BezeqGen Ltd. under the Bezeq Energy brand ("BezeqGen"), which is owned by the Company (50%) and Powergen (50%). On June 27, 2024, the Electricity Authority announced the approval of the transfer of the Company's license to BezeqGen for electricity supply without means of production. BezeqGen began acquiring electricity for its operations and the Company began marketing BezeqGen's activities.

The Company holds 50% of BezeqGen Ltd. ("BezeqGen"), a jointly controlled investee that meets the definition of a joint transaction. As from the second quarter of 2024, the Company began to record its share in the net operating results of BezeqGen in its financial statements.

13. Debentures, Loans, and Borrowings**13.1 Composition:**

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Current liabilities		
Current maturities of debentures	578	847
Current maturities of loans	414	276
	992	1,123
Non-current liabilities		
Debentures	5,101	4,593
Loans	1,717	1,930
	6,818	6,523
Total debentures, loans, and borrowings	7,810	7,646

13.2 Debentures and loan terms

	December 31, 2025		December 31, 2024		Interest rate range
	Carrying amount	Nominal value	Carrying amount	Nominal value	
	NIS million	NIS million	NIS million	NIS million	
Bank loans:					
Unlinked loans at fixed interest	867	867	812	813	3.2% - 5.33%
Unlinked loans at variable interest	699	700	699	700	Prime+ 0.11%, prime+ 0.53%
Total bank loans	1,566	1,567	1,511	1,513	
Unlinked loans at fixed interest	565	565	695	695	3.22% - 3.64%
Total loans from financial institutions	565	565	695	695	
Total loans	2,131	2,132	2,206	2,208	
Series 9 - unlinked loans at fixed interest	-	-	533	532	3.65%
Series 10 – linked to the CPI, at fixed interest	-	-	307	265	2.20%
Series 11 - unlinked loans at fixed interest	1,386	1,403	1,380	1,403	3.20%
Series 12 – linked to the CPI, at fixed interest	1,467	1,269	1,428	1,269	1.70%
Series 13 - unlinked loans at fixed interest	2,006	2,308	1,188	1,403	2.79%
Series 14 – linked to the CPI, at fixed interest	820	803	604	610	0.58%
Total debentures issued to the public	5,679	5,783	5,440	5,482	
Total loans and debentures	7,810	7,915	7,646	7,690	

13.3 Loans and debentures issued by the Company

Below are details of the terms that the Company undertook for the loans that were received and the debentures that were issued:

13.3.1 For the Company's overall debt, standard grounds were included for immediate repayment of the debentures and loans, including events of default, insolvency, dissolution, or receivership proceedings. In addition, a right was established to call for immediate repayment if a third-party lender calls for immediate repayment of the Company's debts to it, due to an event of default, in an amount exceeding the amount determined.

In addition, the Company has undertaken not to create additional liens on its assets unless the debenture holders give their prior consent, in a special resolution, permitting the Company to create the lien in favor of the third party, or the Company creates at the same time liens in favor of all the lenders (negative lien). The lien includes exceptions, including regarding a lien on assets that will be purchased or expanded by the Company, if the undertakings underlying the lien are created for the purchase or expansion of those assets and regarding a token lien.

13.3.2 For the Company's public debentures, for bank loans with an outstanding balance in the amount of NIS 1.6 billion as at December 31, 2025, and for loans from financial institutions with an outstanding balance in the amount of NIS 0.6 billion as at December 31, 2025, the Company has undertaken that if the Company makes an undertaking towards any entity in respect of compliance with financial covenants, the Company will also provide the same undertaking to these lenders (subject to certain exceptions).

- 13.3.3** For the Company's public debentures, loans from financial institutions amounting to NIS 0.6 billion, and bank loans amounting to NIS 0.3 billion, grounds were included for immediate repayment if the telecommunications sector ceases to be the Group's core activity.
- 13.3.4** For the Company's public debentures and for loans from financial institutions amounting to NIS 0.6 billion, the Company has undertaken towards the lenders to act so that, to the extent under its control, the rating of the debentures will be monitored by at least one rating agency, so long as there are outstanding debentures of the relevant series or an outstanding balance of loans, as the case may be.
- 13.3.5** For the Company's public debentures and for loans from financial institutions amounting to NIS 0.6 billion, grounds were included for immediate repayment in the event of a change in control, following which the Company's controlling shareholders (as defined in the agreements) cease to be its controlling shareholders and control is transferred to a third party (the "Transferee"), other than the following: (1) transfer of control to a transferee that received approval for control in the Company in accordance with the provisions of the Telecommunications Law and/or the Telecommunications Order; or (2) transfer of control in which the Transferee holds control together with the controlling shareholders in the Company, provided that the holding rate of the controlling shareholders in the Company in the shares of the Company does not fall below 50.01% of the total shares of the Company held by the controlling shareholders together; or (3) a change in control to be approved by a meeting of the debenture holders/lenders. As at the reporting date, there is no controlling shareholder in the Company.
- 13.3.6** In addition, for Company's public debentures and for loans from financial institutions amounting to NIS 0.6 billion, grounds were included for immediate repayment of the debentures if a going concern qualification is included in the Company's financial statements for two consecutive quarters, due to a material deterioration in the Company's business compared with its situation at the time of the issue, and there is substantial concern that the Company will be unable to repay the debentures/loans when due (as set out in Section 35(l)1a1 of the Israel Securities Law).

As at December 31, 2025 and the approval date of the financial statements, the Company was in compliance with all its obligations, there were no grounds for calling for immediate repayment, and financial covenants were not set as described above.

13.4 Reportable credit

Below is information about the Group's reportable credit, in accordance with Legal Bulletin No. 104-15: Reportable Credit Events, issued by the ISA on October 30, 2011, and amended on March 19, 2017 (according to the Group's data, debentures series and loans amount to more than NIS 700 million). The debentures were issued by the Group without a specific purpose. The debenture principal is repayable in equal installments as set out in the table, with the interest payable on the outstanding loan principal.

	Debentures (Series 11)	Debentures (Series 12)	Debentures (Series 13)	Debentures (Series 14)
Issuance date of debentures	July 10, 2019	July 10, 2019	December 23, 2021	December 23, 2021
Final repayment date	June 1, 2030	June 1, 2030	December 1, 2035	December 1, 2035
Type of loan	Unlinked NIS at fixed interest	CPI-linked NIS at fixed interest	Non-CPI linked NIS at fixed interest	Non-CPI linked NIS at fixed interest
Amount of the original loan or par value (NIS million)	1,403	1,269	2,308	803
Balance of revalued principal (plus interest payable) as at December 31, 2025 (NIS million)	1,406	1,477	2,314	925
Number of principal payments per year	1	1	1	1
Principal payments as from	2026	2026	2031	2031
Number of interest payments per year	2	2	2	2
Interest rate as at December 31, 2025	3.20%	1.70%	2.79%	0.58%
Fair value of the liability as at December 31, 2025 (NIS millions)	1,376	1,459	2,074	812
Effective interest implied in the fair value as at December 31, 2025	4.20%	2.24%	4.41%	2.41%
Effective interest implied in the fair value as at December 31, 2024	4.77%	2.45%	5.20%	2.82%
Special conditions	See Note 13.3	See Note 13.3	See Note 13.3	See Note 13.3
Right to early repayment	Yes	Yes	Yes	Yes

13.5 Movement in liabilities arising from financing activities

	Debtures and loans (including accrued interest)	Loans (including accrued interest)	Total
	NIS million	NIS million	NIS million
Balance as at January 1, 2024	4,734	2,253	6,987
Changes due to cash flows from financing activities			
Proceeds from the issue of debtures and receipt of loans, less transaction costs	1,448	200	1,648
Repayment of debtures and loans	(839)	(232)	(1,071)
Interest paid	(149)	(100)	(249)
Total net cash from financing activities	460	(132)	328
Financing expenses recognized in the statement of income	257	103	360
Balance as at December 31, 2024	5,451	2,224	7,675
Changes due to cash flows from financing activities			
Proceeds from the issue of debtures and receipt of loans, less transaction costs	990	200	1,190
Repayment of debtures and loans	(847)	(276)	(1,123)
Interest paid	(139)	(99)	(238)
Total net cash (used in) or from financing activities	4	(175)	(171)
Financing expenses recognized in the statement of income	236	101	337
Balance as at December 31, 2025	5,691	2,150	7,841

13.6 On December 4, 2025, the Company completed a public offering of Debtures (Series 13 and 14), by way of expansion of the series traded on the TASE, under the shelf offering report dated January 1, 2024, which was published under the shelf prospectus published on May 9, 2023. As part of this public offering, NIS 905,255,000 par value Debtures (Series 13) were issued for consideration of NIS 806 million and NIS 192,781,000 par value Debtures (Series 14) were issued for a consideration of NIS 194 million.

13.7 On May 5, 2025, the Company received an extension for the validity of its shelf prospectus, from May 9, 2023 to May 9, 2026.

14. Trade and Other Payables

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Suppliers		
Open accounts and expenses payable *	1,020	965
Total trade payables	1,020	965
Liabilities to employees and other liabilities for wages and salaries	442	382
Deferred income	281	293
Institutions	94	77
Derivatives	30	3
Accrued interest	31	31
Current tax liabilities	-	171
Other	3	13
Total current payables, including derivatives	881	970
Total current trade and other payables	1,901	1,935
Deferred income from a government grant	39	45
Deferred income	230	150
Derivatives	5	-
Other	18	19
Total non-current payables	292	214
Total trade payables and other current and non-current payables	2,193	2,149

* Of which, the carrying amount of trade payables that are related parties and interested parties as at December 31, 2025, amounts to NIS 23 million (as at December 31, 2024, NIS 10 million).

15. Provisions

	Customer claims	Additional legal claims	Dismantling and clearing of cellular and other sites	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2025	77	1	36	114
Provisions created	19	94	4	117
Provisions used	(9)	(2)	(2)	(13)
Provisions canceled	(10)	-	-	(10)
Balance as at December 31, 2025	77	93	38	208

Presented in the statement of financial position as:

Current provisions	77	93	4	174
Non-current provisions	-	-	34	34
	77	93	38	208

For further information about legal claims, see Note 17 below.

16. Employee Benefits

Employee benefits include termination benefits, post-employment benefits, other long-term benefits and short-term benefits. See also Note 26 for information about share-based payment.

16.1 Composition of liabilities for employee benefits

		2025	2024
	Note	NIS million	NIS million
Current liabilities for:			
Vacation		123	120
Sick pay	16.4	120	115
Provision for early retirement plan at Bezeq	16.5.1	246	97
Provision for voluntary retirement and early retirement at Telephone, Bezeq International, and yes	16.5.2-16.5.4	46	61
Current maturities of retirement benefits	16.3.3	7	7
Total current liabilities for employee benefits		542	400
Non-current liabilities for:			
Provision for the amendment to the employees agreement	16.1.1	-	70
Liability for retirement benefits	16.3.3	97	102
Severance compensation (net) (see composition below)	16.3.1	75	64
Early notice and pension	16.3.2	33	28
Provision for voluntary retirement at Bezeq International	16.5.3	14	36
Total non-current liabilities for employee benefits		219	300
Total liabilities for employee benefits		761	700
Composition of liabilities for severance pay:			
Liability for severance pay		231	213
Fair value of plan assets		(156)	(149)
		75	64

- 16.1.1** On August 6, 2023 and August 8, 2023, the audit committee of the Company's board of directors and the Company's board of directors (respectively) approved an amendment to the collective agreement between the Company and the Histadrut New Federation of Labor (the "Amendment"). According to the Amendment, a special bonus will be paid to the Company's employees in the amount of NIS 75 million, for past services, most of which is conditional on the dates and terms set out in the agreement depending on the change in the holdings rate of the current holders of the control permit holders in the Company (or the expiration/cancellation/transfer of the control permit) (the "Terms"). The Amendment was approved by the general meeting of the Company's shareholders on September 14, 2023. After signing the Amendment and its approval, in 2023, the Company recorded a one-time provision in the amount of NIS 75 million for the full amount of the special bonus. In December 2023, the Company paid NIS 5 million as part of the agreement. During the year, upon fulfillment of the conditions, the bonus was paid in full.

16.2 Defined contribution plans

Liabilities for employee benefits at retirement age in respect of the period of their service in the Company and its subsidiaries, and for employees to which Section 14 of the Severance Pay Law – 1963 (the "Severance Pay Law") applies, are covered in full by regular payments to pension funds and insurance companies

	2025	2024	2023
	NIS million	NIS million	NIS million
Deposits recognized as an expense for a defined contribution plan	214	223	220

For certain employees, the Group has an obligation to pay severance in excess of the amount accumulated in the compensation fund which is in the employees' names. See section 16.3.1 below.

16.3 Defined benefit plans

Obligations for defined benefit plans in the Group include the following:

- 16.3.1** The severance pay obligation for the balance of the obligation not covered by contributions and/or insurance policies in accordance with the existing labor agreements and the Severance Pay Law. For this part of the obligation, there are deposits in the name of Group companies in pension funds and insurance companies. The deposits in pension funds and insurance companies include accrued linkage differences and interest. Withdrawal of the reserve monies is contingent upon fulfillment of the provisions in the Severance Pay Law.
- 16.3.2** An obligation in accordance with the employment agreements of some of the senior employees in the Group for payment of a benefit for notice upon severance. The Company also has an obligation to a number of senior employees who are entitled to early retirement terms (pension and retirement grants) which are not dependent on the existing retirement agreements for all employees
- 16.3.3** Company retirees receive, in addition to pension payments, benefits which consist mainly of a holiday gift (linked to the dollar exchange rate), financing for the upkeep of retiree clubs and social activities. The Company's liability for these costs accumulates in the employment period. The Company's financial statements include the liabilities for expected costs in the severance period.

16.4 Provision for sick leave

The financial statements include a provision in respect of redemption and use of sick leave. The right to accumulate sick leave was taken into account for all employees in the Group. Only employees eligible under the terms of the employment agreement may redeem sick leave. The provision was computed on the basis of an actuarial calculation, including the assumption of positive accumulation of days by most of the employees and use of days by the last in first out (LIFO) method.

16.5 Early retirement and termination benefits

- 16.5.1** According to the collective agreement of December 2006 between the Company and the employee's union and the Histadrut New General Federation of Labor, and according to Amendment 6 to the agreement of December 2020, the Company may, at its discretion, to terminate the employment of up to 50 long-term and permanent employees in each of the years 2021-2026. The Company's right is cumulative over the years, in addition to a retirement quota of 300 tenured employees remaining from the earlier agreement, whose employment the Company may terminate at the end of the current period of the agreement.

The Company recognizes expenses for early retirement when the Company is committed demonstrably, without realistic possibility of withdrawal, to a defined plan to terminate employment before the defined date, according to a defined plan. The collective agreement allows the Company to dismiss employees but does not create a demonstrable commitment without realistic possibility of withdrawal. Accordingly, the expenses for early retirement are recognized in the Company's financial statements at the approval date of the plan.

On November 30, 2025, the Company's board of directors approved, as part of the implementation of the efficiency plan in the Company, the early retirement on pension of 220 long-standing and tenured employees at a total cost of up to NIS 264 million. In view of the above, the Company recorded an expense of NIS 244 million in its financial statements for the fourth quarter of 2025. See also Note 16.8 below.

- 16.5.2** The labor relations at Pelephone are regulated by the collective agreement signed between Pelephone and the Histadrut New General Federation of Labor in Israel (the "Histadrut") - Union of Cellular, Internet and High-Tech Workers and Pelephone's employees committee. The agreement applies to all Pelephone employees, with the exception of executive managers and certain employees in predefined positions.

On December 6, 2022, Pelephone signed a renewal of the existing collective agreement. The agreement includes salary increments and bonuses, improved fringe benefits, voluntary retirement, and elimination of the labor disputes declared by the Histadrut and employees representative committees, while maintaining industrial peace during the validity period of the agreement with respect to the matters regulated in the agreement, starting from December 6, 2022 until December 31, 2025 (the "Agreement").

On February 25, 2026, the board of directors of Pelephone approved the understandings reached between Pelephone's management and the employees' representatives, which include, among other matters, the regulated retirement of up to 150 permanent employees and the provision of financial

compensations. The renewal of the collective agreement is for an additional three-year period, starting in January 2026, and is subject to the parties signing a detailed collective agreement once its drafting is completed based on the approved understandings.

The provisions of the collective agreement dated December 6, 2022, continue to apply to the parties, subject to applicable law.

In 2023, the Group recognized expenses in the amount of NIS 7 million for retirement expenses.

In 2024, the Group recognized expenses in the amount of NIS 13 million for retirement expenses.

In 2025, the Group recognized expenses in the amount of NIS 4 million for retirement expenses.

- 16.5.3** On December 26, 2022, the board of directors of Bezeq International approved the implementation of the understandings reached with the Histadrut and with the employees representative committee of Bezeq International (in the negotiations for the regulation of employees' rights) regarding the voluntary retirement plan for Bezeq International employees in 2025-2027 (the "Voluntary Retirement Plan").

Further to the approval of the Voluntary Retirement Plan, on December 26, 2024, the Company, the Histadrut and the employees' committee signed a new collective agreement for Bezeq International, valid until the end of 2027.

In the agreement that was signed, the Company and the employees' committee reached understandings regarding the process of voluntary retirement and suitable conditions for the retiring employees, including a retirement bonus of 180%. Additionally, it was agreed on salary increments of 9% in the agreement period (3% each year), a one-time bonus for changes in ownership in the Group, and additional salary benefits. In 2024 and 2023, the Company recognized voluntary retirement expenses in its financial statements in the amount of NIS 71 million and NIS 12 million, respectively.

- 16.5.4** On February 26, 2025, yes signed a memorandum of principles with the Histadrut and the employees' committee of yes, according to which, subject to the approval of the board of directors of yes, the parties agreed to extend the collective agreement originally signed on August 11, 2021, with certain adjustments, until December 31, 2025. In April 2025, yes, the Histadrut Israel National Labor Federation, and the Company's employees' committee signed an agreement to extend the collective agreement until December 31, 2025, which also anchored the additional agreements outlined in the memorandum of principles of February 2025. It is further stipulated that its term will be automatically extended for additional 12-month periods, unless either party gives notice, at least 90 days prior to the expiry date, of its intention to make changes.

16.6 Actuarial assumptions

The main actuarial assumptions for defined benefit plans at the reporting date are as follows:

- 16.6.1** Mortality rates are based on statistical data and standard mortality tables, including a future decline in the mortality rate.
- 16.6.2** Churn rates were determined on the basis of the past experience of the Company and the subsidiaries, distinguishing between different employee populations and taking into account the number of years of employment. Churn rates include a distinction between severance with entitlement to full termination compensation and severance without entitlement to full termination compensation.
- 16.6.3** The discount rate (nominal) is based on the yield on linked high-quality corporate debentures with maturity dates approximating those of the gross obligation.

The main discount rates are as follows:

	December 31, 2025	December 31, 2024
	Average discount rate	Average discount rate
Severance pay	5.1%	5.7%
Retirement benefits	5.3%	5.7%

- 16.6.4** Assumptions regarding salary increments for calculation of the liabilities were made on the basis of the management's assessments, distinguishing between the groups of employees. The main

assumptions (in nominal terms) regarding salary increases of the main employee groups are as follows:

Annual salary increase assumption	
Permanent and long-standing employees in the Company	The calculation was based on individual assumptions regarding the expected salary increase, arising from the collective agreement signed in August 2015 and December 2020.
Permanent employees in the Company	Average adjustment of 6.6% for young employees, decreasing gradually to 3.8% at the age of 66.
Company's employees that are not permanent	4.6%-8% for young employees (based on different employee groups) decreasing gradually to 0.7%-4.7%, 2% (in real terms) for senior employees.
Employees of Pelephone, Bezeq International, and yes	Salary increase rates were based on the collective agreements signed. The average annual salary increase is between 2%-4%.

16.6.5 Average weighted life of liabilities for the main post-employment benefits:

	December 31, 2025	December 31, 2024
	Years	Years
Severance pay	10	10
Retirement benefits	14	14

16.7 Sensitivity analysis for key actuarial assumptions

Analysis of the possible effect of changes in the main actuarial assumptions on liabilities for employee benefits: The calculation was for each separate assumption, assuming that the other assumptions remained unchanged.

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Discount rate, addition of 0.5%	(20)	(19)
Rate of future salary increases, addition of 0.5%	21	21
Employee churn rate, addition of 5%	4	6
Mortality rate assumption, increase of 5%	(2)	(2)

16.8 New collective agreement

On January 22, 2026, Amendment 8 to the collective agreement, which extends the provisions of the collective agreement, was signed. The agreement is valid until December 31, 2031, while the retirement arrangements remain in effect until December 31, 2032. The effects of the agreement on the actuarial liabilities as at December 31, 2025 are not material. Following the signing of the agreement, on the signing date, the Company recognized an additional expense of NIS 20 million for early retirement of employees, approved in November 2025.

