

Convenience translation into English of Cellcom Israel Ltd.'s Periodic Report for the period ending June 30, 2025 filed with the Israeli Securities Authority, on August 13, 2025



Cellcom Israel Ltd.

PERIODIC REPORT FOR THE PERIOD ENDING JUNE 30, 2025

Table of Contents

Chapter A Changes and updates that occurred in the Company's business during the reporting period and thereafter in matters that are required to be described in the Periodic Report

Chapter B Board of Directors' Report on the Company's State of Affairs

Chapter C Financial Statements as of March 31, 2025

Chapter D Report regarding the Effectiveness of Internal Control over Financial Reporting and Disclosure pursuant to regulation 38C(a) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

Chapter A

Changes and updates that occurred in the Company's business during the reporting period and thereafter in matters that are required to be described in the Periodic Report - Update to Cellcom Israel Ltd.'s Periodic report for the year 2024 (Reference No.: 2025-01-018174) ("The Company" and "Periodic Report", respectively), as reported in the Company's periodic report for the first quarter of 2024 (Reference No: 2025-01-035654) ("First Quarter Report").

1. Section 1 for the first quarter report - Regulation and Dependence on Licenses or Permits

Further to the description in this section, regarding the publication of the Communications Regulations (Telecommunications and Broadcasting) (General Permit for Providing Telecommunications Services) (Amendment No. 2), 2025 ("**the Amendment**"), which states, inter alia, that an authorized provider (a license holder or someone registered in the registry, as defined in the Communications Law (Telecommunications and Broadcasting), 1982) shall not charge a private subscriber a fee for payment via direct debit to a bank account, the Company updates that the Amendment will come into effect six (instead of three) months from the date of publication.

2. Section 3 for the first quarter report - Hot's investment transaction agreements in IBC - Investment Agreements

2.1. Further to the description in this section, regarding the notice received by the Company about a binding offer ("**the Offer**") received by Hot Telecommunication Systems Ltd. and Israel Infrastructure Fund 3 Limited Partnership, for the purchase of all their holdings in IBC (Unlimited) Holdings Limited Partnership and in the general partner of the IBC partnership, the Company updates that following discussions held by the Company's board of directors (regarding its right of first refusal and right of tag along), the Company has announced the exercise of its right of tag along for the sale of all its holdings in the IBC partnership (in accordance with the provisions of the IBC partnership agreement and the shareholders' agreement of the general partner, and also in accordance with the terms of the Offer). In this regard, the Company updates that it has received notice regarding the formation of the buyer group, as stated in Section 3 of the first quarter report.

Therefore, subject to the fulfillment of the conditions precedent (receipt of approval from the Ministry of Communications, approval from the Competition Authority, and approval from the financing entities of IBC Israel Broadband Company (2013) Ltd. – "**IBC**"), the Company is expected to sell all of its holdings in IBC partnership and in the general partner, in exchange for a total of NIS 520 million in cash (alongside interest as specified in Section 3 of the first quarter report and in the Offer, if applicable) ("**Sale Consideration**"). It should also be noted that, according to the purchase agreement, if the transaction is not completed within 10 months from the date of the purchase agreement, each party may cancel the agreement.

Upon completion of the transaction, the Company is expected to recognize a capital gain (before tax) equal to the difference between the sale consideration, in the amount of NIS 520 million as mentioned above (plus any applicable interest), and

the cost of its investment in the IBC partnership (which, as previously reported by the Company, at approximately NIS 120 million as of March 31, 2025). The expected cash flow impact on the Company's financial statements will be equal to the sale consideration, net of applicable taxes.

It should be noted that the above does not affect the agreement framework between the Company and IBC, as detailed in the Company's reports (including the periodic report).

There is no certainty that the transaction will be completed as described above, inter alia, due to the non-fulfillment of one of the conditions precedents for its completion or due to cancellation of the agreement by either party if the transaction is not completed within the aforementioned timeframe.

3. Section 14.5.1(2).b – Usage Rights for Frequencies in the Field of Cellular Communications - Frequency Allocation

Further to the description in this section, regarding the allocation of 3x2 MHz from the 1800 MHz frequencies band used by the Group's shared 4th Generation and 2nd Generation network, which was allocated to the group in a 4th Generation (in 2015) for a period of 10 years, the Company updates that, according to the notice from the Ministry of Communications dated August 2025, the validity of the said allocation has been temporarily extended until December 31, 2025.

4. Section 16.2.5(4) – Suppliers – Dependence on Suppliers – Equipment and Contents for Television Services (OTT)

Further to the description in this section, regarding the Company's entry into a binding memorandum of understanding with Hot – Telecommunication Systems Ltd. ("**HOT**"), under which, subject to its completion, the Company is expected to market a designated package of audiovisual content of the Next TV service to subscribers, the Company updates that, as part of its engagement with the Israel Competition Authority, it has received a letter from the Authority ("**the Letter**") regarding the request for exemption from a restrictive arrangement in connection with the memorandum of understanding ("**the Exemption Request**"). In the Letter, the Competition Authority noted that, at this stage, its review of the arrangement between Hot and the Company indicates that the restrictions therein may significantly limit competition in a substantial part of the market affected by the arrangement, and may materially harm competition in that market. Accordingly, the Competition Commissioner is considering not granting the requested exemption.

The Company will continue its dialogue with the Competition Authority and is also considering, in coordination with Hot, amending the Memorandum of understanding in a way that would eliminate the need for the exemption request (and instead, the Company would conduct a self-assessment regarding the Memorandum of understanding, based on any amendments made to it, if applicable).

5. Section 19.7 – Credit rating

Further to the description in this section, on August 7, 2025, S&P Maalot ("**Maalot**") decided to upgrade the Company's and the Company's debentures series to -AA with a stable outlook, as well as to upgrade the rating of the Company's commercial securities to A-1+. For details regarding Maalot's announcement as mentioned above, see the

immediate report dated August 7, 2025 (reference no. 2025-15-058637), which is included in this report by way of reference.

6. Section 22.6.2 – Wholesale Market Development

Further to the description in this section, regarding (inter alia) an advanced process being conducted by the Ministry of Communications ("**the Ministry**") to determine maximum payments in the wholesale market for fixed-line communication services ("**the wholesale market**"), the Company updates that on July 29, 2025, the Ministry published a public hearing on the matter ("**the Hearing**").

According to the Hearing, inter alia, the Ministry is considering setting updated wholesale rates (significantly lower than current rates) for the advanced network for the coming years. The obligation imposed on Bezeq to provide fixed-line communication services in the wholesale market will continue to apply to all applicants without discrimination, but will be reduced such that starting January 1, 2027, the obligation will no longer apply to the major telecom groups (companies with 300,000 or more retail internet subscribers), except with respect to 15% of the total existing fiber subscribers as of June 30, 2025, in each of the major telecom groups; and starting January 1, 2028, this percentage will be reduced to 5%.

The Company is reviewing the Hearing and its implications. There is no certainty regarding the outcome of the Hearing; however, if the Hearing is approved in its current form (or a similar one), it is expected to have a positive impact on the Company's results in the relevant years (primarily 2026), as stated and considering the number of relevant subscribers in the Company.

The above assessments regarding the impact on the Company's results constitute forward-looking information that may not materialize, or may materialize only partially or in a materially different manner than stated above, depending, inter alia, on the Ministry's final decision, the timing of its approval and implementation, and the number of relevant subscribers in the Company.

7. Section 25.1 – Pending Material Legal Proceedings

Further to the description in this section, regarding the class action lawsuit filed with the Central District Court against a former group entity (currently Cellcom Fixed-Line Communications Ltd.), alleging non-compliance with the Consumer Protection Law and license terms regarding the obligation to terminate service agreements on time, on May 22, 2025, a judgment was issued approving the agreed request for a settlement reached between the parties, in an amount that is not material to the Company.

Chapter B

Board of Directors' Report on the State of the Company's Affairs

June 30, 2025

The Company's board of directors hereby respectfully submits the board of directors' report on the state of the affairs of the Company and its subsidiaries (hereinafter collectively: the "**Group**") for the period of six months ended June 30, 2025 (the "**Report Period**"). The following presentation is limited in scope and relates to events and changes to the affairs of the Group during the Report Period, which are of material effect. This report was prepared according to the Securities (Periodic and Immediate Reports) Regulations, 1970 (the "**Report Regulations**"), and assuming the reader has available the Company's periodic report for 2024 (ref. no. 2025-01-018174) ("**2024 Periodic Report**").

The Board of Directors' Explanations on the State of the Company's Affairs and results of operation

1. Brief description of the Company, its business, and its activity during the Report Period

1.1. General

The Company was incorporated in Israel in 1994 as a private company under the laws of the State of Israel, under the name Cellcom Israel Ltd. (the "**Company**"). The company's securities are traded on the Tel Aviv Stock Exchange Ltd.

As of the Report date, the Company and subsidiaries (the "**Group**") are active in the Israeli communications market in two areas of activity, And provides electricity supply services to private and business customers in Israel within the framework of an additional area of activity, which are reported as reportable segments in the Company's consolidated financial statements. For details, see Note 4 to the company's consolidated interim financial statements as of June 30, 2025 (the "**Financial Statements**"):

- 1.1.1. The cellular communications area (cellular segment) - In the framework of this field of activity, the Group provides its customers with a wide range of cellular telecommunication services in Israel, under license it was granted by the Israeli Ministry of Communications or MOC. The services include calls, sending and receiving text messages (SMS, MMS), internet access and transferal of data over the internet and associated services. In addition, the Group provides overseas roaming services to its customers and to customers of foreign operators who are visiting Israel. The Group also sells (mainly through Dynamica) cellular end equipment and warranty and repair services for end equipment. In addition, the group provides construction, operation and maintenance services for the radio network it shares with Wecom.
- 1.1.2. The fixed-line communications area (fixed-line segment) - Within the framework of this area of activity, the Group provides internet services, by virtue of a license provided to it by the Ministry of Communications and by virtue of it being a licensed provider in accordance with the Communications Law. These services include internet service providers (ISP) as well as infrastructure services (broadband services, on the basis of IBC fiber optics; as well as copper infrastructure and Bezeq fiber optics within the framework of the wholesale market), TV services over the internet (Cellcom TV), international line-based telephone services (international carrier services) and domestic services, (Domestic Provider services) and transmission services to business customers

(including international transmission services) and for the communications operators on the basis of the Group's independent infrastructure as well as on other operator infrastructure. The Group also provides additional services such as IOT solutions, integration and maintenance of information security solutions services, video conference services, and server hosting services. In addition, the Group sells land-based end equipment attributed to the land-based segment.

- 1.1.3. Electricity supply sector – within the framework of the electricity supply sector, the Group provides, via Cellcom Energy (a shared corporation held in equal portions by the Company and Meshek Energy), electricity supply services to business and private customers in Israel (excluding the rural sector), all in accordance with the license to supply electricity without means of production given it by the Electricity Authority and the regulation that applies in the field of electricity supply to private and business customers, including the decisions of the Electricity Authority within the framework of the move to the market model and the opening of the electricity supply segment to competition.

1.2. Review by the Company's management regarding the results of the Group's activity for the second quarter of 2025

The Group concluded the current quarter with a net profit of NIS 64 million compared to a net profit of NIS 55 million in the corresponding quarter of 2024, reflecting an increase of 16.4%.

Revenues after neutralizing reciprocal connection fees amounted to a total of 1,007 million NIS compared to 1,022 million NIS in the corresponding quarter of 2024, reflecting a decrease of 1.5%, the decrease largely deriving from a drop in end equipment revenues in the mobile sector and the fixed line sector. The Group's total revenues in the current quarter amounted to a total of 1,047 million NIS compared to a total of 1,100 million NIS in the corresponding quarter of 2024, reflecting a 4.8% decrease.