17. Contingent Liabilities

During the normal course of business, legal claims were filed against Group companies or there are various legal proceedings pending against the Group ("in this section: the "Legal Claims").

In the opinion of the managements of the Group companies, based, among other things, on legal opinions as to the likelihood of success of the claims, the financial statements include adequate provisions (as described in Note 15), where provisions are required to cover the exposure arising from the legal claims.

In the opinion of the managements of the Group companies, the additional exposure (beyond these provisions) as at December 31, 2025 for Legal Claims filed against Group companies on various matters, which are unlikely to be realized, amounts to NIS 1.6 billion. There is also additional exposure of NIS 2.5 billion for Legal Claims, the chances of which cannot yet be assessed. In addition, motions for certification of class actions have been filed against the Group companies, which do not specify the exact amount of the claim, creating additional exposure for the Group beyond the aforesaid.

The amounts of the additional exposure in this Note are nominal.

For updates subsequent to the reporting date, see section 17.2 below.

17.1 Following are details of the Group's contingent liabilities as at December 31, 2025, classified into groups with similar characteristics:

Claims group	Nature of the claims	Provision	Additional exposure	Exposure for claims the chances of which cannot yet be assessed
		NIS million		
Customer claims	Mainly motions for certification of class actions regarding allegations of unlawful collection of payment and faulty service provided by the Group companies	77	1,515	661
Claims by enterprises and companies	Claims alleging liability of the Group companies in respect of their activities and/or investments	80 (1)	15	1,808 (2)
Claims by the State and authorities	Various claims by the State of Israel, government institutions and authorities (the "Authorities"). These are mainly procedures related to regulations relevant to the Group companies and financial disputes concerning monies paid by the Group companies to the Authorities.	8	-	-
Miscellaneous	Other legal claims, including claims in tort (excluding claims for which the insurance coverage is not disputed), real estate, infrastructure, and suppliers	5	44	8
Total legal claims against the Company and subsidiaries (3)		170	1,574	2,477

(1) The provision was recognized as an indemnification asset of NIS 68 million due to the existence of insurance coverage. The asset is presented under other receivables in the statement of financial position as at December 31, 2025, in accordance with the provisions of IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

(2) Includes two motions for certification of a class action amounting to a total of NIS 1.8 billion, filed in June 2017 against the Company, officers of the Group, and companies of the group of the Company's controlling shareholder at the time, with respect to the transaction for the Company's acquisition of yes shares from Eurocom DBS Ltd. In accordance with a court decision, a consolidated motion is expected to be filed instead of these two motions. It should be noted that a partial judgment was handed down approving a partial settlement in the consolidated procedure between the applicants, B Communications, and Shaul and Or Elovitch. The court approved the petition to suspend the proceedings at this stage until June 1, 2026.

(3) See also Note 6.6 above.

17.2 Subsequent to the date of the financial statements, two motions for certifications of class actions were filed against the Group companies, for which the amount claimed cannot be estimated. As at the approval date of the financial statements, it is not yet possible to assess the chances of these motions. In addition, claims totaling NIS 32 million have been concluded.

18. Commitments

18.1 yes is party to several material long-term agreements, including agreements for the purchase of space segments (as set out in Note 18.2. below), content, and copyrights. As at December 31, 2025, the Company's future contractual commitments, which are binding and have a monetary cap, up to the end of 2030, amount to NIS 899 million.

18.2 In accordance with the agreement with Space Communications Ltd. ("Spacecom") of 2013, as amended (including an amendment from January 2023), yes leases space segments in the Amos-3 space segments (the "Spacecom Agreement"). Until February 2025, the Company also leased satellite segments on the Amos-7 satellite. Term of the agreement - until the end of the operational life of the Amos-3 satellite, which was in early 2026. As at the reporting date, an agreement was reached with Spacecom for the continued use of part of the satellite segments on the Amos-3 satellite until the end of March 2026. Space segments used by yes – Under the Spacecom Agreement, yes

leased 12 space segments from Spacecom. Beginning in February 2025, yes used 10 space segments on the Amos-3 satellite. Beginning in March 2026, yes uses two space segments on the Amos-3 satellite and three space segments on a new satellite, as part of its transition to a more limited and focused satellite-broadcasting format.

In June 2025, yes decided to continue satellite broadcasting until the end of 2028, while gradually transitioning to a reduced and more focused satellite-broadcasting format for relevant customers, including institutional customers. This transition is based, among other factors, on the use of a new satellite launched and placed in orbit at the end of 2025 (the "New Satellite"), which is expected to replace the use of the Amos-3 satellite beginning in April 2026, and on the execution of an agreement (the wording of which has been agreed and is pending approvals and signature) between the Company and Spacecom, to be in effect until the end of 2028 (the "New Satellite Agreement"), which is based, among other things, on the following principles:

- * yes will lease three (3) space segments from Spacecom on the new satellite and under the Agreement, Spacecom will declare that it has the right to lease these segments to the Company on behalf of the holder of rights in the new satellite.
- * Spacecom will have the right to terminate the New Satellite Agreement (not due to a breach) at the request of the holder of rights in the new satellite, generally without compensation.

Cost – The average annual cost until the end of the Amos-7 lease was USD 25 million, subject to discount and refund mechanisms set out in the Spacecom agreement. From February 2025, the annual cost is USD 18 million under the new satellite lease agreement, and from March 2026, the average annual cost is expected to be an amount that is not material to the Group.

- 18.3** The cellular infrastructure equipment used in the UMTS/HSPA, LTE, and 5G networks is manufactured by LM Ericsson Israel Ltd. ("Ericsson"), which serves as Pelephone's supplier for the deployment of its 4G (LTE) and 5G radio network. Ericsson is also a material supplier of Pelephone for microwave transmission. Pelephone has multi-year agreements for maintenance, support and upgrade of software for the UMTS/HSPA network and an agreement for acquisition of 4G (LTE) and 5G network equipment with Ericsson, and Pelephone believes that it could be dependent on Ericsson for network support and expansion. As at December 31, 2025, Pelephone has commitments with Ericsson for the acquisition of terminal equipment and the receipt of services, for a total amount of NIS 12 million.
- 18.4** In April 2021, a new agreement came into effect between Pelephone and Apple Distribution International ("Apple") came into effect for the purchase and resale of iPhone handsets, in which Pelephone committed to purchase a minimum quantity of iPhone handsets per year, for an additional three years, at the manufacturer's prices on the actual date of the purchases. On March 31, 2025, Pelephone signed an extension to the agreement for another year, until March 31, 2026. The balance of the liability as at the reporting date is not material.
- 18.5** For the purposes of its operations, Bezeq International purchases from service providers indefeasible rights of use ("IRU") of capacities. In the first quarter of 2021, Bezeq International signed an agreement with a provider extending the periods of use of the capacities until July 2030. Bezeq International pays for the rights of use in annual installments over the period of use of the capacities. In the first quarter of 2023, Bezeq International signed a new agreement with the supplier for the acquisition of indefeasible rights of use of capacities for a period of 10 years. Bezeq International pays for the rights of use in annual installments over the period of use of the capacities. The balance of the commitment under the agreement as at December 31, 2025 amounts to USD 8.1 million (2024, USD 9.9 million).
- 18.6** As at December 31, 2025, the Group companies have commitments for the acquisition of terminal equipment, fixed assets, intangible assets, and other assets, and routine services amounting to NIS 328 million.
- 18.7** Further to Note 9.4 above regarding deployment of the fiber optic network by the Company, in accordance with Section 14C of the Telecommunications Law, following the amendment of the Company's license, the telecom companies, including the Company and its subsidiaries Pelephone, yes, and Bezeq International, are required to pay 0.5% of their annual revenues in the deployment period into the incentive fund. The incentive fund, managed by the Accountant General in the Ministry of Finance, is intended to encourage fiber deployment by participating in its funding in statistical areas that are not included among the deployment areas selected by the Company. The Minister of Communications, with the consent of the Minister of Finance and approval of the Economic Affairs Committee, may change this rate. In 2023-2025, the deposit rate was 0% in accordance with orders published under this authority (on July 31, 2023, December 31, 2024, and December 31, 2025, respectively).

18.8 In July 2016, Pelephone and the Accountant General of the Ministry of Finance signed an agreement according to which Pelephone will provide cellular services to government employees in an estimated quantity of 100 thousand subscribers over three years. Under the agreement, Pelephone provides devices to some government sector subscribers. The state chose to exercise the options for extensions in the agreement, and as at the publication date of the report, the agreement was extended to June 30, 2026.

In June 2025, Pelephone won the government tender as the primary supplier for 60% of the services and equipment, replacing its previous status as the exclusive supplier under the prior tender. The agreement was signed on September 14, 2025. Under the agreement, Pelephone will continue to serve as the primary provider of cellular services and telecommunications equipment under the Tender to employees of government ministries, subordinate units, and related entities. Under the terms of the tender, Pelephone will provide cellular services for 42 months, with an option for the state to extend the agreement for additional periods, up to a total term of 72 months, beyond the initial 42 months.

18.9 For information about transactions with related parties, see Note 29 below.

19. Securities, Liens, and Guarantees

The Group's policy is to provide tender, performance, and legal guarantees. In addition, the Company provides bank guarantees, where necessary, for banking obligations of subsidiaries.

19.1 The Group companies provided guarantees of NIS 124 million in favor of the Ministry of Communications to secure the terms of their licenses (of which an amount of NIS 51 million is linked to the CPI).

19.2 The Group companies provided bank guarantees amounting to NIS 139 million in favor of third parties (including a guarantee in the amount of NIS 50 million for the Sakia property). For further information see Note 6.6 above.

19.3 The Company provided guarantees to an investee in the amount of NIS 97 million to third parties.

19.4 Restrictions on the creation of liens on assets of the Group companies

19.4.1 In accordance with the Company's license, the license may not be transferred, pledged or attached, in whole or in part. Any transfer, pledge or attachment of any of the license assets that is not explicitly permitted by the license, is subject to the approval of the Minister, who may, in special cases, permit the transfer of the license due to structural changes, if he is satisfied that the transferee license holder meets all the conditions that were met by the transferor. Furthermore, if a third party has rights in any of the assets used to provide the Company's services, the Company is required to ensure that the exercise of such rights does not impair the performance of the Company's obligations under the license.

19.4.2 In accordance with its cellular license, Pelephone is not permitted to sell, lease, or pledge any of its assets used for the implementation of the license, without the consent of the Minister of Communications, after he was satisfied that the exercise of the rights by the third party will not impair the services provided under the license, with the exception of:

A pledge on any of the license assets in favor of a bank operating lawfully in Israel, to receive bank credit, provided that Pelephone submits notice to the Ministry of Communications regarding the pledge it intends to register, specifying that the pledge agreement includes a clause ensuring that in any event, exercise of the rights by the bank will not impair, in any way, the services provided under the license

Sale of items of equipment when implementing an upgrade, including sale of equipment by the trade-in method.

Sale, lease, pledge, or transfer of the license assets to a holder of a cellular infrastructure license of which Pelephone is a customer

19.4.3 In accordance with its license, Bezeq International is not permitted to sell, lease, or pledge any of the assets required for ensuring the services of the license holder, without the consent of the Minister of Communications, after he was satisfied that the exercise of the rights by the third party will not impair the services provided under the license. Notwithstanding the foregoing, Bezeq International may pledge any of the license assets in favor of a bank operating lawfully in Israel, to receive bank credit, provided that Bezeq International gives the Ministry of Communications advance notice regarding the pledge it intends to make, and that the pledge agreement includes a clause ensuring that the exercise of the rights by the bank will not impair the services provided under the license.

- 19.4.4** Regarding the broadcasting license of yes, the Telecommunications Law and the license stipulate restrictions on the transfer, attachment, and encumbrance of the license and of any of the license assets. The broadcasting license requires the approval of the Minister for certain changes in the holding of means of control in yes and imposes reporting obligations for the holders of means of control. There are also restrictions under the license on the performance of uplink operations ((transfer of broadcasts from the broadcasting center of yes to the broadcasting satellite, and implementation of setup and related operation activities).
- 19.5** For information about the conditions that the Company undertook for loans and borrowings, see Note 13.

20. Equity

20.1 Share capital

	December 31, 2025	December 31, 2024
	Number of shares	Number of shares
Registered share capital	2,849,485,753	2,849,485,753
Issued and paid up share capital	2,774,784,744	2,769,916,866

20.2 Dividends

20.2.1 Dividend distribution policy

On March 11, 2025, the Company's board of directors resolved to revise the Company's dividend policy so that every year, the Company will distribute 80% of the half year profit (after tax) based on the Company's consolidated financial statements, starting with the distribution for the second half of 2024, in view of the continued decrease in the Company's net debt, and based on the Company's forecasts for the business results in the coming years.

In addition, the Company will endeavor to increase the dividend in the future, subject to the Company's credit rating remaining in the AA group.

The board of directors considers it important to maintain the balance between ensuring the Company's financial robustness and stability, while maintaining a rating in the Company's current rating group [AA] over time, and continuing to add value for its shareholders through a regular dividend distribution. The board of directors was presented with the forecasts for the Company and the Group, as well as a sensitivity analysis in the event of an unforeseen deterioration in the business of the Company and the Group. After examining all of the above, the Company's board of directors determined that this decision reflects the correct balance between the requirements as described above.

Implementation of the dividend distribution policy is subject to the provisions of any law, including the distribution criteria prescribed in the Companies Law, while taking into account the expected cash flow, the Company's requirements and obligations, its cash reserves, plans and position as they may be from time to time, and subject to the approval of the general meeting of the Company's shareholders for each specific distribution, as set out in the Articles of Association of the Company.

Approval of the Company's dividend policy as aforesaid does not obligate the Company to distribute a dividend to its shareholders, and each specific distribution will be considered on its own merits in accordance with the above terms of implementation of the dividend distribution policy. Additionally, approval of the policy will not prevent the Company's board of directors from assessing, from time to time, the policy for distribution of dividends to the Company's shareholders, taking into consideration, among other things, the provisions of the law, the Company's business position and plans, and its capital structure, while maintaining a balance between ensuring the Company's financial robustness and stability, including its debt level and credit rating, and the continued creation of value for the Company's shareholders through ongoing distribution of a dividend.

20.2.2 Distribution of a dividend

- A. On April 23, 2025, the general meeting of the Company's shareholders approved (further to the recommendation of the Company's board of directors on March 11, 2025), the distribution of a cash dividend to the Company's shareholders totaling NIS 392 million (representing NIS 0.1414586 per share at the date of record). The dividend was paid on May 14, 2025.
- B. On September 11, 2025, the general meeting of the Company's shareholders approved (further to the recommendation of the Company's board of directors on August 5, 2025), the distribution

of a cash dividend to the Company's shareholders totaling NIS 583 million (representing NIS 0.2102446 per share at the date of record). The dividend was paid on October 19, 2025.

- C. On March 8, 2026, the Company's board of directors resolved to recommend to the general meeting of the Company's shareholders the distribution of a cash dividend to the Company's shareholders in the amount of NIS 549 million. As at the approval date of the financial statements, the dividend has not yet been approved by the general meeting.

20.2.3 Share buyback plan

On March 8, 2026, the Company's board of directors approved the Company's recommendation to implement a share buyback program in accordance with the Israel Securities Authority's safe harbor protection (Legal Position 199-8).

Under the program, the Company will repurchase its ordinary shares, each with a par value of NIS 1, for a total amount not exceeding NIS 150 million. The purchases will be carried out from time to time on the Tel Aviv Stock Exchange, through an independent TASE member acting under an irrevocable power of attorney and in accordance with the terms of the program, including price limits and volume restrictions.

The program will commence one trading day after the publication of the financial statements as at December 31, 2025 and following the approval of the general meeting of the Company's shareholders scheduled for April 13, 2026, and will conclude upon the earlier of: (1) the completion of purchases totaling no more than NIS 150 million; or (2) December 31, 2026. The program is defined as irrevocable; the Company will not be able to intervene in its execution, modify it, or suspend the purchases.

21. Revenues

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Domestic fixed-line communication – Bezeq Fixed-Line			
Internet – infrastructure	1,941	1,961	1,907
Transmission and data communication	1,064	1,025	974
Fixed-line telephony	480	531	632
Cloud and digital services	365	348	349
Other services	321	264	295
	4,171	4,129	4,157
Cellular communications – Pelephone			
Cellular services and terminal equipment	1,535	1,615	1,724
Sale of terminal equipment	616	616	585
	2,151	2,231	2,309
yes Television and Communication Services Ltd. (yes)	1,299	1,264	1,308
ISP, international communications, and ICT solutions – Bezeq International			
	1,027	1,053	1,139
Other	54	207	190
	8,702	8,884	9,103

21.1 **Contract with a customer recognized over time**

- 21.1.1 On December 21, 2022, the Company and Partner Communications Ltd. ("Partner") signed a long-term agreement for Bezeq to provide Partner with indefeasible right of use (IRU) for BSA fiber (wholesale market). Under the agreement, Partner was granted the non-transferable and irrevocable independent right of use to provide service to its customers on 120 thousand fiber cables of the

Company at a download speed of 1 Gbps per cable, for 15 years starting on January 1, 2023 (the right of use of the cables will start in gradual batches over a period of up to five years).

The consideration for the service, which includes one-time payments and annual payments, is expected to reach a total amount of NIS 1 billion (NIS 574 million for one-time payments, annual maintenance fees of 4% of the one-time payments for the cables for which the right of use will be granted up to that year, plus interest and/or linkage differences under the terms of the agreement); most of the consideration is expected to be paid in the first six years of the agreement. In practice, Partner has already exercised the first five batches in the agreement up to the end of 2024.

Under these terms, a significant financing component has been identified in the terms of the agreement.

The agreement includes an option to increase the number of lines by up to an additional 48 thousand lines under the same terms. As at the reporting date, Partner utilized 36 thousand lines. The agreement also includes options for upgrading speeds and for extending the agreement for two additional option periods of five years each, at a lower per-line cost than in the first agreement period. Increasing the scope of the 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 that weights the regulatory price of the cable, starting from the sixth year of the agreement. These options do not provide a material right to the customer.

- 21.1.2** On November 3, 2025, the Company and Gilat signed an addendum to the long-term agreement for the provision of an indefeasible right of use (IRU) for BSA fiber (wholesale market). This is an expansion of the existing agreement between the Company and Gilat dated December 15, 2024, under which Gilat was granted usage rights for 18 thousand fiber optic lines for a 15-year term starting on January 15, 2025, for a total consideration of NIS 140 million (including NIS 90 million in one-time payments). Under the addendum, Gilat was granted usage rights for an additional 90 thousand lines, to be deployed gradually in four phases over a 15-year usage period, starting from the payment date for each lot included in the phase (the realization of phases 2-4, which include 18 thousand lines in each phase, is subject to a condition based on the growth in Gilat's overall activity as set out in the agreement. The consideration for the addendum is expected to reach a total amount exceeding NIS 600 million, subject to Gilat's full execution of all phases (including approx. NIS 400 million in one-time payments, as well as annual maintenance fees plus interest and/or index-linked adjustments in accordance with the agreement terms). Most of the consideration expected to be paid during the initial years of the addendum. The expanded agreement includes options for bandwidth upgrades and extensions of the usage period through two five-year option terms (granted to Gilat), at a lower cost per line than in the initial agreement periods. Exercising these options will result in a corresponding increase in the total financial scope of the agreement.

22. General Operating Expenses

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Terminal equipment and materials	837	828	825
Interconnectivity and payments to domestic and international telecommunications operators	389	613	762
Content costs including impairment (reversal of impairment loss)	268*	491	530
Marketing and general	516	483	432
Maintenance of buildings and sites	267	264	257
Services and maintenance by subcontractors	519**	511	504
Vehicle maintenance	64	67	64
	2,860	3,257	3,374

General and operating expenses are presented net of expenses totaling NIS 51 million recognized in 2025 for investments in fixed assets and intangible assets (2024, NIS 58 million; 2023, NIS 51 million).

* Expenses include a reversal of an impairment loss in the amount of NIS 214 million for broadcasting rights.