Revenues from services in the mobile segment in the current quarter after neutralizing interconnection fees, which decreased as a result of a regulatory change of lowering interconnection fees (see Note 32f to the 2024 Financial Statements), amounted to NIS 416 million in the mobile segment Compared to a total of 403 million NIS in the corresponding quarter of 2024, reflecting an increase of 3.2%. Total revenues from services in the mobile segment (including interconnection fees) amounted to NIS 454 million compared to NIS 477 million in the corresponding quarter last year.

Revenues from services in the fixed line sector in the current quarter amounted to a total of 340 million NIS compared to 337 million NIS in the corresponding quarter, reflecting a 0.9% increase. The increase derives, among other things, from an increase in revenues from internet

and television services, which were partially offset by a decrease in revenues from international operators.

As of June 30, 2025, the Group's cellular subscribers base comprises 3,624 thousand subscribers, a growth rate of 2% compared to the corresponding quarter of 2024. Internet subscribers reached a total of 384 thousand subscribers, an increase of 5.2% compared to the corresponding quarter last year. Fiber optic subscribers reached 341 thousand subscribers, constituting a total of 88.8% of the Group's internet infrastructure subscribers.

Revenues from end equipment in the current quarter in the mobile sector amounted to 250 million NIS compared to 272 million NIS in the corresponding quarter, reflecting a decrease of 8.1%, and in the fixed-line sector end equipment revenues amounted to 39 million NIS versus 57 million NIS in the corresponding quarter last year, a decrease of 31.6%. Total revenues from end equipment amounted to a total of 289 million NIS, a 12.2% decrease compared to the corresponding quarter of 2024.

The Adjusted EBITDA (see definition of Adjusted EBITDA in Section 4 of this report) amounted to NIS 351 million in the current quarter, an increase of 0.9% from the corresponding quarter of 2024.

The Adjusted EBITDA in the mobile segment amounted to a total of NIS 229 million in the current quarter, an 0.9% decrease over the corresponding quarter of 2024, mainly as a result of a drop in profitability of mobile end equipment. In the fixed line segment the Adjusted EBITDA for the current quarter amounted to a total of NIS 122 million, an 4.3% increase over the corresponding quarter of 2024.

The Adjusted EBITDA loss for the electricity segment in the current quarter amounted to a profit of 1 million NIS (Company's share) compared to the Adjusted EBITDA amounting to a loss of 0.4 million NIS in the corresponding quarter of 2024.

The free cash flow (FCF) for the current quarter amounted to NIS 103 million compared to NIS 62 million in the corresponding quarter of 2024, an 66.1% increase deriving among other things from an improvement in the Company's ongoing activity and an improvement in working capital.

The net financial debt at the end of the current quarter amounted to a total of NIS 1,554 million, an NIS 266 million decrease compared to the net debt at the end of the corresponding quarter of 2024, which amounted to a total of NIS 1,820 million. The drop in debt derives from the redemption of debentures over the course of the year offsetting new offerings and from free

cash flows, which contributed to lowering the debt.

1.3. Events during and subsequent to the Report Period

- A. For details on the impact of the security situation in Israel on the Company, see Note 1b to the Financial Statements.
- B. For details on the Cancellation of Fees for Standing Order Payments, see Note 8b to the Financial Statements.
- C. For details on the exercise of the Company's right and joining the sale of its holdings in IBC, see Note 8c to the Financial Statements.
- D. For details on a suit filed against IBC, see Note 8d to the Financial Statements.
- E. For details on the Publication of a Hearing Regarding the Determination of Maximum Payments in the Wholesale Market, see Note 8e to the Financial Statements.
- F. For information on the Maalot rating, see Note 8f to the Financial Statements.

1.4 The effect of inflation and interest on the results during the period

Inflation increased by a rate of 1.3% over the course of the second quarter of 2025. In addition, the Bank of Israel has set interest rates in the economy at 4.5% with no change from the end of 2024.

Below is the assessment of the direct impact of the increase in the rate of inflation and interest on the group

The Group's cost structure includes CPI-linked rental contracts that also include the rental of building and cellular sites. According to the Company's estimates, any increase of 1% in inflation rates, will lead to a 2 million NIS increase in Group expenses before tax.

The influence of inflation on financing expenses due to CPI-linked debenture are not material to the Company's results, as a result of replacing most of the debt that in the past had been CPI-linked to NIS debt.

The following is an assessment of the indirect impact of an increase in inflation rates on the Group's results:

Following the increase of the CPI in the Israeli economy, there may be increase in the Group's input prices, which may impact the Group's results.

The following is an assessment of the impact of the change in interest rates on the Company:

As noted above, the increase in interest rates does not have a direct material impact on the structure of the Company's costs.

At the same time, regarding refinancing future debt and/or raising debt in the future, and/or utilization of credit frameworks in accordance with the Company's needs, as the interest environment in the economy grows higher, the situation may impact interest levels when raising such debt in the future and on the Company's financing expenses. The Company has commercial securities (CS) that are influenced by the interest rates in the economy and therefore any increase of 1% in interest rates would lead to a 2 million NIS increase in financing expenses. For further details on the impact of interest on the Financial Statements and the impact of interest on the examination of goodwill impairment, see Note 13b and Note 22 to the 2024 Periodic Report.

2. Financial position

Section	As of June 30		Board of directors' explanation
	2025	2024	
	NIS millions		
Current assets	1,372	1,655	Decrease in cash item as a result of the repayment of debentures.
Non-current assets	4,943	5,015	Decrease from current amortizations of intangible assets.
Total assets	6,315	6,670	
Current liabilities	1,968	2,151	Decrease mainly due to a decrease in current maturities of debentures as well as a decrease in suppliers and payables.
Non-current liabilities	1,763	2,184	Decrease mainly due to a drop in the scope of debenture debt.
Total liabilities	3,731	4,335	
Equity	2,584	2,335	Increase mainly with respect to profit for the period.
Total liabilities and equity	6,315	6,670	

3. Analysis of the operating results

3.1. Below is an analysis of the Company's operating results for the period of six and three months ended June 30, 2025, compared to the corresponding period of last year:

Section	1-6/ 2025	1-6/ 2024	4-6/ 2025	4-6/ 2024	Board of directors' explanation
			NIS millions		
Revenues from services	1,516	1,533	758	771	The decrease mainly derives from a drop in interconnection fees, which was partially offset from an increase in current revenues of cellular packages and revenues from roaming services as well as from an increase in fixed line segment revenues from internet and television.
Revenues from equipment	643	700	289	329	A decrease in revenues from end equipment in the fixed-line sector and in revenues from end equipment in the mobile sector. The decrease in mobile revenues are mainly from a one-time sale to institutional customers in the corresponding quarter in addition the affect war during June 2025.
Total revenues	2159	2,233	1047	1,100	
Cost of revenues	(1,458)	(1,541)	(695)	(743)	Decrease mainly as a result of a drop of the reciprocal connectivity fees rate and a decrease in the cost of end equipment, against an increase in the cost of frequency fees.
Gross profit	701	692	352	357	A decrease in gross profits versus the corresponding quarter mainly as a result of a drop in profitability from end equipment offset by profitability from cellular services in the mobile sector and internet services profitability in the fixed-line sector.
Gross profit rate from total revenues	32.5%	31.0%	33.6%	32.5%	
Sale and marketing, General and administrative costs and credit losses	(505)	(513)	(247)	(251)	
Other income (loss), net	31	(21)	12	5	The first half of the year in the corresponding period included a one-time expense for bonuses given employees due to a collective agreement.
Operating profit	227	158	117	111	
Financing costs, net	(53)	(67)	(27)	(35)	A decrease in net financing costs, among other things as a result of the decrease in interest expenses due to debentures as a result of the drop in net debt.
Share in the losses of equity accounted investees	1	(6)	1	(3)	
Profit before taxes on revenue	175	85	91	73	
Taxes on income	(51)	(23)	(27)	(18)	
Net profit	124	62	64	55	

3.2 Main results and operational data in quarterly division (in NIS millions):

Financial data (million NIS)	Q2'25	Q1'25	Q4'24	Q3'24	Q2'24	Q1'24	Q4'23	Q3'23	Q2'23
Revenues from services cellular segment	413	409	406	417	400	376	376	418	398
Revenue from other services (mainly IC) ¹	41	46	47	51	77	91	93	90	113
Total revenues from services cellular segment	454	455	453	468	477	467	469	508	511
Revenue from equipment cellular segment	250	307	281	249	272	283	276	204	188
Total Revenues cellular segment	704	762	734	717	749	750	745	712	699
Revenues from services fixed-line segment	340	338	337	336	332	334	346	355	351
Revenue from equipment fixed-line segment	39	47	59	100	57	88	71	97	59
Total Revenues fixed-line segment	379	385	396	436	389	422	417	452	410
Consolidation adjustments	(36)	(35)	(35)	(37)	(38)	(39)	(40)	(39)	(39)
Total revenues	1,047	1,112	1,095	1,116	1,100	1,133	1,122	1,125	1,070
Gross profit equipment	45	53	51	57	58	60	50	45	41
Adjusted EBITDA ² cellular segment	229	224	214	223	231	205	192	217	213
Adjusted EBITDA ² fixed-line segment	122	125	140	131	117	97	116	120	108
Adjusted EBITDA ²	351	349	354	354	348	302	308	337	321
profit Operating	117	110	106	110	111	47	80	111	50
Financing expenses, net	27	26	27	31	35	32	32	33	37
Profit for the period	64	60	55	56	55	7	33	53	5

1 IC in this component refers to mutual connection fee rates paid by a cellular operator or an international services operator or an international operator for completing a call on the company's cellular network or for sending an SMS message to the company's cellular network. For further details on reciprocal connectivity rates see Section 22.3.1 of Chapter A of the 2024 Periodic Report.

2 See definition in Section 4 below.

Financial data (million NIS)	Q1'25	Q4'24	Q3'24	Q2'24	Q1'24	Q4'23	Q3'23	Q2'23	Q1'23
Capital investments in property, plant, equipment and intangible assets	165	149	176	166	171	152	130	157	191
Investments in property, plant, equipment and intangible assets	133	129	161	159	156	162	167	167	140
Free cashflow	103	94	71	93	62	59	74	77	52
Finance debt ,net	1,554	1,625	1,700	1,750	1,820	1,855	1,889	1,937	1,991
Operational Data									
Number of cellular Subscribers (thousands) ³	3,624	3,602	3,614	3,571	3,554	3,561	3,555	3,523	3,487
Churn rate for cellular Subscribers ⁴	7.5%	8.3%	6.4%	7.6%	7.7%	7.6%	7%	7.3%	7.2%
Monthly cellular ARPU (NIS) ⁵	41.8	42.1	42.1	43.7	44.8	43.7	44	48.3	49
Monthly cellular ARPU (NIS) without IC ⁶	38.2	37.8	37.7	39	37.6	35.3	35.4	39.7	38.2
Monthly Internet ARPU (NIS) ⁷	98.9	97.9	96.2	92.8	91.7	88.9	88.2	89.8	90.9
TV Subscribers (thousands)	275	273	273	272	269	266	263	261	260
Internet infrastructure Subscribers (thousands) ⁸	384	381	377	373	365	358	350	342	334
Fiber infrastructure Subscribers (thousands)	341	334	322	311	295	280	259	240	219

3 The subscribers' list data refers to “active” subscribers. For purpose of the subscriber list, one “subscriber” is one line. The Company adds a subscriber to the subscribers list when it joins the service. A subscriber that pays in advance is added to the subscribers list only on the date the charge card is charged. A subscriber that ceased being an “active” subscriber is a subscriber that does not generate revenue and activity on the Cellcom network for six consecutive months. To the best of the Company’s knowledge, The six months policy is consistent with the policies adopted by other cellular providers in Israel, but the policy of counting the subscribers is not identical between the various cellular providers.