** Expenses include a reversal of an impairment loss in the amount of NIS 8 million for prepaid expenses.

23. Salaries

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Total salaries and related expenses	2,426	2,497	2,464
Share-based payment	22	21	10
Less salaries recognized in investments in fixed assets and intangible assets	(589)	(586)	(552)
	1,859	1,932	1,922

24. Other Operating Expenses, Net

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Capital gain (mainly disposal of real estate)	(7)	(17)	(2)
Creation of a provision for claims	29	20	25
Expense for severance pay in early retirement (see Note 16.5.1)	267	104	57
Expenses for severance pay in early retirement and the collective agreement in Pelephone, Bezeq International, and yes (see Notes 16.5.2 and 16.5.4)	4	91	17
One-time provision – amendment to the collective agreement of the employees (see Note 16.1.1)	-	-	75
Impairment loss of a held for sale disposal group (Note 12.5)	2	9	-
Recovery of excess cost	(36)	-	-
Other expenses (income)	20	(8)	(11)
Total other operating expenses, net	279	199	161

25. Financing Expenses (Income), Net

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Interest expenses for financial liabilities	277	274	236
Linkage and exchange differences	57	71	78
Financing expenses for lease liabilities	77	72	63
Financing expenses for employee benefits	24	21	10
Change in fair value of financial assets at fair value through profit or loss	46	-	-
Exchange rate differences	7	-	12
Other financing expenses	10	8	9
Total financing expenses	498	446	408
Income for credit in sales	28	26	22
Other financing income	47	31	28
Interest income from investments	67	80	89
Change in fair value of financial assets at fair value through profit or loss	49	59	25
Total financing income	191	196	164
Financing expenses, net	307	250	244

26. Share-based Payment**26.1 Plan terms**

In 2021, the Company allotted 64 million options to officers, executives, and senior employees of the Company and the Subsidiaries. The options were allotted to each offeree in three tranches, each for a third of the total number of options allotted to the offeree. Each allotment will vest in four annual tranches, with a different exercise price set for each allotment. The exercise of any option is subject to the exercise price conditions being met after the option vesting date (the average of the closing prices of the Company's shares on the TASE over at least thirty (30) consecutive trading days immediately prior to the test date is equal to or higher than the price set as a condition for exercising the option). The fair value of these options, which was estimated by an external appraiser using the Monte Carlo method, is NIS 46 million, based on the vesting period and terms of exercise of the options as set out above.

In 2022, the Company allotted 7 million additional options to officers, executives, and senior employees of the Company and the Subsidiaries. The options were granted in two tranches, each for half of the total number of options allotted to the offeree. Each allotment will vest in four annual tranches, with a different exercise price set for each allotment. The fair value of these options, which was estimated by an external appraiser using the Monte Carlo method, is NIS 13 million, based on the vesting period and terms of exercise of the options as set out above.

In 2023, the Company allotted 3 million options to officers, executives, and senior employees of the Company and the Subsidiaries. The options were granted in four tranches. Each allotment will vest in four annual tranches, with a different exercise price set for each allotment. The fair value of these options, which was estimated by an external appraiser using the Monte Carlo method, is NIS 3 million, based on the vesting period and terms of exercise of the options as set out above.

In 2024, the Company allotted 21 million options to officers, executives, and senior employees of the Company and the Subsidiaries. The options were granted in four tranches. Each allotment will vest in four annual tranches, with a different exercise price set for each allotment. The fair value of these options, which was estimated by an external appraiser using the Monte Carlo method, is NIS 9 million, based on the vesting period and terms of exercise of the options as set out above.

In 2025, the Company allotted 13 million options to officers, executives, and senior employees of the Company and the Subsidiaries. The options were granted in three tranches. Each allotment will vest in four annual tranches, with a different exercise price set for each allotment. The fair value of these options, which was estimated by an external appraiser using the Monte Carlo method, is NIS 23 million, based on the vesting period and terms of exercise of the options as set out above.

26.2 Change in number of options

	Number of options	Number of options
	2025	2024
	In millions	In millions
Balance outstanding at the beginning of the period	53	52
Options granted during the year	13	21
Options exercised	(11)	(11)
Options canceled during the year due to termination of the offerees	(4)	(9)
Balance outstanding at the end of the period	51	53
Exercisable as at the end of the period (subject to compliance with the share price condition)	20	10*

* As at the approval date of the financial statements, 13 million options met the share price condition and are exercisable.

27. Earnings per Share

	2025	2024	2023
Net profit (NIS million)	1,417	1,073	1,189
No. of shares (millions of shares)	2,775	2,770	2,767
Basic and diluted earnings per share (NIS)	0.51	0.39	0.43

28. Segment Reporting

28.1 The Group operates in four different segments in the telecommunications sector, such 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 fixed assets and the infrastructure it owns (see also Note 21). The infrastructure of each company is used for providing its services. Some of the Group companies use infrastructure owned by other companies in the Group. The primary reporting format, by business segments, is based on the Group's management and internal reporting structure.

The business segments of the Group are as follows:

1. Bezeq The Israeli Telecommunications Corp. Ltd.: fixed line domestic communications
2. Pelephone Communications Ltd.: cellular communications
3. Bezeq International Ltd.: ISP, international communications, and ICT solutions (information and communications systems) solutions (the "Bezeq International Services Segment")
4. yes Television and Communication Services Ltd. (yes)

The other companies in the Group are presented under the "Other" item. Other operations included call center services (Bezeq Online). See Note 12.5 above. These operations are not reported as reportable segments as they do not fulfill the quantitative thresholds in the reported years.

Inter-segment pricing is set at the price determined in transactions in the ordinary course of business.

The results, assets and liabilities of a segment include items directly attributable to that segment, as well as those that can be allocated on a reasonable basis.

The results of the multichannel television segment are presented net of the effect of the reversal of impairment loss (impairment) of assets, as described in Note 10.4 (proforma). This is in accordance with the way the Group's chief operating decision maker evaluates segment performance and makes decisions regarding the allocation of resources for the segment.

Segment capital expenditure is the total cost incurred in the period for acquisition of fixed assets, intangible assets, and deferred expenses.

28.2 Operating segments

	Year ended December 31, 2025						
	Domestic fixed-line communication	Cellular communication	Bezeq International services	Television and communication services*	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	4,171	2,151	1,027	1,299	54	-	8,702
Inter-segment revenues	257	16	53	1	-	(327)	-
Total revenues	4,428	2,167	1,080	1,300	54	(327)	8,702
General operating	750	1,061	720	908	8	(587)	2,860
Salaries	1,089	329	214	178	43	6	1,859
Depreciation, amortization, impairment and reversal of impairment loss	1,060	576	103	235	1	(288)	1,687
Segment results – operating profit (loss)	1,242	186	43	(33)	2	577	2,017
Financing expenses	427	44	19	29	-	(21)	498
Financing income	(148)	(45)	(12)	(5)	-	19	(191)
Total financing expenses (income), net	279	(1)	7	24	-	(2)	307
Segment profit (loss) before taxes on income	963	187	36	(57)	2	579	1,710
Share in loss of an investee **	19	-	-	-	-	-	19
Income tax	224	41	-	1	1	7	274
Segment results – net profit (loss)	720	146	36	(58)	1	572	1,417
Segment assets	10,810	2,992	928	1,172	-	(355)	15,547
Goodwill	-	27	9	-	-	341	377
Investment in an investee	14	-	-	-	-	-	14
Segment liabilities	10,627	1,481	695	520	-	(340)	12,983
Investment in fixed assets, intangible assets, and deferred expenses	1,114	379	58	192	-	-	1,743

* Results of the multichannel television and communication segment are presented net of the total effect of impairment and reversal recognized as from 2018. This is in accordance with the way the Group's chief operating decision maker evaluates segment performance and makes decisions regarding the allocation of resources for the segment. In addition, see Note 31.3 for condensed selected information from the financial statements of yes.

** As from the second quarter of 2024, Bezeq began to record its share in the losses of BezeqGen. See Note 12.6 above.

28.2. Operating segments (contd.)

	Year ended December 31, 2024						
	Domestic fixed-line communication	Cellular communication	Bezeq International services	Television and communication services*	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	4,129	2,231	1,053	1,264	207	-	8,884
Inter-segment revenues	213	23	52	1	-	(289)	-
Total revenues	4,342	2,254	1,105	1,265	207	(289)	8,884
General operating	738	1,178	722	911	29	(321)	3,257
Salaries	1,037	321	211	184	171	8	1,932
Depreciation, amortization, impairment and reversal of impairment loss	1,023	552	118	254	5	(108)	1,844
Segment results – operating profit (loss)	1,438	189	(16)	(92)	2	131	1,652
Financing expenses	398	37	15	5	-	(9)	446
Financing income	(148)	(30)	(10)	(15)	-	7	(196)
Total financing expenses (income), net	250	7	5	(10)	-	(2)	250
Segment profit (loss) before taxes on income	1,188	182	(21)	(82)	2	133	1,402
Share in loss of an investee **	8	-	-	-	-	-	8
Income tax	274	44	1	1	1	-	321
Segment results – net profit (loss)	906	138	(22)	(83)	1	133	1,073
Segment assets	10,652	2,857	923	1,163	83	(898)	14,780
Goodwill	-	23	9	-	-	341	373
Investment in an investee	8	-	-	-	-	-	8
Segment liabilities	10,206	1,493	728	457	34	(261)	12,657
Investment in fixed assets, intangible assets, and deferred expenses	1,192	357	77	214	4	-	1,844

* Results of the multichannel television and communication segment are presented net of the total effect of impairment and reversal recognized as from 2018. This is in accordance with the way the Group's chief operating decision maker evaluates segment performance and makes decisions regarding the allocation of resources for the segment. In addition, see Note 31.3 for condensed selected information from the financial statements of yes.

28.2. Operating segments (contd.)

	Year ended December 31, 2023						
	Domestic Fixed-line Communication	Cellular Communication	Bezeq International services	Television and communication services*	Other	Adjustments	Consolidated
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from external sources	4,157	2,309	1,139	1,308	190	-	9,103
Inter-segment revenues	255	39	73	1	2	(370)	-
Total revenues	4,412	2,348	1,212	1,309	192	(370)	9,103
General operating	769	1,278	800	886	28	(387)	3,374
Salaries	1,028	323	216	186	159	10	1,922
Depreciation, amortization, impairment and reversal of impairment loss	1,019	549	137	244	6	(88)	1,867
Segment results – operating profit (loss)	1,451	196	39	(4)	(1)	98	1,779
Financing expenses	370	35	17	8	-	(22)	408
Financing income	(114)	(48)	(7)	(17)	-	22	(164)
Total financing expenses (income), net	256	(13)	10	(9)	-	-	244
Segment profit (loss) before taxes on income	1,195	209	29	5	(1)	98	1,535
Income tax	294	50	-	1	1	-	346
Segment results – net profit (loss)	901	159	29	4	(2)	98	1,189

* Results of the multichannel television and communication services segment are presented net of the total effect of impairment recognized as from 2018. This is in accordance with the way the Group's chief operating decision maker evaluates segment performance and makes decisions regarding the allocation of resources for the segment. In addition, see Note 31.3 for condensed selected information from the financial statements of yes.

28.3 Adjustments for segment reporting of revenues, profit or loss, assets and liabilities

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Revenues			
Revenues from reporting segments	8,975	8,966	9,281
Revenues from other segments	54	207	192
Cancellation of revenues from inter-segment sales	(327)	(289)	(370)
Consolidated revenues	8,702	8,884	9,103
Profit or loss			
Operating profit for reporting segments	1,438	1,519	1,682
Financing expenses, net	(307)	(250)	(244)
Adjustments related to the television and communication services segment	577	131	98
Profit for operations classified in other categories and other adjustments	2	2	(1)
Consolidated profit before income tax	1,710	1,402	1,535
		December 31, 2025	December 31, 2024
		NIS million	NIS million
Assets			
Assets from reporting segments	15,938	15,627	
Assets attributable to operations in other categories	-	83	
Goodwill not attributable to an operating segment	341	341	
Investment in an investee	14	8	
Less impairment loss of assets (see Note 10), inter-segment assets, and other adjustments	(355)	(898)	
Consolidated assets	15,938	15,161	
Liabilities			
Liabilities of reportable segments	13,323	12,884	
Liabilities attributable to operations classified in other categories	-	34	
Less inter-segment liabilities	(340)	(261)	
Consolidated liabilities	12,983	12,657	

29. Transactions with Interested and Related Parties**29.1 Identity of interested and related parties**

The Company's interested and related parties as defined in the Securities Law and in IAS 24 – Related Party Disclosures include mainly B Communications (up to November 2025) and related parties of B Communications (up to November 2025), an associate, directors and key management personnel in the Company or B Communications, and relatives of any of the above individuals.

It should be noted that the transactions described below with interested and related parties do not include reference to Note 1.3 regarding the investigations of the Israel Securities Authority and the Israel Police or their possible implications.

29.2 Balances with interested and related parties

	December 31	
	2025	2024
	NIS million	NIS million
Related parties, net (including investees)	(20)	(7)
Rights-of-use asset	1*	37
Current maturities of lease liabilities	(1)*	(4)
Non-current lease liabilities	(1)*	(35)

* Ceased to be a related party in November 2025 following the full sale of control and the Company's transition to a company without a controlling shareholder.

29.3 Transactions with interested and related parties

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Revenues			
From related parties	6	5	8
Expenses			
Related parties (excluding benefits to directors set out in section 29.5)	27	29	27
Investments			
Related parties	1	1	1
Investees	25	16	-

29.3.1 Classification of transactions of officers in the Company and controlling shareholders

The Company's audit committee adopted guidelines, criteria, and rules for classifying a transaction of the Company or its subsidiaries with the Company's officers or in which a Company officer has a personal interest (the "Transaction with an Officer") and a transaction with a controlling shareholder of the Company or in which a controlling shareholder has a personal interest (the "Transaction with a Controlling Shareholder") as a negligible transaction.

The criteria established in the procedure, as revised from time to time in accordance with its provisions, may be used by the Company, among other things, to classify the transaction as a negligible transaction as set out in Section 41(A3) of the Israel Securities Regulations (Annual Financial Statements), 2010, and as a tool for assessing the negligibility of other business relationships, such as: whether a business relationship with a candidate for the office of external or independent director is negligible as set out in the Companies Regulations (Matters Not Constituting a Relationship), 2006, and as provided in Section 240(F) of the Companies Law, 1999 (the "Companies Law").

The Company and its subsidiaries from time to time enter into transactions with the Company's officers and controlling shareholders (or with any other individual who has a personal interest in its approval), including transactions of the types and with the characteristics set out below:

1. Sales of telecommunications services and products by Group companies, including: basic telecommunications services (infrastructure, telephony, transmission and PRI) and hosting at data centers; cellular services, value-added services and sales and upgrading of cellular end

equipment; internet access services, international telephony services, hosting services and data communication services; television services

2. Rental, management and real estate acquisition agreements, including rental of areas used for communications facilities and warehouses
3. Receipt of consulting and training services for Group companies or their employees.
4. Purchase of goods and services used by the Group companies in their operations, such as the purchase of fuels.

In the absence of special qualitative considerations arising from the overall circumstances, a transaction is deemed negligible if all the following parameters exist:

- A. The transaction is not an extraordinary transaction as defined in the Companies Law (meaning, it is a transaction made in the Company's ordinary course of business, at market terms, which has no material effect on the Company's profitability, assets or liabilities, all in accordance with Company procedures).
- B. The amount of the transaction for the Company (separately, and not on a consolidated basis) (or for each of the subsidiaries) does not exceed NIS 10 million.
- C. The Company is not required to issue an immediate report for the transaction under Section 36 or Section 37A of the Israel Securities Regulations (Periodic and Immediate Reports), 1970 (the "Periodic Reports Regulations") or any other law.
- D. The transaction does not include terms of service and employment (as defined in the Companies Law) of interested parties or their relative, and does not constitute an agreement as set out at the end of in Section 270(4) of the Companies Law (agreement of a public company with a holder of control therein, directly or indirectly, including through a company they control, for the receipt of services by the Company, and if such person is also an officer of the Company as to the terms of their service and employment, and if he is an employee of the Company but not an officer – as to his employment by the Company).

In general, each transaction will be tested separately for compliance with the conditions for classifying it as a negligible transaction as set out above. Notwithstanding the aforesaid, separate transactions that are part of the same transaction or continuing transactions or very similar transactions that are carried out routinely and repeatedly or with the same entity and with corporations under its control or transactions which are interdependent or mutually conditioned, will be tested for negligibility as one transaction on an annual basis.

The audit committee may, from time to time, at its discretion, revise the above parameters for the classification of a negligible transaction.

In addition, the audit committee and the Company's board of directors adopted criteria to determine whether a transaction falls within the ordinary course of the Company's business and under market conditions, and meets the threshold for reviewing the impact of a transaction on the Company's profitability, assets, and liabilities, to determine whether the transaction is extraordinary according to the tests set out in the Companies Law. The Company's audit committee and board of directors also adopted criteria to determine whether a donation made by the Company or a subsidiary will not be considered an extraordinary transaction.

Transactions listed in Section 270(4) of the Companies Law, which are not considered negligible transactions

In 2023-2025 there were no such transactions.

For information about the transactions listed in Section 270(4) of the Companies Law, regarding compensation, insurance, and indemnification for directors, and exemptions, Note 29.6 below.

29.4 Benefits for key officers

Benefits for employment of key officers in 2023-2025, including:

	Year ended December 31		
	2025	2024	2023
	NIS thousands	NIS thousands	NIS thousands
Number of key officers *	4	5	4
Salary **	9,029	10,362	8,209
Bonus	6,643	5,912	6,500
Share-based payment	6,540	11,675	5,235
	22,212	27,949	19,944

* Key officers in the Group in the reporting year include the chairman of the board of directors, the Company's CEO, the CEO of Pelephone and yes, and the CEO of Bezeq International.

** In 2024, changes in other provisions (included in the total salary) include an increase in provisions amounting to NIS 0.95 million, mainly for a provision for advance notice to the chairman of the board of directors and the current CEO of the Company.

In 2023, the changes in other provisions (which are included in the total salary) include mainly a reduction of the provision for early notice for the chairman of the board of directors in the amount of NIS 0.2 million.

For information about share-based compensation see Note 26 above.

29.5 Benefits for directors

	Year ended December 31		
	2025	2024	2023
Compensation for directors who are not employed by the Company (see Note 29.5.1) (NIS thousands)	3,763	3,699	3,241
Number of directors receiving compensation	7	7	7
Salary of employee-directors (see Note 29.5.2) (NIS thousands)	646	586	568
Number of directors receiving a salary (see Note 29.5.2)	1	1	1

29.5.1 The compensation for the chairman of the board of directors is not included in this section and is included in section 29.4 above since the chairman of the board of directors is a key officer.

29.5.2 The salary paid to an employee director in the reporting year is for their work in the Company and does not include any additional payment for their service as a director. The salary set out in the table includes only the period in which they served as a director and received a salary accordingly.

29.5.3 On February 5, 2024, the general meeting of the Company approved the terms of office and employment of the chairman of the board of directors, who entered his position on January 1, 2024.

29.5.4 On January 25, 2026, subsequent to the reporting date, the Company's general meeting approved an update of the terms of office and employment of the chairman of the board of directors.

29.6 Additional benefits for directors and officers

Approval date of the general meeting (after approval of the Company's board of directors), unless otherwise stated.	Nature of the transaction	Amount of the transaction
January 25, 2026 Approval of the general meeting of shareholders	Approval of the compensation policy and equity-based bonus to the chairman of the board of directors	Approval of the general meeting for the grant of 4,399,907 options to the chairman of the board of directors. The fair value of the options as at the grant date (based on the Monte Carlo model) amounted to NIS 5.4 million.
April 23, 2025 Approval of the general meeting of shareholders	Approval of the extension of the letter of undertaking for indemnity and exemption from liability for: Ran Fuhrer, Tal Fuhrer (alternate director for Ran Fuhrer), and Darren Glatt, who are related to the controlling shareholders or the controlling shareholders may have a personal interest in engaging with them, for three years. Ceased to be a related party in November 2025 following the full sale of control and the Company's transition to a company without a controlling shareholder.	Up to 25% of the Company's equity, according to the Company's last financial statements published prior to granting indemnity in practice or NIS 400 million, whichever is higher.
February 5, 2024 Approval of the general meeting of shareholders	The employment agreement of the chairman of the board of directors is for an indefinite period and each party has the right to terminate the agreement at any time and for any reason, with prior notice of three months.	The chairman of the board of directors is entitled, among other things, to the standard terms and conditions for an officer in the Company, a total monthly salary (gross) in the amount of NIS 150 thousand for a position of 85% (linked to the CPI), and to an annual performance-based cash bonus as set out below. Equity-based compensation On February 5, 2024, the Company's general meeting approved the allotment of 5,381,064 options to the chairman of the board of directors. The fair value of the options as at the allotment date (based on the Monte Carlo model) is NIS 9.6 million.
June 11, 2023 Approval of the compensation committee in accordance with Article 1B1 of the Relief Regulations.	Approval of the Company's insurance policy for directors and officers liability in the Company and its subsidiaries, in accordance with the Company's compensation policy, for the period up to June 29, 2024 (inclusive).	A limit of liability of up to USD 125 million per claim and in total for the entire insurance period, including entity cover, plus a limit of liability of USD 25 million applicable beyond the basic policy for coverage for directors and officers only (Side A), plus reasonable legal expenses. The total premium is based on the limits set out in the compensation policy. The Company's deductible is up to USD 1,250,000 per claim (except securities claims including entity cover – USD 1,500,000).
January 17, 2007	Undertaking to indemnify officers in the Company, in accordance with the letters of indemnity, as amended on October 26, 2011, May 3, 2016, and February 6, 2020.	Up to 25% of the Company's equity, according to the Company's last financial statements published prior to granting indemnity in practice or NIS 400 million, whichever is higher.

30. Financial Instruments

30.1 General

The Group is exposed to the following risks, arising from the use of financial instruments:

- A. Credit risk
- B. Liquidity risk
- C. Market risk (which includes currency, interest rate, and inflation/CPI risk)

This Note provides qualitative and quantitative information about the Group's exposure to each of the above risks, an explanation as to how the risks are managed, and the measurement processes.

30.2 Framework for financial risk management

The board of directors has overall responsibility for the Group's financial risk management. The purpose of financial risk management in the Group is to define and regularly monitor the various risks, to set the risk exposure level that must be complied with and to determine the possible effects of this exposure based on the assessments and expectations of the board of directors.

The Group's policy is to manage, in accordance with the rules determined by the Board of Directors, the exposure arising from fluctuations in foreign exchange rates, interest rates, and the CPI.

30.3 Credit risk

Management monitors the Group's exposure to credit risks on a regular basis. Cash and investments in deposits and securities are deposited in high-rated banks and non-banking corporations, and there are also investments in MAKAM short-term loans and monetary funds.

Trade and other receivables

The Group's management regularly monitors customer debts, and the financial statements include provisions for doubtful debts which properly reflect, in the management's estimation, the loss inherent in doubtful debts. In addition, the balances of the trade receivables are widely spread. See Note 6 above.

Investments in financial assets

Any investments in securities are made in liquid, marketable and low-risk securities. Transactions involving derivatives are made with entities that have a high credit rating.

As at the reporting date, there is no material concentration of credit risks. See Note 5 above.

30.4 Liquidity risk

The Group's liquidity management policy is to ensure, to the extent possible, adequate liquidity to meet its existing and expected liabilities when they fall due, in a normal business scenario and under stress conditions, without causing undesirable losses or impairment to goodwill. The cash balances held by the Group are mainly managed in liquid investment channels, subject to the financing requirements of operating activities and the debt service. The Group routinely assesses the existing and expected cash requirements in the foreseeable future, also in the scenario of an unexpected deterioration in its business. These forecasts take into account, among other things, raising and refinancing of debt from banking and non-banking sources. In accordance with the conclusions, active measures are being employed to minimize the risk.

For information about the terms of the debentures issued by Group companies and the loans received, see Note 13 above.

The Group has contractual commitments with respect to acquisitions, fixed assets, terminal equipment, and other ongoing services. For further information about commitments, see Note 18, Commitments.

The following are the contractual maturities of financial liabilities actually acquired up to December 31, 2025, including estimated interest payments (based on known CPI and interest rates as at December 31, 2025):

December 31, 2025							
	Carrying amount	Expected cash flow	First half 2026	Second half 2026	2027	2028 to 2030	2031 onwards
NIS millions							
Non-derivative financial liabilities							
Trade and other payables	1,623	1,623	1,613	10	-	-	-
Loans	2,131	2,435	213	276	510	1,323	113
Debentures	5,679	6,829	634	63	694	1,999	3,439
	9,433	10,887	2,460	349	1,204	3,322	3,552
Financial liabilities for derivative instruments (CPI and USD)	32	32	26	6	-	-	-

For information about the repayment dates of lease liabilities, see Note 8.3 above.

December 31, 2024							
	Carrying amount	Expected cash flow	First half 2025	Second half 2025	2026	2027 to 2029	2030 onwards
NIS millions							
Non-derivative financial liabilities							
Trade and other payables	1,667	1,667	1,664	3	-	-	-
Loans	2,206	2,585	236	119	503	1,296	431
Debentures	5,440	6,414	58	907	674	1,940	2,835
	9,313	10,666	1,958	1,029	1,177	3,236	3,266
Financial liabilities for derivative instruments (index)	1	1	-	1	-	-	-

30.5 Market risks

The purpose of market risk management is to manage and oversee the exposure to market risks within accepted parameters to prevent significant exposures to market risks that will influence the Group's results, liabilities and cash flow.

As part of the Group's exposure management policy, a decision was made to establish a mix of exposure of the debt to interest and linkage to the CPI and to reduce foreign currency exposure. Accordingly, during the normal course of its business, the Group takes full or partial hedging action and takes into account the effects of the exposure in its considerations for determining the type of loans it takes and in managing its investment portfolio.

30.5.1 Exposure to CPI (inflation) and foreign currency risks

CPI (inflation) risk

Changes in the rate of the CPI affect the Group's profitability and its future cash flows, mainly due to its CPI-linked liabilities. In applying a policy of minimizing the exposure to the CPI, the Group makes forward contracts against the CPI. Hedging transactions are performed against the hedged debt repayment schedules. The Company applies hedge accounting for these forward contracts.

A considerable part of these cash balances is invested in shekel deposits, which are exposed to changes in their real value as a result of a change in the rate of the CPI.

Foreign currency risk

The Group is exposed to foreign currency risks mainly due to payments for purchases of terminal equipment and fixed assets, some of which are mainly denominated in or linked to the USD. In addition, the Group provides services for customers and receives services from suppliers worldwide for which it is paid and it pays in foreign currency, mainly the dollar. The Group's policy is to reduce, to the extent possible, foreign currency acquisition agreements, and to partially hedge USD exposure through forward transactions against the USD and management of USD deposits.

Statement of financial position in accordance with linkage basis as at December 31, 2025:

December 31, 2025					
	Unlinked	CPI-linked prices	Foreign currency linked (mainly USD)	Non-monetary	Total balances
	NIS million	NIS million	NIS million	NIS million	NIS million
Current assets					
Cash and cash equivalents	619	-	24	-	643
Investments	2,143	44	-	-	2,187
Trade receivables	1,398	-	45	-	1,443
Other receivables	117	34	5	55	211
Inventory	-	-	-	98	98
Non-current assets					
Trade and other receivables	232	166	-	-	398
Broadcasting rights	-	-	-	400	400
Right-of-use assets	-	-	-	1,754	1,754
Fixed assets	-	-	-	7,469	7,469
Intangible assets	-	-	-	1,084	1,084
Deferred expenses and non-current investments	26	19	-	206	251
Total assets	4,535	263	74	11,066	15,938
Current liabilities					
Debentures, loans, and borrowings	697	295	-	-	992
Current maturities of lease liabilities	24	401	-	-	425
Trade and other payables	1,330	4	239	328	1,901
Employee benefits	539	-	3	-	542
Provisions	165	9	-	-	174
Non-current liabilities					
Loans and debentures	4,714	2,104	-	-	6,818
Lease liabilities	97	1,431	2	-	1,530
Employee benefits	189	-	30	-	219
Derivatives and other liabilities	-	-	2	290	292
Deferred tax liabilities	-	-	-	56	56
Provisions	34	-	-	-	34
Total liabilities	7,789	4,244	276	674	12,983
Total exposure in the statement of financial position	(3,254)	(3,981)	(202)	10,392	2,955
Scope of hedging transactions against CPI and foreign currency risk as follows:					
Forward contracts (see Note 30.6)	(1,387)	920	467	-	-

Statement of financial position in accordance with linkage basis as at December 31, 2024:

December 31, 2024					
	Unlinked	CPI-linked prices	Foreign currency linked (mainly USD)	Non-monetary	Total balances
	NIS million	NIS million	NIS million	NIS million	NIS million
Current assets					
Cash and cash equivalents	752	-	32	-	784
Investments	1,871	44	2	-	1,917
Trade receivables	1,351	-	44	-	1,395
Other receivables	58	46	10	58	172
Inventory	-	-	-	162	162
Assets of a held for sale disposal group	-	-	-	83	83
Non-current assets					
Trade and other receivables	244	166	-	-	410
Right-of-use assets	-	-	-	1,762	1,762
Fixed assets	-	-	-	7,160	7,160
Intangible assets	-	-	-	948	948
Deferred expenses and non-current investments	-	28	-	340	368
Total assets	4,276	284	88	10,513	15,161
Current liabilities					
Debentures, loans, and borrowings	818	305	-	-	1,123
Current maturities of lease liabilities	31	407	-	-	438
Trade and other payables	1,215	176	275	269	1,935
Employee benefits	397	-	3	-	400
Provisions	80	4	-	-	84
Liabilities of a held for sale disposal group	-	-	-	34	34
Non-current liabilities					
Loans and debentures	4,396	2,127	-	-	6,523
Lease liabilities	34	1,494	2	-	1,530
Employee benefits	263	-	37	-	300
Derivatives and other liabilities	-	-	-	214	214
Deferred tax liabilities	-	-	-	46	46
Provisions	30	-	-	-	30
Total liabilities	7,264	4,513	317	563	12,657
Total exposure in the statement of financial position	(2,988)	(4,229)	(229)	9,950	2,504
Scope of hedging transactions against CPI and foreign currency risk as follows:					
Forward contracts (see Note 30.6)	(1,404)	845	559	-	-

30.5.2 CPI

In 2025, the known CPI increased by 2.4% (in 2024, an increase of 3.4%; in 2023, an increase of 3.3%)

30.5.3 Sensitivity analysis for change in the CPI and for change in the USD exchange rate

An increase/decrease of 1% in the CPI at the reporting date did not have a material effect on the net profit or capital.

An increase/decrease of 10% in the USD exchange rate at the reporting date would not have a material effect on profit or capital.

30.5.4 Interest rate risk

As at December 31, 2025, the exposure to interest rate risk due to liability for debt instruments bearing variable interest is low.

A. Type of interest

Type of interest on the Group's interest-bearing financial instruments:

	Carrying amount	
	2025	2024
	NIS million	NIS million
Fixed-interest instruments		
Financial assets (mainly deposits and trade receivables)	2,313	1,627
Financial liabilities (loans and debentures)	(7,111)	(6,947)
	(4,798)	(5,320)
Variable-interest instruments		
Financial liabilities (loans and debentures)	(699)	(699)

B. Fair value sensitivity analysis for instruments at fixed interest

The Group's assets and liabilities at fixed interest are not measured at fair value through profit or loss. Accordingly, a change in interest rates at the reporting date will not affect profit or loss.

C. Cash flow sensitivity analysis for instruments at variable interest

An increase/decrease of 1% in the interest rates at the reporting date would have a negligible effect on profit and on capital.

30.6 Hedging

30.6.1 Cash flow hedge accounting

The Company entered into forward contracts, as described in the table below, to reduce exposure to changes in the CPI for CPI-linked debentures. These transactions hedge specific cash flows of some of the debentures and are accounted for as cash flow hedging. The expiry date of these transactions corresponds to the repayment schedules of the debentures they are intended to hedge. The fair value of the forward contracts is based on available market information (tier 2 in the fair value hierarchy)

Hedged item	Repayment dates	No. of transactions	Nominal value NIS million	Fair value NIS million	Capital reserve NIS million
December 31, 2025					
Debentures (Series 12)	June 2026 to June 2030	14	750	19	(1)
December 31, 2024					
Debentures (Series 10)	December 2024 to December 2025	1	75	6	1
Debentures (Series 12)	June 2026 to June 2030	10	550	27	8
		11	625	33	9

30.6.2 Economic hedging

- A. The Company has entered into forward contracts to reduce exposure to changes in the USD exchange rate. The net fair value of these transactions as at December 31, 2025 is a liability of NIS 18 million (2024, an asset of NIS 1 million).
- B. yes has forward contracts to reduce exposure to changes in the USD exchange rate. The net fair value of these transactions as at December 31, 2025 is a liability of NIS 11 million (December 31, 2024, an asset of NIS 1 million).

30.7 Financial instruments measured at fair value

30.7.1 The table below presents an analysis of the financial instruments measured at fair value.

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Level 1 – investment in securities measured at fair value through profit or loss	570	1,035
Level 2: forward contracts (see Note 30.7.2)	24	32

30.7.2 The fair value of forward contracts on the CPI or foreign currency is based on discounting the difference between the price in the forward contract and the price of the present forward contract for the balance of the contract term until redemption, at an appropriate interest rate (Level 2). The estimate is made under the assumption that a market participant takes into account the credit risks of the parties when pricing such contracts.

30.8 Financial instruments at fair value for disclosure purposes only

The table below shows the differences between the carrying amount and the fair value of financial liabilities.

The fair value of debentures issued to the public is based on their quoted closing price at the reporting date (Level 1).

The fair value of the loans and non-marketable debentures is based on the present value of future principal and interest cash flows, discounted at the rate of market interest for similar liabilities, plus the required adjustments for a risk premium or non-marketability, as at the reporting date (Level 2).

	December 31, 2025			December 31, 2024		
	Carrying amount (including interest accrued)	Fair value	Discount rate (weighted average)	Carrying amount (including interest accrued)	Fair value	Discount rate (weighted average)
	NIS million		%	NIS million		%
Loans from banks and institutions (unlinked)	1,443	1,432	4.34%	1,517	1,479	4.76%
Debentures issued to the public (CPI-linked)	2,289	2,271	2.30%	2,342	2,287	2.53%
Debentures issued to the public (unlinked)	3,403	3,450	4.33%	3,110	3,046	4.88%
Total	7,135	7,153		6,969	6,812	

30.9 Offset of financial assets and liabilities

The Group has agreements with various telecommunications companies to supply and receive telecommunications services. Under some of the agreements, each party has the right to offset the amounts owed by the other party. The table below shows the carrying amount of the offset balances as presented in the statement of financial position:

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Trade and other receivables, gross	16	46
Offset amounts	(12)	(41)
Trade and other receivables presented in the statement of financial position	4	5
Trade payables, gross	15	46
Offset amounts	(10)	(41)
Trade payables presented in the statement of financial position	5	5

31. Selected Condensed Data from the Financial Statements of Pelephone Communications Ltd., Bezeq International Ltd., and yes Television and Communication Services Ltd. (yes)

31.1 Pelephone Communications Ltd.

Information from the statement of financial position:

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Current assets	880	796
Non-current assets	2,139	2,084
	3,019	2,880
Current liabilities	695	733
Non-current liabilities	786	760
Total liabilities	1,481	1,493
Equity	1,538	1,387
	3,019	2,880

Information from the statement of income:

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Revenues			
Revenues from services	1,550	1,636	1,756
Revenues from the sale of terminal equipment	617	618	592
Total revenues from services and sales	2,167	2,254	2,348
Operating expenses			
General 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 income			
Financing expenses	44	37	35
Financing income	(45)	(30)	(48)
Financing expenses (income), net	(1)	7	(13)
Profit before income tax	187	182	209
Income tax expenses	41	44	50
Profit for the year	146	138	159

31.2 Bezeq International Ltd.

Information from the statement of financial position:

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Current assets	399	390
Non-current assets	538	542
	937	932
Current liabilities	394	397
Non-current liabilities	301	331
Total liabilities	695	728
Equity	242	204
	937	932

Information from the statement of income:

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Revenues	1,080	1,105	1,212
Operating expenses			
General operating expense and impairment	720	722	800
Salaries	214	211	216
Depreciation, amortization, and reversal of impairment loss	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 taxes on income	36	(21)	29
Income tax expenses	-	1	-
Profit (loss) for the year	36	(22)	29

31.3 yes Television and Communication Services Ltd. (yes)

Information from the statement of financial position:

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Current assets	181	164
Non-current assets	954	418
	1,135	582
Current liabilities	467	404
Non-current liabilities	54	53
Total liabilities	521	457
Equity	614	125
	1,135	582

Information from the statement of income:

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Revenues	1,300	1,265	1,309
Operating expenses			
Operating expenses, general, impairment, and reversal of impairment loss	637	870	861
Salaries	184	192	193
Depreciation, amortization, impairment and reversal of impairment loss	(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 expenses (income), net	24	(10)	(9)
Profit before income tax	486	50	103
Income tax expenses	1	1	1
Profit for the year	485	49	102

32. Significant Events in and Subsequent to the Reporting Period

- 32.1** See Note 20.2 for information about the resolution of the board of directors of March 11, 2025 regarding the dividend distribution policy and the resolution of the board of directors to recommend that the general meeting approves a dividend distribution.
- 32.2** Buyback – see also Note 20.2.3. above.
- 32.3** On December 15, 2025, the Company entered into a long-term agreement with an international telecommunications company operating in the Middle East. Under the agreement, Bezeq Group will provide the international company with advanced telecommunications services, based on the submarine cable infrastructure of Bezeq International and the Company's fiber-optic infrastructure, to establish a communication route between East and West. The value of the transaction is estimated at tens of millions of shekels and includes consideration for access to the Group's infrastructure as well as for related services.



Separate Financial Information for Year Ended December 31, 2025

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



Separate Financial Information as at December 31, 2025

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Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
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**To the Shareholders of
Bezeq The Israeli Telecommunication Corp. Ltd.**

**Subject: Special independent auditors' report on separate financial data according to
Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970
Opinion**

We have audited the separate financial data presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, of Bezeq The Israeli Telecommunication Corp. Ltd. (the "Company") as at December 31, 2025 and for the year then ended (the "Separate Financial Data").

In our opinion, the Separate Financial Data has been prepared, in all material respects, in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

Basis for Opinion

We conducted our audit in accordance with generally accepted auditing standards in Israel. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate Financial Data section of our report. We are independent of the Company in accordance with the applicable legal provisions in Israel regarding independence and conflict of interest of auditors. Additionally, we have fulfilled our other ethical responsibilities in accordance with the Auditors' Law, 1955, and the regulations thereunder. We believe that the audit evidence we have obtained is appropriate and sufficient to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 12, which refers to Note 1.3 to the consolidated financial statements, regarding the Israel Securities Authority's (ISA) and the Israel Police investigation. As noted in the aforementioned note, the Company is unable to assess the effects of the investigations, their findings and their results on the Company, as well as on the financial statements and on the estimates used in their preparation, if any.

In addition, we draw attention to lawsuits filed against the Company which cannot yet be assessed or the exposure in respect thereof cannot yet be calculated, as set forth in Note 11.

Our opinion is not modified in respect of these matters.

Responsibilities of Board of Directors and Management for the Separate Financial Data

The board of directors and management are responsible for the preparation and fair presentation of the Separate Financial Data in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, and for such internal control as the board of directors and management determine is necessary to enable the preparation of Separate Financial Data that is free from material misstatement, whether due to fraud or error.



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In preparing the Separate Financial Data, 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.

Auditors' Responsibilities for the Audit of the Separate Financial Data

Our objectives are to obtain reasonable assurance about whether the Separate Financial Data as a whole is free from material misstatement, whether due to fraud or error, and to issue a special auditors' 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 can 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 Data.

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. We also:

- Identify and assess the risks of material misstatement of the Separate Financial Data, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is appropriate and sufficient 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 use by the board of directors and management 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 auditors' report to the related disclosures in the Separate Financial Data or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our special auditors' 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 Data, including the disclosures, and whether the Separate Financial Data has been prepared, in all material respects, in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.