4 The churn rate is calculated according to the ratio of cellular subscribers who disconnected from the Company’s services (whether as a result of the subscriber initiating the disconnection or the Group doing so) and of subscribers who became inactive during the period, and the remaining active subscribers at the beginning of the period.

5 ARPU is calculated by dividing the total average monthly revenues from cellular services for the period, by the number of average active subscribers for the period. Revenues from cellular services include revenues from roaming services and from hosting and network sharing revenue, and monthly revenues from repair services, but they do not include revenues from the sale of equipment.

6 See Footnote 1 above.

7 Internet ARPU is calculated as the total internet revenue for the period divided by the average number of internet customers for the period. Internet revenue is defined as revenue from the internet infrastructure product and the proportional share of internet revenue from the triple product.

8 Relating to “active subscribers”.

3.3 Below is central financial data according to segments of activity (in NIS millions):

	Cellular			Fixed-line			Electricity			Inter-segment adjustments	
	4-6/ 2025	4-6/ 2024	Change % in	4-6/ 2025	4-6/ 2024	Change % in	4-6/ 2025	4-6/ 2024	Change % in	4-6/ 2025	4-6/ 2024
Revenue from services	454	477	(4.8%)	340	337	0.9%	44	5	780%	(80)	(48)
Revenue from equipment	250	272	(8.1%)	39	57	(31.6%)	-	-	-	-	-
Total revenue	704	749	(6.0%)	379	394	(3.8%)	44	5	780%	(80)	(48)
Operating profit	90	80	12.5%	27	29	(6.9%)	-	-	-	-	2
Adjusted EBITDA	229	231	(0.9%)	122	115	6.1%	1	-	-	(1)	2
Adjusted EBITDA as a percentage of total revenue	32.5%	30.8%	5.5%	32.2%	29.2%	10.3%	2.3%	-	-	-	-

	Cellular			Fixed-line			Electricity			Inter-segment adjustments	
	1-6/ 2025	1-6/ 2024	Change % in	1-6/ 2025	1-6/ 2024	Change % in	1-6/ 2025	1-6/ 2024	Change % in	1-6/ 2025	1-6/ 2024
Revenue from services	909	944	(3.7%)	678	666	1.8%	83	10	730%	(154)	(87)
Revenue from equipment	557	555	0.4%	86	145	(40.7%)	-	-	-	-	-
Total revenue	1,466	1,499	(2.2%)	764	811	(5.8%)	83	10	730%	(154)	(87)
Operating profit (loss)	172	118	45.8%	55	40	37.5%	(1)	(2)	(50%)	1	2
Adjusted EBITDA	453	436	3.9%	247	214	15.4%	-	(2)	(100%)	-	2
Adjusted EBITDA as a percentage of total revenue	30.9%	29.1%	6.2%	32.3%	26.4%	22.3%	-	(20%)	(100%)	-	-

4. **Operational and financial indicators (KPIs)**

4.1 As of the Report date, the Company's management uses financial performance indicators that are not based on accepted accounting rules, for evaluating, tracking, and presenting the Company's financial performance. These indicators do not constitute a substitute for the information included in the Company's financial statements. Below are the details of the indicators:

Indicator	Calculation/components	Details of the indicator's purposes	Data
Adjusted EBITDA	Represents the net profit before: net financing costs, taxes, other income (expenses) that are not part of the Company's current activity (including provisions of lawsuits that are included in other expenses), depreciation and amortization, profits (losses) equity accounted investees and share-based payments. In addition, including other income (expenses) that are part of the Company's current activity, such as interest income in respect of sale transactions in installments And additional revenue in the company's areas of activity.	The Company presents this indicator as an additional performance indicator, since it believes that it enables operational performance comparisons between periods and between companies, while neutralizing potential discrepancies arising from differences in the capital structure, taxes, age of fixed assets and amortization costs of which. The adjusted EBITDA does not take into account the requirement of the debt service and additional obligations, including capital investments, and therefore it does not necessarily indicate the amounts available for the Company's use. In addition, no comparison can be made between the adjusted EBITDA and the indicators that are similarly referred to and that are reported by other companies due to a change in the calculation of these indicators.	See Section 4.2 below.
Free cash flow	Net cash deriving from current activity plus the proceeds from selling fixed assets or investments, which are related to the day-to-day business, and less cash used for investment activity in fixed assets or other assets, less payments for leases. The free cash flow does not include investments in subsidiaries.	The Company presents this indicator as an additional performance indicator, since it believes that it enables comparisons between the cash production rate from the operational activity by periods, while neutralizing potential discrepancies arising from differences in the capital structure and debt. The free cash flow does not take into account the requirements of the debt service and additional financing activity, and therefore it does not necessarily indicate the amounts to be available for the Company's use. In addition, no comparison can be made between the free cash flow and indicators that are similarly referred to and that are reported by other companies due to a change in the calculation of these indicators.	See Section 4.3 below.

4.2 Below are details on the adjustments between the net profit and adjusted EBITDA (in NIS millions):

Indicator	For the Six months period ended June 30,		For the Three months period ended June 30,	
	2025	2024	2025	2024
Profit for the period	124	62	64	55
Taxes on income	51	23	27	18
Financing expenses, net	53	67	27	35
Other expenses (income) that are not part of the Company's current activity	(2)	24	(1)	3
Depreciation and amortization	467	458	232	230
Losses (profits) from equity accounted investees	(1)	6	(1)	3
Share-based payment	8	10	3	4
Adjusted EBITDA	700	650	351	348

4.3 Below are details on the data regarding the Company's free cash flow (NIS millions):

Section	For the Six months period ended June 30,		For the Three months period ended June 30,	
	2025	2024	2025	2024
Net cash deriving from operating activities	631	573	323	288
Cash used for investment activities	(296)	(316)	(162)	(166)
Change in deposits (*)	(14)	-	-	(1)
Cash used for leases (financing activities)	(125)	(133)	(58)	(58)
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	1	(3)	-	(1)
Free cash flow	197	121	103	62

(*) Changes in deposits are not part of the company's free cash flow.

5. Liquidity

Below are the board of directors' explanations on the Company's liquidity situation for the six and three months periods ended June 30, 2025 compared to the corresponding periods of last year (NIS millions):

Section	1-6/2025	1-6/2024	4-6/2025	4-6/2024	Board of directors' explanation
Balance of cash and cash equivalents as of the beginning of the period	371	473	211	481	
Cash flow deriving from current activities	631	573	323	288	Increase in current cash flow activity as well as an increase in working capital.
Cash flow used in investment activities	(296)	(316)	(162)	(166)	
Cash flow used in financing activities	(402)	(184)	(67)	(59)	Increase as a result of change in short-term credit.
Effect of exchange rate fluctuations on balances of cash and cash equivalents	1	(3)	-	(1)	
Balance of cash and cash equivalents as of the end of the period	305	543	305	543	

5.1 As of June 30, 2025 the Company has a working capital deficit of NIS 596 million (consolidated) and a working capital deficit (solo) of NIS 1,143 million. Note that as of June 30, 2025 the Group has unused credit facilities totaling NIS 650 million that have not been taken into account within the framework of working capital. The working capital deficit derives, among other things, from changes in the Company's credit management, which transferred part of its long-term financial obligation to short-term for interest savings reasons. The working capital deficit in the Company's solo report derives from the fact that all of the Company's debt is managed, while some of the positive working capital is in subsidiaries under the Company's full control (100%).

5.2 The Board of Directors has examined the Company's cash balances, the free cash flow expected for two years from June 30, 2025, the credit facilities mentioned above and their expected renewal according to the Company's estimates, and assessed the Company's access to future sources of credit. Also taking into account that some of the Company's debt is short-term based on cost/benefit considerations in a high interest rate market environment, the Company Board of Directors ruled that in spite of the working capital deficit as of June 30, 2025, there is no liquidity problem at the Company and therefore, there are no warning signs as defined in Regulation 10(b)(14) of the Reports Regulations.

6. **Financing sources**

- 6.1. The Company mainly finances its activity through a cash flow from ongoing activity, securities offerings and loans from financial and/or institutional bodies.
- 6.2. Details on outstanding obligatory notes and Company credit frameworks as of June 30, 2025 have been attached as an appendix to this Board of Directors' Report.
- 6.3. There have been no material changes in the credit days the Company received from its suppliers and the credit days the Company gave its customers relative to that described in the 2024 Periodic Report.
- 6.4. As of the Report Date, the Company is in compliance with all financial covenants, the terms and additional liabilities set in the deeds of trust for the bonds issued as detailed in the appendix to this Report of the Board of Directors.

August 13, 2025

Mr. Eli Adadi

CEO

Mr. Yuval Cohen

**Chairman of the
Board**

Annex - Details Regarding debentures in Circulation as of the Report Date

1. Details Regarding debentures in Circulation:

Series (**)	Date of issue	Par value on the issue date (in NIS millions)	Par value on 31 December, 2024 (in NIS millions)	Par value on December 31, 2024, including linkage (in NIS millions)	Accrued interest (in NIS millions)	Financial statements balance as of December 31, 2024 (in NIS millions)	Stock market value (in NIS millions)	Type of interest	Payment dates of principal ¹	Payment dates of interest ⁽¹⁾	Terms of linkage	Convertible	Right to early redemption
Series I ^{2,9}	July 8, 2014; February 3, 2015*; February 11, 2015*; March 28, 2016.	804.010	112.561	112.561	2.247	114.792	114.891	Annual interest of 4.14%.	Eight annual payments: Three equal annual payments of 10% from the principal amount on July 5 of 2018 until 2020 (including), and five equal annual payments of 14% from the principal amount on July 5 of 2021 until 2025 (including).	On January 5 and July 5, every year from 2015 until 2025 (including)	Not Linked	No	Subject to certain terms
Series J	September 25, 2016	103.267	41.307	48.778	0.576	49.321	49.285	Annual interest of 2.45%.	On July 5 of 2021 until 2026 (including).	On January 5 and July 5, every year from 2017 until 2026 (including)	Linked (principal and interest) to the Consumer Price Index	No	Subject to certain terms
Series K	September 25, 2016; July 1, 2018*; December 10, 2018*	710.634	284.254	284.254	4.866	288.911	287.551	Annual interest of 3.55%.	On July 5 of 2021 until 2026 (including).	On January 5 and July 5, every year from 2017 until 2026 (including)	Not Linked	No	Subject to certain terms
Series L ^{3,4,5,6}	January 24, 2018; December 10, 2018*; May 12, 2020*; December 1, 2020*; July 12, 2022	1,235.937	731.488	731.488	8.818	725.183	714.591	Annual interest of 2.50%.	On January 5 of 2023 until 2028 (including).	On January 5 every year from 2019 until 2028 (including)	Not Linked	No	Subject to certain terms
Series M ^{7,8}	September 8, 2022; November 26, 2024	494.915	470.169	470.169	10.723	476.736	481.806	Annual interest of 4.73%.	On January 5 of 2025 until 2030 (including).	On January 5 every year from 2023 until 2030 (including)	Not Linked	No	Subject to certain terms
Total		3,348.763	1,639.779	1,647.250	27.230	1,654.943	1,648.124						

(*) On these dates the debenture series were expanded. The information appearing in the table refers to the full series.

(**) As of June 30, 2025, the Company's debentures (Series K, L and M) are material and constitute more than 5% of the Company's total liabilities as presented in the Financial Statements. Similarly, as of June 30, 2025, the Company's net debt to adjusted EBITDA¹ ratio was 1.1 including the total interest accrued in the books. There was no cause for early redemption in the Report Period.

- (1) Semi-annual payments, with the exception of debentures (series L) where the payment is annual.
- (2) In February, 2016, in accordance with an exchange offer of the Company's debentures (Series H and I) in part of the Company's debentures (Series D and E), respectively, the Company replaced a principal in the amount of NIS 555 million. The Company's debentures (Series D) in the fund in the amount of NIS 844 million of the Company's debentures (Series H) and a fund in the amount of NIS 272 million in the Company's debentures (Series E) in the fund in the amount of approximately NIS 335 million of the Company's debentures (Series I). The Company's debentures (Series D and E) fully paid in July 2017 and January 2017, respectively.
- (3) In December 2019, the Company made an acquisition of debentures (Series L) of the Company in the amount of approximately NIS 10 million.
- (4) In May 2020, the Company issued debentures (Series L) with a par value of approximately NIS 222 million.
- (5) In December 2020, the Company issued debentures (Series L) with a par value of approximately NIS 400 million.
- (6) In July 2022, after the date of the financial statements, the company expanded the series L with par value of NIS 105 million.
- (7) In September 2022, the company issued debentures (Series M) in the amount of NIS 395 million par value.
- (8) In November 2024, the Company expanded debentures (Series M) by way of a private offering, at a notational value of 100 million NIS. For further details see Note 18 to the 2024 Financial Statements .
- (9) In July 2025, subsequent to the reported period, the Company's debentures (Series I) received their final redemption.

2. Details regarding the trustee:

Series	Name of the trust company	Name of responsible person for the debentures	Contact	Address for delivery of documents
Series I	Mishmeret Trust Services Company Ltd.	CPA Ram Sabati	email: office@mtrust.co.il Tel: 03-6374354	48 Menachem Begin Road, Tel Aviv 6618001
Series J	Mishmeret Trust Services Company Ltd.	CPA Ram Sabati	email: office@mtrust.co.il Tel: 03-6374354	48 Menachem Begin Road, Tel Aviv 6618001
Series K	Mishmeret Trust Services Company Ltd.	CPA Ram Sabati	email: office@mtrust.co.il Tel: 03-6374354	48 Menachem Begin Road, Tel Aviv 6618001
Series L	Strauss Lazer, Trust Company (1992) Ltd.	CPA Ori Lazer	email: ori@slcpa.co.il Tel: 03-6237777	94 Yigal Alon Street, Tel Aviv 6789139
Series M	Strauss Lazer, Trust Company (1992) Ltd.	CPA Ori Lazer	email: ori@slcpa.co.il Tel: 03-6237777	94 Yigal Alon Street, Tel Aviv 6789139

¹ The net debt to adjusted EBITDA ratio is the ratio between the Company's net debt to the adjusted EBITDA in a period of 12 consecutive months, when neutralizing one-time events. In this regard, "net debt" is defined as credit and loans from banking corporations and from banking corporations as well as liabilities with respect to debentures, after deducting cash and cash equivalents, deposits (with the exception of restricted deposits against bank guarantees) and current investments in marketable securities.

"Adjusted EBITDA" – see the definition in Section 4.1 above.

3. Details regarding the rating of the debentures:

Series	Name of rating company	Rating as of the issue date	Rating as of the Report date	Additional ratings between the issue and Report date	Details regarding the intention of the rating company to change the rating
				Rating dates ⁽¹⁾	
Series I	Maalot	A+	A	06/2014, 08/2014, 01/2015, 09/2015, 03/2016, 08/2016, 06/2017, 01/2018, 06/2018, 08/2018, 12/2018, 03/2019, 08/2019, 05/2020, 08/2020, 11/2020, 08/2021, 08/2022, 08/2023, 11/2023, 08/2024, 08/2025 ⁽¹⁾	In August 2025, Maalot revised the Company's rating forecast from a rating of ilA+ Stable Outlook to a rating of ilAA- Stable Outlook.
Series J	Maalot	A+	A	08/2016, 06/2017, 01/2018, 06/2018, 08/2018, 12/2018, 03/2019, 08/2019, 05/2020, 08/2020, 11/2020, 08/2021, 08/2022, 08/2023, 11/2023, 08/2024, 08/2025 ⁽¹⁾	
Series K	Maalot	A+	A	08/2016, 06/2017, 01/2018, 06/2018, 08/2018, 12/2018, 03/2019, 08/2019, 05/2020, 08/2020, 11/2020, 08/2021, 08/2022, 08/2023, 11/2023, 08/2024, 08/2025 ⁽¹⁾	
Series L	Maalot	A+	A	01/2018, 06/2018, 08/2018, 12/2018, 03/2019, 08/2019, 05/2020, 08/2020, 11/2020, 08/2021, 07/2022, 08/2022, 08/2023, 11/2023, 08/2024, 08/2025 ⁽¹⁾	
Series M	Maalot	A+	A	08/2022, 09/2022, 08/2023, 11/2023, 08/2024, 11/2024, 08/2025 ⁽¹⁾	
CS1	Maalot	A-1	A-1	01/2024, 08/2024, 08/2025	

(1) In June 2014, August 2014, January 2015, September 2015, March 2016, August 2016, June 2017, January 2018, June 2018, August 2018 and December 2018, Maalot ratified the Company's A+ rating with a stable outlook. In March 2019, Maalot updated the Company's rating forecast from A+ with a stable outlook to a rating of A+ with a negative outlook. In August 2019, Maalot updated the Company's rating forecast from A+ with a negative outlook to a rating of A with a negative outlook. In May 2020, August 2020, and November 2020, Maalot ratified the Company's rating of A with a negative outlook. In August 2021 Maalot ratified the Company's rating A and updated its outlook to a stable outlook. In August 2022 Maalot updated the Company's rating forecast from a rating of A Stable Outlook to a rating of A Positive Outlook. . In August 2023 Maalot updated the Company's rating forecast from a rating of ilA Positive Outlook to a rating of ilA+ Stable Outlook. In November 2023 Maalot ratified the Company's rating of A+ Stable Outlook. In January 2024 Ma'alot rated short-term Company securities at ilA-1. In August 2024 Ma'alot ratified the rating forecast to ilA+ Stable Outlook. In November 2024, Maalot rated the expansion of the Series M debentures at ilA+. In August 2025, Maalot revised the Company's rating forecast from a rating of ilA+ Stable Outlook to a rating of ilAA- Stable Outlook.

4. Additional undertakings:

4.1. The Company's debentures (Series I to M) are not secured and include, in addition to accepted terms and undertakings, the following undertakings:

- a. A negative pledge undertaking, subject to certain exceptions. Failure to comply with this undertaking shall be deemed a cause for acceleration.
- b. An undertaking not to distribute more than 95% of the profits suitable for distribution under the Companies Law (the "**Profits**"); provided that (1) should the Company's net debt to EBITDA⁸ ratio exceed the ratio of 3.5:1, the Company shall not distribute more than 85% of the Profits; (2) should the Company's net debt to EBITDA ratio exceed 4:1, the Company shall not distribute more than 70 of the Profits; and (3) should the Company's net debt to EBITDA ration exceed 5:1, or 4.5:1 during four consecutive quarters, and/or if the Company equity will be less than NIS 700 million, for two consecutive quarters (Series M only), the Company shall not distribute dividends.
- c. And undertaking to rate the debentures through a rating company (insofar as this is under the Company's control).
- d. An undertaking to pay additional interest of 0.25% for a two-point decrease in the rating of the debentures Series I to K, and 0.5% for a two point decrease in the rating of debentures Series L, and additional interest of 0.25% for any one point decrease in the rating of the debentures until the maximum addition of 1%, compared to their rating before their issue.
- e. The Company's undertaking not to issue additional debentures of any series should the Company not meet the financial criteria, or if such issue would cause a decrease in the rating of the debentures.

4.2. In addition, the Company's debentures include events of default, including:

- a. Accelerating a different debt of the Company (cross default) by a non-supplier lender, except with respect to a debt of NIS 150 million or less. Such debt acceleration restriction shall not apply to a cross default caused by a different series of Company debentures.
- b. A case where the Company shall cease to be active in the cellular communications area and/or ceased to hold its Cellular License for a period exceeding 60 days.
- c. Trading suspension of the debentures on the Tel Aviv Stock Exchange, for a period exceeding 45 days.
- d. Making a distribution that does not comply with the Company's undertaking with respect to the restrictions on distributing profits.
- e. Failure to rate the debentures for a period exceeding 60 days.
- f. A court request or order to stay proceedings against the Company or submitting a motion for a creditor's settlement.
- g. Selling a substantive part of the Company's assets or a merger (except for certain exceptions).
- h. Failure to publish financial statements on time.
- i. A net debt to EBITDA ratio that exceeds 5:1, or that exceeds 4.5:1 during four consecutive quarters.
- j. The company's equity falls below 700 million NIS for two consecutive quarters (Series M only).
- k. Failure to comply with the Company's undertaking not to create any pledges.

- l. A material deterioration in the Company's business compared to the condition thereof on the issue date of the debentures, and real concern that the Company would not be able to repay the debentures on time.
 - m. A substantial concern that the Company shall not meet, its material obligations towards the debenture holders.
 - n. Including a note in the Company's financial statements regarding a concern of the Company continued existence as a "going concern" for a period of two consecutive quarters.
 - o. Violating the Company's undertaking with respect to the issue of additional debentures.
- 4.3. The Company's credit frameworks include as a rule, violation events similar to those detailed in Section 4.2 above. In addition, the commercial securities issued by the Company include some of the violation events in a manner similar to that noted in Section 4.2 above.

Cellcom Israel Ltd.
Condensed Consolidated Interim Financial Statements

As at June 30, 2025
(Unaudited)

Condensed Consolidated Interim Financial Statements as of June 30, 2025

Contents

	Page
Auditors' review report	2
Condensed Consolidated Interim Statements of Financial Position	3
Condensed Consolidated Interim Statements of Income	4
Condensed Consolidated Interim Statements of Comprehensive Income	5
Condensed Consolidated Interim Statements of Changes in Equity	6
Condensed Consolidated Interim Statements of Cash Flows	8
Notes to the Condensed Consolidated Interim Financial Statements	10

The accompanying review report is a non-binding translation into English of the original review report published in Hebrew. The version in Hebrew is the approved text.

Auditors' review report to the shareholders of Cellcom Israel Ltd.

Introduction

We have reviewed the accompanying financial information of Cellcom Israel Ltd. and subsidiaries ("the Company"), which comprises the condensed consolidated statement of financial position as of June 30, 2025 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D to the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain companies accounted for at equity, the investment in which, at equity, amounted to approximately NIS 123 million as of June 30, 2025, and the Company's share of their earnings amounted to approximately NIS 1.7 million and NIS 1 million for the six and three months periods then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

Scope of review

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

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

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

Tel-Aviv, Israel
August 13, 2025

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Condensed Consolidated Interim Statements of Financial Position

	June 30		December 31
	2025	2024	2024
	(Unaudited)		(Audited)
	NIS millions		
Current assets			
Cash and cash equivalents	305	543	371
Current deposits	11	25	25
Trade receivables	836	843	883
Current tax assets	3	6	6
Other receivables, including derivatives	42	42	33
Deferred expenses - right of use	77	78	90
Inventory	98	118	150
	<u>1,372</u>	<u>1,655</u>	<u>1,558</u>
Non- current assets			
Trade and other receivables	206	204	202
Deferred expenses - right of use	402	359	364
Property, plant and equipment, net	1,534	1,557	1,578
Intangible assets and others, net	2,097	2,129	2,108
Investments in equity accounted investees	115	125	114
Right-of-use assets, net	586	637	576
Deferred tax assets	3	4	4
	<u>4,943</u>	<u>5,015</u>	<u>4,946</u>
	<u>6,315</u>	<u>6,670</u>	<u>6,504</u>
Current liabilities			
Current maturities of debentures	523	622	497
Short-term credit	200	205	200
Current tax liabilities	15	3	4
Current maturities of lease liabilities	182	189	185
Trade payables and accrued expenses	665	730	808
Provisions	91	82	93
Other payables, including derivatives	292	320	296
	<u>1,968</u>	<u>2,151</u>	<u>2,083</u>
Non- current liabilities			
Debentures	1,104	1,527	1,348
Long-term lease liabilities	437	487	430
Provisions	27	22	25
Other long-term liabilities	4	13	4
Liability for employee rights upon retirement, net	13	11	13
Deferred taxes liabilities	178	124	149
	<u>1,763</u>	<u>2,184</u>	<u>1,969</u>
	<u>3,731</u>	<u>4,335</u>	<u>4,052</u>
Equity			
Total equity	<u>2,584</u>	<u>2,335</u>	<u>2,452</u>
	<u>6,315</u>	<u>6,670</u>	<u>6,504</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