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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 (Isr.)
Tel Aviv
March 8, 2026

Separate Financial Information as at December 31, 2025

Information on Financial Position as of December 31			
		2025	2024
	Note	NIS million	NIS million
Assets			
Cash and cash equivalents		171	462
Investments	3.1	2,187	1,912
Trade receivables	3.3	738	708
Other receivables	3.3	141	101
Assets of a disposal group held for sale		-	49
Total current assets		3,237	3,232
Trade and other receivables	3.3	216	226
Fixed assets	5	6,298	6,111
Intangible assets		245	258
Goodwill		265	265
Investment in investees	9.2	2,505	1,792
Right-of-use assets		657	648
Noncurrent and other investments	3.2	157	177
Total noncurrent assets		10,343	9,477
Total assets		13,580	12,709

Separate Financial Information as at December 31, 2025

		2025	2024
	Note	NIS million	NIS million
Liabilities			
Debentures and loans	3.5	992	1,123
Trade and other payables	3.4	932	988
Employee benefits		437	279
Current maturities of lease liabilities		103	112
Provisions	11	142	53
Total current liabilities		2,606	2,555
Noncurrent liabilities			
Debentures and loans	3.5	6,818	6,523
Loans from subsidiaries	10.2.1	170	140
Employee benefits		181	244
Lease liabilities		607	593
Derivatives and other liabilities		237	151
Deferred tax liabilities	4.2	8	1
Total noncurrent liabilities		8,021	7,652
Total liabilities		10,627	10,207
Equity			
Share capital		3,887	3,882
Share premium		398	393
Reserves		410	407
Accumulated deficit		(1,742)	(2,180)
Total equity		2,953	2,502
Total liabilities and equity		13,580	12,709

Tomer Raved
Chairman of the Board
of Directors

Nir David
Chief Executive Officer

Yohai Benita
Chief Financial Officer,
Bezeq Group

Date of approval of the financial statements: March 8, 2026

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

Separate Financial Information as at December 31, 2025

Information on Income for Year Ended December 31				
		2025	2024	2023
	Note	NIS million	NIS million	NIS million
Revenue	6	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 operating expenses	7	750	738	769
Other operating expenses, net	8	287	106	145
Total operating expenses		3,186	2,904	2,961
Operating profit		1,242	1,438	1,451
Financial expenses (income)				
Financial expenses		427	398	370
Financial income		(148)	(148)	(114)
Financial expenses, net		279	250	256
Profit after financial expenses, net		963	1,188	1,195
Share in profits of investees, net		678	158	288
Profit before income tax		1,641	1,346	1,483
Income tax	4.1	224	274	294
Profit for the year attributable to shareholders of the Company		1,417	1,072	1,189

Information on Comprehensive Income for Year Ended December 31			
	2025	2024	2023
	NIS million	NIS million	NIS million
Profit for the year	1,417	1,072	1,189
Items of other comprehensive income, net of tax	(13)	(6)	12
Total comprehensive income for the year attributable to shareholders of the Company	1,404	1,066	1,201

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

Separate Financial Information as at December 31, 2025

Information on Cash Flows for Year Ended December 31			
	2025	2024	2023
	NIS million	NIS million	NIS million
Cash flows from operating activities			
Profit for the year	1,417	1,072	1,189
Adjustments:			
Depreciation and amortization	1,060	1,023	1,019
Share in profits of investees, net	(678)	(158)	(288)
Financial expenses, net	283	242	236
Capital gain, net	(7)	(14)	-
Impairment loss for a disposal group held for sale	2	9	-
Share-based payment	10	9	3
Income tax expenses	224	274	294
Change in trade and other receivables	21	41	(74)
Change in trade and other payables	112	93	91
Change in provisions	21	-	2
Change in employee benefits	142	49	40
Miscellaneous	(16)	10	23
Net cash provided by operating activities due to transactions with subsidiaries	(15)	(2)	53
Income tax paid, net	(384)	(194)	(208)
Net cash provided by operating activities	2,192	2,454	2,380
Cash flows from investing activities			
Investment in intangible assets and other investments	(159)	(172)	(179)
Proceeds from the sale of fixed assets	39	13	33
Investment in bank deposits and other financial investments	(2,335)	(2,045)	(1,413)
Proceeds from repayment of bank deposits and other financial investments	2,107	1,378	1,134
Purchase of fixed assets	(938)	(967)	(943)
Dividend received	15	141	247
Proceeds from the sale of a subsidiary	34	-	-
Miscellaneous	3	3	1
Interest received from bank deposits	68	75	56
Investment in an investee	(31)	(10)	-
Net cash used in investing activities	(1,197)	(1,584)	(1,064)

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

Separate Financial Information as at December 31, 2025

Information on Cash Flows for Year Ended December 31 (cont.)

	2025	2024	2023
	NIS million	NIS million	NIS million
Cash flows from financing activities			
Issue of debentures and receipt of loans	1,190	1,648	515
Repayment of debentures and loans	(1,123)	(1,070)	(912)
Interest paid	(238)	(249)	(236)
Dividend paid	(975)	(781)	(638)
Payment of principal and interest on a lease	(165)	(144)	(158)
Amount received for expired hedging transactions	5	7	4
Net cash provided by financing activities due to transactions with subsidiaries	20	47	(43)
Net cash used in financing activities	(1,286)	(542)	(1,468)
Net increase (decrease) in cash and cash equivalents	(291)	328	(152)
Cash and cash equivalents as of January 1	462	134	286
Cash and cash equivalents at the end of the year	171	462	134

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

1. **General**

Below is separate financial information of the Company ("Separate Financial Information") from the Group's Consolidated Financial Statements as at December 31, 2025 ("Consolidated Statements"), published in the framework of the Periodic Report. The Separate Financial Information is presented in accordance with Regulation 9C (the "Regulation") and the Tenth Schedule (the "Tenth Schedule") of the Securities Regulations (Periodic and Immediate Reports), 1970 concerning separate financial information of a corporation.

The Separate Financial Information should be read in conjunction with the Consolidated Statements.

In this Separate Financial Information –

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

"Associate", "Subsidiary", "Group", "Investee," "Interested Party" – as these terms are defined in the Group's consolidated financial statements for 2025.

2. **Significant accounting policies applied in the separate financial information**

The accounting policies specified in the Consolidated Statements were consistently applied by the Company for all the periods presented in this Separate Financial Information, including the method of classifying financial information in the Consolidated Statements, with the required changes as set out below:

2.1. **Presentation of the financial information**

The information on financial position, income, comprehensive income and cash flows includes information contained in the Consolidated Statements that is attributable to the Company separately. The investment balances and results of operations of investees are accounted for by the equity method. Cash flows of operating activities, investing activities and financing activities due to transactions with investees are presented separately, in net figures, under the relevant item based on the nature of the transaction.

2.2. **Transactions between the Company and investees**

2.2.1. Presentation

Intra-group balances and income and expenses arising from intra-group transactions, which were eliminated in the preparation of the Consolidated Statements, are presented separately from the balance for investees and the profit relating to investees, together with similar third-party balances.

2.2.2. Measurement

Transactions between the Company and its subsidiaries are measured in accordance with the recognition and measurement principles set out in the International Financial Reporting Standards ("IFRS"). These principles outline the accounting treatment for third party transactions.

3. Financial Instruments

3.1. Investments

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Bank deposits in shekels (1)	1,612	870
Investment in securities at fair value through profit or loss	570	1,035
Derivatives	5	7
	2,187	1,912

(1) The deposits mature by December 2026.

3.2. Noncurrent and other investments

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Bank deposit used for providing loans to Company employees (1)	26	29
Customer acquisition asset, net	96	110
Derivatives	19	28
Deferred expenses	16	10
	157	177

(1) The bank deposit for providing loans to Company employees has no maturity date.

3.3. Trade and other receivables

	Maturity	Unlinked	Israeli CPI linked	Total
		NIS million	NIS million	NIS million
December 31, 2025				
Current assets				
Trade receivables	2026	738	-	738
Other receivables	2026	117	24	141
Total current assets		855	24	879
Noncurrent assets				
Trade and other receivables	2027-2028	50	166	216
December 31, 2024				
Current assets				
Trade receivables	2025	708	-	708
Other receivables	2025	63	38	101
Total current assets		771	38	809
Noncurrent assets				
Trade and other receivables	2026-2027	60	166	226

3.4. Trade and other payables, including derivatives

	Unlinked (including non-monetary items)	Israeli CPI linked	In or linked to foreign currency (primarily USD)	Total
	NIS million	NIS million	NIS million	NIS million
December 31, 2025				
Trade and other payables	840	4	88	932
December 31, 2024				
Trade and other payables	737	157	94	988

3.5. Debentures and loans

3.5.1. Composition

	December 31, 2025	December 31, 2024
	NIS million	NIS million
Current liabilities		
Current maturities of debentures	578	847
Current maturities of loans	414	276
	992	1,123
Noncurrent liabilities		
Debentures	5,101	4,593
Loans	1,717	1,930
	6,818	6,523
Total	7,810	7,646

3.5.2. Terms and debt repayment schedule

	December 31, 2025		December 31, 2024	
	Carrying amount	Par value	Carrying amount	Par value
	NIS million	NIS million	NIS million	NIS million
Total unlinked bank loans at fixed interest	867	867	812	813
Total unlinked bank loans at variable interest	699	700	699	700
Total unlinked loans from financial institutions at fixed interest	565	565	695	695
Total loans	2,131	2,132	2,206	2,208
Debentures issued to the public:				
Total Debentures Series 9-14 issued to the public *	5,679	5,783	5,440	5,482
Total debentures	5,679	5,783	5,440	5,482
Total interest-bearing liabilities	7,810	6,915	7,646	7,690

* In December 2025, the Series 9, 10 debentures matured as per the repayment schedule.

For further information see Note 13 to the Consolidated Statements – Debentures, Loans and Borrowings.

3.6. Liquidity risk

Below are the expected maturities of financial liabilities, including estimated interest payments (based on known CPI and interest rates at December 31, 2025):

	December 31, 2025						
	Carrying amount	Contractual cash flow	First half 2026	Second half 2026	2027	2028-2030	2031 onwards
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Non-derivative financial liabilities							
Trade and other payables	716	716	714	2	-	-	-
Loans from subsidiaries	170	239	8	-	9	26	196
Lease liabilities	710	854	64	61	106	178	445
Loans	2,131	2,435	213	276	510	1,323	113
Debentures	5,679	6,829	634	63	694	1,999	3,439
Total	9,406	11,073	1,633	402	1,319	3,526	4,193
Derivative financial liabilities	19	19	15	4	-	-	-

	December 31, 2024						
	Carrying amount	Contractual cash flow	First half 2025	Second half 2025	2026	2027-2029	2030 onwards
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Non-derivative financial liabilities							
Trade and other payables	799	799	797	2	-	-	-
Loans from subsidiaries	140	163	3	-	35	96	29
Lease liabilities	705	849	72	62	104	157	454
Loans	2,206	2,585	236	119	503	1,296	431
Debentures	5,440	6,414	58	907	674	1,940	2,835
Total	9,290	10,810	1,166	1,090	1,316	3,489	3,749
Derivative financial liabilities	1	1	-	1	-	-	-

3.7. Currency and CPI risks

For information regarding CPI hedging transactions made by the Company in 2025, see Note 30.6 to the Consolidated Statements. These transactions are accounted for as cash flow hedges.

4. Income tax

4.1. General

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Current tax expenses			
Expenses for the current year	213	268	286
Adjustments for previous years based on an assessment agreement	-	32	-
Total current tax expenses	213	300	286
Deferred tax expenses			
Creation and reversal of temporary differences	11	(3)	8
Adjustments for previous years based on an assessment agreement	-	(32)	-
Reversal of temporary differences based on an assessment agreement	-	9	-
Total deferred tax expenses	11	(26)	8
Income tax expenses	224	274	294

4.2. Changes in recognized deferred tax assets and tax liabilities during the year

Composition of and changes in deferred tax assets and tax liabilities during the year:

	Balance at January 1, 2024	Recognized in profit or loss	Recognized in equity	Balance at December 31, 2024	Recognized in profit or loss	Recognized in equity	Balance at December 31, 2025
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Employee benefit plans	222	6	(3)	225	15	2	242
Fixed assets	(228)	(16)	-	(244)	(16)	-	(260)
Provisions and other	(13)	36	(5)	18	(10)	2	10
	(19)	26	(8)	(1)	(11)	4	(8)

5. Fixed assets

	2025	2024
	NIS million	NIS million
Cost		
Balance at January 1	19,278	18,626
Additions	968	1,020
Disposals	(521)	(368)
Balance at December 31	19,725	19,278
Depreciation		
Balance at January 1	13,167	12,777
Depreciation for the year	780	756
Disposals	(520)	(366)
Balance at December 31	13,427	13,167
Depreciated cost at December 31	6,298	6,111

For further information see Note 9 to the Consolidated Statements – Fixed Assets.

6. Revenue

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Internet infrastructure	2,032	1,999	1,947
Transmission and data communications	1,211	1,179	1,163
Fixed-line telephony	488	544	650
Cloud and digital services	365	348	349
Other services	332	272	303
Total revenue	4,428	4,342	4,412

7. General operating expenses

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Maintenance of buildings and sites	118	115	114
General and marketing expenses	198	187	168
Interconnectivity and payments to telecom operators	29	56	82
Services and maintenance by subcontractors	234	217	230
Vehicle maintenance	46	42	40
Terminal equipment and materials	125	121	135
Total general operating expenses	750	738	769

8. Other operating expenses, net

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Gain on the sale of fixed assets (mainly real estate)	(7)	(14)	-
Provision for employee termination benefits under early retirement plan	267	104	57
One-time provision – amendment to labor agreement	-	-	75
Impairment loss for a disposal group held for sale	2	9	-
Other expenses (mainly provisions for claims)	25	7	13
Total other operating expenses, net	287	106	145

9. Subsidiaries

9.1. For information concerning the Company's investment in Pelephone, yes and Bezeq International, see Note 12 to the Consolidated Statements.

9.2. Direct subsidiaries of the Company:

	Company's interest in equity	Investment in subsidiaries (equity-accounted) at	
		December 31, 2025	December 31, 2024
		NIS million	NIS million
Pelephone Communications Ltd.	100%	1,605	1,455
Bezeq International Ltd.	100%	241	204
yes TV and Communications Services Ltd.	100%	645	125
Bezeq-Gen	50%	14	8
Total		2,505	1,792

* See Note 12.5 to the Consolidated Statements regarding the sale of Bezeq Online. The sale transaction was completed on April 17, 2025, following fulfillment of all the conditions precedent set out in the agreement.

Regarding recording a reversal of an impairment loss on investments (impairment of investments) in the Group's companies, see Notes 10.2-10.5 to the Consolidated Statements

The Company's subsidiaries have immaterial investments in other subsidiaries.

For information concerning loans received from and provided to subsidiaries, see Note 10.2 below.

10. Material agreements and transactions with investees

10.1. Guarantees

- 10.1.1. The Company provided a guarantee in favor of banks for credit to Bezeq International of up to NIS 65 million if it will be granted.
- 10.1.2. The Company provided a bank guarantee to yes, in respect of the guarantee which yes provided in favor of the State of Israel in accordance with the terms of yes's license. The guarantee is based on the current percentage of its holdings in yes (100%), up to an amount of NIS 32 million (linked to the consumer price index).
- 10.1.3. For information on guarantees provided by the Company to Bezeq-Gen, see Note 19.3 to the Consolidated Statements.
- 10.1.4. For information on guarantees provided by the Company to various entities, see Note 19 to the Consolidated Statements – Collateral, Liens and Guarantees.

10.2. Intercompany loans

10.2.1. Loans from investees

Terms of loans received from investees (as presented in the Information on Financial Position):

	Balance			
	NIS million	Payment dates	Number of installments	Interest rate
Bezeq International				
	170	2031-2035	5	5.18%
	170			

- 10.2.2. In September 2025, loans received from Bezeq International for a total of NIS 140 million were replaced by a new loan that includes a postponement of the maturity dates from 2026-2030 to 2031-2035. Furthermore, in September 2025, Bezeq International granted the Company an additional loan of NIS 30 million.
- 10.2.3. yes credit facility or capital investment

On March 8, 2026, the Company's Board of Directors approved to provide yes with a credit facility or capital investment for a total of NIS 50 million for 12 months as of January 1, 2026. This approval is in lieu of the approval given in November 2025 (for NIS 100 million) and not in addition to it.

10.3. Service agreements

The Company and its investees, as communications providers, are bound by agreements and arrangements for providing and receiving various services in the communications sector, such as:

Transmission agreements, interconnectivity agreements, billing agreements, various agreements regulating the communications services jointly provided by two companies, communications equipment maintenance, dealer agreements, agreements for the purchase of communications equipment, rental agreements (primarily for communications installations), agreements for joint ventures and advertising on websites of subsidiaries, etc.

The terms of the above service agreements were set according to customary market rates for services of this kind.

Notes to the Separate Financial Information as at December 31, 2025

Details of the transactions and their carrying amounts in the Company's books:

	Year ended December 31		
	2025	2024	2023
	NIS million	NIS million	NIS million
Transactions			
Revenue			
Telephone	55	56	66
Bezeq International	115	133	184
yes	87	22	3
Other	-	2	2
Total	257	213	255
Expenses			
Telephone	10	16	29
Bezeq International	14	20	19
Total	24	36	48

	December 31	December 31
	2025	2024
	NIS million	NIS million
Balances due to the Company		
Telephone	10	9
Bezeq International	30	23
yes	36	22
Total	76	54

For further information, see Note 29 to the Consolidated Statements – Transactions with Interested and Related Parties

11. Contingent liabilities

11.1 During the normal course of business, lawsuits were filed against the Company or there are various legal proceedings pending against it (in this section – "Lawsuits").

In the opinion of the Company's management, based, inter alia, on legal opinions as to the likelihood of success of the Lawsuits, the financial statements include adequate provisions in the amount of NIS 142 million, where provisions are required to cover the exposure arising from such Lawsuits. Furthermore, motions to certify class actions have been filed against the Company, which do not specify the exact amount of the claim and for which the Group has additional exposure beyond the aforesaid.

As of December 31, 2025:

Provision	Additional exposure*	Exposure for claims whose chances cannot yet be assessed*
NIS million		
142 ⁽¹⁾	626	2,470 ⁽²⁾

* The exposure amounts in this note are nominal.

(1) An indemnification asset of NIS 68 million was recognized against a provision, in view of the existence of insurance coverage. The asset was presented under the item "Other receivables" in the statement of financial position as of December 31, 2025, pursuant to the provisions of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets."

(2) Includes two motions to certify class actions for a total of NIS 1.8 billion, filed in June 2017 against the Company, officers of the Group and companies of the group of the Company's controlling shareholder at the time, with respect to the transaction for the Company's acquisition of yes shares from Eurocom DBS Ltd. In accordance with a court decision, a consolidated motion is expected to be filed instead of these two motions. It should be noted that a partial ruling has been issued approving a partial settlement in the consolidated proceeding among the petitioners, B-Com and Messrs. Shaul and Or Elovitch. The Court has approved a motion to stay proceedings for the time being until June 1, 2026.

11.2 See Note 6.6 to the annual Consolidated Statements concerning an amount recognized in long-term other receivables and government authorities in respect of permit fees and betterment tax paid by the Company to the Israel Land Authority and the Or Yehuda local authority for the sale of the Sakia property in 2019.

11.3 For further information on contingent liabilities, see Note 17 to the Consolidated Statements.

11.4 Subsequent to the date of the financial statements, a motion to certify a class action was filed against the Company, for a currently indeterminable amount. As of the approval date of the financial statements, it is not yet possible to assess the chances of the motion. Additionally, a claim was settled for NIS 24 million.

12. Events in and subsequent to the reporting period

12.1 Regarding the investigation by the Israel Securities Authority and the Israel Police, see Note 1.3 to the Consolidated Statements.

12.2 Regarding reversal of an impairment loss (an impairment loss) in respect of Bezeq International and yes and a test for goodwill impairment with respect to Pelephone and Bezeq's fixed-line segment, see Note 10 to the Consolidated Statements.

12.3 For information concerning employee retirement and a signed new collective agreement, see Note 16.5 and Note 16.8, respectively, to the Consolidated Statements.

12.4 For information on the Board of Directors' resolution of March 8, 2026 regarding the dividend distribution policy and the Board of Directors' resolution to recommend to the General Meeting a dividend distribution, see Note 20.2 to the Consolidated Statements.

Notes to the Separate Financial Information as at December 31, 2025

- 12.5** For information regarding a repurchase by the Group, see Note 20.2.3 to the Consolidated Statements.
- 12.6** For information on additional material subsequent events, see Note 32 to the Consolidated Statements.

Chapter D

Additional Information about the Company and Corporate Governance Questionnaire for the Period ended December 31, 2025

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



1. Regulation 10A: Summary of the Company's statements of comprehensive income for each of the quarters of the reporting year

See section 1.3 to the Director's Report, attached to this report.

2. Regulation 10C: Use of proceeds for securities

On December 04, 2025, the Company issued NIS 905,255,000 par value Debentures (Series 13) and NIS 192,781,000 par value Debentures (Series 14) of the Company, by way of expansion of the existing series under a shelf offering memorandum dated December 2, 2025 (the "Shelf Offering Memorandum") that was issued under a shelf prospectus of the Company dated May 10, 2023, which was published on May 9, 2023 and that was extended through to May 9, 2026¹ (the "Shelf Prospectus"), for total proceeds in an amount (gross) of NIS 1 billion ("Proceeds from the Issue of Debentures". Pursuant to the designated purpose of the proceeds as set out in the Shelf Offering Memorandum, the Proceeds from the Issue of Debentures is being used by the Company for refinancing an existing debt. Until the proceeds of the issue are used, the Company invested the proceeds of the issue of Debentures in solid investments pursuant to the Company's investment policy as set by the Company's management from time to time, with the approval of the board of directors.