August 13, 2025

Date of approving the
financial statements

Yuval Cohen
Chairman of the board

Eli Adadi
CEO

Gadi Attias
CFO

Condensed Consolidated Interim Statements of Income

	For the six months period ended June 30		For the three months period ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Revenues	2,159	2,233	1,047	1,100	4,444
Cost of revenues	(1,458)	*(1,541)	(695)	*(743)	(3,034)
Gross profit	701	692	352	357	1,410
Selling and marketing expenses	(357)	*(367)	(176)	*(181)	(742)
General and administrative expenses	(143)	*(142)	(70)	*(69)	(294)
Credit losses	(5)	(4)	(1)	(1)	(6)
Other income (expenses), net	31	(21)	12	5	6
Operating profit	227	158	117	111	374
Financing income	12	11	11	6	18
Financing expenses	(65)	(78)	(38)	(41)	(143)
Financing expenses, net	(53)	(67)	(27)	(35)	(125)
Share in profit (losses) of equity accounted investees	1	(6)	1	(3)	(16)
Profit before taxes on income	175	85	91	73	233
Taxes on income	(51)	(23)	(27)	(18)	(60)
Net Profit	124	62	64	55	173
Profit per share					
Basic profit per share (in NIS)	0.74	0.37	0.38	0.33	1.04
Diluted profit per share (in NIS)	0.74	0.37	0.38	0.33	1.04

* Reclassification

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Comprehensive Income

	For the six months period ended June 30		For the three months period ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)				(Audited)
	NIS millions				
Net Profit	124	62	64	55	173
Total comprehensive income	124	62	64	55	173

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to owners of the Company			
	Share capital	Share premium	Retained earnings	Total
	NIS millions			
For the six months period ended June 30, 2025				
Balance as of January 1, 2025 (Audited)	2	792	1,658	2,452
Comprehensive income	-	-	124	124
Share based payments	-	-	8	8
Balance as of June 30, 2025 (Unaudited)	2	792	1,790	2,584

	Attributable to owners of the Company			
	Share capital	Share premium	Retained earnings	Total
	NIS millions			
For the six months period ended June 30, 2024				
Balance as of January 1, 2024 (Audited)	2	792	1,469	2,263
Comprehensive income	-	-	62	62
Share based payments	-	-	10	10
Balance as of June 30, 2024 (Unaudited)	2	792	1,541	2,335

	Attributable to owners of the Company			
	Share capital	Share premium	Retained earnings	Total
	NIS millions			
For the three months period ended June 30, 2025 (Unaudited)				
Balance as of April 1, 2025	2	792	1,723	2,517
Comprehensive income	-	-	64	64
Share based payments	-	-	3	3
Balance as of June 30, 2025	2	792	1,790	2,584

	Attributable to owners of the Company			
	Share capital	Share premium	Retained earnings	Total
	NIS millions			
For the three months period ended June 30, 2024 (Unaudited)				
Balance as of April 1, 2024	2	792	1,482	2,276
Comprehensive income	-	-	55	55
Share based payments	-	-	4	4
Balance as of June 30, 2024	2	792	1,541	2,335

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to owners of the Company			
	Share capital	Share premium	Retained earnings	Total
	NIS millions			
For the year ended December 31, 2024				
(Audited)				
Balance as of January 1, 2024	2	792	1,469	2,263
Comprehensive income	-	-	173	173
Share based payments	-	-	16	16
Balance as of December 31, 2024	2	792	1,658	2,452

Condensed Consolidated Interim Statements of Cash Flows

	For the six months period ended June 30		For the three months period ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)				(Audited)
	NIS millions				
Cash flows from operating activities					
Net Profit	124	62	64	55	173
Adjustments for:					
Depreciation and amortization	467	458	232	230	944
Share based payments	8	10	3	4	16
Capital loss from the sale of fixed assets	2	-	2	-	-
Taxes on income	51	23	27	18	60
Financing expenses, net	53	67	27	35	125
Other income	(3)	(1)	(2)	(1)	(6)
Share in profit (losses) of equity accounted investees	(1)	6	(1)	3	16
Changes in operating assets and liabilities:					
Change in inventory	52	(4)	43	37	(36)
Change in trade receivables (including long-term amounts)	40	67	34	72	29
Change in deferred expenses - right of use	(70)	(46)	(35)	(23)	(104)
Change in other receivables (including long-term amounts)	(7)	(24)	9	(5)	(8)
Change in trade payables, accrued expenses and provisions	(84)	(67)	(74)	(87)	23
Change in other liabilities (including long-term amounts)	12	35	-	(46)	(13)
Payments for derivative hedging contracts, net	(1)	(3)	-	1	(4)
Income tax paid	(12)	(10)	(6)	(5)	(20)
Net cash from operating activities	631	573	323	288	1,195
Cash flows from investing activities					
Acquisition of property, plant, and equipment	(201)	(209)	(109)	(116)	(451)
Acquisition of intangible assets and others	(113)	(114)	(56)	(55)	(214)
Change in current investments, net	14	-	-	1	-
Proceeds from the sale of fixed assets	1	-	1	-	-
Interest received	3	7	2	4	11
Net cash used in investing activities	(296)	(316)	(162)	(166)	(654)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

	For the six months period ended June 30		For the three months period ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)				(Audited)
	NIS millions				
Cash flows from financing activities					
Receipts for derivative contracts, net	1	-	-	-	-
Change in short-term credit	-	200	(8)	-	200
Repayment of debentures	(224)	(199)	-	-	(609)
Proceeds from issuance of debentures, net of issuance costs	-	-	-	-	99
Interest paid for debentures and short term credit	(54)	(52)	(1)	(1)	(77)
Interest paid for leases	(16)	(15)	(8)	(7)	(31)
Payment of principal of lease liabilities	(109)	(118)	(50)	(51)	(224)
Net cash used in financing activities	(402)	(184)	(67)	(59)	(642)
Changes in cash and cash equivalents	(67)	73	94	63	(101)
Cash and cash equivalents as at the beginning of the period	371	473	211	481	473
Effects of exchange rate changes on cash and cash equivalents	1	(3)	-	(1)	(1)
Cash and cash equivalents as at the end of the period	305	543	305	543	371

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

Note 1 - Reporting Entity

- A.** Cellcom Israel Ltd. ("the Company") is a company incorporated and domiciled in Israel and its official address is 10 Hagavish Street, Netanya 4250708, Israel. The Company's shares and debentures are traded on the Tel Aviv Stock Exchange ("TASE"). The condensed consolidated interim financial statements of the Group as of June 30, 2025, comprise the Company and its subsidiaries (together referred to as ("the Group")) and as well as the Group's holdings in included entities/companies handled in equity. The Group operates and maintains a cellular mobile telephone system in Israel and provides cellular telecommunications services, landline telephony services, internet services, international calls services, television over the internet services and transmission services. The Company also supplies electricity to private and business customers in Israel. The Company is under the control of F.F.6-Cell, Limited Partnership ("the Partnership"). The Partnership is under the control of Mr. Yuval Cohen, through Fortissimo Capital 6 Management (GP) Ltd., which is the general partner in the Partnership, as well as the general partner in Fortissimo Capital Fund 6 SM ("G.P. ("Fortissimo 6 Fund")."). The Fortissimo 6 fund is a limited partner in the Partnership and holds over 50% of its capital rights.

B. The War situation in Israel

The Iron Swords War broke out in October 2023 ("the War"). The War's continuation led to a drop in incoming and outgoing tourism, which led to a drop in the Company's revenues from roaming services.

The Israel-Iran War broke out in June 2025, which led to the partial shutdown of the economy as well as as suspension of air travel for approximately two weeks, which had a negative impact on the Company's revenues from roaming services from incoming and outgoing tourism as well as a negative impact on the sale of cellular equipment in the Group.

The total impact on the current quarter decrease is amounted approximately NIS 10 million in profit before tax, primarily attributable to the effects of the Israel-Iran War.

The Company examined its sources of finance and liquidity as well as the Company's access to future sources of credit, and estimates that it has the financial fortitude to face the implications of the War, among other things in light of the diversification of its areas of activity and the scope of its liquidity position.

C. Trump and the U.S. Tariff Plan

In April 2025 the U.S. government announced that it would be placing reciprocal tariffs on imports of goods from many countries around the world to the United States. In July 2025 a total rate customs duty of 15% was imposed on imports from Israel. The tariff applies to goods only and not to services. The Company is studying whether this change might have a future impact on the Company's results. The Company is examining the changes in these tariffs, at this stage cannot estimate the impact of these changes, if any, on the Company's business and on its operating results.

Notes to the Condensed Consolidated Interim Financial Statements

Note 2 - Basis of Preparation of the Financial Statements

A. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2024 ("Annual Financial Statements"). These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on August 13, 2025.

B. Functional and presentation currency

These condensed consolidated financial statements are presented in New Israeli Shekels ("NIS"), which is the Group's functional currency, and are rounded to the nearest million. NIS is the currency that represents the primary economic environment in which the Group operates.

C. Use of estimates and judgments

The estimates and underlying assumptions that were applied in the preparation of these interim financial statements are consistent with those applied in the preparation of the Annual Financial Statements.

D. Exchange rates and known Consumer Price Indexes are as follows:

	Exchange rates of US\$	Consumer Price Index (points)*
As of June 30, 2025	3.372	261.39
As of June 30, 2024	3.759	253.56
As of December 31, 2024	3.647	257.35
Change during the period:		
Six months ended June 30, 2025	(7.54%)	1.57%
Six months ended June 30, 2024	3.64%	1.90%
Three months ended June 30, 2025	(9.31%)	1.28%
Three months ended June 30, 2024	2.10%	1.60%
Year ended December 31, 2024	0.55%	3.43%

*According to 1993 base index.

Note 3 - Significant Accounting Policies

Preparation of the Financial Statements

The accounting policies of the Group in these condensed consolidated interim financial statements are the same as those applied in the Annual Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

Note 4 - Operating Segments

The Group operates in three reportable segments, as described below, which are the Group's strategic business units. The strategic business unit's allocation of resources and evaluation of performance are managed separately. The operating segments were determined based on internal management reports reviewed by the Group's chief operating decision maker (CODM). The CODM does not examine the balance of assets or liabilities for those segments and therefore, they are not presented.

- Cellular segment - the segment includes the cellular communications services, cellular equipment and supplemental services.
- Fixed-line segment - the segment includes landline telephony services, internet services, television services, transmission services, landline equipment and supplemental services.
- Electricity segment (electricity services) - The segment includes electricity supply services by the partnership Cellcom Energy (2023) Limited Partnership ("Cellcom Energy"). The revenues and expenses of the electricity segment are presented according to the group's relative share.

The accounting policies of the reportable segments are the same as described in the annual financial statements in Note 3, regarding Significant Accounting Policies.