¹ For further information regarding the Israel Securities Authority's decision to extend the validity of the Company's shelf prospectus, see the Company's immediate report dated May 5, 2025, which is hereby presented by way of reference.

3. Regulation 11: Breakdown of investments in material subsidiaries and investees as at the date of the statements of financial position²

Company name	Name of holder	Class of share	Number of shares	Total par value	% of holding in issued share capital and voting rights	% of holdings in rights to appoint directors	Company's separate balance sheet value (in NIS millions) ³
Telephone Communications Ltd. ("Pelephone")	Company	Ordinary NIS 1 shares	302,460,000	302,460,000	100%	100%	1,605
Bezeq International Ltd. ("Bezeq International")	Company	Ordinary NIS 0.1 shares	1,136,986,301	113,698,630	100%	100%	241
yes Television and Communication Services Ltd. ("yes")	Company	Ordinary NIS 1 shares	36,117	36,117	100%	100%	645
BezeqGen Ltd. ("BezeqGen")	The Company	Ordinary shares of NIS 0.0001	15,000,000	1,500	50%	50%	14

² For further information regarding additional subsidiaries indirectly held by the Company, see Notes 12.3.3 and 12.4 to the consolidated financial statements; for further information concerning impairment losses on investments in Group companies and their reversal, see Notes 10.4 and 10.5 to the consolidated financial statements. For information concerning the Company's irrevocable undertaking to yes for the provision of a credit facility or capital investment see Note 12.2.2 to the consolidated financial statements and Note 10.2.3 to the separate financial information attached to the report.

³ It should be clarified that this is the value of the investment in the Company's separate financial statement (based on the equity method).

4. Regulation 12: Changes in Investments in Subsidiaries and Related Companies During the Reporting Period⁴

Date of change	Nature of the change	Company name:	Reported amounts (NIS millions)
3.2025	Investment in an investee	BezeqGen	5
6.2025	Investment in an investee	BezeqGen	10
11.2025	Investment in an investee	BezeqGen	10
1.2025	Distribution of a dividend	Bezeq Online Ltd.	15
4.2025	Completion of the sale of all of the Company's holdings in Bezeq On Line Ltd.	Bezeq Online Ltd.	34 ⁵

5. Regulation 13: Revenues of material subsidiaries and investees, and Company revenues from them as at the date of the statement of financial position (in NIS millions)⁶

Company name:	Profit (loss) for the period	Comprehensive income(loss) for the period	Dividends	Management and directors fees ⁷	Interest income
Telephone	146	146	-	1	-
Bezeq International	36	36	-	1	-
yes	485	485	-	1	-
Bezeq Online	(2) ⁸	(2)	15	-	-
BezeqGen ⁹	(19)	(19)	-	-	-

6. Regulation 20: Stock Exchange Trading

- A. In the reporting period and through to date of publication of the report, 5,101,509 ordinary shares of NIS 1 par value each of the Company were listed for trading on the Tel Aviv Stock Exchange ("Ordinary Shares") with respect to the exercise of non-marketable options into ordinary that were granted to employees and officers of the Group.
- B. As noted in Section 2 above, in December 2025 the Company issued NIS 905,255,000 par value Debentures (Series 13) and NIS 192,781,000 par value Debentures (Series 14) through expansions of existing series.

⁴ For information concerning loans that the Company received from investees, see Note 10.2 to the separate financial information attached to the report. As at December 31, 2025 the outstanding principal of these loans amounted to NIS 170 million.

⁵ On April 17, 2025, the transaction for the sale of all of the Company's holdings in its subsidiary, Bezeq Online Ltd., was completed, after all the preconditions under the sale agreement had been fulfilled. In accordance with the agreement, ownership was transferred to the purchaser and the full net cash consideration, in the amount of approx. NIS 34 million, was received.

⁶ For the period subsequent to reporting date through to publication of the report, the amounts for each company are lower than half million shekel.

⁷ It is hereby clarified that this is not management fees, rather reimbursement for participation in expenses for board of directors' meetings of subsidiaries and for participation in the salary of the Group's chairman.

⁸ Refers to Bezeq Online losses until completion of the sale agreement as set out in subsection 5.

⁹ This figure refers to the Company's share in the losses of BezeqGen, i.e. 50%.

- C. To the best of the Company's knowledge, there was no interruption in the period of trading of its listed securities.
- D. For further information regarding the final redemption of the Company's Debentures (Series 9) and Debentures (Series 10), pursuant to their terms, see the Company's immediate report dated December 1, 2025, which is hereby presented by way of reference.

7. Regulation 21: Remuneration of interested parties and executive officers

Below is a breakdown of the remunerations paid in 2025, as recognized in the financial statements for 2025, to each of the five highest-paid executive officers in the Company or in a company under its control in lieu of their service in the Company or in a company under its control, (employer's cost and on annual basis). It should be emphasized that the amounts stated in the table are the amounts recognized in the financial statements for 2025, but some of the actual payments to some of the officers include amounts recognized in previous financial statements, part of which are subject to the conditions set out below.

Details of compensation recipient					Remuneration (in NIS thousands)				Total (NIS thousands)	Section below
Name	Position	Sex	Scope of position	% of holding in Company's equity	Salary ¹⁰	Grant ¹¹	Share-based payment	Other (management fees)		
Tomer Raved	Chairman of the board of directors	Male	85% ¹²	-	2,516	1,396	2,694		6,606	A
Nir David	CEO of the Company	Male	Full-time	-	2,551	1,700	1,968 ¹³		6,219	B.
Ilan Segal	CEO of Pelephone and yes	Male	Full-time	-	2,493	2,251	1,332		6,076	C.
Ron Glav	Bezeq International CEO	Male	Full-time	-	1,469	1,267	546		3,282	D.
Yohai Benita	CFO of Bezeq Group	Male	Full-time	-	1,686	756	586		3,028	E.

¹⁰ The remuneration amounts include the cost of salaries (employer costs, including actuary provisions) and ancillary salary costs, including perks and social benefits such as telephone expenses, company car (cost of leasing or vehicle depreciation costs or reimbursement of expenses in lieu of use of company car, to the Company's VPs, or inclusion of value of a company car), study fund, provisions for pension fund and for termination of the employer-employee relations (for employees subject to section 14 of the Severance Compensation Law), reimbursement of expenses, annual convalescence pay, expenses for employee holiday gift (included amount), membership fees for companies in professional associations that were paid for the employee (not as part of the employee's employment) and if a loan was provided to an employee, the value of the benefit in the interest on the loan.

¹¹ The amounts of the bonus that appear in the table are as recognized in the 2025 financial statements and include a performance-based bonus and special bonuses, if granted, (for information concerning each of the officers, see sections A-E below the following table), all in accordance with the compensations policy. The performance-based bonus that appears in the table is for 2025 (at reporting date, it is yet to be paid to executive officers) and includes a contingent portion that will be paid to these officers by way of the distribution described in the Notes to the table. In 2025, bonuses were paid to the foregoing officers for 2024, the amount of which includes the contingent portion that was not actually paid in 2025, but will be paid in 2026 (if at all) is included in the corresponding table in the Company's annual report for 2024 (as published on March 12, 2025) (if the relevant officer was included in the foregoing table).

¹² On January 25, 2026, Mr. Raved delivered a unilateral undertaking to the Company to adjust his position to a 100% full-time role, without any change to his compensation terms. As of the date of his notice and for the entire duration of the compensation policy for officers, as approved at the general meeting of the Company's shareholders on February 5, 2024 and January 25, 2026.

¹³ In addition to the aforementioned equity-based compensation, Mr. David holds 6,465 shares.

Breakdown of the terms of employment of officers who appear in the foregoing table:

General terms of employment of officers (that are not directors, other than the Chairman of the board of directors) Executive officers of the Company or companies under its control are employed under personal contracts for an indefinite period that may be terminated by either party with prior notice of 3-6 months. The non-competition period set out in the contract is for 3-6 months from the date of termination of employment with the Company, unless otherwise agreed between the parties. The salaries of the officers are linked to the CPI, where if the CPI decreases the salary will remain unchanged until a rise in the CPI offsets such decrease in CPI. Officers are entitled to generally accepted ancillary terms, including provisions for study fund, pension fund, annual leave, annual convalescence pay, sick leave, reimbursement of expenses, officers and directors liability insurance, and exemption and indemnity, and possible eligibility for performance based cash annual bonus as set out in the officers' compensation policy (the "Compensation Policy").¹⁴

- A. Tomer Raved** serves as chairman of the Company's board of directors and as chairman of the boards of the Group's subsidiaries since January 1, 2024, other than Bezeq-Gen where he serves as a director as of March 5, 2024. Tomer Raved's employment agreement is not restricted for a set term, nonetheless, each party may terminate the agreement at any time and for any reason, with 3 months prior notice.

For his service, Tomer Raved is eligible, among other things, to the main terms and conditions as set out in the foregoing terms of employment of officers; he is eligible for an overall monthly salary (gross) of NIS 150 thousand for a 85% position (linked to the CPI) and annual performance-based cash bonus, as set out below.

Equity-based compensation: On February 5, 2024, the general meeting of the Company granted Tomer Raved 5,381,064 options. The fair value of the options as at date granted (calculated according to the Monte Carlo model) is NIS 9.6 million. For further information concerning the terms of the options, see the plan for granting options to employees as published on December 28, 2023, noted here by way of reference (the "2023 Plan").

For further information concerning the terms of service and employment of Tomer Raved as chairman of the Company's board of directors, see the immediate report for convening of a general meeting of the Company's shareholders dated February 1, 2024, noted here by way of reference.

On January 25, 2026, the general meeting of the Company granted Tomer Raved 4,399,907 options. The fair value of the options as at date granted (calculated according to the Monte Carlo model) is NIS 5.4 million. For further information concerning the terms of the options, see the plan for granting options to employees as published on December 18, 2025, noted here by way of reference (the "Current Plan").

Annual bonus: Tomer Raved's performance based annual bonus goals for 2025 were set out in advance by the Company's compensations committee and approved by the general meeting, and included: an adjusted EBITDA¹⁵ goal for the Group, representing 50% of the bonus calculation; an adjusted net profit goal for the Group, representing 25%; and an adjusted free cash flow (FCF) goal for the Group, representing 25%. Tomer Raved's compliance with all the bonus goals for 2025, was 125%. Preconditions for eligibility for the performance based annual bonus are that the result of the Group's adjusted EBITDA (offsetting the effect of IFRS16) for 2025 (NIS 3,557.8 million) would not fall below 40% of the result of the Group's adjusted EBITDA for 2024 (NIS 3,275.9 million) - this precondition was met.

¹⁴ For further information regarding the Compensation Policy, see the immediate report for convening of a general meeting of the Company's shareholders dated January 19, 2026, included here by way of reference.

¹⁵ The adjusted EBITDA for the purpose of determining the compensation - the EBITDA was calculated net of other operating expenses/income, losses/gains from impairment/appreciation (including losses due to ongoing impairment), the effects of application of the IFRS16 Leasing and offsetting the results with respect to payments for the equity-based compensation plan.

The compensation policy limits the annual performance-based bonus for the Chairman of the board of directors to up to 75% of his annual base salary (i.e., 9 salaries). Accordingly, the bonus awarded to the Chairman of the board of directors for 2025 is 75% of his annual salary.

- B. Nir David** - serves as CEO of the Company since April 1, 2024. Nir David also serves as chairman of the board of directors of BezeqGen. Nir David's employment agreement is not restricted for a set term, nonetheless, each party may terminate the agreement at any time and for any reason, with 6 months prior notice.

In return for his service, Nir David is eligible for the key terms as set out in the foregoing terms of employment for officers and a monthly salary of NIS 147 thousand (linked to the CPI); for further information regarding the terms of service and employment of Nir David, see the immediate report for convening of a general meeting dated April 11, 2024, presented here by way of reference.

Equity-based compensation: Prior to his term as CEO, Nir David served in the Company as VP Business Division. During his service as VP, he was allotted 1,500,000 options. The fair value of the options as at date they were granted (calculated according to the Monte Carlo model) is NIS 1.3 million. For further information concerning the terms and conditions of these options see the 2022 Plan and private placement report dated May 9, 2022, noted here by way of reference.

On May 20, 2024, the general meeting of the Company granted Nir David 4,058,032 options. The fair value of the options as at date granted (calculated according to the Monte Carlo model) is NIS 6.6 million. For further information concerning the terms and conditions of these options see the 2023 Plan and private placement report dated April 11, 2024, noted here by way of reference.

Annual bonus: Nir David's performance based annual bonus goals for 2025, as the CEO of the Company, were set out in advance by the Company's board of directors in December 2024 and include: an adjusted EBITDA goal for the Company (separate), representing 50% of the bonus calculation; adjusted profit after tax goal of the Company (separate), representing 20%; adjusted FCF¹⁶ goal of the Company (independent), representing 20%; and a manager's assessment goal, representing 10%.

A precondition for receiving the bonus was that the result of the adjusted EBITDA for 2025 (NIS 2,479 million) would not fall below 40% of the result of the adjusted EBITDA in 2024 (NIS 2,452 million) - this precondition was met. Nir David's compliance with all the annual bonus performance-based goals for 2025 was 93.42%, Nir's bonus for 2025 is 67% of his annual salary.

- C. Ilan Sigal** serves and CEO of Pelephone and of yes. Ilan Sigal's employment contract dated May 23, 2022, is for an unlimited period with either party having the right to terminate at any time, with 6 months prior notice. For his service, Ilan Sigal is eligible for the main terms as set out in the foregoing terms of employment of officers.

Equity-based compensation: For his service Ilan Sigal was allotted (under two separate allotments) a total of 5,331,000 options with aggregate fair value, as at allotment date, (calculated according to the Monte Carlo model) of NIS 10 million. For further information concerning the terms of 4,131,000 options, see the outline for granting options to employees dated May 9, 2022 (the "2022 Plan") and the private placement report dated September 1, 2022, noted herein by way of reference. For further information concerning the terms of 1,200,000 options, see the 2023 Pan and private placement report dated March 13, 2024.

Annual bonus: Ilan Sigal's performance based annual bonus goals for 2024, as the CEO of Pelephone and yes, were set out in advance by the Company's compensations committee in December 2024 and include an aggregate adjusted EBITDA¹⁷ goal for Pelephone and yes, representing 40% of the bonus

¹⁶ Adjusted FCF was calculated as cash from operating activities less net cash for the purchase/sale of fixed assets and intangible assets, less lease payments.

¹⁷ See footnote 15 above.

calculation; an adjusted EBITDA less aggregate CAPEX goal for Pelephone and yes (CAPEX in terms of cash flow), representing 25%; an adjusted EBITDA goal according to company, separate goals for Pelephone and yes, representing 15%; an aggregate adjusted net profit goal for Pelephone and yes, representing 10%; and a manager's assessment goal, representing 10%. A precondition for receiving the bonus was that the result of the aggregate adjusted EBITDA for Pelephone and yes for 2025 (NIS 729.2 million) would not fall below 40% of the result of the aggregate adjusted EBITDA for Pelephone and yes in 2024 (NIS 656 million) - this precondition was met.

Ilan Sigal's compliance with all the annual bonus performance-based goals for 2025 was 123.75%, Ilan Sigal's bonus for 2025 is 90% of his annual salary. Ilan Sigal will be eligible to receive 40% of the compensation for complying with the weighted aggregate adjusted EBITDA goal for 2025 only in 2026 (after approval of the financial statements for 2026) and only if the minimum aggregate adjusted EBITDA goal as set for the 2026 budget year, will be achieved, pursuant to the compensation policy.

For calculating compliance with the goals for 2025, pursuant to the compensation plan, the Company's compensation committee and board of directors approved eliminating from the performance-based compensation calculation, the effects of the Rising Lion war, which were not allocated in the budget for 2025.

- D. Ron Glav** serves as CEO of Bezeq International. Ron Glav's employment contract dated February 14, 2023, is for an unlimited period with either party having the right to terminate at any time, with 6 months prior notice. For his service, Ron Glav is eligible for the main terms as set out in the foregoing terms of employment of officers.

Equity-based compensation: For his service Ron Glav was allotted (under two separate allotments) a total of 2,593,151 options with aggregate fair value, as at allotment date, (calculated according to the Monte Carlo model) of NIS 3.3 million. For further information concerning the terms and conditions for 2,393,151 of these options see the 2022 Plan and private placement report dated September 1, 2022, noted here by way of reference. For further information concerning the terms of 200,000 options, see the 2023 Pan and private placement report dated March 13, 2024.

Annual bonus: Ron Glav's performance based annual bonus goals for 2025, as the CEO of Bezeq International, were set out in advance by the Company's board of directors in December 2024 and include an adjusted EBITDA goal for Bezeq International, representing 50% of the bonus calculation; an adjusted EBITDA less CAPEX goal for Bezeq International (CAPEX in terms of cash flow), representing 25%; a salary expenses goal (pre-capitalization and options) for the subsidiary, Bezeq International, representing 15%; and a manager's assessment goal, representing 10%.

The precondition for receiving a bonus for 2025 as CEO of Bezeq International, is that the FFO results of Bezeq International for 2025 will not fall below 20% of the goal set with regard thereto in Bezeq International's budget for 2025 (goal of NIS 92.1 million). This condition was met.

Ron Glav's compliance with all the annual bonus performance-based goals for 2025 was 117.3%. Accordingly, the bonus awarded to Ron Glav for 2025 is 86% of his annual salary. Ron Glav will be eligible to receive 40% of the compensation for complying with the adjusted EBITDA goal for 2025 only in 2027 (after approval of the financial statements for 2026) and only if the minimum adjusted EBITDA goal as set for the 2026 budget year, will be achieved.

- E. Yochai Benita** serves as the Group's Chief Financial Officer. Yochai Benita also serves as a director of BezeqGen since April 22, 2025. Yochai Benita's employment contract dated April 22, 2025, is for an unlimited period with either party having the right to terminate at any time, with prior notice. For his service, Yochai Benita is eligible for the key terms as set out in the foregoing terms of employment of officers.

Equity-based compensation: For his service Yochai Benita was allotted (under two separate allotments) a total of 1,291,500 options with aggregate fair value, as at allotment date, (calculated according to the Monte Carlo model) of NIS 1.87 million. For further information concerning the terms

and conditions for 691,500 of these options see the 2022 Plan and private placement report dated March 23, 2022, noted here by way of reference. For further information concerning the terms of 200,000 options, see the 2023 Plan and private placement report dated March 13, 2024. For further information concerning the terms of 400,000 options, see the 2023 Plan and private placement report dated March 12, 2025.

Annual bonus: Yochai Benita's annual performance-based bonus goals for 2025, as Executive VP of Finance of the Group, were preset by the Company's CEO and chairman of the board of directors in December 2024, and included: an adjusted EBITDA goal¹⁸ for the Company, representing 50% of the bonus calculation; an adjusted net profit goal for the Group, representing 10%; an adjusted free cash flow (FCF) goal, representing 10%; an adjusted EBITDA less CAPEX goal for the Group, representing 10%; a Company CEO assessment goal, representing 10% and a chairman of the board assessment goal, representing 10%.

Yochai Benita's achievement rate in respect of the overall 2025 bonus targets was 105.7%. Accordingly, the bonus awarded to Yochai Benita for 2025 (for a period of approximately nine months) amounts to 35% of his annual salary. Yochai Benita will be eligible to receive 40% of the compensation for complying with the adjusted EBITDA goal for the Company for 2025 only in 2027 (after approval of the financial statements for 2026) and only if the minimum adjusted EBITDA goal for the Company as set for the 2026 budget year will be achieved.

Yochai Benita's annual performance-based bonus goals for 2025, as CFO of Pelephone and yes were preset by the CEOs of Pelephone and yes, and the chairman of the Company's board of directors in December 2024, and included: an Adjusted EBITDA goal for Pelephone and yes, representing 50% of the bonus calculation; an Adjusted EBITDA less CAPEX goal, representing 15%; an combined Adjusted Net Profit goal for Pelephone and yes representing 10%; a combined Free Cash Flow goal for Pelephone and yes, representing 10%; a roamability revenues goal, representing 5%; and a management evaluation goal representing 10%. Yochai Benita's achievement rate as CFO of Pelephone and yes, in respect of the bonus goals for his actual period of service (three months) as CFO in 2025, was 42%. For calculating achievement of goals for 2025, and in accordance with the Company's compensation policy, the compensation committee and the Board of Directors approved exclusion from the bonus performance calculation for the following events: the effects of the Rising Lion war, which had not been taken into account in the 2025 budget.