For the six months period ended June 30, 2025						
NIS millions						
(Unaudited)						
	Cellular	Fixed-line	Electricity	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Adjusted segment EBITDA to profit for the period
Revenues from services	906	610	83	(83)	1,516	
Inter-segment revenues- services	3	68	-	(71)	-	
Revenues from sale of equipment	557	86	-	-	643	
Total revenues	1,466	764	83	(154)	2,159	
Cost of service and equipment	1,226	706	84	(84)	1,932	
Inter-segment operational expenses	68	3	-	(71)	-	
Total expenses	1,294	709	84	(155)	1,932	
Operating profit (loss)	172	55	(1)	1	227	
Adjusted segment EBITDA *	453	247	-	-		700
Depreciation and amortization						(467)
Taxes on income						(51)
Financing income						12
Financing expenses						(65)
Other non-attributable expenses, net						2
Share based payments						(8)
Share in profit of equity accounted investees						1
Net Profit						124

* Adjusted segment EBITDA as reviewed by the Group's CODM, represents the net profit before interest (financing expenses, net), taxes, other income (expenses) that are not part of the Company's current activity (including provisions for legal claims included in the other expenses section), depreciation and amortization, profits (losses) of equity account investees and share based payments. In addition, including other income (expenses) that are part of the Company's current activity, such as interest income in respect of transactions sale and other income from the company's fields of activity. Adjusted Segment EBITDA is not a financial measure under IFRS and is not comparable to other similarly titled measures for other companies.

Notes to the Condensed Consolidated Interim Financial Statements

Note 4 - Operating Segments (cont'd)

For the six months period ended June 30, 2024						
NIS millions						
(Unaudited)						
	Cellular	Fixed-line	Electricity	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Adjusted segment EBITDA to profit for the period
Revenues from services	937	596	10	(10)	1,533	
Inter-segment revenues- services	7	70	-	(77)	-	
Revenues from sale of equipment	555	145	-	-	700	
Total revenues	1,499	811	10	(87)	2,233	
Cost of service and equipment	1,311	764	12	(12)	2,075	
Inter-segment operational expenses	70	7	-	(77)	-	
Total expenses	1,381	771	12	(89)	2,075	
Operating profit (loss)	118	40	(2)	2	158	
Adjusted segment EBITDA *	436	214	(2)	2		650
Depreciation and amortization						(458)
Taxes on income						(23)
Financing income						11
Financing expenses						(78)
Other non-attributable expenses, net						(24)
Share based payments						(10)
Share in losses of equity accounted investees						(6)
Net Profit						62

* Adjusted segment EBITDA as reviewed by the Group's CODM, represents the net profit before interest (financing expenses, net), taxes, other income (expenses) that are not part of the Company's current activity (including provisions for legal claims included in the other expenses section), depreciation and amortization, profits (losses) of equity account investees and share based payments. In addition, including other income (expenses) that are part of the Company's current activity, such as interest income in respect of transactions sale and other income from the company's fields of activity. Adjusted Segment EBITDA is not a financial measure under IFRS and is not comparable to other similarly titled measures for other companies.

Notes to the Condensed Consolidated Interim Financial Statements

Note 4 - Operating Segments (cont'd)

For the three months period ended June 30, 2025						
NIS millions						
(Unaudited)						
	Cellular	Fixed-line	Electricity	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Adjusted segment EBITDA to profit for the period
Revenues from services	452	306	44	(44)	758	
Inter-segment revenues- services	2	34	-	(36)	-	
Revenues from sale of equipment	250	39	-	-	289	
Total revenues	704	379	44	(80)	1,047	
Cost of service and equipment	580	350	44	(44)	930	
Inter-segment operational expenses	34	2	-	(36)	-	
Total expenses	614	352	44	(80)	930	
Operating profit (loss)	90	27	-	-	117	
Adjusted segment EBITDA *	229	122	1	(1)		351
Depreciation and amortization						(232)
Taxes on income						(27)
Financing income						11
Financing expenses						(38)
Other non-attributable income, net						1
Share based payments						(3)
Share in profit of equity accounted investees						1
Net Profit						64

* Adjusted segment EBITDA as reviewed by the Group's CODM, represents the net profit before interest (financing expenses, net), taxes, other income (expenses) that are not part of the Company's current activity (including provisions for legal claims included in the other expenses section), depreciation and amortization, profits (losses) of equity account investees and share based payments. In addition, including other income (expenses) that are part of the Company's current activity, such as interest income in respect of transactions sale and other income from the company's fields of activity. Adjusted Segment EBITDA is not a financial measure under IFRS and is not comparable to other similarly titled measures for other companies.

Notes to the Condensed Consolidated Interim Financial Statements

Note 4 - Operating Segments (cont'd)

For the three months period ended June 30, 2025						
NIS millions						
(Unaudited)						
	Cellular	Fixed-line	Electricity	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Adjusted segment EBITDA to profit for the period
Revenues from services	474	302	5	(10)	771	
Inter-segment revenues- services	3	35	-	(38)	-	
Revenues from sale of equipment	272	57	-	-	329	
Total revenues	749	394	5	(48)	1,100	
Cost of service and equipment	634	362	5	(12)	989	
Inter-segment operational expenses	35	3	-	(38)	-	
Total expenses	669	365	5	(50)	989	
Operating profit (loss)	80	29	-	2	111	
Adjusted segment EBITDA *	231	115	-	2		348
Depreciation and amortization						(230)
Taxes on income						(18)
Financing income						6
Financing expenses						(41)
Other non-attributable expenses, net						(3)
Share based payments						(4)
Share in losses of equity accounted investees						(3)
Net Profit						55

* Adjusted segment EBITDA as reviewed by the Group's CODM, represents the net profit before interest (financing expenses, net), taxes, other income (expenses) that are not part of the Company's current activity (including provisions for legal claims included in the other expenses section), depreciation and amortization, profits (losses) of equity account investees and share based payments. In addition, including other income (expenses) that are part of the Company's current activity, such as interest income in respect of transactions sale and other income from the company's fields of activity. Adjusted Segment EBITDA is not a financial measure under IFRS and is not comparable to other similarly titled measures for other companies.

Notes to the Condensed Consolidated Interim Financial Statements

Note 4 - Operating Segments (cont'd)

	Year ended December 31, 2024					
	NIS millions					
	(Audited)					
	Cellular	Fixed-line	Electricity	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Adjusted segment EBITDA to profit for the year
Revenues from services	1,855	1,200	77	(77)	3,055	
Inter-segment revenues- services	10	139	-	(149)	-	
Revenues from sale of equipment	1,085	304	-	-	1,389	
Total revenues	2,950	1,643	77	(226)	4,444	
Cost of service and equipment	2,551	1,519	83	(83)	4,070	
Inter-segment operational expenses	139	10	-	(149)	-	
Total expenses	2,690	1,529	83	(232)	4,070	
Operating profit (loss)	260	114	(6)	6	374	
Adjusted segment EBITDA *	873	485	(6)	6		1,358
Depreciation and amortization						(944)
Taxes on income						(60)
Financing income						18
Financing expenses						(143)
Other non-attributable expenses, net						(24)
Share based payments						(16)
Share in losses of equity accounted investees						(16)
Net Profit						173

* Adjusted segment EBITDA as reviewed by the Group's CODM, represents the net profit before interest (financing expenses, net), taxes, other income (expenses) that are not part of the Company's current activity (including provisions for legal claims included in the other expenses section), depreciation and amortization, profits (losses) of equity account investees and share based payments. In addition, including other income (expenses) that are part of the Company's current activity, such as interest income in respect of transactions sale and other income from the company's fields of activity. Adjusted Segment EBITDA is not a financial measure under IFRS and is not comparable to other similarly titled measures for other companies.

Notes to the Condensed Consolidated Interim Financial Statements

Note 5 - Financial Instruments

Fair value

Financial instruments measured at fair value for disclosure purposes only

The book value of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, current investments, including derivatives, trade and other payables, including derivatives and other long-term liabilities, are equal or approximate similar to their fair value.

The fair values of the remaining financial liabilities and their book values as presented in the consolidated statements of financial position are as follows:

	June 30				December 31	
	2025		2024		2024	
	Book value	Fair value*	Book value	Fair value*	Book value	Fair value*
	NIS millions		NIS millions		NIS millions	
Debentures including current maturities and accrued interest	(1,655)	(1,648)	(2,183)	(2,141)	(1,887)	(1,870)

* The fair value of the debentures is determined according to the market price at the reporting date, with the addition of principal and interest amounts, which were paid during the following month after the end of the reporting period.

In July 2025, the Company redeemed a total of NIS 298 million from the balance of the debentures for principal and interest (in July 2024, NIS 433 million and in January 2025, NIS 267 million for principal and interest).

Note 6 - Revenues

Composition

	For the six months period ended June 30		For the three months period ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)				(Audited)
	NIS millions				
Revenues from services					
Cellular services	763	722	386	373	1,487
Land-line communications services	606	587	302	292	1,186
Other services	60	55	30	28	114
Total revenues from services	1,429	1,364	718	693	2,787
Revenues from sale of cellular and land-line equipment	643	700	289	329	1,389
Total revenues from services and sale of equipment	2,072	2,064	1,007	1,022	4,176
Interconnect services	87	169	40	78	268
Total revenues	2,159	2,233	1,047	1,100	4,444

Notes to the Condensed Consolidated Interim Financial Statements

Note 7- Contingent Liabilities

The provision recorded in the financial statements as of June 30, 2025, in respect of all lawsuits against the Group amounted to NIS 68 million.

Most of the purported class actions that are filed against the Group are claims by end customers of the Group, primarily for allegations regarding unlawful charges, conduct in breach of law or license, or breach of agreements with the customers, while causing pecuniary and non-pecuniary damages to the customers (hereinafter: “Consumer Claims”). In addition, various legal proceedings have been brought against the Group by employees, subcontractors, suppliers, authorities and others, most for allegations of violation of law with respect to termination of employment and mandatory payments to employees, allegations for breach of contract, copyright infringement, patent infringement and mandatory payments to authorities (hereinafter: “Other Claims”).

Described hereunder are the outstanding lawsuits against the Group, as of June 30, 2025, classified into groups with similar characteristics. The amounts presented below are calculated based on the claims amounts as of the date of their submission to the Group:

Group of claims	Claim amount for claims whose chances can be estimated
	NIS millions
Consumer Claims	399 ⁽¹⁾ ⁽²⁾
Other Claims	67
Total	466

⁽¹⁾ Includes a claim against the Group and additional defendants together in sum of approximately NIS 300 million, without separately noting the amount claimed from the Group.

⁽²⁾ There are additional claims against the Group for which no claim amount was noted, for which Group may have additional exposure.

Described hereunder the number and amount of the claims as at June 30, 2025, divided down by amount of the claim:

Claim amount	Number of claims	Total claims amount (NIS millions)
Up to NIS 100 million *	19	166
Unquantified claims	28	-
Against the Group and other defendants together without specifying the amount claimed from the Group	1	300
Unquantified claims against the Group and other defendants	6	-
Total	54	466

* Including 16 claims filed against the Group by employees, subcontractors, suppliers, authorities and others as of June 30, 2025, in a total amount of approximately NIS 67 million.

Note 8 - Material events during and after the reporting period**A. Share-Based Payment**

The allocation of 2.65 million options to senior employees was approved in August 2025, and they will vest in four equal portions one, two, three and four years from their allocation date, at a total value of NIS 26 million at an exercise price of NIS 29.4 per share. The options are exercisable up to 12 months from the vesting of the fourth batch.

The basic assumptions used in calculating the fair value are:

Share price on granting date – NIS 29.2 per share

Expected fluctuation – 37%-39%

Risk-free interest rate – 4.2%.

Average life span of option – 3.75 years

B. The Communications Regulations

In May 2025, the Communications Regulations (Telecom and Broadcasts) (General Permit for Providing Telecom Services) (2nd Amendment), 2025 (“the Amendment”) was published, according to which, among other things, an authorized provider (with a license or registered in the registry as these terms are defined in the Communications Law (Telecom and Broadcasts), 1982), shall not charge a commission from a private subscriber via standing order to bill a bank account. The regulations also stated in the regulations that an authorized supplier may demand that a subscriber paying via standing order payment such a payment before receiving the service, in accordance with the billing cycles offered subscribers.