- F. Pursuant to the provisions of section 7.2.1.6.3 of the compensation policy, below is a breakdown of the preconditions for receiving the performance-based annual bonus for the chairman of the board of directors, CEO of the Company and CEOs of the subsidiaries for 2026, as approved by the compensation committee and board of directors of the Company:

the precondition for the chairman of the board of directors, Tomer Raved, receiving a bonus for 2026, is that the Group's adjusted EBITDA results¹⁹ for 2026 will not fall below 40% of the Group's adjusted EBITDA results in 2025.

The precondition for the CEO of the Company receiving a bonus for 2026, is that the Company's (independent) adjusted EBITDA results for 2026 will not fall below 40% of the Company's (independent) adjusted EBITDA results in 2025.

The precondition for the CEO of the Pelephone and yes, Ilan Sigal, receiving a bonus for 2026, is that the aggregate adjusted EBITDA results of Pelephone and yes for 2026 will not fall below 40% of the aggregate adjusted EBITDA results of Pelephone and yes in 2025.

¹⁸ See footnote 15 above.

¹⁹ See footnote 15 above.

The precondition for the CEO of Bezeq International, Ron Glav receiving a bonus for 2026, is that the adjusted EBITDA results of Bezeq International for 2026 will not fall below 40% of the adjusted EBITDA results of Bezeq International's budget for 2025.

With regard to all the foregoing, it is noted that the calculation for compliance with the performance goals for 2026 will not include, among other things, specific regulatory and accounting issues and specific business and strategic activities that were not taken into account in the budgets of the Group and the companies for 2026, and as determined by the Company's compensation committee and board of directors.

Other interested parties who received remuneration from the Company in the reporting year:

- G. Patrice Taieb** serves as an employee director since January 1, 2022 (he was elected to serve as a director by the General Meeting on April 28, 2022). Patrice Taieb's total salary for 2025 amounted to NIS 601 thousand and is linked to the professional salary tables. This salary does not include a bonus for 2025 in the amount of NIS 45 thousand, which was set in accordance with the criteria for all the Company's employees, based on the Company's adjusted EBITDA, and which, as at reporting date has not yet been paid. It is clarified that Patrice Taieb is not eligible for compensation for his service as a director and all the foregoing amounts are for his service as an employee of the Company.
- H. Compensation for external directors, independent directors and directors who are not external and/or independent directors, who are eligible for compensation under management or employment agreements with the Company or companies under its control**, is based on the maximum rates fixed in the Companies Regulations (Rules Regarding Remuneration and Expenses for an External Director), 2000 ("Remuneration Regulations"), with distinction between a non-expert and an expert director pursuant to the Fourth Schedule to the Remuneration Regulations, linked to the CPI as set out in the Regulations.²⁰ The total compensation paid to such directors in respect of their service on the board of directors, board committees and boards of directors of subsidiaries (as the case may be) in 2025 amounts to NIS 3.7 million (not including VAT).

8. Regulation 21A: The controlling shareholder of the Company

As of November 18, 2025 and through the date of publication of this periodic report, the Company has no controlling shareholder. For further information regarding the sale of the Company's shares by B Communications Ltd. ("B Communications"), which was the holder of the Company's control permit at that time, and regarding the termination of office of the directors appointed by the holder of the control permit, see the Company's immediate reports dated November 18, 2025.

On November 11, 2019, the Minister of Communications granted control permits for the Company pursuant to Section 4D of the Telecommunications Law and Section 3 of the Telecommunications Order. The permits were divided into two categories: Corporations – B Communications, T.N.R. Investments Ltd. ("T.N.R."), Searchlight II BZQ L.P. ("Searchlight") and corporations within the Searchlight Group; and Individuals – Michal Forer, David Forer, Oliver Harmaann, Erol Uzumeri, Eric Zinterhofer, and Darren Glatt. For additional information regarding the description of the control structure of the controlling shareholder at that time, see section 8 of Chapter D of the 2024 periodic report. On November 11, 2025, B Communications notified the Company that an amendment was made to the Company's control permit, originally granted to the permit holders on November 11, 2019. For further information regarding the amendment to the control permit, see the Company's immediate report dated November 11, 2025, as well as section 1.1.2 of Chapter A of this periodic report.

²⁰ For further information concerning this matter see the immediate report for convening of a general meeting issued concurrently with this report.

8.1 Amendment to the Telecommunications Order

Due to the Company's status as a provider of an essential service, the law imposes various restrictions, including limitations on exercising significant influence over the Company and a prohibition on joint appointment. Under the Telecommunications Law and the Telecommunications Order, significant influence is defined as the ability to materially influence the Company's operations, even without formal control. The Telecommunications Law establishes two primary presumptions of significant influence: the right to appoint an officer; and a holding 25% or more of the means of control. In addition, joint appointment (exercise of a right to appoint by more than one person) requires prior approval from the Ministers. A joint appointment made without such approval is void. The Telecommunications Law and the Telecommunications Order impose criminal, financial, and administrative sanctions for violations of these provisions, including fines, mandatory sale of excess holdings, and cancellation of voting, appointment, and dividend rights. Accordingly, any action that may grant any party the ability to exercise material influence over the Company, particularly any collaboration or agreement regarding appointments, requires prior legal review and ministerial approval.

On September 19, 2023, an amendment to the Telecommunications (Telecommunications and Broadcasts) (Determination of Essential Service Provided by Bezeq – The Israel Telecommunications Corp. Ltd.) Order (Amendment), 2023 (the "Amendment to the Order") was published in the Official Gazette, allowing a controlling shareholder, subject to obtaining prior consent of the government and the Minister of Communications after consultation with the Minister of Defense, to transfer the means of control to another entity if, as a result of such transfer, the controlling shareholder will cease to hold control. For further information regarding the Telecommunications Order and the Amendment regarding the control permit, see the Company's immediate report dated November 11, 2025, as well as section 1.1.2 of Chapter A of this periodic report. Regulation 22: Transactions with the controlling shareholder

9. **Regulation 22: Transactions with the controlling shareholder**

For information, to the best of the Company's knowledge, as required under Regulation 22 of the Securities Regulations (Periodic and Immediate Reports), 1970, concerning all transactions with the controlling shareholders of the Company, or in which the controlling shareholders have a personal interest, which the Company, its subsidiaries or its related companies engaged in during the reporting year or subsequent to the end of the reporting year and until the date on which this report is submitted, or which is still valid at the Reporting Date, and for information concerning procedures for classifying transactions with officers of the Company and its controlling shareholders, and insurance and indemnification exemption, see Note 29 to the financial statements and Regulation 29(A)4 below.

10. **Regulation 24: Holdings of interested parties and executive officers in the Company:**

A breakdown of holdings of interested parties and executive officers in the Company, presented in this report by way of reference to the immediate report on the holdings of interested parties and executive offices dated January 7, 2026, and immediate reports concerning changes in the holdings of the interested parties and executive officers dated January 23, 2026 and January 28, 2026, included herein by way of reference. It should be noted that, since the date of publication of the report dated January 28, 2026, and as a result of changes in the number of options in the Company due to expiry of options (due to termination of employee-employer relations), there has been an immaterial change in the rates of holdings of the interested parties and executive officers in the Company.

11. **Regulation 24 A: Registered capital, issued capital, and convertible securities**

The Company's registered equity as at the publication date of the periodic report is 2,849,485,753 ordinary shares of NIS 1 par value each of the Company (the "Ordinary Shares").

The Company's issued and paid up share capital as at the publication date of the periodic report is 2,775,018,375 ordinary shares.

For information concerning the Company's equity as at date of publication of the report, see the immediate report issued by the Company on March 5, 2026, included in this report by way of reference.

12. Regulation 24B: Register of Shareholders

The Company's Register of Shareholders is presented in this report by way of a link to the Company's statement of equity, grant of rights to acquire shares and registers of securities of the Company and adjustments therein dated March 5, 2026, are included in this report by way of reference.

13. Regulation 25A: Registered Address of the Company

Address: 7 HaManor Street, 5th Floor, Holon,

Telephone 1: 03-6262200; Telephone 2: 972-3-6262201 Fax: 03-6262209

Email: Michal.kuperstein@bezeq.co.il (Group secretary and internal compliance officer)

14. Regulation 26: Directors of the company

The table in section A below lists the directors who served on the Company's board of directors as at the date of publication of this report, section B below lists the directors who served in the reporting year but whose term in office ended prior to the date of publication of this report²¹.

A. Directors serving on the Company's board of directors as at date of publication of the report:

Name I.D.: Date of birth: Citizenship:	Address for delivery of court notices:	Membership on Board of Directors Committees: Serves as an external or independent director	Employee of the Company, a subsidiary, related company or interested party (other than term as a director of subsidiaries)	Date of commencement of term of office:	Education and employment during the past five years and details of the companies in which he serves as a director (other than in the Company):	Related to other interested parties in the Company:	Does the Company consider the director as having accounting and financial expertise (including for compliance with the minimum number set for the board of directors under Section 92 of the Companies Law)
Tomer Raved 036864288 April 18, 1985 Israeli	7 HaManor street, Holon	Chairman of the Company's board of directors Chairman of the security committee. The director is not an external or independent director.	Yes, see details of employment during past five years	May 14, 2020 ²²	<u>Education:</u> BA Economics, Tel Aviv University LLB, Tel Aviv University. MBA, specializing in Accounting and Finance, NYU Stern School of Business <u>Employment over the past five years:</u> CEO of Be Communications Ltd. from 2020 to the present. Director and VP, Royal Bank of Canada (investment bank), 2016-2020	No	Yes

²¹ All of the directors, except for Mr. Patrice Taieb, also serve on the boards of directors of the subsidiaries Pelephone, Bezeq International, and yes. Tomer Raved, chairman of the board of directors, also serves as a director of Bezeq Online Ltd., a jointly owned company (in equal shares) of the Company and Powergen Ltd., that operates in the electricity sector providing power to household customers and small- and medium-size business customers ("Bezeq-Gen"). For further information see section 1.9 in Chapter A to the periodic report.

For an updated list of officers as at date of publication of this report, see the immediate report concerning the Company's executive officers, issued by the Company together with this report and that is included in this report by way of reference.

²² Tomer Raved serves as chairman of the Company's board of directors as of January 1, 2024.

Name I.D.: Date of birth: Citizenship:	Address for delivery of court notices:	Membership on Board of Directors Committees: Serves as an external or independent director	Employee of the Company, a subsidiary, related company or interested party (other than term as a director of subsidiaries)	Date of commencement of term of office:	Education and employment during the past five years and details of the companies in which he serves as a director (other than in the Company):	Related to other interested parties in the Company:	Does the Company consider the director as having accounting and financial expertise (including for compliance with the minimum number set for the board of directors under Section 92 of the Companies Law)
David Granot 045333739 January 30, 1947 Israeli	26 Hashomer Street, Raanana, 60850	Security committee, committee for reviewing the financial statements, audit committee and compensations committee The director is not an external director. The director is an independent director.	No	May 9, 2017	<u>Education:</u> BA Economics, Hebrew University in Jerusalem MA in Business Administration, specializing in Accounting, Hebrew University of Jerusalem <u>Employment over the past five years:</u> Chairman of the board of directors of Fritz Ltd. (private), Chairman of the investment committee of Meitav Dash, independent director of Protalix (ended in 2022), director of Rav-Bariah Industries Ltd.(until May 2025). Member of the Investment Committee at ALUT – The Israeli Society for Children and Adults with Autism; member of the Executive Board of the Friends of Meir Medical Center Association and of the Atalef Association of Shayetet 13 Veterans. Chairman of the Investment Committee at Tel Aviv University (voluntary position). <u>Director of the following companies:</u> Chairman of the board of directors of Melran Ltd.; independent director at Ormat Technologies; director at Sonol Israel Ltd. (private); Chairman of the loans committee of Credito Ltd. (private); and director at Clal Insurance Enterprises Holdings Ltd. (public) and at Tempo Beverages Ltd. <u>Experience, expertise or skills regarding information or cyber protection:</u> David Granot does not have expertise or skills in IT or cyber protection, studied for a multidisciplinary degree (in addition to BA Economics), where one of the subjects he learned was IT.	No	Yes

Name I.D.: Date of birth: Citizenship:	Address for delivery of court notices:	Membership on Board of Directors Committees: Serves as an external or independent director	Employee of the Company, a subsidiary, related company or interested party (other than term as a director of subsidiaries)	Date of commencement of term of office:	Education and employment during the past five years and details of the companies in which he serves as a director (other than in the Company):	Related to other interested parties in the Company:	Does the Company consider the director as having accounting and financial expertise (including for compliance with the minimum number set for the board of directors under Section 92 of the Companies Law)
Zeev Vurembrand 050772672 June 19, 1951 Israeli	5 Kalman Magen Street, Tel Aviv 6107077	Chairman of the committee for reviewing the financial statements, audit committee and chairman of the remunerations committee The director is an external director.	No	September 3, 2017	<u>Education:</u> B.Sc (cum laude) in Industrial and Management Engineering, The Israel Institute of Technology <u>Occupation in past five years:</u> External director and chairman of the audit committee of Isras Investment Company Ltd. (Until June 28, 2022); chairman of the board of directors of Lageen Ltd., Lageen Food Packaging Ltd., Lageen Tuboplast Ltd. (until December 2023). <u>Director of the following companies:</u> Independent director in Odysight.AI.Ltd. (traded in the U.S.) Member of the board of trustees of Bar Ilan University (chairman of the IT committee) External director at Isras Investments Ltd. Since January 2025. <u>Experience, expertise or skills regarding information or cyber protection:</u> Zeev Vurembrand does not have expertise and skill in the field of information and cyber protection, however he does have experience in the matter as part of his past positions as CEO of a company that dealt with cyber and information security issues. In addition, Zeev Vurembrand serves as the chairman of the technology supervision committee of Bar Ilan University, which deals, among other things, with the prevention of cyber attacks and information security.	No	Yes. The Company considers the director as having accounting and financial expertise and as an external expert director

Name I.D.: Date of birth: Citizenship:	Address for delivery of court notices:	Membership on Board of Directors Committees: Serves as an external or independent director	Employee of the Company, a subsidiary, related company or interested party (other than term as a director of subsidiaries)	Date of commencement of term of office:	Education and employment during the past five years and details of the companies in which he serves as a director (other than in the Company):	Related to other interested parties in the Company:	Does the Company consider the director as having accounting and financial expertise (including for compliance with the minimum number set for the board of directors under Section 92 of the Companies Law)
Edith Lusky 50163567 August 16, 1950 Israeli	1 Abba Ahimeir Street, Tel Aviv 6912601	Chairman of the audit committee; financial statements review committee; compensations committee; and security committee The director is an external director.	No	April 26, 2018	<u>Education:</u> BA Economics and Statistics, Tel Aviv University MA Economics, Tel Aviv University <u>Employment over the past five years:</u> Director at Rafael Advanced Defense Systems Ltd. (until August 2021); external director at Mivtach Shamir Holdings Ltd. (Until March 2025). Member of the board of trustees of the Machshava Tova Association <u>Director of the following companies:</u> External director in Mivtach Shamir Holdings Ltd. <u>Experience, expertise or skills regarding information or cyber protection:</u> Edith Lusky does not have expertise and skill in the field of information and cyber protection, however she does have experience in the matter of cyber as part of her position as an executive manager in companies that dealt with cyber and information security issues, and in her position as chairperson of the audit committee and as a member of boards of directors that reported and discussed reports and investigations on this issues.	No	Yes. Therefore, the Company considers the director as an external expert director
Tzipi Livni 055395321 July 8, 1958 Israeli	8 Nisan Cohen St., Tel Aviv- Yafo	Audit committee. financial statements review committee; Compensation committee The director is an external director.	No	April 26, 2021	<u>Education:</u> LLB, Bar Ilan University <u>Employment over the past five years:</u> International companies: International Crisis Group, Aspen Ministers Forum, Nizami Ganjavi international center, Campaign for nature, Aspen Global Cyber Security Group Advisory Board Seevix. Member of the advisory committee of the Or Ofir Foundation, which operates under the Netaim organization (voluntary position). <u>Director of the following companies:</u> Director of the Institute of National Security Studies INSS; independent director at Elbit Systems Ltd. <u>Experience, expertise or skills regarding information or cyber protection:</u> Tzipi Livni participates in international cyber forums and is a member of the Aspen Global Cybersecurity Group.	No	No

Name I.D.: Date of birth: Citizenship:	Address for delivery of court notices:	Membership on Board of Directors Committees: Serves as an external or independent director	Employee of the Company, a subsidiary, related company or interested party (other than term as a director of subsidiaries)	Date of commencement of term of office:	Education and employment during the past five years and details of the companies in which he serves as a director (other than in the Company):	Related to other interested parties in the Company:	Does the Company consider the director as having accounting and financial expertise (including for compliance with the minimum number set for the board of directors under Section 92 of the Companies Law)
Orit Alster Ben Zvi 059618587 April 4, 1965 Israeli	7 Habanim Street, Ramat Hasharon	The director is not an external or independent director.	No	April 17, 2024	<u>Education:</u> BA Economics, Tel Aviv University LLB, Tel Aviv University. MBA – specializing in finance and accounting – Tel Aviv University Attorney licensed to practice law in Israel. <u>Employment over the past five years:</u> Member of the board of directors of a future startup since 2011 to the present time; member of the board of the Batsheva Dance Company since 2020 to present time; member of the board of trustees of the Technion Institute of Technology since June 2025, director of the Phoenix Insurance Company Ltd from January 2020 through March 2022; Head of the Business Division at Israel Discount Bank Ltd. until February 22, 2025; director of Israel Discount Bank of NY until December 31, 2024. <u>Director of the following companies:</u> Chairman of the board of directors of Discount Capital Ltd.; external director at Retailors Ltd.; director at Hilan Ltd. (independent director) and at Sheba Negev (public benefit company) Ltd. (voluntary position). <u>Experience, expertise or skills regarding information or cyber protection:</u> Experience due to being a member of the board of directors of Discount Bank.	No	Yes
Patrice Taieb 026753723 August 26, 1960 Israeli	4/3 Rahamim Fitoussi St., Akko	No The director is not an external or independent director.	Yes, Head of Bezeq Tech Technology and QA department.	January 1, 2022	<u>Education:</u> LLB, Carmel Academic Center BA Business Management, Rupin Academic Center LLM, University of Haifa <u>Occupation in past five years:</u> Head of Bezeq Tech Operations, Technology and QA department.	No	No

B. Directors who served in the reporting year, whose service ended prior to date of publication of the report:

In the reporting year, the Company's directors Darren Glatt and Ran Forer, as well as the alternate director Tal Forer, served on the board of directors until November 18, 2025. For further details, see the immediate reports regarding a senior officer who ceased to serve as of November 19, 2025, which are presented here by way of reference.

15. Regulation 26A Senior office holders:

The table below provides a breakdown of the executive offices serving in the Company as at the date of publication of the report, followed by particulars of executive officers who served in the Company during the reporting year, but whose service ended before the date of publication of the report²³.

A. Executive officers who served in the reporting year and as at the date of publication of the report:

²³ For an updated list of officers as at date of publication of this report, see the immediate report concerning the Company's executive officers, issued by the Company together with this report and that is included in this report by way of reference.

Name	I.D.:	Date of birth:	Date of commencement of term of office:	The office he holds in the Company:	Is he an interested party in the Company or a family member of another senior officer or of an interested party:	Education and business experience over the past five years:
Nir David ²⁴	024226474	February 14, 1969	April 1, 2024	CEO of the Company	Yes. Interested party in the Company due to his office as Company CEO.	BA Economics and Management, Open University; Electrical Engineering, SAMAT Haifa Teaching Certificate in Physics, Government Institute for Technology and Science Training. 2020 - 2024 - VP Business Division of the Company Experience, expertise or skills regarding information or cyber protection: Nir David is familiar with information security and topology products, which he purchased as part of his former and current position, including the sale, installation and maintenance of small and medium-sized information security systems (mainly FW, NAC, EDR), as well as in his previous position as Head of the Customer Relations department, where he was responsible for the maintenance and servicing of small and medium-sized information security systems (mainly FW).
Yohai Benita ²⁵	040474819	August 16, 1980	April 10, 2025	CFO of the Group	No	BA Economics and Accounting, Haifa University; MBA - Tel Aviv University 2022-2025 - CFO of Pelephone Communications Ltd., yes Television and Communication Services Ltd., and Bezeq International Ltd. 2019-2022 – Deputy CEO and CFO at Reshet Media Ltd.

²⁴ Nir David serves as a director of BezeqGen, as defined in footnote 29 above.

²⁵ Yohai Benita serves as a director of Bezeq-Gen, as defined in footnote 29 above.