The Amendment shall come into effect three months from publication.

The Amendment in question coming into effect will lead to the Group losing income at a immaterial rate in 2025.

C. Exercise of the Company's Right and Joining the Sale of its Holdings in IBC

On May 13, 2025, subsequent to the reported period, the Company received notice (“the Notice”) from HOT Communications Systems Ltd. (“HOT”) and the Israel Infrastructure Fund 3 Limited Partnership (“IIF”), according to which on May 11, 2025, HOT and the IIF Fund received a binding offer (“the Offer”) from a corporation in the Phoenix Group (“the Bidder”), to purchase their full holdings in IBC (Unlimited) Holdings Limited Partnership (“the IBC Partnership”) and in the General Partner in the IBC Partnership (“the General Partner”) (together – “the Sold Holdings”).

As was stated in the Notice, HOT and the IIF Fund noted that they were approaching the Company in accordance with the terms of the IBC partnership agreement and the terms of the shareholders agreement in the General Partner (hereinafter – “the System of Agreements”) on the right of first refusal granted the Company within 30 days, in an offer to purchase the full holdings sold in accordance with the terms of the Offer as specified.

In June 2025, following discussions held at the Company Board of Directors (in connection with the right of first refusal and the joining right granted the Company), the Company announced that it was exercising its right to join the sale of all of its holdings in the IBC Partnership (this, in accordance with the terms of the IBC partnership agreement and the terms of the shareholders; agreement in the General Partner, and accordingly, with the terms of the proposal). In this context, the Company notes that it has been provided an update on the formulation of the buyers’ group.

Notes to the Condensed Consolidated Interim Financial Statements

Note 8 - Material events during and after the reporting period (cont'd)

C. Exercise of the Company's Right and Joining the Sale of its Holdings in IBC (cont'd)

Therefore, and subject to the existence of the preconditions (receipt of Ministry of Communications approval, approval from the Antitrust Authority as well as the approval of the financing bodies of IBC Israel Broadband Company (2013) Ltd., "IBC"), the Company is expected to sell its full holdings in the IBC partnership and in the General Partner, in return for a total of 520 million NIS in cash (alongside added interest as noted on the proposal, if relevant) ("the Proceeds of the Sale"). Note also that in accordance with the purchase agreement, if the transaction is not completed until 10 months have passed from the purchase agreement date, each of the parties may revoke the agreement.

In the event that the transaction is completed (in accordance with the preconditions described above), upon the completion of the transaction, the Company is expected to recognize a capital gain (before tax) to the level of the gap between the proceeds of the sale, to the sum of 520 million NIS as noted above (plus interest inasmuch as it exists), and the cost of the investment in the IBC Partnership, and in addition, the expected cash flow impact on the Company's financial statements shall be to the level of the proceeds of the sale less the applicable tax.

Note that the above should not impact the system of agreements between the Company and IBC, as detailed in the Company's reports (including in the periodic report).

There is no certainty that the transaction will be completed as detailed above, among other things, due to the failure to meet any of its preconditions or due to the cancellation of the agreement by either of the parties in the event that the transaction is not completed by the date as noted above.

D. Suit Filed Against IBC

Following that stated in Note 30f to the Yearly Financial Statements, in the matter of the Company's commitment within the framework of the IRU agreements with IBC Israel Broadband Company (2013) Ltd. ("IBC") and in the matter of the deployment of the IBC infrastructure ("the Redeployment") and the dispute between the Company and IBC pertaining to the Redeployment, the Company announces that on May 15, 2025, the Company filed a suit before the Tel Aviv District Court against IBC, in which it asked, among other things, that the Court declare and instruct not to accept IBC's claims according to which the Company is committed to purchase infrastructure likes at amounts, dates and sums that IBC demands from the Company and that IBC's interpretation in this matter is mistaken and no action must be taken according to it; that IBC was precluded from acting in accordance with this mistaken interpretation; and that IBC was precluded from using self-remedies by virtue of the IRU agreement, which includes acting to cancel the agreement and/or halt and/or hold and/or delay any of the services according to it and/or is precluded from acting to seize the collateral (or any portion thereof) that the Company provided in accordance with the agreement.

Notes to the Condensed Consolidated Interim Financial Statements

Note 8 - Material events during and after the reporting period (cont'd)**E. Publication of a Hearing Regarding the Determination of Maximum Payments in the Wholesale Market**

In July 2025, following the reporting period, the Ministry of Communications (“the Ministry”) published a hearing regarding the determination of maximum payments in the wholesale market in fixed-line communications services (“the Wholesale Market” and “the Hearing”). According to the Hearing, among other things, the Ministry is considering setting updated wholesale rates (significantly lower than the current rates) for advanced network for the coming years. Bezeq’s obligation to provide fixed-line communications services in the wholesale market shall continue to apply to all parties without discrimination, but will be reduced such that, starting January 1, 2027, the obligation will no longer apply to large communication groups (companies with 300,000 wholesale internet subscribers or more), except with respect to 15% of the total existing fiber subscribers that existed on June 30 2025 in each of the major communications groups; and starting January 1, 2028, this rate will drop to 5%.

The Company is reviewing the Hearing and its implications. There is no certainty regarding the outcome of the Hearing; however, if the Hearing is approved in its current form (or a similar one), it is expected to have a positive impact on the Company's results in the relevant years (primarily 2026), taking into account the number of relevant subscribers in the Company.

F. Maalot Rating

In August 2025, Maalot revised the Company’s rating forecast from a rating of ilA+ Stable Outlook to a rating of ilAA- Stable Outlook.

Cellcom Israel Ltd.

Separate Interim Financial Information

As at June 30, 2025

(Unaudited)

Contents	Page
Auditors' special report on condensed separate interim Financial information	2
Condensed Separate Interim of Financial Position	3
Condensed Interim Information of Profit or Loss	4
Condensed Interim Information of Comprehensive Income	5
Condensed Interim Information of Cash Flows	6
Notes to Condensed Separate Financial Information	8

The accompanying review report is a non-binding translation into English of the original review report published in Hebrew. The version in Hebrew is the approved text.

To:
The shareholders of Cellcom Israel Ltd.

Dear Sirs,

Re: Special report to the review of the separate interim financial information in accordance with Regulation 38d to the Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have reviewed the separate interim financial information disclosed in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Cellcom Israel Ltd. ("the Company") as of June 30, 2025 and for the six and three months periods then ended. The Company's board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

We did not review the separate interim financial information taken from the interim financial information of investees, whose assets less attributable liabilities net amounted to approximately NIS 123 million as of June 30, 2025 and the Company's share of their earnings amounted to approximately NIS 1.7 million and NIS 1 million for the six and three months periods then ended, respectively. The separate interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

Scope of review

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

Conclusion

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

Condensed Interim Information of Financial Position

	June 30		December 31
	2025	2024	2024
	NIS millions		
	(Unaudited)		(Audited)
Current assets			
Cash and cash equivalents	164	359	246
Trade receivables	641	634	632
Current tax assets	2	5	6
Other receivables, includes derrivities	41	38	31
Current maturities of Loans from investees	57	22	22
Inventory	48	65	97
	<u>953</u>	<u>1,123</u>	<u>1,034</u>
Non- current assets			
Trade and other receivables	205	214	208
Property, plant and equipment, net	1,452	1,473	1,493
Intangible assets and others, net	425	441	429
Investments in equity accounted investees	2,499	2,742	2,391
Loans from investees and capital notes	298	380	330
Right-of-use assets, net	553	604	541
	<u>5,432</u>	<u>5,854</u>	<u>5,392</u>
	<u>6,385</u>	<u>6,977</u>	<u>6,426</u>
Current liabilities			
Current maturities of debentures	523	622	497
Short-term credit	200	205	200
Current maturities of lease liabilities	168	171	166
Trade payables and accrued expenses	713	612	684
Provisions	81	75	75
Loans from investees companies	120	530	160
Other payables, including derivatives	291	303	280
	<u>2,096</u>	<u>2,518</u>	<u>2,062</u>
Non- current liabilities			
Debentures	1,104	1,527	1,348
Long-term lease liabilities	417	469	412
Provisions	27	22	24
Other long-term liabilities	2	5	2
Liability for employee rights up on retirement, net	12	11	12
Deferred taxes liabilities	143	90	114
	<u>1,705</u>	<u>2,124</u>	<u>1,912</u>
	<u>3,801</u>	<u>4,642</u>	<u>3,974</u>
Equity			
Total Equity	<u>2,584</u>	<u>2,335</u>	<u>2,452</u>
	<u>6,385</u>	<u>6,977</u>	<u>6,426</u>

The accompanying notes are an integral part of these condensed separate interim financial statements.

August 13, 2025			
Date of approving the financial statements	Yuval Cohen Chairman of the Board of Directors	Eli Adadi CEO	Gadi Attias CFO

Condensed Interim Information of Profit or Loss

	For the six months period ended June 30		For the three months period ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
			NIS millions		
	(Unaudited)		(Unaudited)		(Audited)
Revenues	1,432	1,526	685	769	2,959
Cost of revenues	(1,102)	*(1,202)	(509)	*(593)	(2,310)
Gross profit	330	324	176	176	649
Selling and marketing expenses	(229)	*(239)	(113)	*(119)	(486)
General and administrative expenses	(107)	*(102)	(53)	*(50)	(211)
Credit losses	(3)	(2)	-	-	(2)
Other income (expenses), net	36	(16)	17	9	10
Operating loss	27	(35)	27	16	(40)
Financing income	19	14	14	8	23
Financing expenses	(70)	(93)	(39)	(49)	(164)
Financing expenses, net	(51)	(79)	(25)	(41)	(141)
Share in profit of investees companies	181	184	78	90	386
Profit before taxes on income	157	70	80	65	205
Taxes on income	(33)	(8)	(16)	(10)	(32)
Net profit	124	62	64	55	173

* Reclassification

The accompanying notes are an integral part of these condensed separate interim financial statements.

Condensed Interim Information of Comprehensive Income

	For the six months period ended June 30		For the three months period ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
			NIS millions		
	(Unaudited)		(Unaudited)		(Audited)
Net profit	124	62	64	55	173
Total comprehensive income	124	62	64	55	173

The accompanying notes are an integral part of these condensed separate interim financial statements.

Condensed Interim Information of Cash Flows

	For the six months period ended June 30		For the three months period ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
			NIS millions		
	(Unaudited)		(Unaudited)		(Audited)
Cash flows from operating activities					
Net profit	124	62	64	55	173
Adjustments for:					
Depreciation and amortization	374	375	185	188	772
Share-based payments	8	10	3	4	16
Capital loss from the sale of fixed assets	2	-	2	-	-
Net change in right-of-use assets	(3)	-	(3)	-	-
Tax on income	33	8	16	10	32
Financing expenses, net	51	79	25	41	141
Other income (expenses)	-	-	1	-	(6)
Share in profit of equity accounted investees	(181)	(184)	(78)	(90)	(386)
Changes in operating assets and liabilities:					
Change in inventory	49	-	36	30	(32)
Change in trade receivables and other receivables (including long-term amounts)	(15)	24	51	30	38
Change in trade payables, accrued expenses and provisions	102	(7)	30	(1)	114
Change in other liabilities (including long-term liabilities)	15	52	14	8	78
Receipts (Payments) for derivative hedging contracts, net	(1)	(3)	-	2	(3)
Income tax paid	-	2	-	2	-
Net cash from operating activities	558	418	346	279	937
Cash flows from investing activities					
Acquisition of property, plant and equipment	(186)	(195)	(99)	(106)	(422)
Acquisition of intangible assets and others	(97)	(99)	(47)	(47)	(186)
Proceeds from the sale of fixed assets	1	-	1	-	-
Interest received	1	4	1	2	62
Net cash used in investing activities	(281)	(290)	(144)	(151)	(546)

The accompanying notes are an integral part of these condensed separate interim financial statements.