Name	I.D.:	Date of birth:	Date of commencement of term of office:	The office he holds in the Company:	Is he an interested party in the Company or a family member of another senior officer or of an interested party:	Education and business experience over the past five years:
Daniel Shimoni	029726726	January 26, 1973	April 14, 2024	VP, Head of Business Division	No	BA Economics, specializing in Accounting, Ben Gurion University 5/2012 - 4/2024 - Head of the Company's SMB Customer and Business Partners Division. Experience, expertise or skills regarding information or cyber protection: Daniel Shimoni has knowledge on the issue of cyber due to his position as head of the business customer division that sells cyber services to customers.
Tal Tuval	060770385	April 19, 1982	June 16, 2024	VP of Corporate Communications	No	BA Communications and Political Science, University of Ariel; LLM from Bar-Ilan University; 2022–2024 served as Vice President of Corporate Communications at Shufersal. 2017 - 2022 - VP and CEO of a subsidiary of Ran Rahav Media.
Dror Rosman	034181909	September 23, 1977	November 24, 2024	VP Private Customers Division	No	B.A. in Social Sciences specializing in Management and Communication from the Open University; M.B.A. specializing in Organizational Consulting from Ono Academic College 2/2024 - 11/2024 - VP, head of Customer Services at Migdal Insurance and Finance 9/2012 - 1/2024 - VP Business Division, Budgeting
Michal Kuperstein	052696861	March 27, 1982	July 1, 2023	Group Secretary and Internal Compliance Officer	No	LLB; M.B.A. from Bar Ilan University; licensed attorney in Israel 2022 - 2023 - Secretary of Bank of Jerusalem and compliance officer; 2018 - 2022 - Chief of Staff of CEO at Cal - Israel Credit Cards Ltd.

Name	I.D.:	Date of birth:	Date of commencement of term of office:	The office he holds in the Company:	Is he an interested party in the Company or a family member of another senior officer or of an interested party:	Education and business experience over the past five years:
Meni Baruch	038246492	November 21, 1975	May 25, 2021	VP IT and Network Division	No	<p>BA Business Management, University of Derby; MSc IT Management, Clark University, Boston (Israel Branch); 2020 – CIO Senior Management Course, The Technion; 2018-2021 – Director of IT Division.</p> <p>Experience, expertise or skills regarding information or cyber protection:</p> <p>Meni Baruch heads the Company's Technology Division and as part of this is responsible, among other things, for information security and cyber protection, for formulating and implementing the Company's policy, as well as for acquiring and integrating systems and tools, managing inspections, drills, and contact with the State Authority for Information Security and the National Cyber Directorate and managing the quarterly steering committees for the issue. Prior to his current position, Meni Baruch was head the Company's IT and Product and Service Development Departments, positions that are closely related to the areas of information security, secure development, use of open source, IT infrastructure protection in the Company and in the cloud, applicative protection layers and systems, hacking testing for the various systems and cyber protection for terminal routers.</p>

Name	I.D.:	Date of birth:	Date of commencement of term of office:	The office he holds in the Company:	Is he an interested party in the Company or a family member of another senior officer or of an interested party:	Education and business experience over the past five years:
Moran Kita	033424607	February 8, 1977	February 10, 2021	VP Human Resources	No	BA in Statistics and Actuarial Studies, Haifa University; MBA, specializing in Human Resources, Ariel University; February 2016 through February 2021 – Head of Human Resources, Salaries and Labor Relations Department at Bezeq Director of HAIGUD - Society for Transfer of Technology at the Ministry of Foreign Affairs (government company) since March 2024.
Eyal Kamil	057248999	August 30, 1961	December 5, 2006	VP Operations & Logistics Division	No	Industrial Engineering & Management, Tel Aviv University; MBA - Tel Aviv University Experience, expertise or skills regarding information or cyber protection: Eyal Kamil has experience dealing with databases as part of his position, 2019 - 2024, as supervisor of databases and protection of privacy in the Company.
Eyal Cohen	022642201	November 17, 1966	December 2, 2025	Acting Company Controller and Chief Accountant	No	MBA specializing in Accounting and Finance, College of Management; Certified Public Accountant since 1998; Deputy Company Controller and Acting Chief Accountant
Ifat Fogel	038582367	January 28, 1976	January 1, 2026	VP and legal counsel	No	LLB, Tel Aviv University. MBA - Tel Aviv University; Certified in Conflict Management and Mediation, Tel Aviv University; 2018-2024 Vice President, Chief Legal Counsel and Corporate Secretary – Paz Energy and Retail Ltd.

Name	I.D.:	Date of birth:	Date of commencement of term of office:	The office he holds in the Company:	Is he an interested party in the Company or a family member of another senior officer or of an interested party:	Education and business experience over the past five years:
Lior Segal	025695701	September 9, 1973	January 24, 2011	Internal Auditor	No	<p>LLB, Tel Aviv University.</p> <p>BA in Accounting, and Diploma in Accounting – Tel Aviv University;</p> <p>MBA; Diploma in Accounting and MBA (specializing on finance and accounting, and strategy and entrepreneurship), Tel Aviv University;</p> <p>Diploma in internal and public auditing on behalf of the IMC;</p> <p>Certified attorney and CPA in Israel;</p> <p>Certified Internal Auditor (CIA), Internal Audit Quality Assurance Reviewer (QAR), and Certified in Risk Management Assurance (CRMA) – Global Institute of Internal Auditors (IIA); Also a Certified Information Systems Auditor (CISA), and certified in Risk and Information Systems Control (CRISC) and Certified Data Privacy Solutions Engineer (CDPSE) from the International Information System Audit and Control Association (ISACA).</p> <p>Director of the ILA (voluntary);</p> <p>Member of the audit committee of Akim Guardianship Association (volunteer).</p> <p>Member of the board of the Israeli Association of Compliance (volunteer).</p> <p>Experience, expertise or skills regarding information or cyber protection: Lior Segal has experience in review of cyber and information security, as the Company's internal auditor, as a certified internal auditor and due to his vast experience in these matters. He also has international professional credentials as detailed above, which contribute to his knowledge on this subject.</p>

Name	I.D.:	Date of birth:	Date of commencement of term of office:	The office he holds in the Company:	Is he an interested party in the Company or a family member of another senior officer or of an interested party:	Education and business experience over the past five years:
Tali Poleg	025048257	April 5, 1973	October 1, 2022	VP Marketing	No	BA Political Science, Tel Aviv University; MBA - Tel Aviv University; August 2021 through October 2022 - Head of Marketing Division at yes and Bezeq International 2017 through 2021 - Freelance marketing consultant (from 2019 member of council of the Emek Israel Academic College).
Erez Israel Hasdai	022760599	May 21, 1967	February 15, 2019	VP Economics & Regulation	No	BA Economics, Tel Aviv University; MBA specializing in Finance, Florida International University
Ilan Sigal	038304127	December 7, 1975	August 28, 2022	CEO of the Subsidiaries, Pelephone and yes	No	BA Media and Management, College of Management; MBA - Ono Academic College; Directors' course, Tel Aviv University February 2016 through January 2021 - VP of Marketing at Pelephone and yes February 2021 through May 2022 - CEO of Golan Telecom Chairman of Roamability, a subsidiary of Pelephone operating in the eSim sector, since October 23, 2023. Director at Physical Culture Association "Hapoel" Rishon Lezion (RA) since February 3, 2025. Experience, expertise or skills regarding information or cyber protection: Ilan Sigal heads the Cyber Forum at the subsidiaries Pelephone and yes, once a month for updating

Name	I.D.:	Date of birth:	Date of commencement of term of office:	The office he holds in the Company:	Is he an interested party in the Company or a family member of another senior officer or of an interested party:	Education and business experience over the past five years:
Ron Glav	024939068	April 5, 1970	January 1, 2023	CEO of the subsidiary, Bezeq International	No	<p>BA in Management and Economics, Open University;</p> <p>MBA - Ono Academic College;</p> <p>Chairman of the board of directors of CloudEdge Ltd. Since April 6, 2022 and CloudDojo Ltd. Since April 3, 2024, subsidiaries of Bezeq International.</p> <p>2022 through 2023 - Executive VP of Business Integration and Solutions, Bezeq International;</p> <p>2018 through 2022 - VP of Business Integration and Solutions, Bezeq International</p> <p>Experience, expertise or skills regarding information or cyber protection: Ron Glav has vast knowledge on the subject as part of his position and contact with Bezeq International's business customers. Ron Glav is familiar with the technological land business side of information and cyber security, as well as market trends.</p>

B. Officers who served in the reporting year, whose service ended prior to date of publication of the report:

In the reporting year, Mr. Tobi Fishbein served as Bezeq's VP Finance and the Group's CFO. He ceased working on April 9, 2025, and his employment relationship with the Company ended on April 21, 2025. Mr. Amir Nachlieli served as Legal Counsel, ceased working on October 20, 2025, and his employment relationship with the Company ended on February 10, 2026.

Mr. Amit Kurland served as the Company Controller and Chief Accountant, ceased working on February 5, 2026, and his employment relationship with the Company will end on May 5, 2026.

16. Regulation 27: The Auditors of the Company

Somekh Chaikin, Certified Public Accountants

Address: KPMG Millennium Tower, 17 Ha'arba'a St., Tel Aviv 6473917

Tel: 03-6848000

To the best of the Company's knowledge, the Auditor (or his partner) is not an interested party in the Company, nor a family member of an interested party or a senior officer of the Company.

17. Regulation 29(A) Recommendations and Resolutions of the board of directors

The board of directors' recommendations to the general meeting and their resolutions which do not require approval of the general meeting:

- A. Resolution of March 11, 2025 - recommendation to the General Meeting of shareholders of the Company to approve the distribution of a dividend to the Company's shareholders in a total amount of NIS 392 million, as set out in the Company's immediate report on the board of directors' recommendations and decisions, dated March 12, 2025, section 2 of the notice for convening of a general meeting of the Company's shareholders issued by the Company on March 12, 2025, and immediate report concerning distribution of cash dividend for debentures dated April 23, 2025, noted here by way of reference.
- B. Resolution of August 5, 2025 - recommendation to the General Meeting of shareholders of the Company to approve the distribution of a dividend to the Company's shareholders in a total amount of NIS 583 million, as set out in the Company's immediate report on the board of directors' recommendations and decisions, dated August 6, 2025, section 2 of the notice for convening of a general meeting of the Company's shareholders issued by the Company on August 6, 2025, and immediate reports concerning distribution of cash dividend for securities dated September 11, 2025 and September 21, 2025, noted here by way of reference.
- C. Resolution of December 16, 2025 - recommendation to the General Meeting of shareholders to approve an equity-based bonus to Tomer Raved, Chairman of the Company's Board of Directors, as set out in section 2.2 of the notice for convening a general meeting of the Company's shareholders as issued by the Company on December 18, 2025, as amended on January 19, 2026 and January 20, 2026, included here by way of reference.
- D. Resolution of March 8, 2026 – recommendation to the General Meeting of shareholders to approve the distribution of a dividend to the Company's shareholders in a total amount of NIS 549 million, as well as to approve the buyback of shares by the Company under a buyback plan for a total amount that will not exceed NIS 150 million. For further information regarding the general meeting, see section 18(D) below.
- E. **Changes in registers or issued share capital** - for changes in the issued share capital with respect to exercise of options see Regulation 20 (section 6) above.

18. Regulation 29 (C): Resolutions adopted at an Extraordinary General Meeting

- A. On April 23, 2025, the annual general meeting and special general meeting of the Company's shareholders adopted, among other things, the following resolutions: (1) distribution of a cash dividend to the Company's shareholders in the amount of NIS 392 million; (2) the extension of the validity of the letters of indemnity and exemption from liability for directors who are relatives of the controlling shareholders in the Company or that the controlling shareholders in the Company may have a personal interest in engaging with them; (3) items on the agenda of the annual general meeting - reappointment of the accounting firm Somekh Chaikin KPMG as the Company's independent auditor for 2025, and reappointment of the directors currently serving on the Board of Directors (excluding external directors). For further information, see the immediate report for convening of the general meeting dated March 12, 2025, and the immediate report on the results of the general meeting dated April 23, 2025, which are presented here by way of reference.
- B. On September 11, 2025, the special general meeting of the Company's shareholders approved the distribution of a cash dividend to the shareholders of the Company in the amount of NIS 583 million. For further information see the immediate report regarding the general meeting dated August 6, 2025, and immediate report regarding the outcome of the general meeting dated September 11, 2025, noted herein by way of reference.
- C. On January 25, 2026, the special general meeting and special general meeting of the Company's shareholders adopted the following resolutions: (1) Approval of the revision of the Company's compensations policy, as defined in Section 267A(a) of the Israeli Companies Law, 1999, for an additional period of three (3) years from the date of approval by the shareholders' meeting; (2) Approval of an equity based compensation bonus of 4,399,907 non-tradeable options, that may be exercised into up to 4,399,907 ordinary shares of the Company, to Mr. Tomer Raved, Chairman of the Company's Board of Directors. For further information see the immediate report of the general meeting dated December 18, 2025 and as amended on January 19, 2026, and January 20, 2026, immediate report regarding the outcome of the general meeting dated January 25, 2026, noted here by way of reference.
- D. On March 08, 2026, the Company's board of directors approved the convening of an annual general meeting and a special general meeting of the shareholder of the Company, the agenda for which is: (1) approval of a dividend distribution;(2) approval of the appointment of new external directors of the Company and approval of their terms of office; (3) approval of a share buyback plan by the Company.

In addition, the agenda of this meeting includes items of the annual general meeting: the reappointment of the accounting firm Somekh Chaikin KPMG as the Company's independent auditor for 2026, and the reappointment of the directors currently serving on the Board of Directors (excluding external directors). For further information see the immediate report regarding the general meeting that was published together with this report, and that is noted herein by way of reference.

19. Regulation 29A (4): Exemption, insurance and obligation of indemnification of officers

For further information regarding exemption, insurance and obligation of indemnification for officers see Note 29.6 to the financial statements.

March 08, 2026

Date

Bezeq The Israeli Telecommunications Corp. Ltd.

Names and titles of the signatories:

Tomer Raved, Chairman of the board of directors

Nir David, CEO of the Company

Chapter E

Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure for the Year Ended December 31, 2025



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

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

Annual report on the effectiveness of internal control over financial reporting and disclosure, pursuant to Regulation 9(b)a of the Securities Regulations (Periodic and Immediate Reports), 1970:

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

For this matter, the members of Management are:

1. Nir David, CEO
2. Meni Baruch, VP Technologies and Network
3. Yohai Benita, CFO Bezeq Group
4. Erez Hasdai, VP Economics and Regulation
5. Yifat Fogel, VP, Chief Legal Counsel¹
6. Tali Poleg, VP Marketing
7. Moran Kita, VP Human Resources
8. Eyal Kamil, VP Operations and Logistics².
9. Dror Rosman, VP Private Customers Division
10. Daniel Shimoni, VP Business Customers Division
11. Tali Tuval, VP Corporate Communications

In addition to the said members of Management, the following serve in the Company:

1. Lior Segal, Internal Auditor
2. Michal Kuperstein, Group Corporate Secretary and Internal Compliance Officer

Internal control over financial reporting and disclosure includes controls and procedures in the Company, which were planned by the CEO³ and the most senior financial officer, or under their supervision, or by whoever fulfills those functions in practice, under the supervision of the Board of Directors of the Company, and were designed to provide reasonable assurance as to the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Company is required to disclose in the reports it publishes in accordance with the provisions of the law is collected, processed, summarized and reported on the date and in the format laid down in law.

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

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

Management, under the supervision of the Board of Directors, has carried out a review and an assessment of the internal control over financial reporting and disclosure within the Company and its effectiveness.

¹ Took up her position on January 1, 2026.

² Will end his term of office at the Company on April 1, 2026, as part of an organizational change that includes closing the Operations and Logistics Division and integrating its units into the Human Resources Division and Economics and Regulation Division.

³ Regarding the transfer of the CEO's authority in matters connected with investees of the Company to the Board of Directors – see Section 1.1.3 of the Description of Company Operations chapter in the 2025 Periodic Report.

Assessment of the effectiveness of the internal control over financial reporting and disclosure that Management carried out under the supervision of the Board included:

1. Mapping and identification of the relevant business units, accounts and processes the Company deems very significant for financial reporting and disclosure;
2. Examination and update of risks of reporting and disclosure;
3. Update of documentation of the controls that provide a response to risks identified and documentation of new controls;
4. Review and assessment of the effectiveness of said controls;
5. Overall assessment of the effectiveness of the internal control.

The model for assessment of the effectiveness of internal control over financial reporting and disclosure was based on the following four components:

1. Entity level controls;
2. Process of preparing and closing the financial statements;
3. IT general controls (ITGC);
4. Very significant processes for financial reporting and disclosure: Revenues, Purchasing, Fixed Assets, and Payroll.

Based on the assessment of effectiveness carried out by Management under the supervision of the Board of Directors as detailed above, the Board of Directors and Management of the Company reached the conclusion that internal control over financial reporting and disclosure in the Company as of December 31, 2025 is effective.

Concerning the investigations of the Israel Securities Authority and the Israel Police, as detailed in Section 2.18.3 of the Description of Company Operations chapter in this Report, the Company does not have complete information about the investigations conducted in the past and the cases currently being conducted against former Company officers (primarily regarding transactions involving the Company's former controlling shareholder and Chairman of the Board of Directors, Mr. Shaul Elovitch, with respect to the purchase of yes shares and provision of satellite communications services to yes), their content, or the material and evidence in the possession of the law enforcement authorities on this matter. Accordingly, the Company is unable to assess the full impact of the investigations, their findings and their outcome on the Company and on its financial statements. See in this regard Note 1.3 to the financial statements for 2025.

2. Declaration of Executives:

A. Declaration of the CEO in accordance with Regulation 9B(d)(1) of the Securities Regulations (Periodic and Immediate Reports), 1970:

I, Nir David, declare that:

- (1) I have reviewed the periodic report of Bezeq - The Israel Telecommunication Corporation Ltd. (the "Company") for 2025 (the "Reports").
- (2) To the best of my knowledge, the Reports do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period of the Reports.
- (3) To the best of my knowledge, the financial statements and other financial information in the Reports reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of the dates and for the periods presented in the Reports.
- (4) I have disclosed the following to the Independent Auditor of the Company, to the Company's Board of Directors, and to the Audit and the Financial Statements Review Committees of the Board of Directors of the Company, based on my most recent evaluation of internal control over financial reporting and disclosure:
 - (a) All the significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure which are reasonably likely to adversely affect the Company's ability to collect, process, summarize or report financial information, in a way that could cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law;
 - (b) Any fraud, whether or not material, that involves the CEO or anyone directly subordinate to the CEO, or which involves other employees who have a significant role in the Company's internal control over financial reporting and disclosure.
- (5) I, alone or together with others in the Company:
 - (a) Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Company and in the subsidiaries, particularly during the period of preparation of the Reports;
 - (b) Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - (c) Assessed the effectiveness of the internal control over financial reporting and disclosure, and presented in this Report the conclusions of the Board of Directors and Management concerning the effectiveness of said internal control as of the date of the Reports.

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

Date: March 8, 2026

Nir David, CEO

B. Declaration of the most senior financial officer in accordance with Regulation 9B(d)(2) of the Securities Regulations (Periodic and Immediate Reports), 1970:

I, Yohai Benita, declare that:

- (1) I have reviewed the financial statements and other financial information included in the reports of Bezeq - The Israel Telecommunication Corporation Ltd., (the "Company") for 2025 (the "Reports").
- (2) To the best of my knowledge, the financial statements and other financial information included in the Reports do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period of the Reports.
- (3) To the best of my knowledge, the financial statements and other financial information in the Reports reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of the dates and for the periods presented in the Reports.
- (4) I have disclosed the following to the Independent Auditor of the Company, to the Company's Board of Directors, and to the Audit and the Financial Statements Review Committees of the Board of Directors of the Company, based on my most recent evaluation of internal control over financial reporting and disclosure:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure, insofar as relevant to the financial statements and other financial information included in the Reports, which are reasonably likely to adversely affect the Company's ability to collect, process, summarize or report financial information, in a way that could cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law;
 - (b) Any fraud, whether or not material, that involves the CEO or anyone directly subordinate to the CEO, or which involves other employees who have a significant role in the Company's internal control over financial reporting and disclosure.
- (5) I, alone or together with others in the Company:
 - (a) Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 2010, insofar as relevant to the financial statements and other financial information included in the Reports, is brought to my knowledge by others in the Company and in the subsidiaries, particularly during the period of preparation of the Reports;
 - (b) Established controls and procedures, or ensured the establishment and maintaining of controls and procedures under my supervision, designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - (c) Assessed the effectiveness of the internal control over financial reporting and disclosure, insofar as relevant to the financial statements and other financial information included in the Reports, as of the date of the Reports. My conclusions pursuant to my said assessment were reported to the Board of Directors Management and are included in this Report.

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

Date: March 8, 2026

Yohai Benita, CFO Bezeq Group