Condensed Interim Information of Cash Flows

	For the six months period ended June 30		For the three months period ended June 30		Year ended December 31
	2025	2024	2025	2024	2024
	NIS millions				
	(Unaudited)		(Unaudited)		(Audited)
Cash flows from financing activities					
Receipts for derivative contracts, net	1	-	-	-	-
Change in short-term credit	-	200	(8)	-	200
Repayment of debentures	(224)	(199)	-	-	(609)
Receipt from issuance of debentures, net of issuance costs	-	-	-	-	99
Dividends received	-	89	-	89	-
Interest paid for leases	(15)	(14)	(7)	(7)	(29)
Interest paid for debentures and short term credit	(54)	(52)	(1)	-	(77)
Receipts of loan from investees	30	18	-	(27)	175
Payment of principal of lease liabilities	(98)	(107)	(45)	(45)	(202)
Net cash used in financing activities	(360)	(65)	(61)	10	(443)
Changes in cash and cash equivalents	(83)	63	141	138	(52)
Cash and cash equivalents as at the beginning of the period	246	299	23	222	299
Effects of exchange rate changes on cash and cash equivalents	1	(3)	-	(1)	(1)
Cash and cash equivalents as at the end of the period	164	359	164	359	246

The accompanying notes are an integral part of these condensed separate interim financial statements.

Note 1- Basis of Preparation of the Separate Financial Information

A. Definitions

Presented hereunder is condensed financial information from the Group's condensed consolidated financial statements as of June 30, 2025 (hereinafter – the condensed consolidated financial statements), which are issued as part of the periodic reports, and which are attributed to the Company itself (hereinafter – condensed separate financial information), and are presented in accordance with Regulation 38D (hereinafter – the Regulation) and the tenth addendum to the Securities Regulations (Periodic and Immediate Reports) – 1970 (hereinafter – the tenth addendum) regarding condensed separate interim financial information of an entity.

The condensed separate financial statements must be read together with the annually condensed separate financial statements as of December 31, 2024 and together with the consolidated financial statements.

Unless stated otherwise, all the terms presented in the separate financial information are as defined in the Company's consolidated financial statements as of December 31, 2024 (hereinafter: "the annually consolidated financial statements").

"The Company" – Cellcom Israel Ltd.

"Investee companies" – Subsidiaries and companies accounted on the equity basis.

"Inter-company transactions" – transactions between the company and her investees.

"Inter-company balance", "Inter-company revenues and expenses", "Inter-company cash flows" – balances, revenues or expenses, and cash flows, depending on the matter, arising from inter-company transactions, which eliminated in the consolidated financial statements.

B. Working Capital

As of June 30, 2025, the Company has a working capital deficit of NIS 1,143 million. The working capital deficit in the Company's solo statement derives from the fact that all of the Company's debt is managed at the Company while some of the positive working capital is at fully controlled (100%) subsidiaries of the Company.

C. Basis of preparation of the financial Information

Accounting Policy in the condensed separate interim financial information, is in accordance with the accounting policies, which detailed in the separate financial information as of December 31, 2024.

Note 2 - Commitments, loans and significant transactions with Investees

A. Investments and ownership interest in investee companies

	Company's ownership interest in the investee	Company's investments in investee as of		
		June 30		December 31
		2025	2024	2024
		NIS millions		
Cellcom Fixed Line Communication L.P.	100%	1,745	2,010	1,622
Golan Telecom Ltd.	100%	470	434	450
Dynamica Cellular Ltd.	100%	169	174	205
I.B.C (Unlimited) Holdings L.P.	23%	123	125	121
Cellcom Energy (2023) L.P	50%	(8)	(1)	(7)
		2,499	2,742	2,391

Notes to Condensed Separate Financial Information**Note 2 - Commitments, loans and significant transactions with Investees (cont'd)****B. Loans to investee companies**

	Loans to investee companies as of		
	June 30		December 31
	2025	2024	2024
	NIS millions		
Loan to Golan Telecom Ltd. *	105	152	102
Capital Note - Golan Telecom Ltd.	250	250	250
	355	402	352

* The loan was granted as part of the sharing network agreement signed in 2017, half of which includes an annual interest rate of 1.85% and is linked to the CPI, the other half includes an interest rate of 3.5% and is not linked.

C. Loans from investee companies

	Loans from investee companies as of		
	June 30		December 31
	2024	2024	2024
	NIS millions		
Short-term loan from Cellcom Fixed Line Communication L.P. *	120	500	90
Short-term loan from Dynamica cellular Ltd *	-	30	70
	120	530	160

* The loans from Cellcom Fixed Line and Dynamica includes an annual interest at the rate of the prime interest rate.

Note 3 - Events during and after the reporting period

1. For information regarding a share-based payment, see Note 8 A to the Consolidated Interim Financial Statements;
2. For information regarding the communications regulations, see Note 8 B to the Consolidated Interim Financial Statements;
3. For information regarding the exercise of the company's right and joining the sale of its holdings in IBC, see Note 8 C to the Consolidated Interim Financial Statements;
4. For information regarding a suit filed against IBC, see Note 8 D to the Consolidated Interim Financial Statements;
5. For information regarding a publication of a hearing regarding the determination of maximum payments in the wholesale market, see Note 8 E to the Consolidated Interim Financial Statements;
6. For information regarding Maalot rating, see Note 8 F to the Consolidated Interim Financial Statements.

Quarterly Report regarding the Effectiveness of Internal Control over Financial Reporting and

Disclosure Pursuant to regulation 38C(a) of the Regulations:

The Management, under the supervisions of the Board of Directors of Cellcom Israel Ltd. (hereafter: the "**Company**") is responsible for determining and maintaining appropriate internal control over financial reporting and disclosure in the Company.

In this regard, the members of the Management are as follows:

1. Eli Adadi, CEO
2. Gadi Attias, CFO
3. Larisa Cohen, VP Legal Counsel and Corporate Secretary
4. Teimuraz Romashvili, VP Sales and International Activity
5. Victor Malka, Chief Information Officer
6. Efrat Madmoni, VP Human Resources
7. Sivan Shushan Lisha, VP Business Customer
8. Avraham Grinman, VP of Engineering
9. Bosmat Levi Feuer, VP of Private Service Sector
10. Galit Shakalo Offenberger, VP of Retail

The internal control over financial reporting and disclosure includes the existing controls and procedures in the Company, which were determined by the Chief Executive Officer and the senior corporate financial officer or under their supervision, or by someone who in practice carries out these functions, under the supervision of the Company's Board of Directors and which are intended to provide a reasonable degree of assurance regarding the reliability of financial reporting and the preparation of the reports according to the provisions of the law and to ensure that the information which the Company is required to disclose in the reports that it publishes according to the provisions of the law is gathered, processed, summarized and reported on the dates and in the format prescribed by law.

The internal control includes, among other things, controls and procedures that were determined to ensure that the information which the Company is required to disclose as aforesaid, was accumulated and submitted to the Company's Management, including the Chief Executive Officer and the senior corporate financial officer or someone who in practice fulfills these functions, in order to facilitate decision making at the appropriate time, with regard to the disclosure requirements.

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

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

Until to the date of the report, the Board of Directors and Management were not made aware of any event or matter that would have changed their assessment of the effectiveness of internal control, as it was presented in the Last Quarter Report on Internal Control.

As of the date of the report and based on the assessment of the effectiveness of the internal control in the Last Quarter Report on Internal Control and on the information brought to the attention of the Management and the Board of Directors as mentioned above, the internal control is effective.

Executive Statements

The Statement of the CEO according to Regulation 38C(d)(1)

I, Eli Adadi, states as follows:

1. I have reviewed the quarterly report of Cellcom Israel Ltd. (hereinafter – the "**Company**") for the second quarter of 2025 (hereinafter – the "**Reports**");
2. Based on my knowledge, the Reports do not contain any misrepresentation of a material fact or omit any representation of material fact required so that the representations included therein, in light of the circumstances under which such representations were made, are not misleading with respect to the Reports period;
3. Based on my knowledge, the financial statements and other financial information included in the Reports adequately reflect in all material aspects the financial position, the results of operations and cash flows of the Company for the dates and periods to which the Reports relate;
4. I have disclosed to the Company's auditor, the Board of Directors and the Company's audit committee, based on my most recent assessment regarding the internal control over financial reporting and disclosure:
 - a. All material deficiencies and weaknesses in determining or operating the internal control over financial reporting and disclosure, which could reasonably adversely affect the Company's ability to gather, process, summarize or report financial data so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with law; and –
 - b. Any fraud, whether or not material, that involves the CEO or anyone directly subordinated to the CEO or that involves other employees who have a significant role in internal control over financial reporting and disclosure.
5. I, by myself or together with others in the Company:
 - a. have determined such controls and procedures, or ascertained the determination and fulfillment of controls and procedures under my supervision, intended to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Law (Annual Financial Statements) – 2010, is made known to me by others in the Company and the subsidiaries, particularly during the period in which the Reports are being prepared; and –
 - b. have determined such controls and procedures, or ascertained the determination and fulfillment of such controls and procedures under my supervision, intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
 - c. No event or matter during the course of the period between the date of the last report (quarterly or annual) and the date of this report has been brought to my attention that would change the conclusion of the Board of Directors and Management with respect to the effectiveness of the internal control over the Company's financial reporting and disclosure.

The foregoing does not derogate from my responsibility or the responsibility of any other person under any law.

Eli Adadi

CEO

August 13, 2025

The Statement of the Highest Ranking Officer in Finance according to Regulation 38C(d)(2)

I, Gadi Atias, states as follows:

1. I have reviewed the interim financial statements and other financial information included in the interim period reports of Cellcom Israel Ltd. (hereinafter – the "**Company**") for the second quarter of 2025 (hereinafter – the "**Reports**" or the "Interim Period Reports");
2. Based on my knowledge, the interim financial statements and other financial information included in the interim period reports do not contain any misrepresentation of a material fact or omit any representation of material fact required so that the representations included therein, in light of the circumstances under which such representations were made, are not misleading with respect to the Reports period;
3. Based on my knowledge, the interim financial statements and other financial information included in the interim period reports, adequately reflect in all material aspects the financial position, the results of operations and cash flows of the Company for the dates and periods to which the Reports relate;
4. I have disclosed to the Company's auditor, the Board of Directors and the Company's audit committee, based on my most updated assessment regarding the internal control over financial reporting and disclosure:
 - a. All material deficiencies and weaknesses in determining or operating the internal control over financial reporting and disclosure to the extent it relates to the interim financial statements and other financial information included in the interim period reports, which could reasonably adversely affect the Company's ability to gather, process, summarize or report financial data so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with law; and –
 - b. Any fraud, whether or not material, that involves the CEO or anyone directly subordinated to the CEO or that involves other employees who have a significant role in internal control over financial reporting and disclosure.
5. I, by myself or together with others in the Company:
 - a. have determined such controls and procedures, or ascertained the determination and fulfillment of controls and procedures under my supervision, intended to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Law (Annual Financial Statements) – 2010, is made known to me by others in the Company and the subsidiaries, particularly during the period in which the Reports are being prepared; and –
 - b. have determined such controls and procedures, or ascertained the determination and fulfillment of such controls and procedures under my supervision, intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
 - c. No event or matter has been brought to my attention which occurred during the period between the date of the last report (quarterly or annual) and the date of this report that relates to the interim financial statements and any other financial information that is included in the interim period reports, that would change the conclusion of the Board of Directors and Management with respect to the effectiveness of the internal control over the Company's financial reporting and disclosure.

The foregoing does not derogate from my responsibility or the responsibility of any other person under any law.

Gadi Atias

CFO

August 13, 2025